

FIRST BANCORP /PR/  
Form DEF 14A  
April 29, 2013  
Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549  
SCHEDULE 14A  
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 Section 240.14a-12

**FIRST BANCORP.**

(Name of Registrant as Specified In Its Charter)

Not Applicable

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

**Payment of Filing Fee** (*Check the appropriate box*):

Edgar Filing: FIRST BANCORP /PR/ - Form DEF 14A

b 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 paid previously 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:

**Table of Contents**

**1519 PONCE DE LEON AVENUE**

**SAN JUAN, PUERTO RICO 00908**

**(787) 729-8200**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

To the Stockholders of First BanCorp:

NOTICE IS HEREBY GIVEN that, pursuant to a resolution of the Board of Directors and Section 2 of the Corporation's By-laws, the Annual Meeting of Stockholders of First BanCorp will be held at 10:00 a.m., local time, on Thursday, May 23, 2013, at the Corporation's principal offices located at 1519 Ponce de Leon Avenue, Santurce, Puerto Rico, for the purpose of considering and taking action on the following matters, all of which are more completely described in the accompanying Proxy Statement:

1. To elect seven (7) directors, each for a term expiring at the 2014 Annual Meeting of Stockholders;
2. To approve on a non-binding basis the 2012 compensation of First BanCorp's named executives; and
3. To ratify the appointment of KPMG LLP as our independent registered public accounting firm for our 2013 fiscal year.

In addition, we will consider and take action on such other business as may properly come before the meeting or any adjournment thereof.

Only stockholders of record as of the close of business on April 23, 2013 are entitled to receive notice of and to vote at the meeting. A list of such stockholders will be available at our principal offices, at the address set forth above, for the examination of any stockholder for any purpose germane to the meeting during ordinary business hours, for a period of ten days prior to the meeting.

You are cordially invited to attend the Annual Meeting. It is important that your shares be represented regardless of the number you own. Even if you plan to be present at the meeting, you are urged to complete, sign, date and promptly return the enclosed proxy in the envelope provided. If you attend the meeting, you may vote either in person or by proxy. You may revoke any proxy that you give in writing or in person at any time prior to its exercise.

By Order of the Board of Directors,

/s/ Lawrence Odell  
Lawrence Odell

Secretary

San Juan, Puerto Rico

April 29, 2013

**Table of Contents**

**TABLE OF CONTENTS**

<u>ANNUAL MEETING OF STOCKHOLDERS</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MEETING</u>	1
<u>IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 23, 2013</u>	4
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	5
<u>Beneficial Owners of More Than 5% of our Common Stock</u>	5
<u>Beneficial Ownership of Directors, Director Nominees and Executive Officers</u>	7
<u>INFORMATION WITH RESPECT TO NOMINEES STANDING FOR ELECTION AS DIRECTORS AND WITH RESPECT TO EXECUTIVE OFFICERS OF THE CORPORATION</u>	8
<u>PROPOSAL NO. 1 ELECTION OF DIRECTORS</u>	8
<u>Director Qualifications</u>	9
<u>Nominees Standing for Election as Directors for Terms Expiring at the 2014 Annual Meeting</u>	10
<u>Required Vote</u>	13
<u>Recommendation of the Board of Directors</u>	13
<u>Information About Executive Officers Who Are Not Directors</u>	13
<u>CORPORATE GOVERNANCE AND RELATED MATTERS</u>	16
<u>General</u>	16
<u>Code of Ethics</u>	16
<u>Independence of the Board of Directors and Director Nominees</u>	16
<u>Board Leadership Structure</u>	17
<u>Board's Role in Risk Oversight</u>	17
<u>Director Stock Ownership</u>	18
<u>Communications with the Board</u>	18
<u>Board Meetings</u>	19
<u>Board Attendance at Annual Meetings</u>	19
<u>Board Committees</u>	19
<u>Audit Committee</u>	19
<u>Compensation and Benefits Committee</u>	20
<u>Corporate Governance and Nominating Committee</u>	21
<u>Asset/Liability Committee</u>	23
<u>Credit Committee</u>	24
<u>Compliance Committee</u>	24
<u>CERTAIN RELATIONSHIPS AND RELATED PERSON TRANSACTIONS</u>	24
<u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u>	27
<u>COMPENSATION OF DIRECTORS</u>	28
<u>PROPOSAL NO. 2 NON-BINDING APPROVAL OF COMPENSATION OF NAMED EXECUTIVES</u>	30
<u>Background of the Proposal</u>	30
<u>Required Vote</u>	31
<u>Recommendation of the Board of Directors</u>	31
<u>PROPOSAL NO. 3 RATIFICATION OF THE APPOINTMENT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	31
<u>Background of the Proposal</u>	31
<u>Required Vote</u>	31
<u>Recommendation of the Board of Directors</u>	31
<u>AUDIT COMMITTEE REPORT</u>	31
<u>AUDIT FEES</u>	32
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	33
<u>Executive Compensation Policy</u>	33

