

UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO

In re FIRST BANCORP SECURITIES LITIGATION ) Civil Action No. 3:05-cv-02148-GAG  
\_\_\_\_\_) )  
This Document Relates To: ) CLASS ACTION  
\_\_\_\_\_) )  
ALL ACTIONS. )  
\_\_\_\_\_)

NOTICE OF PENDENCY AND PROPOSED SETTLEMENT OF CLASS ACTION

**IF YOU PURCHASED OR OTHERWISE ACQUIRED FIRST BANCORP (“FIRST BANCORP” OR THE “COMPANY”) COMMON OR PREFERRED STOCK AT ANY TIME BETWEEN APRIL 16, 2001 AND DECEMBER 13, 2005, INCLUSIVE, YOU COULD GET A PAYMENT FROM A CLASS ACTION SETTLEMENT.**

A federal court authorized this Notice. This is not a solicitation from a lawyer.

**Security and Time Period:** First BanCorp common or preferred stock purchased or otherwise acquired any time between April 16, 2001 and December 13, 2005.

**Settlement Fund:** \$74,250,000 in cash. Your recovery will depend on the type and amount of First BanCorp stock purchased or acquired and the timing of your purchases, acquisitions and any sales. Depending on the number of eligible shares that participate in the Settlement and when those shares were purchased or acquired and sold, the estimated average recovery per share will be approximately \$0.71 before deduction of Court-approved fees and expenses. A Class Member’s actual recovery will be a proportion of the Net Settlement Fund determined by that claimant’s recognized claim as compared to the total recognized claims of all Class Members who submit acceptable Proofs of Claim.

**Reasons for Settlement:** Avoids the costs and risks associated with continued litigation, including danger of no recovery.

**If the Case Had Not Settled:** Continuing with the case could have resulted in dismissal or loss at trial. The two sides vigorously disagree on both liability and the amount of money that could have been won if Lead Plaintiffs prevailed at trial. The parties disagree about: (1) the method for determining whether First BanCorp common or preferred stock prices were artificially inflated during the relevant period; (2) the amount of any such inflation; (3) whether or the extent to which various facts alleged by Lead Plaintiffs were materially false or in any way misleading; (4) the extent that various facts alleged by Lead Plaintiffs influenced the trading price of First BanCorp common or preferred stock during the relevant period; and (5) whether the facts alleged were material, false, misleading or otherwise actionable under the federal securities laws.

**Attorneys’ Fees and Expenses:** Court-appointed Co-Lead Counsel will ask the Court for attorneys’ fees not to exceed 27% of the Gross Settlement Fund and out-of-pocket expenses not to exceed \$500,000.00 to be paid from the Gross Settlement Fund. If the above amounts are requested and approved by the Court, the average cost per share will be \$0.20. Co-Lead Counsel have not received any payment for their work investigating the facts, conducting this Litigation and negotiating this Settlement on behalf of the Lead Plaintiffs and the Class.

**Deadlines:**

Submit Claim: December 18, 2007  
Request Exclusion: October 4, 2007  
File Objection: October 4, 2007

**Court Hearing on Fairness of Settlement:** November 28, 2007

**More Information:** [www.gilardi.com](http://www.gilardi.com) or

Claims Administrator:

Co-Lead Counsel:

*First BanCorp Securities  
Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 8040  
San Rafael, CA 94912-8040

Rick Nelson  
Shareholder Relations  
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595 South Federal Highway, Suite 600  
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- Your legal rights are affected whether you act, or don't act. Read this Notice carefully.

**YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT:**

<b>SUBMIT A CLAIM FORM</b>	The only way to get a payment.
<b>EXCLUDE YOURSELF</b>	Get no payment. This is the only option that allows you to participate in another lawsuit against the Defendants and the other Released Persons relating to the legal claims in this case.
<b>OBJECT</b>	You may write to the Court if you don't like this Settlement.
<b>GO TO A HEARING</b>	You may ask to speak in Court about the fairness of the Settlement.
<b>DO NOTHING</b>	Get no payment. Give up all rights.

- These rights and options — **and the deadlines to exercise them** — are explained in this Notice.
- The Court in charge of this case must decide whether to approve the Settlement. Payments will be made if the Court approves the Settlement and, if there are any appeals, after appeals are resolved. Please be patient.

