DNA BRANDS INC
Form S-1/A
April 28, 2011

Filed with the Securities and Exchange Commission on April 28, 2011

Registration No. 333-171177

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

FORM S-1/A3
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

DNA BRANDS, INC.
(Exact name of registrant as specified in its charter)

Colorado	5149	26-0394476
(State or other jurisdiction of Incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

506 NW 77th Street
Boca Raton, Florida, 33487
(954) 978-8401
(Address, including zip code, and telephone number, including area code,
of registrant's principal executive offices)

Darren Marks
Chief Executive Officer
DNA BRANDS, INC.
506 NW 77th Street
Boca Raton, Florida, 33487
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:
Andrew I. Telsey, Esq.
Andrew I. Telsey, P.C.
12835 E. Arapahoe Road
Tower I Penthouse #803
Englewood, CO 80112
Tel: (303) 768-9221

As soon as practicable after the effective date of this Registration Statement
(Approximate date of commencement of proposed sale to the public)

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: T

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small reporting company:

o	Large accelerated filer	o	Accelerated filer
o	Non-accelerated filer (Do not check if a smaller reporting company)	T	Smaller Reporting company

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee(2)
Common Stock to be distributed to the shareholders of DNA Beverage Corporation, Par value $0.001 per share……	31,250,000	$1.01	$31,562,500	$2,250.41
Common Stock offered by Selling Shareholders, Par value $0.001 per share……..	2,013,980	$1.01	$2,034,119	$145.03
Common Stock offered by Selling Shareholders, Par value $0.001 per share……..	1,560,000	$0.48	$748,800	$86.94
Total Common Stock; Par value $0.001 per share……	34,823,980			$2,482.38

(1) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(c) under the Securities Act of 1933.

(2) Previously paid.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

Subject to Completion, dated April 28, 2011

PROSPECTUS

PRELIMINARY
PROSPECTUS

DNA BRANDS, INC.

34,823,980 Shares of Common Stock

This Prospectus relates to the issuance of 31,250,000 shares of our Common Stock ("Common Stock") to be distributed to those shareholders who were owners of DNA Beverage Corporation's common stock on September 8, 2010 (including 238,676 shares underlying shares of DNA Beverage Convertible Preferred Stock) plus an additional 3,573,980 shares issued by us to those Selling Stockholders listed on Page 15 of this Prospectus (the "Selling Stockholders") (the "Offering"). See "SELLING STOCKHOLDERS."

The Selling Stockholders may sell their shares of our Common Stock from time to time at the then prevailing market price or privately negotiated prices. See "SELLING STOCKHOLDERS" and "PLAN OF DISTRIBUTION."

We will pay the expenses of registering these shares. We will not receive any proceeds from the sale of shares of Common Stock in this Offering. All of the net proceeds from the sale of our Common Stock will go to the Selling Stockholders.

Our Common Stock is currently listed for trading on the OTC Bulletin Board under the symbol "DNAX". On April 27, 2011, the closing price for our Common Stock was $1.17.

Investing in our Common Stock involves a high degree of risk. You should invest in our Common Stock only if you can afford to lose your entire investment.

SEE "RISK FACTORS" BEGINNING ON PAGE 4.

The information in this Prospectus is not complete and may be changed. This Prospectus is included in the registration statement that was filed by DNA Brands, Inc. with the Securities and Exchange Commission. The Selling Stockholders may not sell these Shares until the registration statement becomes effective. This Prospectus is not an offer to sell these Shares and is not soliciting an offer to buy these Shares in any State where the offer or sale is not permitted.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The date of this Prospectus is _____, 2011

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PROSPECTUS SUMMARY

This summary provides an overview of certain information contained elsewhere in this Prospectus and does not contain all of the information that you should consider or that may be important to you. Before making an investment decision, you should read the entire Prospectus carefully, including the "Risk Factors" section and the financial statements and the notes to the financial statements. In this Prospectus, the terms "DNA," "the "Company," "we," "us" and "o refer to DNA Brands, Inc., unless otherwise specified herein.

Overview

DNA Brands, Inc. (hereinafter referred to as "us," "our," "we," the "Company" or "DNA") was incorporated in the State Colorado on May 23, 2007 under the name "Famous Products, Inc." Prior to July 6, 2010 we were a holding company operating as a promotion and advertising company. Our current business commenced in May 2006 in the State of Florida under the name "Grass Roots Beverage Company, Inc." ("Grass Roots"). Initial operations of Grass Roots included development of our energy drinks, sampling and other marketing efforts and initial distribution in the State of Florida.

Effective July 6, 2010, we executed agreements to acquire all of the assets, liabilities and contract rights of DNA Beverage Corporation of Boca Raton, Florida ("DNA Beverage"), including 100% of the common stock of DNA Beverage's wholly owned subsidiary Grass Roots Beverage Company, Inc. ("Grass Roots") in exchange for the issuance of 31,250,000 shares of our common stock. We were classified as a "shell" company prior to the aforesaid transaction. As part of the terms of these transactions:

- we amended our Articles of Incorporation to change our name to "DNA Brands, Inc." and our authorized capital to 100,000,000 shares of Common Stock and 10,000,000 shares of Preferred stock. A relevant Information Statement regarding this action was not filed or disseminated to our shareholders of record on the date this action occurred. As a result, it is possible that we, along with our former and current officers and directors may have potential liability for non-compliance under the laws of the State of Colorado as well as federal securities laws. We believe that any such potential liability would not be considered material;

- our former President agreed to voluntarily redeem 19,274,400 common shares back to us;

- our former Board of Directors approved a "spin-off" of our wholly owned subsidiary company, Fancy Face Promotions, Inc., a Colorado corporation. The terms of this "spin-off" provide for a dividend to be issued to our shareholders of one share of common stock for every share that our shareholders owned as of June 30, 2010, the record date of the dividend.

- our former officers and directors resigned their positions with us and were replaced by the former management team of DNA Beverage. Mr. Darren Marks, became a director and our President and CEO, and Mr. Melvin Leiner, became a director and our Executive Vice President, Secretary and COO/CFO. See "MANAGEMENT."

The share issuance represented approximately 94.6% of our outstanding shares at the time of issuance.

By means of this Prospectus we will be distributing these 31,250,000 shares to the DNA Beverage shareholders of record on September 8, 2010. Each DNA Beverage shareholder on the record date will receive 0.729277764 shares of our Common Stock for every one share of DNA Beverage they owned on the aforesaid record date.