**Table of Contents**

<u>TARP Related Actions – Amendments to Executive Compensation Program</u>	34
<u>Pay for Performance</u>	34
<u>Market Competitiveness</u>	35
<u>Compensation Review Process</u>	35
<u>Role of the Compensation Consultant</u>	35
<u>Benchmarking and Compensation Analysis</u>	36
<u>Elements of Executive Compensation</u>	37
<u>2013 Compensation Decisions</u>	38
<u>EXECUTIVE COMPENSATION DISCLOSURE</u>	40
<u>Summary Compensation Table</u>	40
<u>Grants of Plan-Based Awards</u>	41
<u>Outstanding Equity Awards at Fiscal Year End</u>	42
<u>Options Exercised and Stock Vested Information</u>	42
<u>Pension Benefits</u>	42
<u>Defined Contribution Retirement Plan</u>	42
<u>Non-Qualified Deferred Compensation</u>	43
<u>Employment Contracts, Termination of Employment, and Change in Control Arrangements</u>	43
<u>COMPENSATION COMMITTEE REPORT</u>	45
<u>STOCKHOLDER PROPOSALS FOR THE 2014 ANNUAL MEETING</u>	47
<u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	48
<u>OBTAINING THE ANNUAL REPORT</u>	48

**Table of Contents**

**1519 PONCE DE LEON AVENUE**

**SAN JUAN, PUERTO RICO 00908**

**ANNUAL MEETING OF STOCKHOLDERS**

**TO BE HELD ON MAY 23, 2013**

This Proxy Statement is furnished in connection with the solicitation of proxies on behalf of the Board of Directors (the Board) of First BanCorp (the Corporation) for use at the Annual Meeting of Stockholders to be held at 10:00 a.m., local time, on Thursday, May 23, 2013, at the Corporation's principal offices located at 1519 Ponce de Leon Avenue, Santurce, Puerto Rico, and at any adjournment thereof (the Annual Meeting). This Proxy Statement and enclosed form of proxy are first being sent or given on or about April 29, 2013 to stockholders of record as of April 23, 2013. The Board has designated the individuals identified on the proxy card (the proxy holders) to serve as proxies to vote the shares represented at the Annual Meeting. Shares represented by properly executed proxies that are received will be voted at the Annual Meeting in accordance with the instructions specified in the proxies. If you properly submit a proxy but do not give instructions on how you want your shares to be voted, your shares will be voted by the proxy holders in accordance with the Board's recommendations described below.

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

**What information is contained in this Proxy Statement?**

The information in this Proxy Statement relates to the proposals to be voted on at the Annual Meeting, the voting process, the Board, Board committees, the compensation of directors and executive officers, and other required information.

**What is the purpose of the Meeting?**

At the Annual Meeting, stockholders will act upon the following matters, which are outlined in the accompanying Notice of Annual Meeting of Stockholders:

the election of seven directors;

the approval on a non-binding basis of the 2012 compensation of the Corporation's Named Executives (as defined below); and

the ratification of the appointment of KPMG LLP (KPMG) as our independent registered public accounting firm for our 2013 fiscal year.