**BASIC INFORMATION**

**1. Why Did I Get This Notice Package?**

You or someone in your family may have purchased or acquired First BanCorp common or preferred stock at any time between April 16, 2001 and December 13, 2005 (the "Class Period").

The Court directed that you be sent this Notice because you have a right to know about a proposed settlement of a class action lawsuit, and about all of your options, before the Court decides whether to approve the Settlement. If the Court approves the Settlement it and after any objections or appeals are resolved, the Claims Administrator appointed by the Court will make the payments that the Settlement allows.

This package explains the Litigation, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them.

The Court in charge of the case is the United States District Court for the District of Puerto Rico, and the case is known as *In re First BanCorp Securities Litigation*, Civil Action No. 3:05-cv-02148-GAG. The individuals and pension fund that sued are called the Lead Plaintiffs, and the companies and the individuals they sued, First BanCorp, UBS Financial Services, Incorporated of Puerto Rico, Angel Alvarez-Perez, Annie Astor-Carbonell and Laura Villarino-Tur are called the Defendants.

**2. What Is This Lawsuit About?**

First BanCorp is the holding company for First Bank, which provides financial services in Puerto Rico, the U.S. Virgin Islands and British Virgin Islands.

First BanCorp improperly classified mortgage transactions with Doral Financial Corp. ("Doral") and R&G Financial Corp. ("R&G") as sales from Doral and R&G to First BanCorp rather than commercial loans secured by those mortgages. Lead Plaintiffs alleged this violated Generally Accepted Accounting Principles ("GAAP"), and that by classifying the mortgage transactions as sales rather than loans, First BanCorp was able to meet or exceed the capital requirements of a well-capitalized bank. During the Class Period, First BanCorp filed with the SEC annual and quarterly reports which allegedly overstated the Company's mortgage portfolio. Lead Plaintiffs also alleged that First BanCorp improperly accounted for interest-rate swaps, which artificially inflated its net income. These GAAP violations ultimately led to the Company restating its financial statements for fiscal years 2001 through the first quarter of 2005.

During the Class Period, First BanCorp made three public offerings of preferred stock, raising more than \$350 million for the Company. The Prospectus for the Series E Preferred Stock Offering, filed with the SEC on September 26, 2003, incorporated by reference previous filings with the SEC, including several Form 10-Q Reports which allegedly overstated the value of the Company's mortgage portfolio.

The prices of First BanCorp stock declined after the disclosure of the previously undisclosed information concerning the Company's financial condition was revealed.

Lead Plaintiffs alleged that as a result of these misrepresentations and omissions, First BanCorp's common and preferred stock traded at artificially inflated prices during the Class Period, in violation of the federal securities laws. Defendants deny all of Lead Plaintiffs' allegations and deny that they did anything wrong. Defendants also deny that the Lead

Plaintiffs or the Class suffered damages or that the prices of First BanCorp common or preferred stock were artificially inflated by reasons of alleged misrepresentations, non-disclosures or otherwise.

### **3. Why Is This a Class Action?**

In a class action, one or more persons called class representatives (in this case the Court-appointed Lead Plaintiffs, Robert Fox, Marquita McLaughlin and Plumbers and Pipefitters Local 51 Pension Fund) sue on behalf of persons who have similar claims. Here, all these persons are called a Class or Class Members. One court resolves the issues for all Class Members, except for those who exclude themselves from the Class. Judge Gustavo A. Gelpi is in charge of this class action.

### **4. Why Is There a Settlement?**

The Court did not decide in favor of Lead Plaintiffs or Defendants. Instead, these parties agreed to a settlement. That way, they avoid the cost of a trial, and eligible Class Members who make a valid claim will get compensation. The Lead Plaintiffs and their attorneys think the Settlement is best for all Class Members, given the limited amount of directors' and officers' insurance and the fact that as a result of its poor financial condition, First BanCorp was operating under restrictions of the Federal Deposit Insurance Corporation.

## **WHO IS IN THE SETTLEMENT**

To see if you will get money from this Settlement, you first have to determine if you are a Class Member.

### **5. How Do I Know if I Am Part of the Settlement?**

The Class includes ***all Persons who purchased or otherwise acquired First BanCorp common or preferred stock at any time between April 16, 2001 and December 13, 2005, except those Persons and entities that are excluded, as described below.***

### **6. What Are the Exceptions to Being Included?**

You are not a Class Member if you are a Defendant, a member of the immediate family of one of the Individual Defendants listed in Question 1, an entity in which any Defendant has or had a controlling interest, Doral, R&G, a director or officer of First BanCorp, Doral or R&G, or an heir, administrator, successor, or assign of any such excluded Person.