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We incurred net losses of ($7,468,422) and ($3,918,721), respectively, during the years ending December 31, 2010 and 2009. Based upon our current business plan, our ability to begin to generate profits from operations is dependent upon our obtaining additional financing and there can be no assurances that we will ever establish profitable operations. See "RISK FACTORS" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

Our principal offices are located at 506 NW 77th Street, Boca Raton, Florida, 33487, telephone (954) 970-3826. Our website is www.dnabrandsusa.com.

About The Offering

Common Stock to be Offered by Selling Shareholders	3,573,980 shares, which represents approximately 10% of the total number of shares outstanding following this Offering.
Common stock to be Distributed to Shareholders of DNA Beverage Corporation	31,250,000, including 238,676 shares underlying shares of Convertible Preferred Stock. This number represents approximately 88% of the total number of shares outstanding following this Offering, assuming that the holders of the Convertible Preferred Stock elect to convert.
Number of shares outstanding before and after the Offering	35,640,304(1)
Use of Proceeds	We will not receive any proceeds from the sale of the Common Stock by the Selling Shareholders.
Risk Factors	See the discussion under the caption "RISK FACTORS" and other information in this Prospectus for a discussion of factors you should carefully consider before deciding to invest in our Common Stock.

(1) Because we are not selling any of our Common Stock as part of this Offering, the number of issued and outstanding shares of our Common Stock will remain the same following this Offering.

Selected Financial Data

The following selected financial data should be read in conjunction with our financial statements and the related notes to those statements included in "FINANCIAL STATEMENTS" and with "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" appearing elsewhere in this Prospectus. The selected financial data has been derived from our audited and unaudited, reviewed financial statements.

Statement of Operations:

	Year Ended December 31, 2010	2009
Revenues	$ 1,168,461	$ 667,276
Total operating expenses	$ 7,651,728	$ 3,627,903
(Loss) from operations	$ (7,352,341)	$ (3,428,747)
Other (expense)	$ (116,081)	$ (489,974)
Provision for income tax	$ -	$ -
Net (loss)	$ (7,468,422)	$ (3,918,721)
Net (loss) per share – (basic and fully diluted)	$ (0.28)	$ (0.26)
Weighted average common shares outstanding	26,729,555	15,366,097

Balance Sheet:

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash	$ 74,604	$ 11,392
Current assets	$ 438,824	$ 298,860
Total assets	$ 493,105	$ 340,888
Current liabilities	$ 2,951,266	$ 2,766,431
Total liabilities	$ 2,954,443	$ 3,381,113
Total stockholders' equity	$ (2,461,338)	$ (3,040,225)

SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS

We have made some statements in this Prospectus, including some under "RISK FACTORS," "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS," "DESCRIPTION OF BUSINESS" and elsewhere, which constitute forward-looking statements. These statements may discuss our future expectations or contain projections of our results of operations or financial condition or expected benefits to us resulting from acquisitions or transactions and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statements. These factors include, among other things, those listed under "RISK FACTORS" and elsewhere in this Prospectus. In some cases, forward-looking statements can be identified by terminology such as "may," "should," "could," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential" or negative of these terms or other comparable terminology. Although we believe that the expectations reflected in forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements.

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RISK FACTORS

An investment in our Common Stock is a risky investment. In addition to the other information contained in this Prospectus, prospective investors should carefully consider the following risk factors before purchasing shares of our Common Stock offered hereby. We believe that we have included all material risks.

Risks Related to our Operations

Our independent accountants have expressed a "going concern" opinion.

Our financial statements accompanying this Prospectus have been prepared assuming that we will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The financial statements do not include any adjustment that might result from the outcome of this uncertainty. We have a minimal operating history and minimal revenues or earnings from operations. We have no significant assets or financial resources. We will, in all likelihood, sustain operating expenses without corresponding revenues, at least until the third quarter of our fiscal year ending December 31, 2011, provided that we are successful in obtaining additional financing. See "DESCRIPTION OF BUSINESS" and "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS – Liquidity and Capital Resources." There are no assurances that we will generate profits from operations.

We have not generated profits from our operations.

We incurred net losses of ($7,468,422) and ($3,918,721), respectively, during the years ending December 31, 2010 and 2009. Based upon our current business plan, our ability to begin to generate profits from operations is dependent upon our obtaining additional financing and there can be no assurances that we will ever establish profitable operations. As we pursue our business plan, we are incurring significant expenses without corresponding revenues. In the event that we remain unable to generate significant revenues to pay our operating expenses, we will not be able to achieve profitability or continue operations.

Our ability to continue as a going concern is dependent on raising additional capital, which we may not be able to do on favorable terms, or at all.

We need to raise additional capital to support our current operations and fund our sales and marketing programs. We estimate that we will need a minimum of $3 million in additional capital in order to generate profits from operations. We can provide no assurance that additional funding will be available on a timely basis, on terms acceptable to us, or at all. If we are unsuccessful raising additional funding, our business may not continue as a going concern. Even if we do find additional funding sources, we may be required to issue securities with greater rights than those currently possessed by holders of our common stock. We may also be required to take other actions that may lessen the value of our common stock or dilute our common stockholders, including borrowing money on terms that are not favorable to us or issuing additional equity securities. If we experience difficulties raising money in the future, our business and liquidity will be materially adversely affected.

We do not currently have an external line of credit facility with any financial institution.

As indicated above, we have estimated that we need approximately $3 million in additional capital to generate profits from operations. We have attempted to establish credit facilities with financial institutions but have experienced little or no success in these attempts due primarily to the current economic climate, specifically the reluctance of most financial institutions to provide such lines of credit to relatively new business ventures. We also have limited assets available to secure such a line of credit. We intend to continue to attempt to establish an external line of credit in the

future, but there can be no assurances we will be able to do so. The failure to obtain an external line of credit could have a negative impact on our ability to generate profits.

Our financial results may fluctuate from period to period as a result of several factors which could adversely affect our stock price.

Our operating results may fluctuate significantly in the future as a result of a variety of factors, many of which are outside our control. Factors that will affect our financial results include:

- acceptance of our products and market penetration;
- the amount and timing of capital expenditures and other costs relating to the implementation of our business plan;
- the introduction of new products by our competitors; and
- general economic conditions and economic conditions specific to our industry.