**What should I receive?**

You should receive this Proxy Statement, the Notice of Annual Meeting of Stockholders, the proxy card and the Corporation's 2012 annual report with the audited financial statements for the year ended December 31, 2012, audited by KPMG.

**How many votes do I have?**

You will have one vote for every share of the Corporation's common stock, par value \$0.10 per share (our Common Stock), you owned as of the close of business on April 23, 2013, the record date for the Annual Meeting (the Record Date).

## **Table of Contents**

### **If I am a holder of shares of Common Stock, but I did not hold my shares of Common Stock as of the Record Date, am I entitled to vote?**

No. If you were not a record or beneficial holder of shares of Common Stock as of the Record Date, you will not be entitled to vote on the proposals.

### **How many shares of stock are outstanding?**

On the Record Date, 206,928,385 shares of Common Stock were issued and outstanding.

### **How many votes must be present to hold the Meeting?**

Holders of a majority of the outstanding shares of Common Stock must be present either in person or by proxy to enable us to conduct business at the Annual Meeting. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the Annual Meeting for purposes of determining whether holders of a majority of the outstanding shares of Common Stock are present. A broker non-vote occurs when a broker or other nominee has not received voting instructions from the beneficial owner and the broker or other nominee does not have discretionary authority to vote on a particular matter. **We urge you to vote by proxy even if you plan to attend the Annual Meeting so that we will know as soon as possible that enough votes will be present for us to conduct business at the Annual Meeting.**

Votes cast by proxy or in person at the Annual Meeting will be counted by Broadridge Financial Solutions, an independent third party.

### **What vote is required and how are abstentions and broker non-votes treated?**

To be elected, directors must receive the affirmative vote of a majority of the shares represented in person or by proxy at the Annual Meeting and entitled to vote on the election of directors. Abstentions will have the same effect as votes cast AGAINST and broker non-votes will not be counted in determining the number of shares necessary for approval.

As to approval of the advisory vote related to executive compensation and the ratification of the independent registered public accounting firm, the affirmative vote of a majority of the shares represented in person or by proxy and entitled to vote will be required for approval. Abstentions will have the same effect as votes cast AGAINST the proposals and broker non-votes will not be counted in determining the number of shares necessary for approval.

### **On which proposals can my broker vote my shares?**

**Brokers do not have discretionary authority to vote shares on the election of directors and on the non-binding approval of compensation of the Corporation's Named Executives. You must instruct your broker how to vote your shares so that your vote can be counted. Brokers have discretionary authority to vote shares on the ratification of the independent registered public accounting firm.**

### **How does the Board recommend that I vote?**

The following is the Board's recommendation with respect to each of the items to be considered and voted upon at the Annual Meeting:

**Proposal No. 1 The Board recommends a vote FOR each nominee to the Board;**

**Proposal No. 2 The Board recommends a vote FOR the approval of 2012 compensation of the Corporation's Named Executives; and**



## Table of Contents

**Proposal No. 3 The Board recommends a vote FOR the ratification of the Corporation's independent registered public accounting firm for the 2013 fiscal year.**

### **How do I vote?**

If you are a stockholder of record, you may vote by proxy without attending the Annual Meeting by:

completing the enclosed proxy card, signing, dating, and returning it in the enclosed postage-paid envelope;

voting by telephone (instructions are on the proxy card); or

voting via the Internet (instructions are on the proxy card).

Internet and telephone voting is available until 11:59 PM Eastern Time on May 22, 2013. Please refer to the specific instructions set forth on the enclosed proxy card for additional information on how to vote. For security reasons, our electronic voting system has been designed to authenticate your identity as a stockholder.

If you hold your shares in street name (i.e., your shares are held of record by a broker, bank, trustee or other nominee), your broker, bank, trustee or other nominee will provide you with materials and instructions for voting your shares.