If you sold First BanCorp common or preferred stock at any time between April 16, 2001 and December 13, 2005, that alone does not make you a Class Member. You are a Class Member only if you ***purchased or otherwise acquired*** First BanCorp common or preferred stock at any time between April 16, 2001 and December 13, 2005.

### **7. I'm Still Not Sure if I Am Included.**

If you are still not sure whether you are included, you can ask for free help. You can call Rick Nelson at 619/231-1058 for more information. Or you can fill out and return the claim form described in Question 10, to see if you qualify.

## **THE SETTLEMENT BENEFITS — WHAT YOU GET**

### **8. What Does the Settlement Provide?**

First BanCorp has agreed to pay \$74,250,000 in cash to be divided among all eligible Class Members who send in valid claim forms, after payment of Court-approved attorneys' fees and expenses and the costs of claims administration, including the costs of printing and mailing this Notice and the cost of publishing newspaper notice.

### **9. How Much Will My Payment Be?**

Your share of the fund will depend on the number of valid claim forms that Class Members send in and how many shares of common or preferred stock you purchased or acquired during the relevant period and when you bought or sold them. A claim will be calculated as follows.

The \$74,250,000 Settlement Fund and the interest earned thereon shall be the "Gross Settlement Fund." The Gross Settlement Fund, less all taxes, approved costs, fees and expenses (the "Net Settlement Fund") shall be distributed to Members of the Class who submit acceptable Proofs of Claim ("Authorized Claimants").

The Claims Administrator shall determine each Authorized Claimant's "Recognized Claim," which is the Authorized Claimant's pro rata share of the Net Settlement Fund. The Recognized Claim is not intended to be an estimate of the amount of what a Class Member might have been able to recover after a trial. A Recognized Claim for an Authorized Claimant is computed as the Net Settlement Fund multiplied by the Authorized Claimant's "Recognized Loss," expressed as a fraction of the sum of the Recognized Losses for all Authorized Claimants. For example, if a claimant has a Recognized Loss of

\$500,000 and that Recognized Loss represents 0.5% of the sum of all Recognized Losses for all Claimants then that Claimant would receive 0.5% of the Net Settlement Fund.

An Authorized Claimant's Recognized Loss is computed as the lesser of:

- (a) the sum of Claimant's Aggregate Losses from Artificial Inflation, or
- (b) the sum of Claimant's Aggregate Trading Losses.

If the Claimant's Recognized Losses are less than zero (gain) then the value of the Claimant's Recognized Claim is zero and the Claimant shall not be entitled to a share of the Net Settlement Fund.

### COMMON STOCK

**Per share losses from Artificial Inflation for common stock** are based on the amount of Artificial Inflation in the stock price of First BanCorp during the Class Period, from April 16, 2001 to December 13, 2005, and the number of shares purchased or acquired. The Artificial Inflation reflects the Lead Plaintiffs' allegations of loss caused by Defendants' misleading statements and omissions as set forth in the Amended Class Action Complaint ("Complaint"). The amount of the alleged Artificial Inflation was estimated by Lead Plaintiffs' damages consultant to be:

#### TABLE A

- (a) \$5.97 per share for April 16, 2001 to March 15, 2005;
- (b) \$4.93 per share from March 16, 2005 to July 19, 2005;
- (c) \$9.48 per share from July 20, 2005 to August 10, 2005;
- (d) \$7.61 per share from August 11, 2005 to August 25, 2005;
- (e) \$6.04 per share from August 26, 2005 to September 30, 2005;
- (f) \$4.68 per share for October 3, 2005;
- (g) \$3.79 per share from October 4, 2005 to October 21, 2005;
- (h) \$2.37 per share from October 24, 2005 to October 25, 2005;
- (i) \$0.87 per share from October 26, 2005 to December 12, 2005.

The estimate of Artificial Inflation is based on the Lead Plaintiffs' damages consultant's view of certain disclosures as partially correcting the alleged misstatements and omissions. In this case, there were eight disclosures, March 16, 2005, August 11, 2005, August 26, 2005, October 3, 2005, October 4, 2005, October 24, 2005, October 26, 2005, and December 13, 2005. There was also one inflationary statement that occurred on July 20, 2005, which increased Artificial Inflation. Table A shows the amount of the alleged Artificial Inflation at purchase or acquisition in each period as estimated by Lead Plaintiffs' damages consultant.

