

Ingersoll-Rand plc
Form DEF 14A
April 20, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Ingersoll-Rand plc

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:

- 2) Aggregate number of securities to which transaction applies:

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

- 4) Proposed maximum aggregate value of transaction:

- 5) Total fee paid:

Fee previously paid with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:

- 2) Form, Schedule or Registration Statement No.

3) Filing Party:

4) Date Filed:

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Ingersoll-Rand plc

U.S. Mailing Address:

Registered in Ireland No. 469272

One Centennial Avenue

Piscataway, NJ 08854

(732) 652-7000

NOTICE OF 2011 ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of Ingersoll-Rand plc (the Company) will be held on Thursday, June 2, 2011, at 2:30 p.m., local time, at Adare Manor Hotel, Adare, County Limerick, Ireland, to consider and vote upon the following proposals:

1. By separate resolutions, to re-elect as directors for a period of 1 year expiring at the end of the Annual General Meeting of Shareholders of Ingersoll-Rand plc in 2012, the following 11 individuals:

<ol style="list-style-type: none">(a) Ann C. Berzin(b) John Bruton(c) Jared L. Cohon(d) Gary D. Forsee(e) Peter C. Godsoe(f) Edward E. Hagenlocker	<ol style="list-style-type: none">(g) Constance J. Horner(h) Michael W. Lamach(i) Theodore E. Martin(j) Richard J. Swift(k) Tony L. White
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2. To approve a new Senior Executive Performance Plan.

3. To consider an advisory vote relating to the Company's compensation of its named executive officers.

4. To consider an advisory vote on whether an advisory vote on executive compensation should be held every one, two or three years.

5. To authorize the Company and/or any subsidiary of the Company to make market purchases of company shares.

6. To approve the appointment of PricewaterhouseCoopers as independent auditors of the Company and authorize the Audit Committee of the Board of Directors to set the auditors' remuneration.

7. To conduct such other business properly brought before the meeting.

Only shareholders of record as of the close of business on April 6, 2011, are entitled to receive notice of and to vote at the Annual General Meeting.

Directions to the meeting can be found in [Appendix A](#) of the attached Proxy Statement.

Whether or not you plan to attend the meeting, please provide your proxy by either using the internet or telephone as directed in the accompanying proxy card or filling in, signing, dating, and promptly mailing the accompanying proxy card in the enclosed envelope.

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By Order of the Board of Directors,

BARBARA A. SANTORO

Vice President Corporate Governance and Secretary

Registered Office:

170/175 Lakeview Dr.

Airside Business Park

Swords, Co. Dublin

Ireland

IF YOU ARE A SHAREHOLDER WHO IS ENTITLED TO ATTEND AND VOTE, THEN YOU ARE ENTITLED TO APPOINT A PROXY OR PROXIES TO ATTEND AND VOTE ON YOUR BEHALF. A PROXY IS NOT REQUIRED TO BE A SHAREHOLDER IN THE COMPANY. IF YOU WISH TO APPOINT AS PROXY, ANY PERSON OTHER THAN THE INDIVIDUALS SPECIFIED ON THE PROXY CARD, PLEASE CONTACT THE COMPANY SECRETARY AT OUR REGISTERED OFFICE.

The Notice of Internet Availability of Proxy Materials or this notice, the Proxy Statement and the Annual Report are first being mailed to shareholders on or about April 22, 2011.

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Ingersoll-Rand plc

U.S. Mailing Address:

One Centennial Avenue
Piscataway, NJ 08855
(732) 652-7000

PROXY STATEMENT

INFORMATION CONCERNING VOTING AND SOLICITATION

In this Proxy Statement, Ingersoll Rand, the Company, we, us and our refer to Ingersoll-Rand plc, an Irish public limited company, or, for any information prior to July 1, 2009, to Ingersoll-Rand Company Limited, a Bermuda company. This Proxy Statement and the enclosed proxy card are first being mailed to you on or about April 22, 2011.

Why Did I Receive This Proxy Statement?

We sent you this Proxy Statement, together with the enclosed proxy card, because our Board of Directors is soliciting your proxy to vote at the Annual General Meeting of Shareholders to be held on June 2, 2011. This Proxy Statement summarizes the information you need to know to vote on an informed basis.

Why Are There Two Sets Of Financial Statements Covering The Same Fiscal Period?

Under applicable U.S. securities laws, we are required to send to you our Form 10-K for our fiscal year ended December 31, 2010, which includes our financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP). These financial statements are included in the mailing of this Proxy Statement. Under Irish company law, we are required to provide you with our Irish Statutory Accounts for our 2010 fiscal year, including the reports of our Directors and auditors thereon, which accounts have been prepared in accordance with Irish law. The Irish Statutory Accounts will be made available on the Company s website at <http://investor.shareholder.com/ir/downloads.cfm> and will be laid before the Annual General Meeting of Shareholders to be held on June 2, 2011.

How Do I Attend The Annual General Meeting?

All shareholders are invited to attend the Annual General Meeting. **Either an admission ticket or proof of ownership of the Company s ordinary shares, as well as a form of personal identification, must be presented in order to be admitted to the Annual General Meeting.** If you are a shareholder of record, your admission ticket is attached to the enclosed proxy card. If you plan to attend the Annual General Meeting, please vote your proxy, but keep the admission ticket and bring it to the Annual General Meeting together with a form of personal identification.

If your shares are held in the name of a bank, broker or other holder of record and you plan to attend the Annual General Meeting, you must present proof of your ownership of the Company s ordinary shares, such as a bank or brokerage account statement, together with a form of personal identification to be admitted to the Annual General Meeting. If you would rather have an admission ticket, you can obtain one in advance by mailing a written request, **along with proof of your ownership of the Company s ordinary shares**, to:

Secretary

Ingersoll-Rand plc

170/175 Lakeview Dr.

Airside Business Park

Swords, Co. Dublin

Ireland

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No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted at the Annual General Meeting.

Who May Vote?

You are entitled to vote if you owned the Company's ordinary shares at the close of business on April 6, 2011, which we refer to as the record date. At that time, there were 331,081,433 of the Company's ordinary shares outstanding and entitled to vote. Each share of the Company's ordinary shares that you own entitles you to one vote on all matters to be voted on a poll at the Annual General Meeting.

How Do I Vote?

Shareholders of record can cast their votes by proxy by:

using the internet and voting at the website as directed on the enclosed proxy card;

calling the telephone number provided on the enclosed proxy card; or

completing, signing and returning the enclosed proxy card.

To vote your shares directly, you may attend the Annual General Meeting and cast your vote in person or you may appoint a proxy (who does not have to be a shareholder) to attend the Annual General Meeting on your behalf and cast your vote in accordance with the instructions which you have given on your proxy.

Shareholders who hold their shares through a bank, brokerage firm or nominee must vote their shares in the manner prescribed by such bank, brokerage firm or nominee. If you hold your shares through a bank, brokerage firm or nominee and wish to vote in person at the Annual General Meeting, you must obtain a legal proxy from the bank, brokerage firm or nominee that holds your shares. You will need to bring the legal proxy with you to the meeting and hand it in with a signed ballot that you can request at the meeting. You will not be able to vote your shares at the Annual General Meeting without a legal proxy and a signed ballot. Even if you plan to attend the Annual General Meeting, we recommend that you also vote by proxy as described above so that your vote will be counted if you later decide not to attend the meeting.

The internet and telephone voting procedures are designed to authenticate votes cast by use of a control number contained on the enclosed proxy card. The procedures allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. If you are a shareholder of record and you would like to vote by using the internet or telephone, please refer to the specific instructions contained on the enclosed proxy card. If you vote by using the internet or telephone, you do not need to return the enclosed proxy card. In order to be timely processed, an internet or telephone vote must be received by 5:00 p.m. Eastern Time on June 1, 2011.

How May Employees Vote Under Our Employee Plans?

If you participate in the Ingersoll-Rand Company Employee Savings Plan, the Ingersoll-Rand Company Employee Savings Plan for Bargained Employees, the Ingersoll-Rand Retirement Savings Plan for Participating Affiliates in Puerto Rico or the Trane 401(k) and Thrift Plan, then you may be receiving these materials because of shares held for you in those plans. In that case, you may use the enclosed proxy card to instruct the plan trustees of those plans how to vote your shares, or give those instructions over the internet. They will vote these shares in accordance with your instructions and the terms of the plan.

If you do not provide voting instructions for shares held for you in any of these plans, the plan trustees will vote these shares in the same ratio as the shares for which voting instructions are provided.

