

ORIENTAL FINANCIAL GROUP INC

Form DEF 14A

June 01, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**SCHEDULE 14A  
(RULE 14a-101)  
INFORMATION REQUIRED IN  
PROXY STATEMENT**

**SCHEDULE 14A INFORMATION  
Proxy Statement Pursuant to Section 14(a)  
of the Securities Exchange Act of 1934**

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

**Oriental Financial Group Inc.**

**(Name of Registrant as Specified in its Charter)**

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

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:

- o Fee paid previously with preliminary materials.
- o 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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Dear Shareholder:

You are cordially invited to attend the special meeting of shareholders (the Special Meeting ) of Oriental Financial Group Inc., a financial holding company and corporation organized in the Commonwealth of Puerto Rico (the Company ), which will be held at our main executive offices located at the Oriental Center, Professional Offices Park, 997 San Roberto Street, 8<sup>th</sup> Floor, San Juan, Puerto Rico, on Wednesday, June 30, 2010. The Special Meeting will begin promptly at 9:00 a.m. (EST).

The specific proposal being submitted to shareholders at the Special Meeting relates to our Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series C ( Series C Preferred Stock ) which we sold in April 2010 for \$200 million to a limited number of investors who qualified as accredited investors under the Securities Act of 1933, as amended. In order to comply with the New York Stock Exchange requirements, at the Special Meeting, shareholders will be asked to consider and vote on a proposal to approve the issuance of additional shares of our common stock which would be issued upon conversion of the Series C Preferred Stock. If shareholder approval is not obtained by September 15, 2010, then the Company is subject to certain significant penalties. Shareholders will also be asked to consider and vote on a proposal to approve the adjournment or postponement of the Special Meeting to a later date, if necessary, to solicit additional proxies. These matters are described more fully in the accompanying proxy statement, which you are urged to read thoroughly.

Your Board of Directors recommends a vote **FOR** the proposals.

A special meeting of shareholders is different from an annual meeting of shareholders. A special meeting is called and held for the sole purpose of taking action on the proposals brought before the meeting. At the upcoming meeting, therefore, the shareholders will be asked to vote upon the specific proposals discussed above and no general business presentation or report is planned. Also, the realities of a modern day proxy are such that almost all shareholders submit their voting instructions in advance of the meeting and as a result it is anticipated that the meeting will only last a few minutes. It is not expected that a large turn-out of management or Board members will be required.

Details of the business to be conducted at the Special Meeting are given in the attached Notice of Special Meeting of Shareholders and the attached proxy statement.

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Whether or not you plan to attend the Special Meeting, please complete, sign, date and return the enclosed proxy card promptly in the accompanying reply envelope. If you decide to attend the Special Meeting and wish to change your proxy vote, you may do so automatically by voting in person at the Special Meeting.

We look forward to seeing you at the Special Meeting.

BY ORDER OF THE BOARD OF  
DIRECTORS

José J. Gil de Lamadrid  
Chairman

June 1, 2010  
San Juan, Puerto Rico

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**ORIENTAL FINANCIAL GROUP INC.**

Oriental Center, Professional Offices Park

997 San Roberto Street, 8<sup>th</sup> Floor

San Juan, Puerto Rico 00926

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**Special Meeting Date: June 30, 2010**

Notice is hereby given that a special meeting (the Special Meeting ) of shareholders of Oriental Financial Group Inc, a financial holding company and corporation organized in the Commonwealth of Puerto Rico (the Company ), is scheduled to be held at Oriental Center, Professional Offices Park, 997 San Roberto Street, 8<sup>th</sup> Floor, San Juan, Puerto Rico, commencing at 9:00 a.m. (EST) on Wednesday, June 30, 2010, to consider and vote upon the following matters described in this notice and the accompanying proxy statement:

1. to approve, for purposes of the rules of the New York Stock Exchange, the issuance of the shares of the Company s common stock, par value \$1.00 per share (the Common Stock ) issuable upon conversion of the Company s Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series C (the Series C Preferred Stock ) that equals or exceeds 20% of the voting power or the number of shares of the Company s Common Stock outstanding before the issuance of the Series C Preferred Stock; and
2. to approve the adjournment or postponement of the Special Meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient proxies given prior to the time of the Special Meeting to constitute a quorum for purpose of the Special Meeting or to solicit additional proxies in favor of the approval of Proposal No. 1.

These matters are described more fully in the accompanying proxy statement, which you are urged to read thoroughly. Our Board of Directors recommends a vote **FOR** each of Proposals No. 1 and No. 2.

The Board of Directors has fixed the close of business on May 24, 2010 as the record date for determination of shareholders entitled to receive notice of and to vote at the Special Meeting or any adjournment or postponement thereof, and only record holders of Common Stock at the close of business on that day will be entitled to vote. On the record date, 33,044,483 shares of the Company s Common Stock were issued and outstanding. In order to constitute a quorum for the conduct of business at the Special Meeting, it is necessary that holders of a majority of all outstanding shares of the Company s Common Stock be present in person or represented by proxy.

**TO ASSURE REPRESENTATION AT THE SPECIAL MEETING, SHAREHOLDERS ARE URGED TO RETURN A PROXY AS PROMPTLY AS POSSIBLE EITHER BY VOTING THROUGH THE INTERNET OR TELEPHONE OR BY SIGNING, DATING, AND**

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RETURNING A PROXY CARD IN ACCORDANCE WITH THE ENCLOSED INSTRUCTIONS. ANY SHAREHOLDER ATTENDING THE SPECIAL MEETING MAY VOTE IN PERSON EVEN IF HE OR SHE PREVIOUSLY RETURNED A PROXY.

By order of the Board of Directors,

Carlos O. Souffront  
Corporate Secretary

San Juan, Puerto Rico  
June 1, 2010

**Important Notice Regarding the Availability of Proxy Materials for the Special Meeting to Be Held on Wednesday, June 30, 2010.** Our proxy statement and proxy card for the Special Meeting of Shareholders are available at <https://materials.proxyvote.com/68618w>.

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Appendix A      Certificate of Designations for the Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series C, par value \$1.00 per share.