Per share losses from Artificial Inflation in each period were calculated by Lead Plaintiffs' damages consultant to be:

1. For shares of common stock ***purchased or acquired between April 16, 2001 and March 15, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

- (a) \$0 per share for any shares purchased or acquired and sold within this period;
- (b) \$5.97 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period;
- (c) \$1.04 per share for any shares purchased or acquired within this period and sold between March 16, 2005 and July 19, 2005;
- (d) -\$3.51 per share for any shares purchased or acquired within this period and sold between July 20, 2005 and August 10, 2005;
- (e) -\$1.64 per share for any shares purchased or acquired within this period and sold between August 11, 2005 and August 25, 2005;
- (f) -\$0.07 per share for any shares purchased or acquired within this period and sold between August 26, 2005 and September 30, 2005;
- (g) \$1.29 per share for any shares purchased or acquired within this period and sold on October 3, 2005;

(h) \$2.18 per share for any shares purchased or acquired within this period and sold between October 4, 2005 and October 21, 2005;

(i) \$3.60 per share for any shares purchased or acquired within this period and sold between October 24, 2005 and October 25, 2005; and

(j) \$5.10 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

2. For shares of common stock ***purchased or acquired between March 16, 2005 and July 19, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period;

(b) \$4.93 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period;

(c) -\$4.55 per share for any shares purchased or acquired within this period and sold between July 20, 2005 and August 10, 2005;

(d) -\$2.68 per share for any shares purchased or acquired within this period and sold between August 11, 2005 and August 25, 2005;

(e) -\$1.11 per share for any shares purchased or acquired within this period and sold between August 26, 2005 and September 30, 2005;

(f) \$0.25 per share for any shares purchased or acquired within this period and sold on October 3, 2005;

(g) \$1.14 per share for any shares purchased or acquired within this period and sold between October 4, 2005 and October 21, 2005;

(h) \$2.56 per share for any shares purchased or acquired within this period and sold between October 24, 2005 and October 25, 2005; and

(i) \$4.06 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

3. For shares of common stock ***purchased or acquired between July 20, 2005 and August 10, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period;

(b) \$9.48 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period;

(c) \$1.87 per share for any shares purchased or acquired within this period and sold between August 11, 2005 and August 25, 2005;

(d) \$3.44 per share for any shares purchased or acquired within this period and sold between August 26, 2005 and September 30, 2005;

(e) \$4.80 per share for any shares purchased or acquired within this period and sold on October 3, 2005;

(f) \$5.69 per share for any shares purchased or acquired within this period and sold between October 4, 2005 and October 21, 2005;

(g) \$7.11 per share for any shares purchased or acquired within this period and sold between October 24, 2005 and October 25, 2005; and

(h) \$8.61 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

4. For shares of common stock ***purchased or acquired between August 11, 2005 and August 25, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period;

(b) \$7.61 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period;

(c) \$1.57 per share for any shares purchased or acquired within this period and sold between August 26, 2005 and September 30, 2005;

(d) \$2.93 per share for any shares purchased or acquired within this period and sold on October 3, 2005;

(e) \$3.82 per share for any shares purchased or acquired within this period and sold between October 4, 2005 and October 21, 2005;

(f) \$5.24 per share for any shares purchased or acquired within this period and sold between October 24, 2005 and October 25, 2005; and

(g) \$6.74 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

5. For shares of common stock ***purchased or acquired between August 26, 2005 and September 30, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period;

(b) \$6.04 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period;

(c) \$1.38 per share for any shares purchased or acquired within this period and sold on October 3, 2005;

(d) \$2.27 per share for any shares purchased or acquired within this period and sold between October 4, 2005 and October 21, 2005;

(e) \$3.69 per share for any shares purchased or acquired within this period and sold between October 24, 2005 and October 25, 2005; and

(f) \$5.19 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

6. For shares of common stock ***purchased or acquired on October 3, 2005***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold on this date;

(b) \$4.68 per share for any shares purchased or acquired on this date and sold on or after the last day of the Class Period;

(c) \$0.89 per share for any shares purchased or acquired on this date and sold between October 4, 2005 and October 21, 2005;

(d) \$2.31 per share for any shares purchased or acquired on this date and sold between October 24, 2005 and October 25, 2005; and

(e) \$3.81 per share for any shares purchased or acquired on this date and sold between October 26, 2005 and December 12, 2005.