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May I Revoke My Proxy?

You may revoke your proxy at any time *before it is voted at the Annual General Meeting* in any of the following ways:

by notifying the Company's Secretary in writing: c/o Ingersoll-Rand plc, 170/175 Lakeview Dr., Airside Business Park, Swords, Co. Dublin, Ireland;

by submitting another properly signed proxy card with a later date or another internet or telephone proxy at a later date; or

by voting in person at the Annual General Meeting.

You may not revoke a proxy merely by attending the Annual General Meeting. To revoke a proxy, you must take one of the actions described above.

How Will My Proxy Get Voted?

If you properly complete, sign and date the enclosed proxy card and send it to us or properly deliver your proxy over the telephone or the internet, your proxy holder (one of the individuals named on the enclosed proxy card) will vote your shares as you have directed. Under the rules of The New York Stock Exchange (NYSE), if your broker or nominee is a member of the NYSE and holds your shares in its name (i.e., if you are the beneficial owner of shares held in street name), the broker or nominee may vote your shares on Item 6 (routine matter) if it does not receive instructions from you. However, your broker or nominee may not vote your shares on Items 1, 2, 3, 4 and 5 (non-routine matters) if it does not receive instructions from you and, accordingly, such shares will not be counted as votes for or against the non-routine matters, but rather will be regarded as votes withheld and will not be counted in the calculation of votes for or against the resolution.

If you are a shareholder of record and you do not specify on the enclosed proxy card that is sent to the Company (or when giving your proxy over the internet or telephone) how you want to vote your shares, then the Company-designated proxy holders will vote your shares in the manner recommended by our Board of Directors on all matters presented in this Proxy Statement and as the proxy holders may determine in their discretion regarding any other matters properly presented for a vote at the meeting.

What Constitutes A Quorum?

The presence (in person or by proxy) of shareholders entitled to exercise a majority of the voting power of the Company on the record date is necessary to constitute a quorum for the conduct of business. Abstentions and broker non-votes (shares held by a broker or nominee that are represented at the Annual General Meeting, but with respect to which the broker or nominee is not empowered to vote on a proposal) are treated as shares present for the purposes of determining whether a quorum exists.

What Vote Is Required To Approve Each Proposal?

The affirmative vote of a majority of the Company's ordinary shares represented and voting at the Annual General Meeting is required to approve each of Items 1, 2, 3, 5 and 6. The affirmative vote of a plurality of the Company's ordinary shares represented and voting at the Annual General Meeting is required to approve Item 4.

Although abstentions and broker non-votes are counted as shares present at the Annual General Meeting for the purpose of determining whether a quorum exists, they are not counted as votes cast either for or against the resolution and, accordingly, will not affect the outcome of the vote.

Who Pays The Expenses Of This Proxy Statement?

We have hired Georgeson Inc. to assist in the distribution of proxy materials and the solicitation of proxies for a fee estimated at \$19,100, plus out-of-pocket expenses. Proxies will be solicited on behalf of our Board of

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Directors by mail, in person and by telephone. We will bear the cost of soliciting proxies. We will also reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy materials to the persons for whom they hold shares.

How Will Voting On Any Other Matter Be Conducted?

Although we do not know of any matters to be presented or acted upon at the Annual General Meeting other than the items described in this Proxy Statement, if any other matter is proposed and properly presented at the Annual General Meeting, the proxy holders will vote on such matters in accordance with their best judgment.

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PROPOSALS REQUIRING YOUR VOTE

Item 1. Election of Directors

The Company uses a majority of votes cast standard for the election of directors in elections. A majority of the votes cast means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee. Under our articles of association, if a director is not re-elected in a director election, the director shall retire at the close or adjournment of the Annual General Meeting.

Each director of the Company, other than Mr. Orin R. Smith, is being nominated for election for a one-year term expiring at the end of the 2012 Annual General Meeting or until their successors, if any, are elected and qualified. In accordance with the Company's Corporate Governance Guidelines, Mr. Smith, who has reached the mandatory retirement age of 75, will retire from the Board of Directors at the end of the 2011 Annual General Meeting. Mr. Smith has been a director of the Company since 1995. Mr. Smith's distinguished career, including as chairman and chief executive officer (from 1995 to 2000) of Engelhard Corporation, a leading global specialty chemicals and engineered materials firm, has provided a wealth of insight for the Company's operational and financial affairs as well as an expert resource in the areas of applied technology and product innovation. His other board memberships within the past five years have included service with Applied Biosystems Inc. and Vulcan Materials Company.

The Board of Directors recommends a vote FOR the directors nominated for election listed under proposals 1(a) through (k) below.

(a) **Ann C. Berzin** age 59, director since 2001

Chairman and Chief Executive Officer of Financial Guaranty Insurance Company (insurer of municipal bonds and structured finance obligations), a subsidiary of General Electric Capital Corporation, from 1992 to 2001.

Current Directorships:

Constellation Energy Group, Inc.

Kindred Healthcare, Inc.

Other Directorships Held in the Past Five Years: None

Ms. Berzin's extensive experience in finance at a global diversified industrial firm and her expertise in complex investment and financial products and services bring critical insight to the company's financial affairs, including its borrowings, capitalization, and liquidity. In addition, Ms. Berzin's relationships across the global financial community strengthen Ingersoll Rand's access to capital markets. Her board memberships provide deep understanding of trends in the energy and healthcare sectors, both of which present ongoing challenges and opportunities for Ingersoll Rand.

(b) **John Bruton** age 63, director since February 2010

European Union Commission Head of Delegation to the United States from 2004-2009.

Prime Minister of the Republic of Ireland from 1994-1997.

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Current Directorships:

Montpelier Re Holding Ltd.

Other Directorships Held in the Past Five Years: None

Mr. Bruton's long and successful career of public service on behalf of Ireland and Europe provides extraordinary insight into critical regional and global economic, social and political issues, all of which directly influence the successful execution of the company's strategic plan. In particular, Mr. Bruton's leadership role in transforming Ireland into one of the world's leading economies during his tenure as

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well as in preparing the governing document for managing the Euro lend substantial authority to Ingersoll Rand's economic and financial oversight.

(c) **Jared L. Cohon** age 63, director since 2008

President of Carnegie Mellon University since 1997 and also appointed Professor of Civil and Environmental Engineering and Professor of Engineering and Public Policy.

Dean of the School of Forestry and Environmental Studies at Yale University from 1992 to 1997.

Faculty member in the Department of Geography and Environmental Engineering at Johns Hopkins University from 1973 to 1992 where he also held various administrative positions, including Vice Provost for Research.

Current Directorships:

Lexmark, Inc.

Other Directorships Held in the Past Five Years:

Mellon Financial Services Corporation

Trane Inc.

Other Activities:

Appointed by President George W. Bush to serve on his Homeland Security Advisory Council in 2002 and reappointed in 2010 by President Barack Obama.

Dr. Cohon's extensive career in academics, including 13 years as president of an institution known throughout the world for its leadership in the fields of computer science, robotics, and advanced-technology teaching and research, offers the company tremendous insight into the latest developments in areas critical to commercial innovation and manufacturing process improvement. As an authority on environmental and water resource systems analysis, Dr. Cohon also brings unique perspectives on sustainable business practices, both within our own operations and on behalf of our customers and communities. In 2008 and 2009, at the request of Congress, Dr. Cohon chaired the National Research Council Committee that produced the report, "Hidden Costs of Energy: Unpriced Consequences of Energy Production and Use." Finally, Dr. Cohon's more than nine years of service as a member of Trane Inc.'s board of directors provides critical insight into that part of the company's business.

(d) **Gary D. Forsee** age 61, director since 2007

President, University of Missouri System from 2008-2011.

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Chairman of the Board (from 2006-2007) and Chief Executive Officer (from 2005-2007) of Sprint Nextel Corporation.

Chairman of the Board and Chief Executive Officer of Sprint Corporation from 2003 to 2005.

Vice Chairman Domestic Operations of BellSouth Corporation from 2002 to 2003.

Vice Chairman and President of BellSouth International from 2001 to 2002.

Current Directorships:

Great Plains Energy Inc.

Other Directorships Held in the Past Five Years:

Goodyear Tire & Rubber Co.