### **Can I vote my shares in person at the Annual Meeting?**

If you are a stockholder of record, you may vote your shares in person at the Annual Meeting. **If you hold your shares in street name, you must obtain a valid, legal proxy from your broker, banker, trustee or other nominee, giving you the right to vote your shares at the Annual Meeting.**

### **What is the difference between holding shares as a stockholder of record and as a beneficial owner?**

*Stockholder of Record.* If your shares are registered in your name with our transfer agent, Computershare, you are considered the stockholder of record with respect to those shares, and these proxy materials are being sent directly to you. As a stockholder of record, you may vote in person at the Annual Meeting or vote by proxy. Whether or not you plan to attend the Annual Meeting, we urge you to vote via the Internet, by telephone, or by completing, signing, dating and returning the enclosed proxy card.

*Beneficial Owner.* If your shares are held by a broker, bank, trustee or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your broker, bank, trustee or other nominee, who is considered the stockholder of record with respect to those shares. As a beneficial owner, you have the right to instruct your broker, bank, trustee or other nominee on how to vote the shares held in your account, and it will inform you how to instruct it to vote your shares. The organization that holds your shares, however, is considered the stockholder of record for purposes of voting at the Annual Meeting. **As noted above, if you are not the stockholder of record, you may not vote your shares in person at the Annual Meeting unless you request and obtain a valid, legal proxy from your broker, bank, trustee or other nominee giving you the right to vote your shares at the Annual Meeting.** The organization that holds your shares cannot vote your shares without your instructions on Proposals No. 1 and No. 2 so it is important that you instruct your nominee how to vote your shares.

### **Who will bear the costs of soliciting proxies for the Annual Meeting?**

We will bear the cost of soliciting proxies for the Annual Meeting. In addition to solicitation by mail, proxies may be solicited personally, by telephone or otherwise. The Board has engaged Broadridge Financial Solutions to aid in the solicitation of proxies. The cost is estimated at \$8,000, plus reimbursement of reasonable out-of-pocket expenses. Our directors, officers and employees may also solicit proxies but will not receive any additional compensation for their services. Proxies and proxy materials will also be distributed at our expense by brokers, nominees, custodians and other similar parties.



## **Table of Contents**

### **Can I change my vote?**

Yes. If you are a stockholder of record, you may revoke your proxy at any time before it is exercised by sending in a new proxy card with a later date, or casting a new vote over the Internet or by telephone, or sending a written notice of revocation to the President or Corporate Secretary at First BanCorp, at P.O. Box 9146, San Juan, Puerto Rico 00908-0146, that is delivered before the proxy is exercised. Internet and telephone voting is available until 11:59 PM Eastern Time on May 22, 2013. If you attend the Annual Meeting and vote in person, your previously submitted proxy will not be used.

If your shares are held in the name of a broker, bank or other holder of record, that institution will instruct you as to how your vote may be changed.

### **What should I do if I receive more than one set of voting materials?**

Please complete, sign, date and return each proxy card or voting instruction card that you receive. You may receive more than one set of voting materials, including multiple copies of this Proxy Statement and multiple proxy cards. For example, if you hold your shares in more than one brokerage account, you may receive a voting instruction card for each brokerage account in which you hold shares.

### **Could other matters be decided at the Annual Meeting?**

The Board does not intend to present any business at the Annual Meeting other than that described in the Notice of Annual Meeting of Stockholders. The Board at this time knows of no other matters that may come before the Annual Meeting and the Chairman of the Annual Meeting will declare out of order and disregard any matter not properly presented. However, if any new matter requiring the vote of the stockholders is properly presented before the Annual Meeting, proxies may be voted with respect thereto in accordance with the best judgment of the proxy holders, under the discretionary power granted by stockholders in their proxies in connection with general matters.

### **What happens to my vote if the Annual Meeting is postponed or adjourned?**

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is exercised.

### **Who can help answer my questions?**

You should contact Lawrence Odell, Secretary of the Board, by e-mail at [lawrence.odell@firstbankpr.com](mailto:lawrence.odell@firstbankpr.com) or by telephone at 787-729-8109 if you have any questions about how to vote or need copies of our public filings submitted to the U.S. Securities and Exchange Commission ( SEC ).

### **IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 23, 2013**

This Proxy Statement and the 2012 annual report to stockholders are available at <https://materials.proxyvote.com/318672>. You may obtain directions regarding how to attend the Annual Meeting and vote in person by contacting Lawrence Odell, Secretary of the Board, by e-mail at [lawrence.odell@firstbankpr.com](mailto:lawrence.odell@firstbankpr.com) or by telephone at 787-729-8109.