7. For shares of common stock ***purchased or acquired between October 4, 2005 and October 21, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period;

(b) \$3.79 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period;

(c) \$1.42 per share for any shares purchased or acquired within this period and sold between October 24, 2005 and October 25, 2005; and

(d) \$2.92 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

8. For shares of common stock ***purchased or acquired between October 24, 2005 and October 25, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period;

(b) \$2.37 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period; and

(c) \$1.50 per share for any shares purchased or acquired within this period and sold between October 26, 2005 and December 12, 2005.

9. For shares of common stock ***purchased or acquired between October 26, 2005 and December 12, 2005, inclusive***, the per share loss from Artificial Inflation shall be:

(a) \$0 per share for any shares purchased or acquired and sold within this period; and

(b) \$0.87 per share for any shares purchased or acquired within this period and sold on or after the last day of the Class Period.

### PREFERRED STOCK

**Per share losses from Artificial Inflation for preferred stock** are based on the amount of Artificial Inflation in the respective preferred stock price of First BanCorp during the Class Period for preferred stock from April 16, 2001 to October 26, 2005 and the number of shares purchased or acquired. The Artificial Inflation reflects the Lead Plaintiffs' allegations of loss caused by Defendants' misleading statements and omissions as set forth in the Complaint. The amount of the alleged Artificial Inflation at purchase or acquisition and sale along with the total losses from Artificial Inflation was computed by Lead Plaintiffs' damages consultant for each of the First BanCorp preferred securities shown in Table B below:

**TABLE B**

Preferred Stock	Period	Artificial Inflation at Purchase or Acquisition
7.125% Series A	4/16/2001 - 10/25/2005	\$0.97 per share
	10/26/2005 & after	\$0 per share
8.35% Series B	4/16/2001 - 10/25/2005	\$1.12 per share
	10/26/2005 & after	\$0 per share
7.40% Series C	4/16/2001 - 10/25/2005	\$2.32 per share
	10/26/2005 & after	\$0 per share
7.25% Series D	4/16/2001 - 10/25/2005	\$1.17 per share
	10/26/2005 & after	\$0 per share
7% Series E	4/16/2001 - 10/25/2005	\$1.08 per share
	10/26/2005 & after	\$0.00 per share

**Total losses from Artificial Inflation** for shares purchased or acquired during the Class Period are computed by multiplying the per share loss determined above and the number of shares associated with the transaction based on the per share loss that is calculated for each security. (Total losses from Artificial Inflation which are negative constitute gains and offset losses.)

**Total Trading Losses for common stock** purchased or acquired during the Class Period are computed as the number of shares of common stock purchased or acquired multiplied by the price per share paid for the common stock for shares purchased or acquired during the Class Period minus the disposition price per share (less commissions and other charges). The disposition price is (1) the sales price for shares purchased or acquired during the Class Period and subsequently sold during the Class Period, or (2) \$12.24 per share value (the closing price of First BanCorp common stock on December 13, 2005) for the number of First BanCorp common shares purchased or acquired during the Class Period and still held at the end of the Class Period ("Holding Value").

**Total Trading Losses for preferred stock** purchased or acquired during the Class Period are computed as the number of shares of a particular preferred stock purchased or acquired multiplied by the price per share paid for that stock for shares purchased or acquired during the Class Period minus the disposition price per share (less commissions and other charges). The disposition price for preferred shares is (1) the sales price for shares purchased or acquired during the Class Period and subsequently sold during the Class Period, or (2) the closing price for First BanCorp preferred stock on October 26, 2005 for the number of First BanCorp preferred shares purchased or acquired during the Class Period and still held at the end of the Class Period (see the table below for each of the closing preferred stock prices on October 26, 2005).

<b>Preferred Stock</b>	<b>Closing Price on October 26, 2005</b>
7.125% Series A	\$24.15
8.35% Series B	\$24.50
7.40% Series C	\$23.00
7.25% Series D	\$23.75
7% Series E	\$23.50

In the event a Claimant has more than one purchase, acquisition or sale of First BanCorp common stock or preferred stock, all purchases, acquisitions and sales shall be matched on a first-in, first-out (“FIFO”) basis. Class Period sales for any First BanCorp common stock or preferred stock will be matched first against any shares of the respective security held at the beginning of the Class Period and then against subsequent Class Period purchases or acquisitions of the respective security (preceding the date of sale) in chronological order. The proceeds of any sales of any First BanCorp security during the Class Period matched against the Claimant’s opening position (prior to the first day of the Class Period) in First BanCorp’s common or preferred stock will not be considered for purposes of calculating losses.