As a strategic response to changes in the competitive environment, we may from time to time make certain pricing, service, or marketing decisions or acquisitions that could have a material adverse effect on our business, prospects, financial condition, and results of operations.

We are dependent upon third party suppliers of our raw materials.

We are dependent on outside vendors for our supplies of raw materials. While we believe that there are numerous sources of supply available, if the third party suppliers were to cease production or otherwise fail to supply us with quality raw materials in sufficient quantities on a timely basis and we were unable to contract on acceptable terms for these services with alternative suppliers, our ability to produce our products would be materially adversely affected.

We rely on our distributors, retailers and brokers, and this could affect our ability to efficiently and profitably distribute and market our products, maintain our existing markets and expand our business into other geographic markets.

Our ability to establish a market for our brands and products in new geographic distribution areas, as well as maintain and expand our existing markets, is dependent on our ability to establish and maintain successful relationships with reliable distributors, retailers and brokers strategically positioned to serve those areas. Most of our distributors, retailers and brokers sell and distribute competing products, including non-alcoholic and alcoholic beverages, and our products may represent a small portion of their business. To the extent that our distributors, retailers and brokers are distracted from selling our products or do not employ sufficient efforts in managing and selling our products, including re-stocking the retail shelves with our products, our sales and results of operations could be adversely affected. Our ability to maintain our distribution network and attract additional distributors, retailers and brokers will depend on a number of factors, some of which are outside our control. Some of these factors include:

— the level of demand for our brands and products in a particular distribution area;

— our ability to price our products at levels competitive with those of competing products; and

— our ability to deliver products in the quantity and at the time ordered by distributors, retailers and brokers.

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We may not be able to meet all or any of these factors in any of our current or prospective geographic areas of distribution. Our inability to achieve any of these factors in a geographic distribution area will have a material adverse effect on our relationships with our distributors, retailers and brokers in that particular geographic area, thus limiting our ability to expand our market, which will likely adversely affect our revenues and financial results.

We generally do not have long-term agreements with our distributors, and we incur significant time and expense in attracting and maintaining key distributors.

Our marketing and sales strategy depends in large part on the availability and performance of our independent distributors. We have entered into written agreements with many of our distributors in the U.S., with normal industry terms of one year and automatically renewable for one year terms thereafter. We currently do not have, nor do we anticipate in the future that we will be able to establish, long-term contractual commitments from many of our distributors. In addition, despite the terms of the written agreements with many of our top distributors, there are no minimum levels of purchases under many of those agreements, and most of the agreements may be terminated at any time by us, generally with a termination fee. We may not be able to maintain our current distribution relationships or establish and maintain successful relationships with distributors in new geographic distribution areas. Moreover, there is the additional possibility that we may have to incur additional expenditures to attract and maintain key distributors in one or more of our geographic distribution areas in order to profitably exploit our geographic markets.

If we lose any of our key distributors or regional retail accounts, our financial condition and results of operations could be adversely affected.

We anticipate that, as consumer awareness of our brand develops and increases, we will continue to upgrade and expand our distributor network and accounts, we cannot be assured that we will be able to maintain our key distributor base which may result in an adverse effect on our revenues and financial results, our ability to retain our relationships with our distributors and our ability to expand our market and will place an increased dependence on any one or more of our independent distributors or regional accounts.

Because our distributors are not required to place minimum orders with us, we need to manage our inventory levels, and it is difficult to predict the timing and amount of our sales.

Our independent distributors are not required to place minimum monthly or annual orders for our products. In order to reduce inventory costs, independent distributors endeavor to order products from us on a “just in time” basis in quantities, and at such times, based on the demand for the products in a particular distribution area. Accordingly, there is no assurance as to the timing or quantity of purchases by any of our independent distributors or that any of our distributors will continue to purchase products from us in the same frequencies and volumes as they may have done in the past. In order to be able to deliver our products on a timely basis, we need to maintain adequate inventory levels of the desired products, but we cannot predict the number of cases sold by any of our distributors. If we fail to meet our shipping schedules, we could damage our relationships with distributors and/or retailers, increase our shipping costs or cause sales opportunities to be delayed or lost, which would unfavorably impact our future sales and adversely affect our operating results. In addition, if the inventory of our products held by our distributors and/or retailers is too high, they will not place orders for additional products, which would also unfavorably impact our future sales and adversely affect our operating results.

Our business plan and future growth is dependent in part on our distribution arrangements directly with retailers and regional retail accounts. If we are unable to establish and maintain these arrangements, our results of operations and financial condition could be adversely affected.

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We currently have distribution arrangements with a few regional retail accounts to distribute our products directly through their venues; however, there are several risks associated with this distribution strategy. First, we do not have long-term agreements in place with any of these accounts and thus, the arrangements are terminable at any time by these retailers or us. Accordingly, we may not be able to maintain continuing relationships with any of these national accounts. A decision by any of these retailers, or any other large retail accounts we may obtain, to decrease the amount purchased from us or to cease carrying our products could have a material adverse effect on our reputation, financial condition or results of operations. In addition, we may not be able to establish additional distribution arrangements with other national retailers.

We have dedicated, and will continue to dedicate, significant resources to our sponsorship agreements and may not realize the benefits expected from those agreements.

Our sponsorship agreements require us to make substantial annual payments in exchange for certain promotional and branding benefits. There can be no assurance, however, that the benefit we anticipate from those and similar agreements will compensate for the annual payment commitments required by the agreements. These commitments are significant, totaling approximately $550,000 over the remaining terms of the agreements as of December 31, 2010. Given our limited cash resources, we intend to continue attempting to renegotiate these sponsorship agreements in order to reduce our payment obligations. Relevant thereto, in January 2011 we successfully renegotiated the contractual obligation with Star Racing wherein we agreed to issue 600,000 shares of our Common Stock to offset a $268,000 cash payment due for the 2011 season. There can be no assurance that our association with these particular sponsors will have a positive effect on our image and brand. There is a risk that we will be unable to recover the costs associated with our sponsorship agreements, which would have an adverse effect on our results of operations.

We rely on independent contract packers of our products, and this dependence could make management of our marketing and distribution efforts inefficient or unprofitable.