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**ORIENTAL FINANCIAL GROUP INC.**

Oriental Center, Professional Offices Park  
997 San Roberto Street, 8<sup>th</sup> Floor  
San Juan, Puerto Rico 00926

**PROXY STATEMENT  
FOR THE SPECIAL MEETING OF SHAREHOLDERS  
To be held on June 30, 2010**

**GENERAL INFORMATION**

**Date, Time & Place**

This proxy statement is furnished in connection with the solicitation by the Board of Directors (the Board of Directors ) of Oriental Financial Group Inc. (the Company ), a financial holding company and corporation organized in the Commonwealth of Puerto Rico, of proxies to be voted at the special meeting of shareholders (the Special Meeting ) to be held on Wednesday, June 30, 2010 at 9:00 a.m. (EST), at our main executive offices located at Oriental Center, Professional Offices Park, 997 San Roberto Street, 8<sup>th</sup> Floor, San Juan, Puerto Rico, and at any adjournment or postponement thereof. This proxy statement and the enclosed proxy card and other enclosures are first being mailed to shareholders on or about June 1, 2010. Oriental Financial Group Inc. is sometimes hereinafter referred to as we, us or the Company.

**Record Date**

Only shareholders of record on May 24, 2010 (the Record Date ) are entitled to receive notice of and to vote at the Special Meeting or any adjournment or postponement thereof, and only record holders of common stock, par value \$1.00 per share (the Common Stock ), at the close of business on the Record Date will be entitled to vote.

**Purpose of the Special Meeting**

The matters to be considered and voted upon at the Special Meeting will be:

1. To approve, for purposes of the rules of the New York Stock Exchange (the NYSE ), the issuance of the shares of the Common Stock issuable upon
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conversion of the Company's Mandatorily Convertible Non-Cumulative Non-Voting Perpetual Preferred Stock, Series C (the Series C Preferred Stock) that equals or exceeds 20% of the voting power or the number of shares of the Company's Common Stock outstanding before the issuance of the Series C Preferred Stock; and

2. To approve the adjournment or postponement of the Special Meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient proxies given prior to the time of the Special Meeting to constitute a quorum for purpose of the Special Meeting or to solicit additional proxies in favor of the approval of Proposal No. 1.

The Company's Board of Directors recommends a vote **FOR** Proposal No. 1. The Company's Board of Directors also recommends that you vote **FOR** Proposal No. 2 if necessary to solicit additional proxies.

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**INFORMATION ABOUT THE SPECIAL MEETING AND VOTING**

**Who is entitled to vote?**

Each holder of Common Stock is entitled to one vote, in person or by proxy, for each share of Common Stock standing in his or her name on our books as of the Record Date on any matter submitted to the shareholders.

**What am I being asked to vote on at the Special Meeting?**

You will be asked to vote upon:

1. A proposal to approve, for purposes of the rules of the NYSE, the issuance of the shares of Common Stock issuable upon conversion of the Series C Preferred Stock that equals or exceeds 20% of the voting power or the number of shares of Common Stock outstanding before the issuance of the Series C Preferred Stock; and.
2. A proposal to approve the adjournment or postponement of the Special Meeting to a later date or dates, if necessary, to solicit additional proxies if there are insufficient proxies given prior to the time of the Special Meeting to constitute a quorum for purpose of the Special Meeting or to solicit additional proxies in favor of the approval of Proposal No. 1.

**What vote is necessary to approve Proposal No. 1 and Proposal No. 2?**

The rules of the NYSE require that Proposal No. 1 be approved by our shareholders representing a majority of the votes cast on the proposal (provided that the total votes cast on the proposal represents over 50% of the outstanding shares of our common stock entitled to vote on Proposal No. 1).

Proposal No. 2 must receive the affirmative vote of the majority of shares present in person or by proxy at the Special Meeting and entitled to vote in order to be approved.

**How does the Board of Directors recommend that I vote?**

The Board of Directors unanimously recommends that shareholders vote **FOR** the issuance of shares of Common Stock upon the conversion of our recently issued 200,000 shares of Series C Preferred Stock. The Board of Directors also recommends that you vote **FOR** any adjournment or postponement of the Special Meeting if necessary to solicit additional proxies.

**How many shares must be represented at the Special Meeting to constitute a quorum?**

The holders of a majority of the outstanding shares of Common Stock entitled to vote at the Special Meeting, present in person or by proxy, constitute a quorum. There must be a quorum for the Special Meeting to be held. Your shares will be counted for purposes of determining if there is a quorum, whether representing votes **FOR**, **AGAINST** or **ABSTAINED**, if you either (i) are present and vote in person at the Special Meeting, or (ii)

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have submitted a proxy on the Internet, by telephone or by properly submitting a proxy card or voting instruction form by mail.

**Who is paying the cost of solicitation of proxies?**

This solicitation of proxies is made on behalf of our Board of Directors and we will bear the costs of solicitation. The expense of preparing, assembling, printing and mailing this proxy statement and the materials used in this solicitation of proxies also will be borne by us. It is contemplated that proxies will be solicited principally through the mail, but our directors, officers and employees may solicit proxies personally or by telephone. Upon request, we will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for distributing these proxy materials to our shareholders. We have retained Georgeson Inc. to assist in the solicitation of proxies at a cost of approximately \$12,500.

**What is the difference between a holder of record and a beneficial owner of shares held in street name?**

*Holder of Record.* If your shares are registered directly in your name with our transfer agent, American Stock Transfer & Trust Company, LLC, you are considered the holder (or shareholder) of record with respect to those shares. As a holder of record, you should have received this proxy statement and a proxy card directly from us.

*Beneficial Owner of Shares Held in Street Name.* If your shares are held in an account at a brokerage firm, bank, broker-dealer, or other similar organization acting as a nominee, then you are considered the beneficial owner of shares held in street name. The organization holding your account is considered the holder of record for purposes of voting at the Special Meeting. As a beneficial owner, you have the right to direct that organization on how to vote the shares held in your account. Accordingly, you should have received this proxy statement and a voting instruction form from that organization.

**How can I vote?**

*Holders of Record.* If you are a holder of record, you may vote either in person at the Special Meeting, via the Internet (by following the instructions provided on the proxy card), by telephone (by calling the toll free number found on the proxy card), or by mail (by filling out the proxy card and returning it in the envelope provided).