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Sprint Nextel Corporation

Other Activities:

Trustee, National Board of Trustees, Boy Scouts of America

Trustee, Midwest Research Institute

Executive Advisory Board, Wind Point Partners

In addition to his broad operational and financial expertise, Mr. Forsee's experience as chairman and chief executive officer with the third largest U.S. firm in the global telecommunications industry offers a deep understanding of the challenges and opportunities within markets experiencing significant technology-driven change. His recent role as president of a major university system provides insight into the company's talent development initiatives, which remain a critical enabler to Ingersoll Rand's long-term success. Mr. Forsee's membership on the board of an energy services utility also benefits the company as it seeks to achieve more energy efficient operations and customer solutions.

(e) **Peter C. Godsoe** age 72, director since 1998

Chairman of the Board and Chief Executive Officer of The Bank of Nova Scotia (a Canadian-based international bank) from 1995 until retirement in 2004.

Current Directorships:

Onex Corporation

Rogers Communications Inc.

Other Directorships Held in the Past Five Years:

Barrick Gold Corporation

Fairmont Hotels & Resorts Inc.

Lonmin plc

Sobeys Inc.

Templeton Emerging Markets Investment Trust plc

Other Activities:

Director, Perimeter Institute for Theoretical Physics

Director, Canadian Council of Christians and Jews

Director, Mount Sinai Hospital

Director, The Warranty Group

Mr. Godsoe's nearly four decades of experience with a major Canadian bank, including a decade as its chairman and chief executive officer, brings valuable discernment to all aspects of Ingersoll Rand's financial affairs. His international perspective provides important insight into global financial markets and his deep understanding of financial instruments lends critical guidance for the company's financing arrangements and overall financial position. The company also benefits from Mr. Godsoe's board memberships, which comprise or have comprised mining, telecommunications and private equity firms that enhance our visibility into key economic trends and technological developments.

(f) **Edward E. Hagenlocker** age 71, director since 2008

Vice-Chairman of Ford Motor Company from 1996 until his retirement in 1999.

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Chairman of Visteon Automotive Systems from 1997 to 1999.

Current Directorships:

Air Products and Chemicals, Inc.

AmeriSourceBergen Corporation

Other Directorships Held in the Past Five Years:

Alcatel-Lucent

Lucent Technologies Inc.

Office Max Corporation

Trane Inc.

Mr. Hagenlocker's nearly 35 years in the automotive industry, including experience as the vice chairman of the largest independent U.S. automotive company and as chairman of a major automotive systems supplier, brings to Ingersoll Rand extensive expertise in global manufacturing, engineering, design, marketing and channel management, as well as consumer-focused business disciplines. Mr. Hagenlocker's seven years of service as a member of Trane Inc.'s board of directors provides critical insight into that part of the company's business. In addition, his board memberships include businesses engaged in the manufacture of specialty and atmospheric gases for industrial processes, which provides insight into new technologies for our operations, and pharmaceutical distribution and services, which enhances our understanding of trends and developments in the healthcare sector.

(g) **Constance J. Horner** age 69, director since 1994

Guest Scholar at the Brookings Institution from 1993 to 2005.

Commissioner of U.S. Commission on Civil Rights from 1993 to 1998.

Assistant to the President and Director of Presidential Personnel from 1991 to 1993.

Deputy Secretary, U.S. Department of Health and Human Services from 1989 to 1991.

Current Director of:

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Pfizer Inc.

Prudential Financial, Inc.

Other Directorships Held in the Past Five Years: None

Other Activities:

Trustee, The Prudential Foundation

Fellow, National Academy of Public Administration

Ms. Horner's substantial leadership experience and public-policy expertise resulting from her service in two presidential administrations and several U.S. government departments provide Ingersoll Rand with important perspective on matters that directly affect the company's operations and financial affairs. In particular, Ms. Horner has deep insight into employee relations, talent development, diversity, operational management and healthcare through her leadership positions at various federal departments and commissions. Ms. Horner's board memberships afford ongoing engagement in the areas of healthcare, risk management and financial services, all of which have a direct influence on Ingersoll Rand's success.

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(h) **Michael W. Lamach** age 47, Chairman since June 2010 and director since February 2010

President and Chief Executive Officer (since February 2010) of the Company.

President and Chief Operating Officer of the Company from February 2009 to February 2010.

Senior Vice President and President, Trane Commercial Systems, of the Company from June 2008 to September 2009.

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Questions and Answers about the Exchange Offer

If you hold your shares of Preferred Stock through a bank, broker or other nominee, in order to validly tender your shares of Preferred Stock in the Exchange Offer, you must follow the instructions provided by your broker, securities dealer, custodian, commercial bank, trust company or other nominee with regard to procedures for tendering, in order to enable your broker, securities dealer, custodian, commercial bank, trust company or other nominee to comply with the procedures described below. **Beneficial owners are urged to appropriately instruct their broker, securities dealer, custodian, commercial bank, trust company or other nominee at least five business days prior to the expiration date in order to allow adequate processing time for their instruction.**

In order for a broker, securities dealer, custodian, commercial bank, trust company or other nominee to validly tender your shares of Preferred Stock in the Exchange Offer, such broker, securities dealer, custodian, commercial bank, trust company or other nominee must deliver to the Exchange Agent an electronic message that will contain:

- Ø your acknowledgment and agreement to, and agreement to be bound by, the terms of the accompanying letter of transmittal; and
- Ø a timely confirmation of book-entry transfer of your shares of Preferred Stock into the Exchange Agent's account.

Should you have any questions as to the procedures for tendering your shares of Preferred Stock, please call your broker, securities dealer, custodian, commercial bank, trust company or other nominee; or call the Information Agent.

WE ARE NOT PROVIDING FOR GUARANTEED DELIVERY PROCEDURES AND, THEREFORE, YOU MUST ALLOW SUFFICIENT TIME FOR THE NECESSARY TENDER PROCEDURES TO BE COMPLETED DURING NORMAL BUSINESS HOURS OF DTC ON OR PRIOR TO THE EXPIRATION DATE.

See The Exchange Offer Procedures for Tendering Shares of Preferred Stock.

DO I HAVE A CHOICE IN WHETHER TO TENDER MY PREFERRED STOCK?

Yes. Holders of Preferred Stock are not required to tender their Preferred Stock pursuant to this prospectus. All rights and obligations pursuant to which each series of Preferred Stock was issued will continue with respect to the Preferred Stock that remains outstanding after the expiration date.

MAY I TENDER ONLY A PORTION OF THE PREFERRED STOCK THAT I HOLD?

Yes. You may choose to tender in the Exchange Offer all or any portion of the Preferred Stock that you hold.

WHAT ARE THE CONSEQUENCES OF NOT EXCHANGING MY PREFERRED STOCK?

After the completion of the Exchange Offer, we intend to delist any remaining shares of our Preferred Stock from trading on the NYSE and, to the extent permitted by law, we intend to deregister any such remaining shares under the Exchange Act. The delisting of any such remaining shares, the reduction in the number of shares of Preferred Stock available for trading and our suspension of dividends on Preferred Stock may have a significant and adverse effect on the liquidity of any trading market for, and the price of, shares of Preferred Stock not exchanged in the Exchange

Offer. Therefore, if you do not exchange your Preferred Stock in the Exchange Offer, your shares of Preferred Stock may become illiquid for an indefinite period of time.

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Questions and Answers about the Exchange Offer

WILL WE PAY DIVIDENDS ON PREFERRED STOCK THAT REMAINS OUTSTANDING AFTER THE COMPLETION OF THE EXCHANGE OFFER?

The Agreement we entered into with the Fed requires, among other things, that we obtain the approval of the Fed before we pay dividends, including dividends on the Preferred Stock. We cannot determine if or when we may pay such dividends in the future. On July 30, 2009, we announced the suspension of dividends on our Common Stock, Preferred Stock and previously outstanding Series F Preferred Stock, which was sold to the U.S. Treasury on January 16, 2009, effective with the preferred dividend for August 2009. We have not paid dividends on the Preferred Stock since August 2009. Resumption of the payment of dividends on our Preferred Stock also will require us to conclude that their payment will not affect our capital position. Furthermore, we are generally not obligated or required to pay dividends on Preferred Stock and no such dividends can be paid unless they are declared by our board of directors out of funds legally available for payment.

WILL THE COMMON STOCK TO BE ISSUED IN THE EXCHANGE OFFER BE LISTED FOR TRADING?

We will file an application with the NYSE to list the shares of our Common Stock to be issued in the Exchange Offer. For more information regarding the market for our Common Stock, see [Market Price, Dividend and Distribution Information](#).

IS THE CORPORATION MAKING A RECOMMENDATION REGARDING WHETHER I SHOULD TENDER IN THE EXCHANGE OFFER?