We do not own the plants or the majority of the equipment required to manufacture and package our beverage products, and do not directly manufacture our products but instead outsource the manufacturing process to third party bottlers and independent contract packers (co-packers). We do not anticipate bringing the manufacturing process in-house in the future. We currently use 7 Up Southeast Snapple as our primary co-packer to prepare, bottle and package our products. Our contract packers are located in Jacksonville, FL. 7-Up Southeast Snapple has several co-packing plants located throughout the US that are capable of bottling product should we so require. As a consequence, we depend on independent contract packers to produce our beverage products.

We do not have written agreements with our contract packers.

Our ability to attract and maintain effective relationships with our contract packers and other third parties for the production and delivery of our beverage products in a particular geographic distribution area is important to the achievement of successful operations within each distribution area. While we believe there are other contract packers that can provide the services we need, there are no assurances that we will be able to identify and reach a mutually agreeable arrangement with a new contract packer in a specific geographic region if necessary. This could also affect the economic terms of our agreements with our packers. There is no written agreement with our contract packers and they may terminate their arrangements with us at any time, in which case we could experience disruptions in our ability to deliver products to our customers. We may not be able to maintain our relationships with current contract packers or establish satisfactory relationships with new or replacement contract packers, whether in existing or new geographic distribution areas. The failure to establish and maintain effective relationships with contract packers for a distribution area could increase our manufacturing costs and thereby materially reduce profits realized from the sale of our products in that area. In addition, poor relations with any of our contract packers could adversely affect the amount and timing of product delivered to our distributors for resale, which would in turn adversely affect our

revenues and financial condition.

As is customary in the contract packing industry for comparably sized companies, we are expected to arrange for our contract packing needs sufficiently in advance of anticipated requirements. To the extent demand for our products exceeds available inventory and the capacities produced by contract packing arrangements, or orders are not submitted on a timely basis, we will be unable to fulfill distributor orders on demand. Conversely, we may produce more product than warranted by the actual demand for it, resulting in higher storage costs and the potential risk of inventory spoilage. Our failure to accurately predict and manage our contract packaging requirements may impair relationships with our independent distributors and key accounts, which, in turn, would likely have a material adverse effect on our ability to maintain effective relationships with those distributors and key accounts.

Our business and financial results depend on the continuous supply and availability of raw materials.

The principal raw materials we use include aluminum cans, labels and cardboard cartons, flavorings, and proprietary energy blend ingredients which include vitamins and minerals. The cost of our ingredients is subject to fluctuation. If our supply of these raw materials is impaired or if prices increase significantly, our business would be adversely affected.

We may not correctly estimate demand for our products. Our ability to estimate demand for our products is imprecise, particularly with new products, and may be less precise during periods of rapid growth, particularly in new markets. If we materially underestimate demand for our products or are unable to secure sufficient ingredients or raw materials including, but not limited to, cans, glass, labels, flavors, supplements, and certain sweeteners, or sufficient packing arrangements, we might not be able to satisfy demand on a short-term basis. Moreover, industry-wide shortages of certain concentrates, supplements and sweeteners have been experienced and could, from time to time in the future, be experienced, which could interfere with and/or delay production of certain of our products and could have a material adverse effect on our business and financial results.

Disruption of our supply chain could have an adverse effect on our business, financial condition and results of operations.

Our ability and that of our suppliers, business partners (including packagers), contract manufacturers, independent distributors and retailers to make, move and sell products is critical to our success. Damage or disruption to manufacturing or distribution capabilities due to weather, natural disaster, fire or explosion, terrorism, pandemics such as avian flu, strikes or other reasons, could impair our ability to manufacture or sell our products. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial condition and results of operations, as well as require additional resources to restore our supply chain.

If we are unable to maintain brand image and product quality, or if we encounter other product issues such as product recalls, our business may suffer.

Our success depends on our ability to maintain brand image for our existing products and effectively build up brand image for new products and brand extensions. There can be no assurance, however, that additional expenditures and our advertising and marketing will have the desired impact on our products' brand image and on consumer preferences. Product quality issues, real or imagined, or allegations of product contamination, even when false or unfounded, could tarnish the image of the affected brands and may cause consumers to choose other products.

In addition, because of changing government regulations or implementation thereof, allegations of product contamination may require us from time to time to recall products entirely or from specific markets. Product recalls could affect our profitability and could negatively affect brand image. Adverse publicity surrounding obesity

concerns, water usage and other concerns could negatively affect our overall reputation and our products' acceptance by consumers.

The inability to attract and retain key personnel would directly affect our efficiency and results of operations.

Our success depends on our ability to attract and retain highly qualified employees in such areas as production, distribution, sales, marketing and finance. We compete to hire new employees, and, in some cases, must train them and develop their skills and competencies. Our operating results could be adversely affected by increased costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. We expect that given our continued exploration of strategic alternatives, we may be further impacted by turnover among employees. Any unplanned turnover, particularly involving one of our key personnel, could negatively impact our operations, financial condition and employee morale.

Our inability to protect our trademarks, patents and trade secrets may prevent us from successfully marketing our products and competing effectively.

Failure to protect our intellectual property could harm our brand and our reputation, and adversely affect our ability to compete effectively. Further, enforcing or defending our intellectual property rights, including our trademarks, patents, copyrights and trade secrets, could result in the expenditure of significant financial and managerial resources. We regard our intellectual property, particularly our trademarks, patents and trade secrets to be of considerable value and importance to our business and our success. We rely on a combination of trademark, patent, and trade secrecy laws, confidentiality procedures and contractual provisions to protect our intellectual property rights. There can be no assurance that the steps taken by us to protect these proprietary rights will be adequate or that third parties will not infringe or misappropriate our trademarks, patented processes, trade secrets or similar proprietary rights. In addition, there can be no assurance that other parties will not assert infringement claims against us, and we may have to pursue litigation against other parties to assert our rights. Any such claim or litigation could be costly. In addition, any event that would jeopardize our proprietary rights or any claims of infringement by third parties could have a material adverse effect on our ability to market or sell our brands, profitably exploit our products or recoup our associated research and development costs.

Litigation or legal proceedings could expose us to significant liabilities and damage our reputation.