*Beneficial Owner of Shares Held in Street Name.* If you hold your shares in street name, you should receive a voting instruction form from your brokerage firm, bank, broker-dealer or other similar organization acting as a nominee asking you how you want to vote your shares. If you do not, you should contact your brokerage firm, bank, broker-dealer or other similar organization acting as a nominee and obtain a voting instruction form from them. If you plan to attend the Special Meeting and vote your shares in person, you must contact your brokerage firm, bank, broker-dealer or other similar organization acting as a nominee in whose name your shares are registered to obtain a broker's proxy issued in your name and bring it to the Special Meeting in order to vote.

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**Why are we seeking shareholder approval of Proposal No. 1?**

On April 30, 2010, we raised \$200 million in a private placement issuance of 200,000 shares of our newly authorized Series C Preferred Stock to certain accredited investors (collectively, the Investors). The purpose of the private placement issuance was to bolster our capital in connection with an acquisition by our wholly-owned commercial bank subsidiary, Oriental Bank and Trust (Oriental Bank), of all of the retail deposits, certain assets and substantially all of the operations of Eurobank, a Puerto Rico commercial bank (Eurobank), from the Federal Deposit Insurance Corporation (the FDIC), as receiver for Eurobank.

Our Common Stock is listed on the NYSE, and, as a result, we are subject to the NYSE rules. NYSE Rule 312.03 requires shareholder approval prior to the issuance of common stock in any transaction or series of related transactions if (1) the common stock has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such stock or of securities convertible into or exercisable for common stock; or (2) the number of shares of common stock to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of shares of common stock outstanding before the issuance of the common stock or of securities convertible into or exercisable for common stock.

You are being asked to approve the issuance of up to 13,320,000 shares of our Common Stock upon conversion of the Series C Preferred Stock, because the Common Stock issuable upon conversion of the Series C Preferred Stock issuance, will exceed 20% of the number of shares of Common Stock outstanding before the issuance of the Series C Preferred Stock.

**Can I change or revoke my vote after I voted?**

*Holder of Record.* If you are a holder of record, you may change or revoke your vote at any time before it is counted at the Special Meeting by:

notifying our Secretary in writing that you wish to revoke your proxy at the following address: Oriental Financial Group Inc., P.O. Box 195115, San Juan, Puerto Rico 00919-5115;

attending the Special Meeting and voting in person; or

submitting a duly executed proxy card bearing a later date.

Attending the Special Meeting, by itself, will not automatically revoke your prior proxy. You must comply with one of the methods indicated above in order to revoke your proxy.

*Beneficial Owner of Shares Held in Street Name.* If you hold your shares in street name, please refer to the information in the materials provided by your brokerage firm, bank, broker-dealer or other similar organization acting as a nominee for an explanation of how to change or revoke your vote and of the effect of not indicating a vote.

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**What happens if I do not give specific voting instructions?**

*Holders of Record.* If you are a holder of record and you sign and return a proxy card without giving specific instructions, then the proxy holders will vote your shares in the manner recommended by the Board of Directors on all matters presented in this proxy statement and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the Special Meeting.

*Beneficial Owner of Shares Held in Street Name.* If you are a beneficial owner of shares held in street name and do not provide the organization that holds your shares with specific voting instructions, under the rules of various national and regional securities exchanges, the organization that holds your shares may generally vote on routine matters but cannot vote on non-routine matters. If the organization that holds your shares does not receive instructions from you on how to vote your shares on a non-routine matter, the organization that holds your shares will inform the inspector of election that it does not have the authority to vote on this matter with respect to your shares. This is generally referred to as a broker non-vote .

We believe each of the Proposals will be considered non-routine under the rules of the NYSE (which apply to brokers), and, therefore, there may be broker non-votes on each of the Proposals.

**How are broker non-votes treated?**

Broker non-votes are counted for purposes of determining whether a quorum is present. For the purpose of determining whether the shareholders have approved Proposal No. 1, broker non-votes can have the effect of a vote against the proposal if such broker non-vote results in the total number of votes cast on the proposal not representing over 50% of the outstanding shares of our Common Stock entitled to vote on the proposal. Broker non-votes will not have an effect on the outcome of Proposal No. 2.

**How are abstentions treated?**

Abstentions are counted for purposes of determining whether a quorum is present, and an abstention will have the same effect as a vote against the Proposals.

**How will voting on any other business be conducted?**

We do not know of any other business to be conducted at the Special Meeting. For holders of record, if any other business is presented at the Special Meeting, any of the persons named on the proxy card as your designated proxies may vote on that matter in his or her discretion. If you hold your shares in street name , please see the materials provided by your brokerage firm, bank, broker-dealer or other similar organization acting as a nominee for an explanation of how your shares will be voted on any other business. Any such matter must receive the affirmative vote of the majority of shares present in person or by proxy at the Special Meeting and entitled to vote in order to be approved (or any higher vote required by our Bylaws or the General Corporation Law of the Commonwealth of Puerto Rico) in order to be approved.

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**Can I attend the Special Meeting and vote in person?**

Any shareholder entitled to vote at the Special Meeting may attend the Special Meeting and vote in person. If you hold shares in street name and would like to attend the Special Meeting and vote in person, you must contact your brokerage firm, bank, broker-dealer or other similar organization acting as a nominee in whose name your shares are registered to obtain a broker's proxy issued in your name and bring it to the Special Meeting in order to vote.

**How can I obtain directions to attend the Special Meeting?**

If you need directions to be able to attend the Special Meeting and vote in person, please visit our website at [www.orientalfg.com](http://www.orientalfg.com) or contact Anreder & Company, our investor relations firm, at (212) 532-3232 or (800) 421-1003; email: [ofg@anreder.com](mailto:ofg@anreder.com).

**Who can help answer my questions?**

If you have questions about voting or the proposals described in this proxy statement, please call Georgeson Inc., our proxy solicitor, toll-free at (866) 695-6074.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement contains or incorporates statements that we believe are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Rule 175 promulgated thereunder, and Section 21E of the Securities Exchange Act of 1934, as amended, and Rule 3b-6 promulgated thereunder. These statements relate to our financial condition, results of operations, plans, objectives, future performance or business. They usually can be identified by the use of forward-looking language, such as will likely result, may, are expected to, is anticipated, estimate, forecast, projected, intends to, or may include other words or phrases, such as believes, plans, trend, objective, continue, remain, or similar expressions, or future or conditional verbs, such as will, would, should, could, might, can, or similar verbs. You should not place undue reliance on these statements, as they are subject to risks and uncertainties, including, but not limited to, those described in the documents incorporated by reference, including statements made in our most recent Annual Report on Form 10-K, as updated by our subsequently filed Quarterly Report on Form 10-Q and our Current Reports on Form 8-K. When considering these forward-looking statements, you should keep in mind these risks and uncertainties, as well as any cautionary statements we may make. Moreover, you should treat these statements as speaking only as of the date they are made and based only on information then actually known to us.