A purchase, acquisition or sale of First BanCorp common stock or preferred stock shall be deemed to have occurred on the “contract” or “trade” date as opposed to the “settlement” or “payment” date. The receipt or grant by gift, devise or operation of law of First BanCorp common stock or preferred stock during the Class Period shall not be deemed a purchase, acquisition or sale of the respective First BanCorp security for the calculation of the Authorized Claimant’s Recognized Claim, nor shall it be deemed an assignment of any claim relating to the purchase or acquisition of such common or preferred stock unless specifically provided in the instrument of gift or assignment.

**Claimant’s Aggregate Losses from Artificial Inflation** is calculated by summing all of the losses from Artificial Inflation for all securities purchased or acquired during the Class Period. (A negative amount of losses from Artificial Inflation constitutes a gain, which offsets losses.)

**Claimant’s Aggregate Trading Losses** is calculated by summing all of the Trading Losses for all securities purchased or acquired during the Class Period. (A negative amount of Trading Losses constitutes a gain, which offsets losses.)

**Claimant’s Recognized Loss** is the lesser of the Claimant’s Aggregate Losses from Artificial Inflation and Claimant’s Trading Losses.

The payment you get will reflect your pro rata share after deduction of Court-approved fees and expenses. Depending on the number of eligible shares that participate in the Settlement and when those shares were purchased or acquired and sold, the estimated average payment will be approximately \$0.71 for each share before deduction of Court-approved fees and expenses. The number of claimants who send in claims varies widely from case to case. If fewer than anticipated Class Members send in a claim form, you could get more money.

To the extent a Claimant had a gain from his, her or its overall transactions in First BanCorp common or preferred stock during the Class Period, the value of the recognized claim will be zero.

**HOW YOU GET A PAYMENT — SUBMITTING A CLAIM FORM**

**10. How Will I Get a Payment?**

To qualify for payment, you must be an eligible Class Member and you must send in a claim form. A claim form is enclosed with this Notice. Read the instructions carefully, fill out the form, include all the documents the form asks for, sign it, and mail it in the enclosed envelope postmarked no later than December 18, 2007.

### **11. When Will I Get My Payment?**

The Court will hold a hearing on November 28, 2007, to decide whether to approve the Settlement. If Judge Gelpi approves the Settlement, there may be appeals. It is always uncertain whether an appeal can be resolved favorably, and resolving it can take time, perhaps several years. Everyone who sends in a claim form will be informed of the determination with respect to their claim. Please be patient.

### **12. What Am I Giving Up to Get a Payment or Stay in the Class?**

Unless you exclude yourself, you are staying in the Class, and that means that you cannot sue, continue to sue, or be part of any other lawsuit against the Defendants arising from the First BanCorp securities you purchased or acquired, whether about the same issues in this case or others that could have been asserted in this case. It also means that all of the Court's orders will apply to you and legally bind you and you will release your claims in this case against the Defendants. The terms of the release are included in the claim form that is enclosed.

### **EXCLUDING YOURSELF FROM THE SETTLEMENT**

If you don't want a payment from this Settlement, but you want to keep the right to sue or continue to sue the Defendants on your own about the same issues in this case, then you must take steps to get out of the Class. This is called excluding yourself or is sometimes referred to as opting out of the Class.

### **13. How Do I Get out of the Class?**

To exclude yourself from the Class, you must send a letter by mail stating that you want to be excluded from *In re First BanCorp Securities Litigation*, Civil Action No. 3:05-cv-02148-GAG. You must include your name, address, telephone number, your signature, and the number and type of shares of First BanCorp common or preferred stock you purchased or acquired between April 16, 2001 and December 13, 2005, the number and type of shares sold during this time period, if any, and the dates of such purchases or acquisitions and sales. You must mail your exclusion request postmarked no later than October 4, 2007 to:

*First BanCorp Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 8040  
San Rafael, CA 94912-8040

You cannot exclude yourself on the phone or by e-mail. If you ask to be excluded, you are not eligible to get any settlement payment, and you cannot object to the Settlement. You will not be legally bound by anything that happens in this lawsuit.