We may become party to litigation claims and legal proceedings. Litigation involves significant risks, uncertainties and costs, including distraction of management attention away from our current business operations. We evaluate litigation claims and legal proceedings to assess the likelihood of unfavorable outcomes and to estimate, if possible, the amount of potential losses. Based on these assessments and estimates, we establish reserves and/or disclose the relevant litigation claims or legal proceedings, as appropriate. These assessments and estimates are based on the information available to management at the time and involve a significant amount of management judgment. We caution you that actual outcomes or losses may differ materially from those envisioned by our current assessments and estimates. Our policies and procedures require strict compliance by our employees and agents with all United States and local laws and regulations applicable to our business operations, including those prohibiting improper payments to government officials. Nonetheless, there can be no assurance that our policies and procedures will always ensure full compliance by our employees and agents with all applicable legal requirements. Improper conduct by our employees or agents could damage our reputation in the United States and internationally or lead to litigation or legal proceedings that could result in civil or criminal penalties, including substantial monetary fines, as well as disgorgement of profits.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect our financial results.

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Generally accepted accounting principles and related pronouncements, implementation guidelines and interpretations with regard to a wide variety of matters that are relevant to our business, such as, but not limited to, revenue recognition, stock-based compensation, trade promotions, sports sponsorship agreements and income taxes are highly complex and involve many subjective assumptions, estimates and judgments by our management. Changes to these rules or their interpretation or changes in underlying assumptions, estimates or judgments by our management could significantly change our reported results.

If we are unable to build and sustain proper information technology infrastructure, our business could suffer.

We depend on information technology as an enabler to improve the effectiveness of our operations and to interface with our customers, as well as to maintain financial accuracy and efficiency. If we do not allocate and effectively manage the resources necessary to build and sustain the proper technology infrastructure, we could be subject to transaction errors, processing inefficiencies, the loss of customers, business disruptions, or the loss of or damage to intellectual property through security breach. Our information systems could also be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorized access could disrupt our business and could result in the loss of assets.

We have no manufacturing facilities and are largely dependent upon third parties to manufacture our products.

We have no manufacturing facilities and have entered into manufacturing arrangements with third parties to manufacture our products. Accordingly, our ability to market our products is partially dependent on our relationships with our third party contract manufacturers and their ability to manufacture our products on a timely basis in accordance with our specifications. While we believe that there are numerous other third party manufacturers capable of manufacturing our products, should we not be able to continue to obtain contract manufacturing on commercially reasonable terms with our current suppliers, we may experience difficulty obtaining inventory rapidly when needed. Any of such events may materially, adversely affect our business, prospects, financial condition, and results of operations.

Our success depends, to an extent, upon the continued services of Darren Marks, our President and Chief Executive Officer and Mel Leiner, our Chief Financial Officer and Chief Operating Officer.

We rely on the services of Darren Marks and Mel Leiner, our founders, for strategic and operational management and the relationships they have built. The loss of either of Messrs. Marks or Leiner could also result in the loss of our favorable relationships with one or more of our customers. We have not entered into an employment agreement with either Mr. Marks or Leiner but expect to do so in the near future. In addition, we do not maintain “key person” life insurance covering any of our management and we do not expect to obtain the same in the future due primarily to the cost of premiums for such insurance and our limited financial resources. This could also preclude our ability to attract and retain qualified persons to agree to become directors of our Company.

The industry in which we operate is highly competitive.

Numerous well-known companies, which have substantially greater capital, research and development capabilities and experience than we have, are presently engaged in the energy drink and meat product market. By virtue of having or introducing competitive products on the market before us, these entities may gain a competitive advantage. If we are unable to successfully compete in our chosen markets, our business, prospects, financial condition, and results of operations would be materially adversely affected.

Provisions of our Articles of Incorporation and Bylaws may delay or prevent a take-over that may not be in the best interests of our stockholders.

Provisions of our Articles of Incorporation and Bylaws may be deemed to have anti-takeover effects, which include when and by whom special meetings of our stockholders may be called, and may delay, defer or prevent a takeover attempt.

In addition, our Articles of Incorporation authorizes the issuance of up to 10,000,000 shares of Preferred Stock with such rights and preferences determined from time to time by our Board of Directors. As of the date of this Prospectus, none of our Preferred Stock is currently issued or outstanding. Our Board of Directors may, without stockholder approval, issue additional Preferred Stock with dividends, liquidation, conversion, voting or other rights that could adversely affect the voting power or other rights of the holders of our Common Stock.

Our failure to maintain and develop our brand names could adversely affect our revenues.

We believe that maintaining and developing our brand name, including the trademark "DNA®" are critical to our success. The importance of our name recognition may increase as our products gain market acceptance and as we enter additional markets. If our brand building strategy is unsuccessful, we may be unable to increase our future revenues or expand our products and services. Such events would have a material adverse effect on our business, prospects, financial condition and results of operations.

Any inability by us to respond to changes in consumer demands in a timely manner could materially adversely affect our business, prospects, financial condition, and results of operations.

Our success depends on our ability to identify, originate and define product trends in our markets, as well as to anticipate, gauge and react to changing consumer demands in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to periodic change. We may not be able to meet changing consumer demands in the future. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for other products. Either of such events could have a material adverse effect on our business, prospects, financial condition, and results of operations.

Risks Related to our Common Stock

There is a limited trading market for our Common Stock and there can be no assurance that a larger market will develop in the future.

In the absence of a public trading market, an investor may be unable to liquidate his investment in our Company.

We do not have significant financial reporting experience, which may lead to delays in filing required reports with the Securities and Exchange Commission and suspension of quotation of our securities on the OTCBB which will make it more difficult for you to sell your securities.

The OTCBB, an inter-dealer quotation system, and other national stock exchanges each limits quotations to securities of issuers that are current in their reports filed with the Securities and Exchange Commission. Because we do not have significant financial reporting experience, we may experience delays in filing required reports with the Securities and Exchange Commission (the "SEC"). Because issuers whose securities are qualified for quotation on the OTCBB or any other national exchange are required to file these reports with the SEC in a timely manner, the failure to do so may result in a suspension of trading or delisting.

There are no automated systems for negotiating trades on the OTCBB and it is possible for the price of a stock to go up or down significantly during a lapse of time between placing a market order and its execution, which may affect your trades in our securities.

Because there are no automated systems for negotiating trades on the OTCBB, they are conducted via telephone. In times of heavy market volume, the limitations of this process may result in a significant increase in the time it takes to

execute investor orders. Therefore, when investors place market orders, an order to buy or sell a specific number of shares at the current market price, it is possible for the price of a stock to go up or down significantly during the lapse of time between placing a market order and its execution.