There are a number of important factors that could cause future results to differ materially from historical performance and these forward-looking statements. Factors that might cause such a difference include, but are not limited to:

our ability to integrate Eurobank and to achieve expected synergies, operating efficiencies or other benefits within expected time frames, or at all, or within expected cost projections;

our ability to integrate and retain depositors and borrowers of Eurobank;

our ability to manage the loan portfolio acquired from Eurobank within the limits of the loss protection provided by the FDIC;

changes in our borrowers' performance on loans;

changes in the commercial and consumer real estate markets;

changes in our costs of operation, compliance and expansion;

local, regional and national economic conditions;

substantial changes in levels of market interest rates, credit and other risks of lending; and

investment activities, competitive, and regulatory factors, legislative changes and accounting pronouncements.

We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect occurrences or unanticipated events or circumstances after the date of such statements. You should refer to our periodic and current reports filed with the Securities



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and Exchange Commission (the SEC ) for further information on other factors that could cause actual results to be significantly different from those expressed or implied by these forward-looking statement.

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**PROPOSAL NO. 1: APPROVAL OF THE ISSUANCE OF SHARES OF COMMON STOCK UPON CONVERSION OF THE SERIES C PREFERRED STOCK**

Proposal No. 1 contemplates the issuance of 13,320,000 shares of our Common Stock based on a conversion price of \$15.015 per share (subject to certain anti-dilution adjustments) upon conversion of the 200,000 shares of Series C Preferred Stock.

**Background of the Private Placement**

Over a period of several weeks beginning in April 2010, our Board of Directors and management determined that it would be prudent to seek substantial additional capital in order to provide us with financial flexibility to address any desirable acquisition opportunities, to continue investing in our core businesses and to maintain our capital ratios above previous target levels. Our Board of Directors also concluded that, in light of a variety of factors, including the speed with which FDIC assisted acquisitions are completed, capital markets volatility and general economic uncertainties, it was important that any process to raise additional capital be executed promptly and with a high degree of certainty of completion.

In contemplation of the foregoing and, in particular, our intention to bid for certain assets and liabilities of Eurobank from the FDIC, as receiver for Eurobank, our Board of Directors and management, with the assistance of our financial and legal advisors, explored a variety of capital raising options over a several week period. Ultimately, our Board of Directors determined that a private placement issuance to a limited number of accredited investors of a newly authorized series of our preferred stock was the most effective and efficient means to address our capital needs with respect to the acquisition in a timely manner and was in the best interests of the Company and our shareholders. A public offering was deemed to be impractical, because, among other reasons, pursuant to the confidentiality agreements entered into with the FDIC, this potential pending material transaction could not have been discussed as part of a public offering. Because of the requirements of the NYSE rule described above, it was necessary to structure the private placement in the form of convertible preferred stock until we could obtain the necessary shareholder approvals to issue Common Stock in exchange for the Series C Preferred Stock.

On April 30, 2010, we issued and sold 200,000 shares of our newly authorized Series C Preferred Stock at a purchase price and liquidation preference of \$1,000 per share. We raised \$200 million in the private placement. We paid a fee of \$10 million to our financial advisor which acted as placement agent in the private placement. Following the receipt of shareholder and, if applicable, regulatory approval (as described in more detail below), each share of the Series C Preferred Stock will automatically convert into shares of our Common Stock at an initial conversion price of \$15.015 per share, subject to customary anti-dilution adjustments.

The private placement issuance was exempt from the registration requirement of the Securities Act pursuant to Section 4(2) and Rule 506 of Regulation D promulgated thereunder.

Our Board of Directors recommends that shareholders vote **FOR** Proposal No. 1 so that the Series C Preferred Stock will convert automatically into shares of Common Stock, thereby strengthening our common equity base as planned.

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On April 30, 2010, our commercial bank subsidiary, Oriental Bank, acquired all of the retail deposits and substantially all of the assets and operations of Eurobank from the FDIC, as receiver for Eurobank. The acquisition was made pursuant to a Purchase and Assumption Agreement – Whole Bank, All Deposits, dated as of April 30, 2010 (the P&A Agreement), by and between Oriental Bank and the FDIC.

Under the P&A Agreement, Oriental Bank assumed approximately \$785 million in retail deposits, paying a premium of 1.25% on approximately \$400 million in core retail deposits, and acquired approximately \$1.7 billion of assets (including an approximately \$1.58 billion portfolio of single-family residential and commercial loans) at a discount of 13.8%. These loans are subject to a loss sharing arrangement pursuant to which the FDIC will bear 80% of qualifying losses, beginning with the first dollar amount of qualifying losses.

In consideration for the excess assets acquired over liabilities assumed (taking into account the deposit premium and asset discount described above), Oriental Bank paid \$100 million in cash to the FDIC and issued to the FDIC a secured promissory note (the Note) in the amount of \$715,536,000, which is fully recourse to Oriental Bank. The Note is secured by the loans acquired from Eurobank under the P&A Agreement and all proceeds derived from such loans. The aggregate outstanding principal amount of the Note is due and payable one year from its issuance date, or such earlier date as such amount may become due and payable pursuant to the terms of the Note. Oriental Bank may extend the Note's maturity date for up to four additional one-year periods, subject to the notice requirements set forth therein. Oriental Bank must pay interest in arrears on the Note at the Note Interest Rate (defined below) on the twenty-fifth day of each month or, if such day is not a business day, the next succeeding day that is a business day, commencing June 25, 2010, on the aggregate principal amount of the Note outstanding from time to time. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Borrowings under the Note bear interest at an annual rate of 0.881%, and with respect to any renewal period, at an annual rate equal to the sum of (a) 0.50% plus (b) the rate, determined by the FDIC on the business day immediately preceding the commencement of such renewal period, equal to the rate on United States Treasury Bills with a maturity of one year (the Note Interest Rate). Should Oriental Bank fail to pay any interest as and when due under the Note, such interest will accrue interest at the Note Interest Rate plus 2.00% per annum.