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

The following tables set forth certain information as of April 15, 2013, unless otherwise specified, with respect to shares of our Common Stock beneficially owned by: (1) each person known to us to be the beneficial owner of more than 5% of our Common Stock; (2) each director, each director nominee and each executive officer named in the Summary Compensation Table in this Proxy Statement (the "Named Executives"); and (3) all current directors and executive officers as a group. This information has been provided by each of the directors and executive officers at our request or derived from statements filed with the SEC pursuant to Section 13(d), 13(g), or 16(a) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Beneficial ownership of securities means the possession, directly or indirectly, through any formal or informal arrangement, either individually or in a group, of voting power (which includes the power to vote, or to direct the voting of, such security) and/or investment power (which includes the power to dispose of, or to direct the disposition of, such security). As of April 15, 2013, directors and executive officers of the Corporation did not own shares of the Corporation's preferred stock. No officer or director, and, to the Corporation's knowledge, no beneficial owner of more than 5% of the Corporation's Common Stock owns any of the Corporation's outstanding preferred stock. Unless otherwise indicated, to the Corporation's knowledge the beneficial owner has sole voting and dispositive power over the shares.

**(1) Beneficial Owners of More Than 5% of our Common Stock:**

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(a)
Thomas H. Lee Advisors (Alternative), VI, Ltd. c/o Intertrust Corporate Services (Cayman) Limited 190 Elgin Avenue George Town, Grand Cayman KY1-9005, Cayman Islands	50,684,485(b)	24.50%
Oaktree Principal Fund V (Delaware), L.P. and Oaktree FF Investment Fund AIF (Delaware), L.P. c/o Oaktree Capital Management, L.P. 333 South Grand Avenue, 28th Floor Los Angeles, CA 90071	50,684,485(c)	24.50%
Wellington Management Company, LLP. c/o Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	20,411,721(d)	9.86%
United States Department of the Treasury 1500 Pennsylvania Avenue Northwest Washington, DC 20229	34,227,696(e)	16.44%

(a) Based on 206,929,385 shares of Common Stock outstanding as of April 15, 2013.

(b) Consists of 27,873,153 shares held by Thomas H. Lee (Alternative) Fund VI, L.P.; 18,874,216 shares held by Thomas H. Lee (Alternative) Parallel Fund VI, L.P.; 3,296,946 shares held by Thomas H. Lee (Alternative) Parallel (DT) Fund VI, L.P.; and 640,170 shares held by THL FBC Equity Investors, L.P. (collectively, the "THL Funds"). Thomas H. Lee Advisors (Alternative) VI, Ltd. is the general partner of Thomas H. Lee Advisors (Alternative) VI, L.P., which is the general partner of each of the THL Funds. Voting and investment determinations with respect to the securities held by the THL Funds are made by a management committee consisting of Anthony J. DiNovi and Scott M. Sperling, and as such Messrs. DiNovi and Sperling may be deemed to share beneficial ownership of the securities held or controlled by the THL Funds. Each of Messrs. DiNovi and Sperling disclaims beneficial ownership of such securities. The address of each of Messrs. DiNovi and Sperling is c/o Thomas H. Lee Partners, L.P., 100 Federal Street, 35th Floor, Boston, Massachusetts 02110.