Our stock will be considered a "penny stock" so long as it trades below $5.00 per share. This can adversely affect its liquidity.

Our Common Stock is considered a "penny stock" and will continue to be considered a penny stock so long as it trades below $5.00 per share and as such, trading in our Common Stock will be subject to the requirements of Rule 15g-9 under the Securities Exchange Act of 1934. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction.

SEC regulations also require additional disclosure in connection with any trades involving a "penny stock," including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. In addition, broker-dealers must disclose commissions payable to both the broker-dealer and the registered representative and current quotations for the securities they offer. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from recommending transactions in our securities, which could severely limit the liquidity of our securities and consequently adversely affect the market price for our securities. In addition, few broker or dealers are likely to undertake these compliance activities. Other risks associated with trading in penny stocks could also be price fluctuations and the lack of a liquid market.

We do not anticipate payment of dividends, and investors will be wholly dependent upon the market for the Common Stock to realize economic benefit from their investment.

As holders of our Common Stock, you will only be entitled to receive those dividends that are declared by our Board of Directors out of retained earnings. We do not expect to have retained earnings available for declaration of dividends in the foreseeable future. There is no assurance that such retained earnings will ever materialize to permit payment of dividends to you. Our Board of Directors will determine future dividend policy based upon our results of operations, financial condition, capital requirements, reserve needs and other circumstances.

Any adverse effect on the market price of our Common Stock could make it difficult for us to raise additional capital through sales of equity securities at a time and at a price that we deem appropriate.

Sales of substantial amounts of our Common Stock, or in anticipation that such sales could occur, may materially and adversely affect prevailing market prices for our Common Stock.

The market price of our Common Stock may fluctuate significantly in the future.

We expect that the market price of our Common Stock may fluctuate in response to one or more of the following factors, many of which are beyond our control:

- competitive pricing pressures;
- our ability to market our services on a cost-effective and timely basis;
- our inability to obtain working capital financing, if needed;
- changing conditions in the market;
- changes in market valuations of similar companies;
- stock market price and volume fluctuations generally;
- regulatory developments;
- fluctuations in our quarterly or annual operating results;
- additions or departures of key personnel; and

· future sales of our Common Stock or other securities.

The price at which you purchase shares of our Common Stock may not be indicative of the price that will prevail in the trading market. You may be unable to sell your shares of Common Stock at or above your purchase price, which may result in substantial losses to you and which may include the complete loss of your investment. In the past, securities class action litigation has often been brought against a company following periods of stock price volatility. We may be the target of similar litigation in the future. Securities litigation could result in substantial costs and divert management's attention and our resources away from our business. Any of the risks described above could adversely affect our sales and profitability and also the price of our Common Stock.

Risks Relating To This Offering

The market price of our Common Stock is subject to volatility.

There can be no assurance that an active trading market for the securities offered herein will develop after this Offering, or, if developed, be sustained. Purchasers of our Common Stock may have difficulty selling their securities should they desire to do so and holders may lose their entire investment.

FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.

The Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our Common Stock, which may have the effect of reducing the level of trading activity in our Common Stock. As a result, fewer broker-dealers may be willing to make a market in our Common Stock, reducing a stockholder's ability to resell shares of our Common Stock.

State securities laws may limit secondary trading, which may restrict the states in which you can sell the shares offered by this Prospectus.

If you purchase shares of our Common Stock sold in this Offering, you may not be able to resell the shares in any state unless and until the shares of our Common Stock are qualified for secondary trading under the applicable securities laws of such state or there is confirmation that an exemption, such as listing in certain recognized securities manuals, is available for secondary trading in such state. There can be no assurance that we will be successful in registering or qualifying our Common Stock for secondary trading, or identifying an available exemption for secondary trading in our Common Stock in every state. If we fail to register or qualify, or to obtain or verify an exemption for the secondary trading of, our Common Stock in any particular state, our Common Stock could not be offered or sold to, or purchased by, a resident of that state. In the event that a significant number of states refuse to permit secondary trading in our Common Stock, the market for our Common Stock will be limited which could drive down the market price of our Common Stock and reduce the liquidity of the shares of our Common Stock and a stockholder's ability to resell shares of our Common Stock at all or at current market prices, which could increase a stockholder's risk of losing some or all of his investment.

We cannot predict whether we will successfully effectuate our current business plan. Each prospective purchaser is encouraged to carefully analyze the risks and merits of an investment in our Common Stock and should take into consideration when making such analysis, among others, the Risk Factors discussed above.

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MARKET PRICE OF AND DIVIDENDS ON THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

Trading of our Common Stock commenced on the OTCBB in July 2008 under the trading symbol “FPRD”. In November 2010 our trading symbol became “DNAX”.

The table below sets forth the reported high and low bid prices for the periods indicated. The bid prices shown reflect quotations between dealers, without adjustment for markups, markdowns or commissions, and may not represent actual transactions in our Common Stock.

Quarter Ended	High	Low
March 31, 2009	$0.55	$0.25
June 30, 2009	$0.55	$0.25
September 30, 2009	$0.55	$0.25
December 31, 2009	$0.55	$0.25
March 31, 2010	$0.39	$0.00
June 30, 2010	$1.25	$0.00
September 30, 2010	$1.35	$0.35
December 31, 2010	$1.50	$0.10

As of April 27, 2011, the closing bid price of our Common Stock was $1.17.

Trading volume in our Common Stock has been very limited since we commenced trading. As a result, the trading price of our Common Stock is subject to significant fluctuations.

Holders

As of the date of this Prospectus we had 45 holders of record for our Common Shares. Following the distribution of our 31,250,000 shares to the shareholders of DNA Beverage, we will have 286 shareholders of record. The number of record shareholders does not include those persons who hold their shares in “street name.” See “DISTRIBUITON TO SHAREHOLDERS OF DNA BEVERAGE.”

Dividend Policy

We have not paid any dividends since our incorporation and do not anticipate the payment of dividends in the foreseeable future. At present, our policy is to retain earnings, if any, to develop and market our products. The payment of dividends in the future will depend upon, among other factors, our earnings, capital requirements, and operating financial conditions.