Payments with respect to the Note will be made by Citibank, N.A., as paying agent on behalf of Oriental Bank, from a newly-created custodial account into which payments on the acquired loans, including loss sharing payments, will be deposited. The Note may be voluntarily prepaid, in whole or in part, without penalty (subject to the notice requirements set forth therein) and is subject to mandatory prepayment. Upon the occurrence of an event of default, the collateral agent may declare the Note immediately due and payable, provided that with respect to an event of default resulting from the occurrence of certain insolvency events, the Note will automatically become immediately due and payable without further act of the collateral agent or the holder of the Note. Events of default include a change of control, the occurrence of an insolvency event, a material adverse change in the financial conditions or operations of Oriental Bank, a default on any payment due under the Note and a breach of representations, warranties

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or other covenants, each as set forth in the Security Agreement, dated as of April 30, 2010, by and between Oriental Bank and the FDIC, as initial holder of the Note and as collateral agent.

In addition, as part of the consideration for the acquisition, we issued to the FDIC a value appreciation instrument ( VAI ). Under the terms of the VAI, the FDIC has the opportunity to obtain a cash payment equal to the product of (a) 334,000 and (b) the amount by which the average of the volume weighted average price of the our Common Stock for each of the two NYSE trading days immediately prior to the exercise of the VAI exceeds \$14.95. The VAI is exercisable by the FDIC, in whole or in part, from and including May 7, 2010 through and including July 6, 2010.

In connection with the acquisition, Oriental Bank entered into loss sharing agreements with the FDIC. Pursuant to the terms of the loss sharing agreements, the FDIC's obligation to reimburse Oriental Bank for losses with respect to assets covered by such agreements (collectively, covered assets ) begins with the first dollar of loss incurred. On a combined basis, the FDIC will reimburse Oriental Bank for 80% of all qualifying losses with respect to covered assets. Oriental Bank will reimburse the FDIC for 80% of qualifying recoveries with respect to losses for which the FDIC reimbursed Oriental Bank. The loss sharing agreement applicable to single-family residential mortgage loans provides for FDIC loss sharing and Oriental Bank reimbursement to the FDIC to last for ten years, and the loss sharing agreement applicable to commercial and other assets provides for FDIC loss sharing and Oriental Bank reimbursement to the FDIC to last for five years, with additional recovery sharing for three years thereafter.

The FDIC has certain rights to withhold loss sharing payments if Oriental Bank does not perform its obligations under the loss sharing agreements in accordance with their terms and to withdraw the loss share protection if certain significant transactions are effected without FDIC consent, including certain business combination transactions and sales of shares by the our shareholders, some of which may be beyond the our control.

All of Eurobank's 22 banking offices located in Puerto Rico have reopened as branches of Oriental Bank. The physical branch locations and leases were not immediately acquired by Oriental Bank in the acquisition. Oriental Bank has an option, exercisable for 90 days following the closing of the acquisition, to acquire at fair market value any bank premises that were owned by, or assume any leases relating to bank premises leased by, Eurobank (including ATM locations). Oriental Bank is currently reviewing the bank premises and related leases of Eurobank. In addition, Oriental Bank has an option, exercisable for 30 days following the closing of the acquisition, to elect to assume or reject any contracts that provided for the rendering of services by or to Eurobank and must perform under all such contracts for 90 days with respect to contracts pursuant to which Eurobank provided services and 30 days with respect to contracts pursuant to which services were provided to Eurobank. Oriental Bank also has an option, exercisable for 90 days following the closing of the acquisition, to accept the assignment of any leases with respect to data processing equipment held by Eurobank.

**NYSE Shareholder Approval Requirement**

Because our Common Stock is listed on the NYSE, we are subject to the NYSE rules. NYSE Rule 312.03 requires shareholder approval prior to the issuance of common stock in any

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transaction or series of related transactions if (1) the common stock has, or will have upon issuance, voting power equal to or in excess of 20% of the voting power outstanding before the issuance of such stock or of securities convertible into or exercisable for common stock; or (2) the number of shares of common stock to be issued is, or will be upon issuance, equal to or in excess of 20% of the number of shares of common stock outstanding before the issuance of the common stock or of securities convertible into or exercisable for common stock.

The 13,320,000 shares of Common Stock issuable upon conversion of the Series C Preferred Stock will exceed 20% of the number of shares of Common Stock outstanding prior to the private placement.

**Series C Preferred Stock Terms and Provisions**

The following is a summary of the material terms and provisions of the preferences, limitations, voting powers and relative rights of the Series C Preferred Stock as contained in the Certificate of Designations for the Series C Preferred Stock which has been filed with the Secretary of State of the Commonwealth of Puerto Rico. The Certificate of Designations is included as *Appendix A* attached to this proxy statement and is incorporated by reference herein. Shareholders are urged to carefully read the Certificate of Designations in its entirety. Although we believe this summary covers the material terms and provisions of the Series C Preferred Stock as contained in the Certificate of Designations, it may not contain all of the information that is important to you.

*Authorized Shares, Stated Value and Liquidation Preference.* We have designated 200,000 shares as Mandatorily Convertible Cumulative Non-Voting Perpetual Preferred Stock, Series C, which have a par value of \$1.00 per share and a stated value and liquidation preference of \$1,000 per share.

*Mandatory Conversion.* The Series C Preferred Stock of each holder will convert into shares of Common Stock on the fifth business day following the receipt of approval by the holders of our Common Stock of the conversion of the Series C Preferred Stock into Common Stock as required by the applicable NYSE rules (the Mandatory Conversion Date). The number of shares of Common Stock into which each share of Series C Preferred Stock is convertible is determined by dividing (i) the \$1,000 per share liquidation preference, plus all accrued and unpaid dividends, by (ii) the applicable conversion price, which is initially \$15.015 per share. The conversion price of the Series C Preferred Stock is subject to customary anti-dilution adjustments, including in connection with stock dividends and distributions, stock splits, subdivisions and combinations, distributions of cash, debt or assets and tender offers and exchange offers.