We are not making any recommendation regarding whether you should tender or refrain from tendering your Preferred Stock in the Exchange Offer. Accordingly, you must make your own determination as to whether to tender your Preferred Stock in the Exchange Offer and, if so, the number of shares of Preferred Stock to tender. Before making your decision, we urge you to carefully read this prospectus in its entirety, including the information set forth in the [Risk Factors](#) section of this prospectus and all documents incorporated by reference herein.

WILL I HAVE TO PAY ANY FEES OR COMMISSIONS IF I TENDER MY PREFERRED STOCK?

Tendering holders are not obligated to pay brokerage fees or commissions to us or to the Dealer Manager, the Exchange Agent or the Information Agent. If your shares of Preferred Stock are held through a broker, securities dealer, custodian, commercial bank, trust company or other nominee who tenders the Preferred Stock on your behalf, your broker, securities dealer, custodian, commercial bank, trust company or other nominee may charge you a commission for doing so. You should consult with your broker, securities dealer, custodian, commercial bank, trust company or other nominee to determine whether any charges will apply.

WILL THE CORPORATION RECEIVE ANY CASH PROCEEDS FROM THE EXCHANGE OFFER?

No. The Corporation will not receive any cash proceeds from the Exchange Offer.

WILL THE EXCHANGE OFFER TRIGGER ANY ANTI-DILUTION RIGHTS?

Both BNS and the U.S. Treasury have anti-dilution rights.

Pursuant to the terms of the Stockholder Agreement, dated August 24, 2007, by and between us and BNS (the Stockholder Agreement), for as long as BNS beneficially owns at least 5% of our outstanding Common Stock, BNS has an anti-dilution right and a right of first refusal. For example, if we were to issue all 256,401,610 shares of Common Stock in the Exchange Offer, BNS would be entitled under its anti-dilution right to acquire up to 28,476,121 additional shares of our Common Stock at a price equal to the price per share at which the shares of our Common Stock were issued in the Exchange Offer, subject to the

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Questions and Answers about the Exchange Offer

consent of the Federal Reserve. If BNS declines to exercise any part of its anti-dilution right and we issue 256,401,610 shares of Common Stock in the Exchange Offer, BNS's beneficial ownership would be reduced to approximately 2.65%. See Agreement with The Bank of Nova Scotia.

In addition, the U.S. Treasury has an anti-dilution right relating to the warrant that it acquired at the same time that it acquired shares of our Series F Preferred Stock in January 2009. This right will be triggered if the value of the Preferred Stock exchanged for Common Stock in the Exchange Offer, as determined by our board of directors, is equal to less than 90% of the market value of the Common Stock as determined pursuant to the terms of the warrant. At the time we exchanged the Series F Preferred Stock for Series G Preferred Stock, we issued to the U.S. Treasury an amended and restated warrant to replace the original warrant. Like the original warrant, the amended and restated warrant has an anti-dilution right that requires an adjustment to the exercise price for, and the number of shares underlying, the warrant. This adjustment will be necessary under various circumstances, including if we issue shares of Common Stock for consideration per share that is lower than the initial conversion price of the Series G Preferred Stock, or \$0.7252. See Agreement with the U.S. Treasury.

WILL THE EXCHANGE OFFER AFFECT OUR REGULATORY CAPITAL RATIOS?

No. The Exchange Offer itself will not affect our Total capital or Tier 1 capital. These ratios will only be affected if BNS exercises its anti-dilution right under the Stockholder Agreement and acquires shares of our Common Stock. See Agreement with The Bank of Nova Scotia. However, the Exchange Offer will improve our tangible common equity ratio and our Tier 1 common equity to risk-weighted assets ratio, which are non-GAAP financial measures used by financial analysts, investment bankers and others to evaluate capital adequacy.

WILL THE CORPORATION NEED TO RAISE ADDITIONAL CAPITAL AFTER THE COMPLETION OF THE EXCHANGE OFFER?

We also intend to conduct a Capital Raise, given the continuing difficult economic conditions in Puerto Rico and the other markets in which we operate and the potential for future credit losses. Even if we are able to complete a Capital Raise, the Corporation expects to undertake additional efforts to raise capital through a rights offering and possibly a sale of additional shares of Common Stock in an offering later in 2010. No assurance can be given that any of these additional offerings will be completed.

If BNS continues to own at least 5% of our outstanding shares of Common Stock at the time of any such sale of Common Stock, it can exercise its anti-dilution right and right of first refusal in connection with any such offering. No assurance can be given that any issuance of shares of Common Stock in an offering will be possible at an acceptable price, or that BNS will exercise its anti-dilution right or right of first refusal in the event of an offering, or that the Federal Reserve will approve any such purchase by BNS. If BNS exercises its anti-dilution right or right of first refusal in connection with an offering, the NYSE listing requirements may require us to, once again, seek stockholder approval of the issuance of shares of our Common Stock to BNS. See Agreement with The Bank of Nova Scotia.

WHAT ARE THE TAX CONSEQUENCES OF MY PARTICIPATING IN THE EXCHANGE OFFER?

We anticipate that no gain or loss will be recognized upon completion of the Exchange Offer by any persons subject to United States federal or Puerto Rico income tax.

WHO CAN I TALK TO IF I HAVE QUESTIONS?

If you have questions regarding the Exchange Offer, please contact the Dealer Manager or the Information Agent at the addresses and telephone numbers included on the back cover of this prospectus.

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Summary

The following summary highlights material information contained in this prospectus. It may not contain all of the information that is important to you and is qualified in its entirety by the more detailed information included or incorporated by reference into this prospectus. Before deciding to exchange your securities for shares of our Common Stock, you should carefully consider the information contained in or incorporated by reference into this prospectus, including the information set forth under the heading Risk Factors starting on page 26 in this prospectus.

THE CORPORATION

First BanCorp is a publicly-owned financial holding company that is subject to regulation, supervision and examination by the Federal Reserve. The Corporation was incorporated under the laws of the Commonwealth of Puerto Rico to serve as the bank holding company for FirstBank Puerto Rico (FirstBank or the Bank). The Corporation controls two wholly-owned subsidiaries: FirstBank and FirstBank Insurance Agency, Inc. (FirstBank Insurance Agency), through which we operate a total of 176 branches, stand-alone offices and in-branch service centers throughout Puerto Rico, the United States and British Virgin Islands and the state of Florida specializing in commercial banking, residential mortgage loan originations, finance leases, personal loans, small loans, auto loans and insurance agency services. FirstBank is a Puerto Rico-chartered commercial bank and FirstBank Insurance Agency is a Puerto Rico-chartered insurance agency. FirstBank is subject to the supervision, examination and regulation of both the Office of the Commissioner of Financial Institutions of the Commonwealth of Puerto Rico and the FDIC. Deposits are insured through the FDIC Deposit Insurance Fund. In addition, within FirstBank, the operations in the U.S. Virgin Islands are subject to regulation and examination by the United States Virgin Islands Banking Board; in the British Virgin Islands, operations are subject to regulation by the British Virgin Islands Financial Services Commission. As of June 30, 2010, First BanCorp had approximately \$18.1 billion in assets, \$12.7 billion in deposits and \$1.4 billion in stockholders equity.

The Corporation s principal executive offices are located at 1519 Ponce de Leon Avenue, Stop 23, Santurce, Puerto Rico 00908, and its telephone number is (787) 729-8200.

REGULATORY AGREEMENTS

The Corporation entered into the Agreement with the Fed dated June 3, 2010 and our subsidiary, FirstBank, agreed to the Order with the FDIC and the OCIF dated June 2, 2010. Pursuant to these Agreements, the Corporation and FirstBank have agreed to take certain actions designed to improve their financial condition. These actions include the adoption and implementation of various plans, procedures and policies related to their capital, lending activities, liquidity and funds management and strategy. In addition, the Order requires FirstBank to develop and adopt a plan to attain a leverage ratio of at least 8%, a Tier 1 capital to risk-weighted assets ratio of at least 10% and a Total capital to risk-weighted assets ratio of at least 12%, and obtain approval prior to issuing, increasing, renewing or rolling over brokered deposits. The Agreement also requires the Corporation to obtain the approval of the Fed prior to paying dividends, receiving dividends from FirstBank, incurring, increasing or guaranteeing any debt, or purchasing or redeeming any stock, to comply with certain notice provisions prior to appointing any new directors or senior executive officers and to comply with certain restrictions on severance payments and indemnification.