SELLING STOCKHOLDERS

The persons listed in the following table plan to offer their shares shown opposite their respective names by means of this prospectus. The Selling Stockholders are all U.S. persons who acquired their shares from us in either our private placement transaction pursuant to Regulation D promulgated under the 33 Act or as a result of authorized issuance by our Board of Directors or who will be distributed their shares because they were shareholders of DNA Beverage Corporation on September 8, 2010. None of the Selling Stockholders herein have held any position, office or have had any other material relationship with us (or any of our predecessors or affiliates) over the past three years.

The following table provides as of the date of this Prospectus, information regarding the beneficial ownership of our Common Stock held by each of the Selling Stockholders and the percentage owned by each Selling Stockholder of the total shares offered herein and the percentage owned by each Selling Stockholder of the total issued and outstanding stock of the Company as of the date of this Prospectus.

Name of Selling Shareholder(1)	Shares of Common STOCK Owned Prior To OfferinG)	Shares of Common Stock Offered herein	Shares of Common Stock Owned After The Offering(1)	% of Ownership After the Offering(4)
DOUG APPLING(2)	50,000	50,000	-0-	0%
RICHARD BRAUN(3)	120,000	120,000	-0-	0%
BARRY COOPER(2)	100,000	100,000	-0-	0%
JAMES DEVLIN(2)	40,000	40,000	-0-	0%
DOUGLAS ENGERS(2)	20,000	20,000	-0-	0%
DOUGLAS ENGERS(2)	50,000	50,000	-0-	0%
KERRY GOODMAN(2)	200,000	200,000	-0-	0%
TONY JENSEN(2)	10,000	10,000	-0-	0%
BARRY KAYE(2)	100,000	100,000	-0-	0%
BARRY KAYE(2)	150,000	150,000	-0-	

the aggregate liquidation amount of the capital securities; and

the amount of capital contributed by Popular North America in exchange for the common securities.

Our assets consist primarily of equity in our subsidiaries. As a result, our ability to make payments on our junior subordinated debentures depends on our receipt of dividends, loan payments and other funds from our subsidiaries. In addition, if any of our subsidiaries becomes insolvent, the direct creditors and preferred equity holders of that subsidiary will have a prior claim on its assets. Our rights and the rights of our creditors will be subject to that prior claim, unless we are also recognized as a direct creditor of that subsidiary. This subordination of a parent company and its creditors to prior claims of creditors and preferred equity holders of its subsidiaries is commonly referred to as structural subordination.

The entire principal amount of the junior subordinated debentures will become due and payable, with any accrued and unpaid interest thereon, on , 2034, unless redeemed prior to that date as described below under Redemption. There is no sinking fund for the junior subordinated debentures.

Subordination

The junior subordinated debentures will be subordinated to all of our and Popular s existing and future Senior Debt, as defined below, and secured debt to the extent of the collateral securing the same. *Senior Debt,* in respect of either Popular North America or Popular, as the case may be, includes senior debt securities and subordinated debt securities other than those related to preferred securities comparable to

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the capital securities and means any obligation to creditors, whether now outstanding or subsequently incurred. *Senior Debt* does not include:

- the capital securities or other similar preferred securities;
- trade accounts payable and accrued liabilities arising in the ordinary course of business; and
- any obligation to creditors, whether now outstanding or subsequently incurred, where the instrument creating or evidencing the obligation or pursuant to which the obligation is outstanding provides that it is on a parity with or subordinate and junior to the junior subordinated debentures.

The junior subordinated debentures will rank on a parity with obligations evidenced by any debt securities, and guarantees in respect of those debt securities, initially issued to any trust, partnership or other entity affiliated with us or Popular, that is, directly or indirectly, our or Popular s financing vehicle in connection with the issuance by such entity of capital securities or other similar securities.

If certain events relating to our or Popular s bankruptcy, insolvency or reorganization occur, any default in the payment of principal, premium or interest on its Senior Debt beyond any applicable grace period occurs and is continuing, any event of default with respect to its Senior Debt permitting the holders of that Senior Debt (or a trustee) to accelerate the maturity of that Senior Debt, whether or not the maturity is in fact accelerated occurs and is continuing (unless the payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded) or any judicial proceeding is pending with respect to a payment default or event of default, we or Popular, as the case may be, will be required to first pay all our or its Senior Debt, as the case may be, including any interest accrued after the events occur, in full before any payment or distribution, whether in cash, securities or other property, is made on account of the principal of or premium, if any, or interest on the junior subordinated debentures or the guarantees. In such an event, we or it will pay or deliver directly to the holders of our or its Senior Debt any payment or distribution otherwise payable or deliverable in respect of the junior subordinated debentures. We or it will make the payments to the holders of our or its Senior Debt according to priorities existing among those holders until we have paid all our or its Senior Debt, as the case may be, including accrued interest, in full. Notwithstanding the subordination provisions discussed in this paragraph, we or Popular may make payments or distributions in respect of the junior subordinated debentures so long as:

- the payments or distributions consist of securities issued by us, Popular or another company in connection with a plan of reorganization or readjustment; and
- payment on those securities is subordinate to our or Popular s outstanding Senior Debt, as the case may be, and any securities issued with respect to our or its Senior Debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of the junior subordinated debentures or the guarantees.

If such events relating to a bankruptcy, insolvency or reorganization occur, default in the payment of principal, premium or interest on its Senior Debt beyond any applicable grace period occurs and is continuing, event of default with respect to its Senior Debt permitting the holders of that Senior Debt (or a trustee) to accelerate the maturity of that Senior Debt, whether or not the maturity is in fact accelerated occurs and is continuing (unless the payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded) or judicial proceeding is pending with respect to any such payment default or event of default, after we or Popular have paid in full all amounts owed on our or its Senior Debt, as the case may be, the holders of junior subordinated debentures and those entitled to the benefits of a guarantee, together with the holders of any of our or its other obligations ranking equal with those junior subordinated debentures, will be entitled to receive from our or its remaining assets any principal, premium or interest due at that time in respect of the junior subordinated debentures and such other obligations before we or Popular make any payment or other distribution on account of any of our or its capital stock or obligations ranking junior to those junior subordinated debentures.