### **14. If I Do Not Exclude Myself, Can I Sue the Defendants for the Same Thing Later?**

No. Unless you exclude yourself, you give up any right to sue the Defendants for the claims resolved by this Settlement. If you have a pending lawsuit against any of the Defendants, speak to your lawyer in that case immediately. Remember, the exclusion deadline is October 4, 2007.

### **15. If I Exclude Myself, Can I Get Money from This Settlement?**

No. If you exclude yourself, do not send in a claim form. But, you may sue, continue to sue, or be part of a different lawsuit against the Defendants.

### **THE LAWYERS REPRESENTING YOU**

### **16. Do I Have a Lawyer in This Case?**

The Court appointed the law firms of Lerach Coughlin Stoia Geller Rudman & Robbins LLP and Zwerling, Schachter & Zwerling, LLP to represent you and other Class Members.

These lawyers are called Co-Lead Counsel. You will not be charged for these lawyers. If you want to be represented by your own lawyer, you may hire one at your own expense.

### **17. How Will the Lawyers Be Paid?**

Co-Lead Counsel will ask the Court for attorneys' fees not to exceed 27% of the Gross Settlement Fund (an average of \$0.19 per share) and for their out-of-pocket expenses up to \$500,000.00, which were advanced in connection with the

Litigation. The Lead Plaintiffs may also seek payment of their expenses (including lost wages) incurred in connection with their service as lead plaintiffs. Such sums as may be approved by the Court will be paid from the Gross Settlement Fund. Class Members are not personally liable for any such fees or expenses.

The attorneys' fees and expenses requested will be the only payment to Co-Lead Counsel for their efforts in achieving this Settlement and for their risk in undertaking this representation on a wholly contingent basis. To date, Co-Lead Counsel have not been paid for their services for conducting this Litigation on behalf of the Lead Plaintiffs and the Class, nor for their substantial out-of-pocket expenses. The fee requested will compensate Co-Lead Counsel for their work in achieving the Settlement Fund and is well within the range of fees awarded to class counsel under similar circumstances in other cases of this type. The Court may award less than this amount.

## OBJECTING TO THE SETTLEMENT

You can tell the Court that you don't agree with the Settlement or some part of it.

### 18. How Do I Tell the Court that I Don't Like the Settlement?

If you are a Class Member, you can object to the Settlement if you don't like any part of it. You can give reasons why you think the Court should not approve it. The Court will consider your views. To object, you must send a letter saying that you object to the Settlement in *In re First BanCorp Securities Litigation*, Civil Action No. 3:05-cv-02148-GAG. Be sure to include your name, address, telephone number, your signature, the number and type of shares of First BanCorp common or preferred stock purchased or acquired and sold between April 16, 2001 and December 13, 2005, and the reasons you object to the Settlement. Any objection to the Settlement must be mailed or delivered such that it is received by each of the following no later than October 4, 2007:

*Court:*

Clerk of the Court  
UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO  
CLEMENTE RUIZ-NAZARIO U.S. COURTHOUSE  
& FEDERICO DEGETAU FEDERAL BUILDING  
150 Carlos Chardon Street  
Hato Rey, P.R. 00918

*Counsel for Lead Plaintiffs:*

LERACH COUGHLIN STOIA GELLER  
RUDMAN & ROBBINS LLP  
ELLEN GUSIKOFF STEWART  
655 West Broadway, Suite 1900  
San Diego, CA 92101

ZWERLING, SCHACHTER  
& ZWERLING, LLP  
RICHARD A. SPEIRS  
41 Madison Avenue  
New York, NY 10010

*On Behalf of Counsel for Defendants:*

WEIL, GOTSHAL & MANGES LLP  
JOSEPH ALLERHAND  
767 Fifth Avenue  
New York, NY 10153

### 19. What's the Difference Between Objecting and Excluding?

Objecting is simply telling the Court that you don't like something about the Settlement. You can object **only if** you stay in the Class. Excluding yourself is telling the Court that you don't want to be part of the Class. If you exclude yourself, you have no basis to object because the case no longer affects you.

## THE COURT'S SETTLEMENT HEARING

The Court will hold a hearing to decide whether to approve the Settlement. You may attend and you may ask to speak, but you don't have to.