Concurrently with the issuance by the FDIC of its Order, the FDIC granted FirstBank a temporary waiver through June 30, 2010 to enable it to continue accessing the brokered deposit market. FirstBank has obtained an additional waiver through September 30, 2010. FirstBank will request waivers for future periods although no assurance can be given that the FDIC will continue to issue such waivers. Any failure to obtain a future waiver would have a

significantly adverse effect on FirstBank, which has relied on brokered deposits to fund a major part of its operations and had, as of June 30, 2010, \$7.1 billion in brokered deposits outstanding, representing approximately 56% of our total deposits. For more information about the Agreements, see Regulatory Agreements.

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Table of Contents**THE EXCHANGE OFFER**

We decided to conduct this Exchange Offer to improve our capital structure given the continuing difficult economic conditions in the markets in which we operate and the evolving regulatory environment. We must increase our common equity to provide additional protection against the future recognition of additional loan loss reserves against our loan portfolio and credit losses associated with the disposition of non-performing assets due to the current economic situation in Puerto Rico and the United States that has impacted the Corporation's asset quality and earnings performance. Total non-performing loans to total loans increased to 12.40% as of June 30, 2010 from 11.23% as of December 31, 2009 and from 8.94% as of June 30, 2009. The Exchange Offer will strengthen our capital position if it is successful. Our Tier 1 capital will only be affected if BNS decides to exercise its anti-dilution right under the Stockholder Agreement and acquires shares of our Common Stock. See Agreement with The Bank of Nova Scotia. The Exchange Offer will improve the Corporation's Tier 1 common equity to risk-weighted assets ratio and tangible common equity to tangible assets ratio, which, as of June 30, 2010, were 2.86% and 2.57%, respectively. If 70% of our outstanding shares of Preferred Stock is exchanged in the Exchange Offer, which is the Corporation's targeted success rate for the Exchange Offer, our Tier 1 common equity ratio and tangible common equity ratio as of June 30, 2010 on a pro forma basis after giving effect to the Exchange Offer would have been 5.92% and 4.70%, respectively. Our Tier 1 common equity would be strengthened by \$385 million based on a 70% success rate for the exchange. See Regulatory and Other Capital Ratios Reconciliation of Tangible Common Equity and Tangible Assets and Regulatory and Other Capital Ratios Reconciliation of Common Stockholders' Equity (GAAP) to Tier 1 Common Equity (Non-GAAP). We believe that the Exchange Offer will enhance our long-term financial stability and improve our ability to operate in the current economic environment. In addition, it will improve our ability to access the capital markets in order to fund strategic initiatives or other business needs and to absorb any future credit losses. See The Exchange Offer Purpose of the Exchange Offer. Finally, if holders of \$385 million of the liquidation preference of the Preferred Stock tender their shares of Preferred Stock in the Exchange Offer, we raise \$500 million of additional capital, and the holders of our Common Stock approve amendments to our Articles of Incorporation, within nine months of the July 7, 2010 date of our agreement with the U.S. Treasury, we will meet the substantive conditions necessary for us to compel the U.S. Treasury to convert into Common Stock the shares of a new series of Series G Preferred Stock that we issued to the U.S. Treasury in exchange for the \$400 million liquidation value of our Series F Preferred Stock, and accrued and unpaid dividends. See Agreement with the U.S. Treasury.

ADDITIONAL EFFORTS THE CORPORATION IS TAKING TO IMPROVE ITS CAPITAL

We have assured our regulators that we are committed to raising capital and we have submitted capital plans to our regulators regarding how we plan to raise capital. In addition to this Exchange Offer, we have been taking steps to implement strategies to increase tangible common equity and regulatory capital through (1) a Capital Raise, (2) the conversion into Common Stock of the shares of Series G Preferred Stock, subject to the satisfaction of the conditions to such conversion, and (3) a rights offering to common stockholders. With respect to a Capital Raise, we are seeking to raise at least \$500 million of equity because we believe that amount would enable us to absorb possible additional losses based on a worst case evaluation of possible losses over the next five years while maintaining the capital ratios required for a well-capitalized financial institution as well as those required by the FDIC's Order. We expect to amend this Prospectus to disclose any material developments relating to a Capital Raise that occur prior to the expiration date of the Exchange Offer. If we complete a Capital Raise, we expect to issue rights to the holders of our currently outstanding 92,542,722 shares of Common Stock that entitle them to acquire one share of Common Stock for each share of Common Stock they own at a price equal to the purchase price in a Capital Raise. No assurance can be given that we will complete a Capital Raise, the conversion of the Series G Preferred Stock or a rights offering.

Our inability to complete the Exchange Offer would hinder our efforts to sell Common Stock in a Capital Raise. If we need to continue to recognize significant reserves and we cannot complete a Capital

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Raise, the Corporation and FirstBank may not be able to comply with the minimum capital requirements included in the capital plans required by the Agreements. These capital plans, which are subject to the approval of our regulators, set forth our plan to attain the capital ratio requirements set forth in the Order over time. In addition to a Capital Raise, the capital plans contemplate alternative capital preservation strategies, including among other things, an accelerated deleverage strategy and the divestiture of profitable businesses. If, at the end of any quarter, we do not comply with any specified minimum capital ratios, we must notify our regulators. The Corporation must notify the Fed within 30 days of the end of any quarter of its inability to comply with a capital ratio requirement and submit an acceptable written plan that details the steps it will take to comply with the requirement. FirstBank must immediately notify the FDIC of its inability to comply with a capital ratio requirement and, within 45 days, it must either increase its capital to comply with the ratio requirements or submit a contingency plan to the FDIC for its sale, merger, or liquidation. In the event of a liquidation of FirstBank, the holders of any outstanding preferred stock would rank senior to the holders of our Common Stock with respect to rights upon any liquidation of the Corporation.

AGREEMENT WITH THE U.S. TREASURY RELATING TO THE CONVERSION OF THE SERIES G PREFERRED STOCK

On July 20, 2010, we issued to the U.S. Treasury shares of Series G Preferred Stock in exchange for our Series F Preferred Stock, which had a liquidation preference of \$400 million, and accrued and unpaid dividends on the Series F Preferred Stock. The Series G Preferred Stock has similar terms (including the same liquidation preference), but is convertible, as described below, into approximately 380.2 million shares of Common Stock based on an initial conversion rate of 896.3045 shares of Common Stock for each share of Series G Preferred Stock (calculated by dividing \$650, or a discount of 35% from the \$1,000 liquidation preference per share of Series G Preferred Stock, by the initial conversion price of \$0.7252 per share, which is subject to adjustment). See Agreement with the U.S. Treasury.

IMPACT OF ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK ON PARTICIPANTS IN THE EXCHANGE OFFER

Participants in the Exchange Offer would be significantly diluted if we issue additional shares of Common Stock other than through the Exchange Offer. These additional issuances include: (i) the possible issuance of shares of Common Stock in a Capital Raise at a price significantly below the book value per share of Common Stock as of June 30, 2010 of \$5.48; (ii) the possible issuance of shares of Common Stock upon conversion of the Series G Preferred Stock; and (iii) the possible issuance of additional shares of Common Stock to BNS pursuant to its anti-dilution right, subject to the consent of the Federal Reserve (see Agreement with The Bank of Nova Scotia).

Our issuance of 256,401,610 shares of Common Stock in the Exchange Offer would reduce on a pro forma basis our loss per share for the six-month period ended June 30, 2010 from \$2.27 to \$0.60 and our book value per share as of June 30, 2010 from \$5.48 to \$3.03. If, subsequent to our issuance of 256,401,610 shares of Common Stock in the Exchange Offer, we were to issue shares of Common Stock to the U.S. Treasury upon conversion of the Series G Preferred Stock, to investors in a Capital Raise and to BNS, we estimate that we would issue approximately 1.43 billion additional shares based on (i) our agreement with the U.S. Treasury and (ii) a sale in a Capital Raise of \$500 million at a per-share price of \$0.57, the market price of our Common Stock on July 14, 2010. Accordingly, our loss per share for the six-month period ended June 30, 2010 and our book value per share as of June 30, 2010 would be reduced on a pro forma basis to \$0.12 and \$1.16, respectively. Such additional issuances of shares of Common Stock would decrease the voting power of participants in the Exchange Offer from 73% after the completion of the Exchange Offer, assuming all of the Preferred Stock is tendered, to 14% if approximately 1.68 billion shares of Common Stock are issued in a Capital Raise, to the U.S. Treasury and to BNS upon its exercise in full of its anti-dilution right. Finally, the additional issuances of shares of Common Stock may adversely impact the market price of our Common Stock.