*Dividends.* Commencing on the date on which shares of Series C Preferred Stock were first issued, holders of Series C Preferred Stock are entitled to receive, when, as and if declared by the Board of Directors or a duly authorized committee of the Board of Directors, dividends of the type and in the amounts as follows:

if a cash dividend is declared and paid with respect to the Common Stock, a cash dividend shall be declared and paid to the holders of Series C Preferred Stock in an amount per share of Series C Preferred Stock equal to the product of (i) the

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per share dividend declared and paid in respect of each share of Common Stock and (ii) the number of shares of Common Stock into which such share of Series C Preferred Stock is then convertible, assuming receipt of the shareholder approval; and if shareholder approval is not obtained and the Series C Preferred Stock has not been converted into Common Stock in full by September 15, 2010, the shares of Series C Preferred Stock will remain outstanding and, for so long as such shares remain outstanding, we will be required to pay dividends on the Series C Preferred Stock semi-annually, at an annual rate equal to 14% on April 15 and September 15 of each year, commencing on April 15, 2011.

The holders of Series C Preferred Stock are not entitled to receive any dividends on the Series C Preferred Stock if the record date for any such dividend is after the Mandatory Conversion Date. If the Mandatory Conversion Date occurs after the record date for any declared dividend on the Series C Preferred Stock but prior to the payment date of such dividend, the holder of Series C Preferred Stock is entitled to receive such dividend on the relevant payment date if such holder was the holder of record on the record date for that dividend.

Subject to limited exceptions, if dividends payable on all outstanding shares of the Series C Preferred Stock for any dividend period have not been declared and paid or declared and funds set aside therefor, we will not be permitted to declare or pay dividends with respect to, or redeem, purchase, or acquire any of our junior securities, or redeem, purchase or acquire any parity securities.

*Ranking.* The Series C Preferred Stock ranks, with respect to dividend rights and rights on liquidation, winding up and dissolution, on a parity with the Company's (1) 7.125% Non-Cumulative Monthly Income Preferred Stock, Series A, (2) 7.0% Non-Cumulative Monthly Income Preferred Stock, Series B and (3) with each other class or series of equity securities of the Company the terms of which do not expressly provide that such class or series will rank senior or junior to the Series C Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Company. The Series C Preferred Stock ranks senior to our Common Stock, and each other class or series of our capital stock outstanding or established after the issuance of the Series C Preferred Stock, the terms of which do not expressly provide that it ranks on a parity with or senior to the Series C Preferred Stock as to dividend rights and rights on liquidation, winding-up and dissolution of the Company.

*Voting Rights.* The holders of the Series C Preferred Stock will not have any voting rights other than as required by law, except that the approval of the holders of a majority of the Series C Preferred Stock, voting as a single class, will be required with respect to certain matters, including (1) charter amendments adversely affecting the rights, preferences or privileges of the Series C Preferred Stock and (2) the creation of any series of senior equity securities.

*Liquidation.* In the event we voluntarily or involuntarily liquidate, dissolve or wind up, the holders of the Series C Preferred Stock will be entitled, before any distribution or payment out of our assets may be made to or set aside for the holders of any of our junior capital stock and subject to the rights of our creditors, to receive a liquidation distribution in an amount equal to the greater of (1) \$1,000, plus an amount equal to any accrued but unpaid dividends, whether or not declared, thereon to and including the date of such liquidation and (2) 110% of the payment or distribution to which such holders would be entitled if the Series C Preferred Stock were converted into Common Stock immediately before such liquidation, dissolution or winding-

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up, out of assets legally available for distribution to the Company's shareholders. If our assets or the proceeds thereof available for distribution among the holders of the Series C Preferred Stock and the holders of shares of all of our other capital stock ranking *pari passu* with the Series C Preferred Stock is insufficient to pay in full the liquidation preference and liquidation payments on all such other parity securities, then all of the assets available, or the proceeds thereof, after payment of any senior securities, will be distributed among the holders of the Series C Preferred Stock and the holders of the parity securities ratably. A merger, consolidation or sale of all or substantially all of our property or business is not deemed to be a liquidation under the Certificate of Designations.

*Redemption.* The Series C Preferred Stock is not redeemable by the holders, but may be redeemed by us after June 30, 2015 at a redemption price per share payable in cash equal to the greater of (i) 125% of the sum of (A) the liquidation preference, plus (B) all declared and unpaid dividends up to, but not including, the date fixed for redemption and (ii) 110% of (A) the number of shares of Common Stock into which a share of Series C Preferred Stock would be convertible on trading day immediately prior to the date fixed for redemption (assuming receipt of shareholder approval) multiplied by (B) the closing price of the Common Stock on such trading day; provided that, in no event will the redemption price exceed the amount determined in accordance with clause (i) when replacing 125.0% with 150%.

*Anti-dilution Provisions.* The conversion price of the Series C Preferred Stock is also subject to customary anti-dilution adjustments.

*Reorganization Event.* If the Company enters into a transaction constituting a consolidation or merger of the Company or similar transaction or any sale or other transfer of all or substantially all of the consolidated assets of the Company and its subsidiaries, taken as a whole (in each case pursuant to which its Common Stock will be converted into cash, securities or other property) or for certain reclassifications or exchanges of its Common Stock, then each share of Series C Preferred Stock will convert, effective on the day on which such share would automatically convert into Common Stock of the Company, into the securities, cash and other property receivable in the transaction by the holder of the number of shares of Common Stock into which such share of Series C Preferred Stock would then be convertible.

**Potential Consequences if Proposal No. 1 is Approved**

*Conversion of Series C Preferred Stock into Common Stock.* Upon receipt of the shareholder approval for Proposal No. 1, each share of Series C Preferred Stock will be automatically converted into shares of Common Stock on the fifth business day following the date on which such approval is obtained. Each outstanding share of Series C Preferred Stock will automatically be converted into such number of shares of Common Stock determined by dividing (i) \$1,000 (the per share liquidation preference of the Series C Preferred Stock), plus all accrued but unpaid dividends by (ii) the conversion price of the Series C Preferred Stock then in effect, subject to certain adjustments. The initial conversion price of the Series C Preferred Stock is \$15.015 per share.