**Table of Contents**

- (c) Based on a Form 4 filed with the SEC on August 7, 2012, Form 4s filed with the SEC on October 28, 2011, and a Schedule 13D filed with the SEC on October 17, 2011, by each of Oaktree Principal Fund V (Delaware), L.P. (the PF V Fund ), Oaktree FF Investment Fund AIF (Delaware), L.P. (the AIF Fund and, together with the PF V Fund, the Oaktree Funds or Oaktree ), Oaktree Capital Group Holdings GP, LLC ( OCGH GP ), in its capacity as the manager of Oaktree Capital Group, LLC ( OCG ) and Oaktree Capital Group Holdings, L.P. ( OCGH ), OCGH in its capacity as the controlling shareholder of Oaktree AIF Holdings, Inc. ( Oaktree AIF Holdings ), OCG, in its capacity as managing member of Oaktree Holdings, LLC ( Oaktree Holdings ), Oaktree Holdings, in its capacity as managing member of OCM Holdings I, LLC ( Oaktree Holdings I ), Oaktree Holdings I, in its capacity as general partner of Oaktree Capital I, L.P. ( Oaktree Capital I ), Oaktree Capital I, in its capacity as general partner of Oaktree Fund GP I, L.P. ( Oaktree Fund GP I ), Oaktree Fund GP I, in its capacity as managing member of Oaktree Fund GP, LLC ( Oaktree Fund GP ), Oaktree Fund GP, in its capacity as general partner of the PF V Fund, Oaktree AIF Holdings, in its capacity as general partner of Oaktree AIF Investments, L.P. ( Oaktree AIF Investments ), Oaktree AIF Investments, in its capacity as general partner of Oaktree Fund GP III, L.P. ( Oaktree GP III ), Oaktree GP III, in its capacity as sole member of Oaktree Fund GP AIF, LLC ( Oaktree GP AIF ), Oaktree GP AIF, in its capacity as general partner of Oaktree Fund AIF Series, L.P. Series I ( Oaktree AIF and, together with OCGH, OCGH GP, OCG, Oaktree Holdings, Oaktree Holdings I, Oaktree Capital I, Oaktree Fund GP I, Oaktree Fund GP, Oaktree AIF Holdings, Oaktree AIF Investments, Oaktree GP III and Oaktree GP AIF, collectively, the Oaktree Entities ), and Oaktree AIF, in its capacity as general partner of the AIF Fund, the reporting persons may be deemed to beneficially own the 41,931,274 shares of Common Stock directly owned by the PF V Fund and/or the 8,753,211 shares of Common Stock directly owned by the AIF Fund. OCGH GP is managed by an executive committee, which controls the decisions of the OCGH GP with respect to the vote and disposition of the shares held by the PF V Fund and the AIF Fund. The members of such committee are Howard S. Marks, Bruce A. Karsh, John B. Frank, David M. Kirchheimer, Sheldon M. Stone, Larry W. Keele, Stephen A. Kaplan and Kevin L. Clayton (the OCGH GP Members ). By virtue of Mr. Harmon's voting and investment authority with respect to Oaktree Fund GP I and Oaktree GP III, Mr. Harmon may be deemed to have a beneficial ownership interest in the shares reported herein. Each Oaktree Entity, each OCGH GP Member, and Mr. Harmon disclaim beneficial ownership of all shares reported herein except to the extent of their respective pecuniary interest therein.
- (d) Based on a Schedule 13G/A filed on February 14, 2013, Wellington Management Company, L.L.P. ( Wellington ) disclosed that, in its capacity as an investment advisor, it had shared voting and dispositive power over 20,411,721 shares, which are owned of record by several institutional investors advised by Wellington, including Ithan Creek Investors II USB, LLC; Bay Pond Partners, L.P; Bay Pond Investors USB, LLC; Ithan Creek Investors USB, LLC; Wolf Creek Partners, L.P; and Wolf Creek Investors USB, LLP.
- (e) Consists of 32,941,797 shares of Common Stock that the Corporation issued to the United States Department of the Treasury (the U.S. Treasury ) on October 7, 2011 upon conversion of all of the Corporation's outstanding Fixed Rate Cumulatively Convertible Preferred Stock, Series G, and 1,285,899 shares of Common Stock underlying a warrant the U.S. Treasury acquired from the Corporation on January 16, 2009, which was amended and restated on July 20, 2010, that is exercisable at an exercise price of \$3.29 per share. The U.S. Treasury has sole dispositive and voting power over its shares but may vote the shares only in accordance with the terms of its exchange agreement with the Corporation dated July 7, 2010, as amended. The exercise price and the number of shares issuable upon exercise of the warrant are subject to further adjustments under certain circumstances to prevent dilution. The warrant expires on July 20, 2020.