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The participants in the Exchange Offer may also experience additional dilution upon the exercise by the U.S. Treasury of its warrant. The Corporation has outstanding a warrant held by the U.S. Treasury to purchase 5,842,259 shares of Common Stock. If this warrant is exercised, the issuance of shares of Common Stock would further reduce the loss per share, book value per share and voting power of the participants in the Exchange Offer. In addition, as of June 30, 2010, there are approximately 2,073,200 shares of Common Stock underlying options granted to employees pursuant to the 1997 Stock Option Plan. The holders of these options are unlikely to exercise their options because the weighted average exercise price was \$13.24 as of June 30, 2010.

At this time, we expect that any investor in a Capital Raise would acquire less than 10% of our outstanding shares to avoid being considered a bank holding company under the Bank Holding Company Act of 1956. If the Series G Preferred Stock is converted into Common Stock, the U.S. Treasury would acquire approximately 21% of our Common Stock, assuming approximately 1.68 billion shares are issued in the Exchange Offer, in the Capital Raise, to the U.S. Treasury and to BNS. Any such ownership would give the U.S. Treasury the ability to influence stockholder matters in a manner that may conflict with the interests of other holders of Common Stock.

REGULATORY AND OTHER CAPITAL RATIOS⁽¹⁾

The following table sets forth our capital ratios as of June 30, 2010 on an as reported basis, as well as on a pro forma basis after giving effect to the Exchange Offer. The pro forma ratios presented reflect (i) completion of the Exchange Offer under the Low Participation Scenario and (ii) completion of the Exchange Offer under the High Participation Scenario. This table should be read in conjunction with the information set forth under Selected Financial Data, Unaudited Pro Forma Financial Information, Regulatory and Other Capital Ratios and our consolidated audited financial statements set forth in our Form 10-Q for the quarter ended June 30, 2010, which are incorporated by reference into this prospectus. See also Risk Factors.

		As of June 30, 2010	
		Pro forma for Exchange Offer	Pro forma for Exchange Offer
	As reported	(Low)⁽²⁾	(High)⁽³⁾
Total capital (Total capital to risk-weighted assets)	13.35%	13.35%	13.35%
Tier 1 capital ratio (Tier 1 capital to risk-weighted assets)	12.05	12.05	12.05
Leverage (Tier 1 capital to average assets)	8.14	8.14	8.14
Tangible common equity (Tangible common equity to tangible assets)	2.57	4.09	5.31
Tier 1 common (Tier 1 common equity to risk-weighted assets)	2.86	5.05	6.80

(1) The tangible common equity ratio is a non-GAAP financial measure. It is not prepared in accordance with generally accepted accounting principles in the United States (GAAP). The tangible common equity ratio is generally used by financial analysts and investment bankers to evaluate capital adequacy. The ratio of Tier 1 common equity to risk-weighted assets is a non-GAAP financial measure used by the Federal Reserve in

connection with the stress test administered to the 19 largest U.S. bank holding companies under the SCAP, the results of which were announced on May 7, 2009. For a reconciliation of these non-GAAP financial measures to U.S. GAAP, see Regulatory and Other Capital Ratios Reconciliation of Tangible Common Equity and Tangible Assets and Regulatory and Other Capital Ratios Reconciliation of Common Stockholders Equity (GAAP) to Tier 1 Common Equity (Non-GAAP).

- (2) *The Low Participation Scenario assumes (i) the exchange of 50% of the outstanding shares of Preferred Stock (\$275.05 million aggregate liquidation preference) for 128,200,805 shares of our Common Stock, and (ii) a Relevant Price of \$1.18 per share.*

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- (3) *The High Participation Scenario* assumes (i) the exchange of 90% of the outstanding shares of Preferred Stock (\$495.09 million aggregate liquidation preference) for 230,761,449 shares of our Common Stock, and (ii) a Relevant Price of \$1.18 per share.

DIVIDEND SUSPENSION ON COMMON STOCK AND PREFERRED STOCK

On July 30, 2009, we announced the suspension of dividends on our Common Stock, Preferred Stock and previously outstanding Series F Preferred Stock effective with the preferred dividend for August 2009. We are generally not obligated or required to pay dividends on our Common Stock or preferred stock and no such dividends can be paid unless they are declared by our board of directors out of funds legally available for payment. Moreover, the Agreement with the Fed requires us to obtain its approval before we pay any dividends. Furthermore, our board of directors cannot declare, set apart or pay any dividends on shares of our Common Stock unless (i) any accrued and unpaid dividends on our Preferred Stock for the twelve monthly dividend periods ending on the immediately preceding dividend payment date have been paid or are paid contemporaneously and the full monthly dividend on our Preferred Stock for the then current month has been or is contemporaneously declared and paid or declared and set apart for payment and, (ii) with respect to our Series G Preferred Stock, any accrued and unpaid dividends for past dividend periods, including the latest completed dividend period, on all outstanding shares of Series G Preferred Stock have been declared and paid in full.

ANTI-DILUTION RIGHTS THAT MAY BE TRIGGERED BY THE EXCHANGE OFFER

Both BNS and the U.S. Treasury have anti-dilution rights. BNS's anti-dilution right will be triggered by the Exchange Offer. If BNS exercises its anti-dilution right, BNS would be entitled to acquire up to that number of shares of Common Stock that would enable it to maintain its percentage interest in the Corporation, or up to 28,476,121 additional shares of our Common Stock if we issue 256,401,610 shares in the Exchange Offer, at a price equal to the price per share at which the shares of our Common Stock were issued in the Exchange Offer. The U.S. Treasury has an anti-dilution right relating to the warrant that it acquired at the same time that it acquired shares of our Series F Preferred Stock in January 2009. This right will be triggered if the value of the Preferred Stock exchanged for Common Stock in the Exchange Offer, as determined by our board of directors, is equal to less than 90% of the market value of the Common Stock as determined pursuant to the terms of the warrant. At the time we exchanged the Series F Preferred Stock for Series G Preferred Stock, we issued to the U.S. Treasury an amended and restated warrant to replace the original warrant. Like the original warrant, the amended and restated warrant has an anti-dilution right that requires an adjustment to the exercise price for, and the number of shares underlying, the warrant. This adjustment will be necessary under various circumstances, including if we issue shares of Common Stock for consideration per share that is lower than the initial conversion price of the Series G Preferred Stock, or \$0.7252. See Agreement with the U.S. Treasury and Agreement with The Bank of Nova Scotia.

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Summary of Terms of the Exchange Offer

Exchange Offer

We are offering to issue up to 256,401,610 newly issued shares of our Common Stock in exchange for any and all of the issued and outstanding shares of Preferred Stock, validly tendered and not validly withdrawn on or prior to the expiration date, upon the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal (including, if the Exchange Offer is extended or amended, the terms and conditions of any such extension or amendment).

For each share of Preferred Stock that we accept for exchange in accordance with the terms of the Exchange Offer, we will issue a number of shares of our Common Stock having the aggregate dollar value (based on the Relevant Price) equal to the Exchange Value set forth in the table below.

Depending on the trading price of our Common Stock compared to the Relevant Price, the market value of the Common Stock we issue in exchange for each share of Preferred Stock we accept for exchange may be less than, equal to or greater than the applicable Exchange Value referred to below.

Set forth below is a table that shows, with respect to each series of Preferred Stock, the aggregate liquidation preference outstanding, the liquidation preference per share of Preferred Stock and the applicable Exchange Value for each series.

CUSIP	Title of securities	Aggregate liquidation preference outstanding	Liquidation preference per share	Exchange Value
318672201	7.125% Noncumulative Perpetual Monthly Income Preferred Stock, Series A	\$90,000,000	\$ 25	\$ 13.75
318672300	8.35% Noncumulative Perpetual Monthly Income Preferred Stock, Series B	\$75,000,000	\$ 25	\$ 13.75
318672409	7.40% Noncumulative Perpetual Monthly Income Preferred Stock, Series C	\$103,500,000	\$ 25	\$ 13.75
318672508	7.25% Noncumulative Perpetual Monthly Income Preferred Stock, Series D	\$92,000,000	\$ 25	\$ 13.75
318672607	7.00% Noncumulative Perpetual Monthly Income Preferred Stock, Series E	\$189,600,000	\$ 25	\$ 13.75

See The Exchange Offer Terms of the Exchange Offer and The Exchange Offer Procedures for Tendering Shares of Preferred Stock.