*Rights of Investors.* If shareholder approval is received, the rights and privileges associated with the Common Stock issued upon conversion of the Series C Preferred Stock will

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be identical to the rights and privileges associated with the Common Stock held by our existing common stockholders, including voting rights.

*Elimination of Dividend and Liquidation Rights of Holders of Series C Preferred Stock.* If the shareholder approval is received, upon conversion, all shares of Series C Preferred Stock will be cancelled. As a result, approval of the conversion of Series C Preferred Stock will result in the elimination of the dividend rights and liquidation preference existing in favor of the Series C Preferred Stock. For additional information regarding such dividend rights and liquidation preference, please see the section of this proxy statement captioned *Series C Preferred Stock Terms and Provisions* .

*Improved Balance Sheet and Regulatory Capital Level.* Upon consummation of the private placement issuance, we received aggregate gross proceeds of \$200 million, which strengthened our balance sheet and regulatory capital levels. The conversion of the Series C Preferred Stock to Common Stock will further strengthen certain of our key capital measures. For additional information regarding the effect of the conversion on our balance sheet and our regulatory capital ratios, please see the section of this proxy statement captioned *Capitalization Table* .

*Market Effects.* Despite the existence of certain restrictions on transfer, the issuance of shares of our Common Stock upon conversion of the Series C Preferred Stock may impact trading patterns and adversely affect the market price of our Common Stock. If significant quantities of our Common Stock are issued upon conversion of the Series C Preferred Stock and are sold (or if it is perceived that they may be sold) into the public market, the trading price of our Common Stock could be materially adversely affected.

*Dilution.* We will issue, through the conversion of the Series C Preferred Stock, 13,320,000 shares of Common Stock. As a result, we expect there to be a dilutive effect on both the earnings per share of our Common Stock and the book value per share of our Common Stock. In addition, our existing shareholders will incur substantial dilution to their voting interests and will own a smaller percentage of our outstanding capital stock. For additional information regarding the expected dilutive effect of the conversion, please see the section of this proxy statement captioned *Capitalization Table* .

The ownership of our Common Stock following the consummation of the conversion is described below in the section of this proxy statement captioned *Security Ownership of Certain Beneficial Owners and Management* .

**Potential Consequences if Proposal No. 1 is Not Approved**

*Series C Preferred Stock Remains Outstanding.* Unless the shareholder approval is received or unless our shareholders approve a similar proposal at a subsequent meeting, the Series C Preferred Stock will remain outstanding in accordance with its terms.

*Continued Dividend Payments.* If shareholder approval is not obtained and the Series C Preferred Stock has not been converted into Common Stock in full by September 15, 2010, the shares of Series C Preferred Stock will remain outstanding and, and, for so long as such shares remain outstanding, we will be required to pay dividends on the Series C Preferred Stock semi-



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annually, at an annual rate equal to 14% on April 15 and September 15 of each year, commencing on April 15, 2011.

*Additional Shareholder Meetings.* We expect to call additional shareholder meetings and recommend approval of Proposal No. 1 at each special meeting to the shareholders every six months, if necessary, thereafter until such approval is obtained pursuant to the provisions of the securities purchase agreements. We will bear the costs of soliciting the approval of our shareholders in connection with these meetings.

*Restriction on Payment of Dividends.* For as long as the Series C Preferred Stock remains outstanding, if dividends payable on all outstanding shares of the Series C Preferred Stock have not been declared and paid, or declared and funds set aside therefor, we will not be permitted to declare or pay dividends with respect to, or redeem, purchase, or acquire any of our junior securities, or redeem, purchase or acquire any parity securities, subject to limited exceptions. We currently declare quarterly cash dividends on each share of our Common Stock.

*Liquidation Preference.* For as long as the Series C Preferred Stock remains outstanding, it will retain a senior liquidation preference over shares of our Common Stock in connection with any liquidation of us and, accordingly, no payments will be made to holders of our Common Stock upon any liquidation of us unless the full liquidation preference on the Series C Preferred Stock is paid.

**THE BOARD OF DIRECTORS RECOMMENDS  
THAT YOU VOTE FOR PROPOSAL NO. 1.**

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**PROPOSAL NO. 2: ADJOURNMENT OR POSTPONEMENT OF THE SPECIAL MEETING**

If we fail to receive a sufficient number of votes to constitute a quorum to hold the Special Meeting or to approve Proposal No. 1, we may propose to adjourn or postpone the Special Meeting, whether or not a quorum is present, for a period of not more than six months, to (i) constitute a quorum for purposes of the Special Meeting or (ii) solicit additional proxies in favor of the approval of the Proposal No. 1, as necessary.

We currently do not intend to propose adjourning or postponing the Special Meeting if there are sufficient votes represented at the Special Meeting to approve Proposal No. 1.

**THE BOARD OF DIRECTORS RECOMMENDS  
THAT YOU VOTE FOR PROPOSAL NO. 2.**

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**Table of Contents****SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the beneficial ownership of our Common Stock as of May 17, 2010, by (i) each person known to us to own more than 5% of the outstanding Common Stock, (ii) our directors, (iii) Named Executive Officers (that is, the CEO, the CFO, and the three most highly compensated executive officers, other than the CEO and the CFO, who were serving as executive officers on May 17, 2010), and (iv) the directors and executive officers as a group on May 17, 2010:

Name of Beneficial Holder	Amount and Nature of Beneficial Ownership of Common Stock (#)	Percent of Common Stock <sup>(1)</sup>
<i>5% Holders</i>		
Fidelity Management & Research 245 Summer Street, 11th Floor Boston, MA 02210-1133	2,023,882	6.15%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, PA 19355	1,791,262	5.42%
BlackRock Institutional Trust Company, N.A. 400 Howard Street San Francisco, CA 94105-2618	1,677,875	5.08%
<i>Directors and Named Executive Officers</i>		
José J. Gil de Lamadrid	15,022 <sup>(2)</sup>	
José Rafael Fernández	289,447 <sup>(3)</sup>	
Juan C. Aguayo	39,583 <sup>(4)</sup>	
Pablo I. Altieri	49,118 <sup>(5)</sup>	
Maricarmen Aponte	37,126 <sup>(6)</sup>	
Francisco Arriví	11,481 <sup>(7)</sup>	
Nelson García	11,909	
Julian S. Inclán	118,107	
Rafael Machargo Chardón	9,000	
Pedro Morazzani	5,200	
Josen Rossi	201,989	
Julio R. Micheo	25,377 <sup>(8)</sup>	
Norberto González	57,270 <sup>(9)</sup>	
Ganesh Kumar	66,072 <sup>(10)</sup>	
José Gabriel Díaz	11,000 <sup>(11)</sup>	
<i>Directors and Executive Officers as a Group</i>	997,920 <sup>(12)</sup>	3.02%