**Table of Contents****(2) Beneficial Ownership of Directors, Director Nominees and Executive Officers:**

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership (a)	Percent of Class
<b>Directors and Director Nominees</b>		
Aurelio Alemán-Bermúdez, President & Chief Executive Officer	300,289	*
Roberto Gormley	16,097	*
Thomas M. Hagerty	50,691,970(b)	24.50%
Michael P. Harmon	50,691,970(c)	24.50%
Roberto R. Herencia, Chairman of the Board	312,166	*
José Menéndez-Cortada	33,486	*
Fernando Rodríguez-Amaro	12,704	*
<b>Named Executives</b>		
Orlando Berges-González, Executive Vice President & Chief Financial Officer	141,032	*
T. Michael McDonald, Executive Vice President and Business Group Director	50,000	*
Lawrence Odell, Executive Vice President, General Counsel & Secretary	138,906	*
Calixto García-Velez, Executive Vice President	104,892	*
All current directors, Executive Officers and the Chief Accounting Officer as a group (18 persons as a group)	102,999,217	49.76%

\* Less than 1% of our outstanding Common Stock.

- (a) For purposes of this table, beneficial ownership is determined in accordance with Rule 13d-3 under the Exchange Act, pursuant to which a person or group of persons is deemed to have beneficial ownership of a security if that person has the right to acquire beneficial ownership of such security within 60 days. Therefore, it includes the number of shares of Common Stock that could be purchased by exercising stock options that were exercisable on April 15, 2013 or within 60 days after that date, as follows: Mr. Alemán-Bermúdez, 29,600; Mr. Odell, 11,666; and all current directors and executive officers as a group, 68,258. Also, it includes shares granted under the First BanCorp 2008 Omnibus Incentive Plan, subject to transferability restrictions and/or forfeiture upon failure to meet vesting conditions, as follows: Mr. Menéndez-Cortada, 7,485; Mr. Herencia, 7,485; Mr. Hagerty, 7,485; Mr. Harmon, 7,485; Mr. Rodríguez-Amaro, 7,485; Mr. Gormley, 6,097; Mr. Alemán-Bermúdez, 205,690; Mr. Berges-González 135,033; Mr. Odell, 123,907; Mr. García-Velez, 104,892 and all current directors and executive officers as a group, 1,065,058. (Although all of these stock options are currently exercisable, their exercise prices are significantly above the market price of the Common Stock.) These amounts do not include shares of Common Stock represented by units in a unitized stock fund under our Defined Contribution Plan.
- (b) Mr. Hagerty is the Board representative for Thomas H. Lee Partners, L.P. and its affiliates ( THL ), which currently own 24.50% of our Common Stock. See Beneficial Owners of More Than 5% of our Common Stock for information concerning THL s ownership.
- (c) Mr. Harmon is the Board representative for Oaktree, which currently owns 24.50% of our Common Stock. See Beneficial Owners of More Than 5% of our Common Stock for information concerning Oaktree s ownership.

**Table of Contents**

**INFORMATION WITH RESPECT TO NOMINEES STANDING FOR ELECTION AS DIRECTORS AND WITH RESPECT TO EXECUTIVE OFFICERS OF THE CORPORATION**

**PROPOSAL NO. 1**

**ELECTION OF DIRECTORS**

The composition of our Board changed in the following respects since the 2012 Annual Meeting of Stockholders on May 29, 2012:

effective May 29, 2012, the terms of Hector M. Neváres and Sharee Ann Umpierre-Catinchi ended and they did not stand for re-election at the 2012 Annual Meeting of Stockholders;

effective October 30, 2012, Robert T. Gormley became a director; and

effective March 5, 2013, José Rodríguez-Perelló resigned from the Board.

Pursuant to its respective investment agreement, each of THL and Oaktree has the right to designate a person to serve on the Board. This right will remain in effect as long as each owns at least 25% or more of the shares of Common Stock they acquired in the Corporation's private offering of shares in 2011 (the "Capital Raise"). Additionally, these investment agreements require us to use our best efforts to nominate two additional directors to the Board and require that a majority of our directors be either investor designees or independent directors with banking or related financial management expertise. Mr. Gormley was nominated to the Board in accordance with these requirements. We are continuing to seek to nominate additional directors who would enable us to satisfy these requirements.