Purpose of the Exchange Offer

We are conducting this Exchange Offer to improve our capital structure given the continuing difficult economic conditions in the markets in which we operate and the evolving regulatory environment. We believe that the Exchange Offer will enhance our long-term financial stability and improve our ability to operate in the current economic environment. In addition, it will improve our ability to access the capital markets in order to fund strategic initiatives or other business needs and to

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absorb any future credit losses. Finally, if holders of \$385 million of the liquidation preference of the Preferred Stock tender their shares of Preferred Stock in the Exchange Offer, we raise \$500 million of additional capital, and the holders of our Common Stock approve amendments to our Articles of Incorporation, within nine months of the July 7, 2010 date of our agreement with the U.S. Treasury, we will meet the substantive conditions necessary for us to compel the U.S. Treasury to convert into Common Stock the shares of Series G Preferred Stock that we issued to the U.S. Treasury in exchange for the \$400 million liquidation value of our Series F Preferred Stock, and accrued and unpaid dividends. See Agreement with the U.S. Treasury.

Consideration Offered in the Exchange Offer

We are offering to exchange up to 256,401,610 newly issued shares of our Common Stock for outstanding shares of Preferred Stock, on the terms and subject to the conditions set forth in this prospectus and in the accompanying letter of transmittal.

As of August 13, 2010, we had approximately 92.5 million shares of Common Stock outstanding.

Our acceptance of validly tendered shares of Preferred Stock for exchange is subject to the terms and conditions of the Exchange Offer. We will promptly return any securities that are not accepted for exchange, such as, because the tender is not in proper form or our acceptance of the tender would be unlawful, in our opinion, following the expiration of the Exchange Offer. We will promptly return all tendered securities following termination of the Exchange Offer.

For each share of Preferred Stock that we accept for exchange in accordance with the terms of the Exchange Offer, we will issue a number of shares of our Common Stock having the aggregate dollar value (based on the Relevant Price) equal to the Exchange Value set forth in the table under The Exchange Offer Terms of the Exchange Offer Offer Consideration, subject to the Minimum Share Price limitation.

Depending on the trading price of our Common Stock compared to the Relevant Price described above, the market value of the Common Stock we issue in exchange for each share of Preferred Stock we accept for exchange may be less than, equal to or greater than the relevant Exchange Value referred to above.

If the Minimum Share Price is used to determine the exchange ratio, 11.6525 shares of Common Stock will be issued in exchange for each share of Preferred Stock that we accept for tender in the Exchange Offer; the market value of those shares will be less than the applicable Exchange Value if the trading price of our Common Stock is below \$1.18 per share.

We are not making a recommendation as to whether you should exchange your shares of Preferred Stock in the

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Exchange Offer. We have not retained, and do not intend to retain, any unaffiliated representatives to act solely on behalf of the holders of the shares of Preferred Stock for purposes of negotiating the Exchange Offer or preparing a report concerning the fairness of the Exchange Offer. You must make your own independent decision regarding your participation in the Exchange Offer.

Publication of Exchange Ratio Information

Throughout the Exchange Offer, the indicative average VWAP, the Minimum Share Price, the resultant indicative Relevant Price, and the indicative exchange ratios will be available at www.firstbankpr.com, by clicking on Exchange Offer in the Investor Relations section at this address, and from the Information Agent, at one of its numbers listed on the back cover page of this prospectus. We will announce the final exchange ratio for each series of Preferred Stock prior to 9:00 a.m., New York City time, on the business day immediately succeeding the second business day prior to the expiration date of the Exchange Offer, and those final exchange ratios will also be available by that time at www.firstbankpr.com, by clicking on Exchange Offer in the Investor Relations section at this address, and from the Information Agent. No additional information on our website is deemed to be part of or incorporated by reference into this prospectus.

Expiration Date

The Exchange Offer will expire at 9:30 a.m., New York City time, on August 25, 2010 unless the Exchange Offer is extended or earlier terminated by us. The term "expiration date" means such date and time or, if an Exchange Offer is extended, the latest date and time to which the Exchange Offer is so extended.

Fractional Shares

We will not issue fractional shares of our Common Stock in the Exchange Offer and no cash will be paid for fractional shares. Instead, the number of shares of Common Stock received by each holder whose shares of Preferred Stock are accepted for exchange in the Exchange Offer will be rounded down to the nearest whole number.

Settlement Date

The settlement date with respect to the Exchange Offer will be a date promptly following the expiration date. We currently expect the settlement date to be three trading days after the expiration date.

Withdrawal Rights

You may withdraw previously tendered shares of Preferred Stock at any time before the expiration date of the Exchange Offer. In addition, you may withdraw any shares of Preferred Stock that you tender that are not accepted by us for exchange after the expiration of 40 business days after the commencement of the Exchange Offer. See "The Exchange Offer - Withdrawal of Tenders."

Conditions to the Exchange Offer

Our obligation to issue shares of our Common Stock in exchange for shares of Preferred Stock in the Exchange Offer is subject to a number of conditions that must be satisfied or

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waived by us, including, among others, (i) pursuant to NYSE listing requirements, the approval by the holders of our Common Stock to the issuance of up to 256,401,610 shares of Common Stock upon the exchange of Preferred Stock in the Exchange Offer, (ii) the approval by the holders of our Common Stock of an amendment to our Articles of Incorporation to reduce the par value of a share of Common Stock from \$1.00 to \$0.10 per share, if necessary to issue shares of Common Stock in the Exchange Offer (the reduction will be necessary to complete the Exchange Offer if, for example, the market value of a share of Preferred Stock tendered in the exchange is less than \$10 at a time when the market value of the Common Stock would result in the issuance of more than 10 shares per tendered share of Preferred Stock), and (iii) the absence of any change or development (affecting our business or otherwise) that in our reasonable judgment may materially reduce the anticipated benefits to us of the Exchange Offer or that has had, or could reasonably be expected to have, a material adverse effect on us or our businesses, financial condition, operations or prospects. See *The Exchange Offer Conditions of the Exchange Offer*.

Extensions; Waivers and Amendments;
Termination

Subject to applicable law, we reserve the right to: (1) extend the Exchange Offer; (2) waive any and all conditions to or amend the Exchange Offer in any respect, including amending the Exchange Value or the Minimum Share Price; or (3) terminate the Exchange Offer. Any extension, waiver, amendment or termination will be followed as promptly as practicable by a public announcement thereof, such announcement in the case of an extension to be issued no later than 9:00 a.m., New York City time, on the next business day after the last previously scheduled expiration date. See *The Exchange Offer Expiration Date; Extension; Termination; Amendment*.

Procedures for Tendering Shares of
Preferred Stock

Certain shares of Preferred Stock were issued in book-entry form, and are currently represented by one or more global certificates held for the account of DTC. If your securities are book entry securities, you may tender your shares of Preferred Stock by transferring them through ATOP or following the other procedures described under *The Exchange Offer Procedures for Tendering Shares of Preferred Stock*.

If you hold your shares of Preferred Stock through a broker, securities dealer, custodian, commercial bank, trust company or other nominee, in order to validly tender your shares of Preferred Stock in the Exchange Offer, you must follow the instructions provided by your broker, securities dealer, custodian, commercial bank, trust company or other nominee with regard to procedures for tendering, in order to enable your broker, securities dealer, custodian, commercial bank, trust company or other nominee to comply with the procedures described below.

Beneficial owners are urged to instruct appropriately their broker, securities dealer, custodian, commercial bank, trust

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company or other nominee at least five business days prior to the expiration date in order to allow adequate processing time for their instruction.

In order for a broker, securities dealer, custodian, commercial bank, trust company or other nominee to tender validly your shares of Preferred Stock in the Exchange Offer, such broker, securities dealer, custodian, commercial bank, trust company or other nominee must deliver to the Exchange Agent an electronic message that will contain:

Ø your acknowledgment and agreement to, and agreement to be bound by, the terms of the accompanying letter of transmittal; and

Ø a timely confirmation of book-entry transfer of your shares of Preferred Stock into the Exchange Agent's account.

Should you have any questions as to the procedures for tendering your shares of Preferred Stock, please call your broker, securities dealer, custodian, commercial bank, trust company or other nominee; or call the Information Agent.

On the date of any tender for exchange, if your interest in shares of Preferred Stock is in certificated form, you must do each of the following in order to validly tender for exchange:

Ø complete and manually sign the accompanying letter of transmittal provided by the Information Agent, or a facsimile of the letter of transmittal, and deliver the signed letter to;

Ø surrender the certificates for your shares of Preferred Stock to the Information Agent;

Ø if required, furnish appropriate endorsements and transfer documents; and

Ø if required, pay all transfer or similar taxes.