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- (1) This percentage is calculated on the basis of the total number of our shares of common stock outstanding as of May 17, 2010, which is 33,044,483. Unless otherwise indicated, each of the persons named in the table beneficially holds less than 1% of the outstanding shares of common stock.
- (2) This amount includes 4,700 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days. It also includes 822 shares held in his deferred compensation trust.
- (3) This amount includes 138,094 shares that he may acquire upon the exercise of stock options

that are exercisable or that will become exercisable within 60 days. It also includes 5,512 shares that he owns through our 401(k)/1165(e) Plan, and 7,000 shares owned by his spouse.

(4) This amount includes 2,200 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days. It also includes 12,461 shares owned by his spouse.

(5) This amount includes 8,609 shares that he may acquire upon the exercise of stock options that are exercisable or that will become exercisable within 60 days.

(6) This amount includes 2,000 shares that she may acquire upon the exercise of stock options

that are  
exercisable or  
that will become  
exercisable  
within 60 days.

(7) This amount  
includes 7,475  
shares that he  
may acquire  
upon the  
exercise of  
stock options  
that are  
exercisable or  
that will become  
exercisable  
within 60 days.

(8) This amount  
includes 2  
shares that he  
owns through  
our  
401(k)/1165(e)  
Plan. It also  
includes 25,375  
shares that he  
may acquire  
upon the  
exercise of  
stock options  
that are  
exercisable or  
that will become  
exercisable  
within 60 days.

(9) This amount  
includes 545  
shares that he  
owns through  
our  
401(k)/1165(e)  
Plan. It also  
includes 45,225  
shares that he  
may acquire  
upon the  
exercise of  
stock options

that are  
exercisable or  
that will become  
exercisable  
within 60 days.

(10) This amount  
includes 7,072  
shares that he  
owns through  
our  
401(k)/1165(e)  
Plan. It also  
includes 54,500  
shares that he  
may acquire  
upon the  
exercise of  
stock options  
that are  
exercisable or  
that will become  
exercisable  
within 60 days.  
It also includes  
2,000 shares  
held in his  
deferred  
compensation  
trust.

(11) This amount  
represents  
11,000 shares  
that he may  
acquire upon the  
exercise of  
stock options  
that are  
exercisable or  
that will become  
exercisable  
within 60 days.

(12) The group  
consists of 21  
persons  
including all  
directors,  
Named  
Executive

Officers, and  
executive  
officers who are  
not directors.

Under applicable regulations, shares are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares the power to vote or dispose of the shares, whether or not he or she has any economic interest in the shares. Unless otherwise indicated, the named beneficial owner has sole voting and investment power with respect to the shares, subject, in the case of those directors and officers who are married, to the community property laws of Puerto Rico. Under applicable regulations, a person is deemed to have beneficial ownership of any shares of capital stock which he or she has a right to acquire within 60 days, including pursuant to the exercise of outstanding stock options, and to all shares



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subject to options or other rights of acquisition acquired in connection with, or as a participant in, any transaction involving a change in control. Shares of capital stock which are subject to such stock options or other rights of acquisition are deemed to be outstanding for the purpose of computing the percentage of outstanding capital stock owned by such person or group, but are not deemed outstanding for the purpose of computing the percentage of capital stock owned by any other person or group.

**Table of Contents****CAPITALIZATION**

The following table sets forth our consolidated capitalization as of March 31, 2010 and as adjusted to give effect to the conversion of 200,000 shares of Series C Preferred Stock.

	<b>As of March 31, 2010</b>	
	<b>Actual</b>	<b>As Adjusted<sup>(1)</sup></b>
	(In thousands, except share and per share data)	
Total debt and borrowings	\$ 6,044,346	\$ 6,044,346
Stockholders' equity		
Preferred stock, par value \$1.00 per share; 5,000,000 shares authorized <sup>(2)</sup> ; 1,340,000 shares of Noncumulative Monthly Income Preferred Stock, Series A issued and outstanding; 1,380,000 shares of Noncumulative Monthly Income Preferred Stock, Series B issued and outstanding	68,000	68,000
Common stock, par value \$1.00 per share; 40,000,000 shares authorized <sup>(2)</sup> ; 34,479,397 shares issued and 33,103,028 shares outstanding, actual; 47,799,397 shares issued and 46,423,028 shares outstanding, as adjusted	34,479	47,799
Additional paid-in capital	299,542	475,336
Retained earnings (deficit)	85,796	85,796
Legal surplus	46,480	46,480
Treasury stock, at cost 1,376,369 shares	(17,127)	(17,127)
Accumulated other comprehensive loss	(52,996)	(52,996)
Total stockholders' equity	464,174	653,288
Total capitalization	\$ 6,508,520	\$ 6,697,634

(1) Assumes that 13,320,000 shares of our Common Stock are issued upon conversion of 200,000 shares of Series C Preferred Stock at the conversion ratio of 66.60 per share of Series C Preferred Stock.

(2) At our annual meeting of shareholders on

April 30, 2010,  
the shareholders  
approved an  
amendment to  
our Certificate  
of Incorporation  
that increased  
the number of  
authorized  
shares of  
Common Stock  
from 40,000,000  
to 100,000,000  
and the number  
of authorized  
shares of  
preferred stock  
from 5,000,000  
to 10,000,000.

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**PROPOSALS OF SHAREHOLDERS**

Under our bylaws, no business may be brought before an annual meeting of shareholders unless it is specified in the notice of the meeting or any supplement thereto given by or at the direction of our Board of Directors, or otherwise properly brought before the meeting by a shareholder. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given written notice to the Secretary of our Board of Directors not later than 120 days prior to the anniversary date of the mailing of our proxy materials in connection with the immediately preceding annual meeting of shareholders. The notice must set forth as to each matter that the shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the meeting, (ii) the name and address of the shareholder, as it appears on our books, (iii) the class and number of our shares bene