Our By-laws provide that the Board will consist of a number of members fixed from time to time by resolution of a majority of the Board, provided that the number of directors is always an odd number and not less than five nor more than fifteen. In accordance with our Restated Articles of Incorporation and By-laws, director nominees stand for election annually. A director is elected by the stockholders for a one-year term and serves until his or her successor is elected and qualified. If stockholders do not elect a nominee who is serving as a director, Puerto Rico corporation law provides that the director would continue to serve on the Board as a holdover director. Under our By-laws, an incumbent director who is not elected by a majority of the votes present in person or by proxy must tender his or her resignation to the Board promptly following certification of the stockholder vote. The Board must act on the tendered resignation within 90 days following certification of the stockholder vote and must elect a new director by an affirmative vote of the majority of the Board to fill the vacancy until the next election of directors by stockholders.

Our retirement policy for the Board states that directors who reach the age of 70 may continue to serve until the end of the term to which they were elected, but will not be eligible to stand for re-election.

Unless otherwise directed, each proxy executed and returned by a stockholder will be voted FOR the election of the nominees listed below. If any nominee should be unable to serve or for good cause will not serve, the designated proxies will vote each executed and returned proxy for the replacement nominee or nominees as the Board may propose. At this time, the Board knows of no reason why any of the persons listed below may not be able to serve as a director if elected. On April 23, 2013, the Board nominated current Directors Aurelio Alemán-Bermúdez, Robert T. Gormley, Thomas M. Hagerty, Michael P. Harmon, Roberto R. Herencia, José Menéndez-Cortada, and Fernando Rodríguez-Amaro to serve terms ending at the 2014 annual meeting of stockholders, and when their respective successors have been duly elected and qualified.

Except for Mr. Gormley, all other members of the Board are also the members of the Board of Directors of FirstBank Puerto Rico ( "FirstBank" or the "Bank"). The information presented below regarding the time of service on the Board includes terms concurrently served on the Board of Directors of the Bank as applicable.

**Table of Contents**

, L.P., or AV VII, (a) 1,579,542 shares and (b) 313,483 shares issuable upon exercise of warrants, which warrants are immediately exercisable. AVA VII LP is the general partner of AVA VII. AV VII Inc. is the general partner of AVA VII LP. Each of AV VII, AVA VII LP, and AVA VII Inc. disclaims beneficial ownership of the shares except to the extent of its pecuniary interest therein. The address for Atlas Venture Fund VII, L.P. is 25 First Street, Suite 303, Cambridge, MA 02141.

\* Also serves as a director.

**HOUSEHOLDING OF PROXY MATERIALS**

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for Proxy Materials with respect to two or more stockholders sharing the same address by delivering a single full set of Proxy Materials addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are ARCA biopharma, Inc. stockholders will be householding the Company's proxy materials. A single full set of Proxy Materials will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate full set of Proxy Materials, please notify your broker or ARCA biopharma, Inc. Direct your written request to Secretary, ARCA biopharma, Inc., 8001 Arista Place, Suite 430, Broomfield, CO 80021 or contact Investor Relations at 720-940-2100. The Company undertakes to promptly deliver a separate full set of Proxy Materials promptly upon receiving your written request. Stockholders who currently receive multiple full sets of Proxy Materials at their addresses and would like to request householding of their communications should contact their brokers.



**OTHER MATTERS**

The Board of Directors knows of no other matters that will be presented for consideration at the Special Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Christopher Ozeroff

Secretary, Senior Vice President and General Counsel

February , 2013

We will provide without charge to each person, including any beneficial owner, to whom a copy of this proxy statement has been delivered, upon written or oral request, a copy of any or all of the documents referred to above that have been or may be incorporated in this proxy statement by reference. Requests for copies should be directed to: **Corporate Secretary, ARCA biopharma, Inc., 8001 Arista Place, Suite 430, Broomfield, CO 80021.**