You may obtain copies of the required form of the letter of transmittal from the Exchange Agent.

WE ARE NOT PROVIDING FOR GUARANTEED DELIVERY PROCEDURES AND, THEREFORE, YOU MUST ALLOW SUFFICIENT TIME FOR THE NECESSARY TENDER PROCEDURES TO BE COMPLETED DURING NORMAL BUSINESS HOURS OF DTC ON OR PRIOR TO THE EXPIRATION DATE.

TENDERS RECEIVED BY THE EXCHANGE AGENT AFTER THE EXPIRATION DATE WILL BE DISREGARDED AND HAVE

NO EFFECT.

See The Exchange Offer Procedures for Tendering Shares of Preferred Stock.

United States Federal Income Tax Considerations

For United States federal income tax purposes: (i) the exchange of shares of Preferred Stock for shares of our Common Stock

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pursuant to the Exchange Offer will be treated as a recapitalization within the meaning of Section 368(a)(1)(E) of the Internal Revenue Code of 1986, as amended, and (ii) it is intended that this prospectus, in combination with the related letter of transmittal, will constitute a plan of reorganization, within the meaning of Treasury Regulation Section 1.368-2(g). Therefore, we anticipate that no gain or loss will be recognized upon completion of the Exchange Offer by any persons subject to United States federal income tax. See Certain Material U.S. Federal Income Tax Considerations. Each holder should consult its own tax advisor regarding the U.S. federal, state, local, and foreign income and other tax consequences of exchanging shares of Preferred Stock for shares of our Common Stock and of owning and disposing of shares of our Common Stock.

Puerto Rico Income Tax Considerations For Puerto Rico income tax purposes: (i) the exchange of the shares of Preferred Stock for shares of our Common Stock pursuant to the Exchange Offer will be treated as a recapitalization within the meaning of Section 1112(g)(1)(E) of the Puerto Rico Internal Revenue Code of 1994, as amended (the PR Code) and (ii) it is intended that this prospectus, in combination with the related letter of transmittal, will constitute a plan of reorganization, within the meaning of Article 1112(g)-2(i) of the Regulations under the PR Code. Therefore, we anticipate that no gain or loss will be recognized upon completion of the Exchange Offer by any persons subject to Puerto Rico income tax. See Taxation Certain Puerto Rico Tax Considerations. Each holder should consult its own tax advisor regarding the application to its particular circumstances of the Puerto Rico income tax consequences as well as the application of any, state, local and foreign income and other tax consequences of exchanging the shares of Preferred Stock for our Common Stock and of owning and disposing of our Common Stock.

Consequences of Not Exchanging Shares of Preferred Stock Shares of Preferred Stock not exchanged in the Exchange Offer will remain outstanding after completion of the Exchange Offer. The reduction in the number of shares available for trading after completing the Exchange Offer, our suspension of the payment of dividends on Preferred Stock since August 2009, our inability to pay any dividends without Fed approval under the Agreement, our delisting of any remaining shares of Preferred Stock from trading on the NYSE and, to the extent permitted by law, the deregistration of any such remaining shares under the Exchange Act may have a significant and adverse effect on the liquidity of any trading market for, and the price of, such shares of Preferred Stock and may result in the shares of Preferred Stock being illiquid for an indefinite period of time.

Comparison of Rights There are material differences between the rights of holders of our Common Stock and holders of preferred stock. See

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Description and Comparison of Preferred Stock, Series G Preferred Stock and Common Stock Rights.

Appraisal/Dissenters Rights

No appraisal or dissenters rights are available to holders of shares of Preferred Stock under applicable law in connection with the Exchange Offer.

Market Trading

Our Common Stock is traded on the NYSE under the symbol FBP. The last reported closing price of our Common Stock on August 17, 2010, the last trading day prior to the date of this prospectus, was \$0.52 per share. We will file an application with the NYSE to list the shares of our Common Stock to be issued in the Exchange Offer. The shares of Preferred Stock are traded on the NYSE. After the completion of the Exchange Offer, we intend to delist any remaining shares of our Preferred Stock from trading on the NYSE.

Brokerage Commissions

No brokerage commissions are payable by the holders of the shares of Preferred Stock to the Dealer Manager, the Exchange Agent and Information Agent or us.

Soliciting Dealer Fee

With respect to any tender of a series of shares of Preferred Stock, we will pay the relevant soliciting dealer a fee not to exceed 0.50% of the aggregate liquidation preference or liquidation amount, as applicable, of all securities accepted for exchange. See The Exchange Offer Soliciting Dealer Fee.

Dealer Manager

UBS Securities LLC

Exchange Agent and Information Agent

BNY Mellon Shareowner Services

Further Information

If you have questions about any of the terms of the Exchange Offer, please contact the Dealer Manager or the Information Agent. If you have questions regarding the procedures for tendering your shares of Preferred Stock, please contact your broker, securities dealer, custodian, commercial bank, trust company or other nominee; or contact the Exchange Agent and Information Agent. The contact information for the Dealer Manager and the Information Agent and Exchange Agent is set forth on the back cover page of this prospectus.

As required by the Securities Act of 1933, as amended, First BanCorp filed a registration statement (No. 333-165252) relating to the Exchange Offer with the Securities and Exchange Commission. This document is a part of that registration statement, which includes additional information. See also Where You Can Find More Information.

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Risk Factors

You should carefully consider the risks described below and all of the information contained in or incorporated by reference into this prospectus before you decide whether to participate in the Exchange Offer.

RISK RELATING TO OUR BUSINESS

Our banking subsidiary is operating under a Consent Order with the FDIC and OCIF and the Corporation is operating under a Written Agreement with the Federal Reserve Bank of New York.

On June 4, 2010, we announced that FirstBank has agreed to a Consent Order (the Order) issued by the FDIC and OCIF dated June 2, 2010, and the Corporation has entered into a Written Agreement with the Fed dated June 3, 2010 (collectively, the Agreements). These Agreements stem from the FDIC's examination as of the period ended June 30, 2009 conducted during the second half of 2009.

Under the Order, the Bank has agreed to address specific areas through the adoption and implementation of procedures, plans and policies designed to improve the safety and soundness of the Bank. These actions include, among others, that the Bank will have and retain qualified management and have active Board participation in the affairs of the Bank, develop and adopt a plan to attain a leverage ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 10% and a total risk-based capital ratio of at least 12%, reduce the level of special mention and classified assets and delinquent and non-accrual loans, develop a funds management plan, which includes a reduction in the reliance on brokered deposits, obtain approval prior to the issuance of any brokered deposits and report quarterly on the Bank's progress in meeting the requirements of the Order.

The Written Agreement, which is designed to enhance the Corporation's ability to act as a source of strength to the Bank, requires that the Corporation obtain Fed approval before paying dividends, receiving dividends from the Bank, making payments on subordinated debt or trust preferred securities, incurring or guaranteeing debt or purchasing or redeeming any corporate stock. The Written Agreement also requires the Corporation to submit to the Fed a capital plan and progress reports, comply with certain notice provisions prior to appointing new directors or senior executive officers and comply with certain payment restrictions on severance payments and indemnification restrictions.

We anticipate that we will need to continue to dedicate significant resources to our efforts to comply with these Agreements, which may increase operational costs or adversely affect the amount of time our management has to conduct our operations. Our inability to complete the Exchange Offer or the conversion of the Series G Preferred Stock into Common Stock within the nine-month period required by our agreement with the U.S. Treasury would hinder our efforts to sell Common Stock in a Capital Raise. If we need to continue to recognize significant reserves and we cannot complete a Capital Raise, or cannot accomplish other alternate capital preservation strategies contemplated, including among others, an accelerated deleverage strategy and the divestiture of profitable businesses the Corporation and FirstBank may not be able to comply with the minimum capital requirements included in the capital plans required by the Agreements. These capital plans, which we have submitted but are subject to the approval of our regulators, set forth our plan to attain the capital ratio requirements set forth in the Order over time. If, at the end of any quarter, we do not comply with any specified minimum capital ratios, we must notify our regulators. The Corporation must notify the Fed within 30 days of the end of any quarter of its inability to comply with a capital ratio requirement and submit an acceptable written plan that details the steps it will take to comply with the requirement. FirstBank must immediately notify the FDIC of its inability to comply with a capital ratio requirement and, within 45 days, it must either increase its capital to comply with the ratio requirements or submit a contingency plan to the FDIC for its sale, merger, or liquidation. In the event of a liquidation of FirstBank, the holders of any

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Risk Factors