### 20. When and Where Will the Court Decide Whether to Approve the Settlement?

The Court will hold a settlement hearing at 8:45 a.m., on November 28, 2007, at the United States District Court for the District of Puerto Rico, Clemente Ruiz-Nazario U.S. Courthouse & Federico Degetau Federal Building, 150 Carlos Chardon

Street, Hato Rey, Puerto Rico 00918. At this hearing the Court will consider whether the Settlement is fair, reasonable, and adequate. If there are objections, the Court will consider them. Judge Gelpi will listen to people who have asked to speak at the hearing. The Court will also consider how much to pay to Co-Lead Counsel (assuming the Settlement is approved). The Court may decide these issues at the hearing or take them under consideration. We do not know how long these decisions will take.

**21. Do I Have to Come to the Hearing?**

No. Co-Lead Counsel will answer questions Judge Gelpi may have. But, you are welcome to come at your own expense. If you send an objection, you don't have to come to Court to talk about it. As long as you mailed your written objection on time, the Court will consider it. You may also pay your own lawyer to attend, but it is not necessary.

**22. May I Speak at the Hearing?**

You may ask the Court for permission to speak at the settlement hearing. To do so, you must send a letter saying that it is your intention to appear in *In re First BanCorp Securities Litigation*, Civil Action No. 3:05-cv-02148-GAG. Be sure to include your name, address, telephone number, your signature, and the number and type of shares of First BanCorp common or preferred stock purchased or acquired between April 16, 2001 and December 13, 2005. Your notice of intention to appear must be received no later than October 4, 2007, and be sent to the Clerk of the Court, Co-Lead Counsel, and Defendants' counsel, at the addresses listed in Question 18. You cannot speak at the hearing if you exclude yourself from the Class.

**IF YOU DO NOTHING**

**23. What Happens if I Do Nothing at All?**

If you do nothing, you'll get no money from this Settlement. But, unless you exclude yourself, you won't be able to start a lawsuit, continue with a lawsuit, or be part of any other lawsuit against the Defendants about the same issues in this case.

**GETTING MORE INFORMATION**

**24. Are There More Details About the Settlement?**

This Notice summarizes the proposed Settlement. More details are in the Stipulation of Settlement dated June 27, 2007. You can get a copy of the Stipulation of Settlement by writing to Rick Nelson, c/o Lerach Coughlin Stoia Geller Rudman & Robbins LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101 or from the Clerk's office at the United States District Court for the District of Puerto Rico, Clemente Ruiz-Nazario U.S. Courthouse & Federico Degetau Federal Building, 150 Carlos Chardon Street, Hato Rey, Puerto Rico 00918 during regular business hours.

**25. How Do I Get More Information?**

You can call 619/231-1058 or write to Rick Nelson, Lerach Coughlin Stoia Geller Rudman & Robbins LLP, 655 West Broadway, Suite 1900, San Diego, CA 92101 or you can call 212/223-3900 or write to Richard Speirs, Zwerling Schacter & Zwerling LLP, 41 Madison Avenue, New York, NY 10010 or visit the Claims Administrator's website at [www.gilardi.com](http://www.gilardi.com).

**PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE**

**SPECIAL NOTICE TO NOMINEES**

If you hold or held any First BanCorp common or preferred stock purchased or acquired between April 16, 2001 and December 13, 2005 as nominee for a beneficial owner, then, within ten (10) days after you receive this Notice, you must either: (1) send a copy of this Notice by first class mail to all such Persons; or (2) provide a list of the names and addresses of such Persons to the Claims Administrator:

*First BanCorp Securities Litigation*  
Claims Administrator  
c/o Gilardi & Co. LLC  
P.O. Box 8040  
San Rafael, CA 94912-8040

If you choose to mail the Notice and Proof of Claim yourself, you may obtain from the Claims Administrator (without cost to you) as many additional copies of these documents as you will need to complete the mailing.

Regardless of whether you choose to complete the mailing yourself or elect to have the mailing performed for you, you may obtain reimbursement for or advancement of reasonable administrative costs actually incurred or expected to be incurred in connection with forwarding the Notice and which would not have been incurred but for the obligation to forward the Notice, upon submission of appropriate documentation to the Claims Administrator.

DATED: August 13, 2007

BY ORDER OF THE COURT  
UNITED STATES DISTRICT COURT  
DISTRICT OF PUERTO RICO