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If we or Popular violate the junior subordinated indenture by making a payment or distribution to holders of the junior subordinated debentures or those entitled to the benefits of a guarantee before all our or its Senior Debt is paid in full, as the case may be, then such payments or distributions will be deemed to have been received in trust for the benefit of, and must be remitted to, the holders of our or its Senior Debt outstanding at the time, as the case may be. The payment or transfer to the holders of our Senior Debt will be made according to the priorities existing among those holders. Notwithstanding the subordination provisions discussed in this paragraph, holders of junior subordinated debentures or those entitled to the benefits of a guarantee will not be required to pay, or transfer payments or distributions to, holders of our or Popular s Senior Debt so long as:

the payments or distributions consist of securities issued by us, Popular or another company in connection with a plan of reorganization or readjustment; and

payment on those securities is subordinate to our or Popular s outstanding Senior Debt, as the case may be, and any securities issued with respect to our or its Senior Debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of the junior subordinated debentures or the guarantees.

Because of the subordination provisions described herein, if we or Popular become insolvent, holders of our or its Senior Debt, as the case may be, may receive more, ratably, and holders of the junior subordinated debentures may receive less, ratably, than our or Popular s other creditors. This type of subordination will not prevent an event of default from occurring under the junior subordinated indenture in connection with the junior subordinated debentures.

We may modify or amend the junior subordinated indenture as provided under Modification of Indenture below.

The junior subordinated indenture places no limitation on the amount of Senior Debt or secured debt that we or Popular may incur. We and Popular each expect from time to time to incur additional indebtedness and other obligations constituting Senior Debt, as well as secured debt.

Interest

The junior subordinated debentures will bear interest at an annual rate of %, from and including their date of original issuance until the principal becomes due and payable. Interest is payable semi-annually in arrears on the day of each and , beginning , 2005. Interest payments not paid when due will accrue, as permitted by applicable law, additional interest, compounded semi-annually, at the annual rate of %. Popular North America will pay interest on the junior subordinated debentures on an interest payment date to the holders of record on the relevant record date. The record date for interest payments on the junior subordinated debentures will be the fifteenth day preceding the interest payment date, whether or not a business day. The term interest as used in this prospectus includes semi-annual interest payments, interest on semi-annual interest payments not paid when due and additional sums, as applicable.

The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in that period. The amount of interest payable for any full interest period will be computed by dividing the annual interest rate by two.

If any date on which interest is payable on the junior subordinated debentures is not a business day, then payment of the interest payable on that date will be made on the next succeeding day that is a business day, without any interest or other payment in respect of the delay, with the same force and effect as if made on the date that payment was originally payable.

The interest payment provisions for the junior subordinated debentures correspond to the distribution provisions for the capital securities. See Description of Capital Securities Payment of Distributions in this prospectus.

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Option to Extend Interest Payment Period

As long as no debenture event of default has occurred and is continuing, Popular North America has the right, at any time and from time to time, to defer payments of interest for a period (an extension period), of up to 10 consecutive semi-annual periods, provided that no extension period may end on a date other than an interest payment date or extend beyond the maturity date or any redemption date of the junior subordinated debentures. Interest (other than additional sums) will not be payable during an extension period, but instead will be payable only at the end of the extension period. During an extension period, interest will continue to accrue and holders of junior subordinated debentures, or holders of capital securities using the accrual method of accounting to determine their taxable income, will be required to accrue interest income for income tax purposes. See Certain Federal Income Tax Considerations Interest Income and Original Issue Discount herein further information on United States federal income tax consequences. On the interest payment date that concludes any extension period, Popular North America must pay all interest then accrued and unpaid, together with additional interest on the accrued and unpaid interest as permitted by law (compounded interest), compounded semi-annually, at the annual rate of % plus any unpaid additional sums, as described below.

Before termination of any extension period, Popular North America may further extend the deferral of interest payments. However, no extension period, including all previous and further extensions, may exceed 10 consecutive semi-annual periods, end on a date other than an interest payment date or extend beyond the maturity date or any redemption date of the junior subordinated debentures. After the termination of any extension period and the payment of all amounts due, Popular North America may begin a new extension period, as described above. There is no limitation on the number of times Popular North America may elect to begin an extension period.

If the property trustee is the sole holder of the junior subordinated debentures, Popular North America will give the property trustee and the Delaware trustee written notice of its election of an extension period at least one business day before the earlier of:

- the next succeeding date on which the distributions on the capital securities are payable; and
- the date the property trustee is required to give notice to holders of the capital securities of the record or payment date for the related distribution.

The property trustee will give written notice of Popular North America s election to begin or extend an extension period to the holders of the capital securities within five days of receipt.

If the property trustee is not the sole holder, or is not itself the holder, of the junior subordinated debentures, Popular North America will give the holders of the junior subordinated debentures and the indenture trustee written notice of its election to begin or extend an extension period at least one business day before the record date for the next interest payment date.

Popular North America has no present intention of exercising its right to defer payments of interest by extending the interest payment period on the junior subordinated debentures.

Additional Sums

If, at any time while the property trustee is the holder of the junior subordinated debentures, the trust is required to pay any additional taxes (including withholding taxes), duties or other governmental charges as a result of a Tax Event, Popular North America will pay as additional interest on the junior subordinated debentures any additional amounts (Additional Sums) that are required so that the distributions paid by the trust will not be reduced as a result of any of those taxes, duties or governmental charges.

Redemption

Popular North America has the right, subject to any required prior approval from the Federal Reserve Board, to redeem the junior subordinated debentures at a redemption price equal to 100% of the principal

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amount, plus accrued and unpaid interest to the date of redemption (and any applicable premium in the case of the first bullet below):

- in whole or in part, on one or more occasions, at any time; or
- in whole, but not in part, at any time within 90 days (the 90-day period) following the occurrence and during the continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, each as defined and described under Description of Capital Securities Redemption herein.

The redemption price in the case of a redemption under the first bullet above will be equal to the greater of (a) 100% of the principal amount of the junior subordinated debentures being redeemed or (b) as determined by a Quotation Agent, the sum of the present values of scheduled payments of principal and interest for the Remaining Life of the junior subordinated debentures being redeemed, discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate plus %, plus, in the case of either (a) or (b), accrued and unpaid interest on those junior subordinated debentures to the redemption date. For defined terms, see Description of Capital Securities Redemption.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of junior subordinated debentures to be redeemed at its registered address. However, if the debt securities are held by the trust, notice shall be given at least 45 days but not more than 75 days before the redemption date. Unless we default in payment of the redemption price, on and after the redemption date, interest will cease to accrue on such junior subordinated debentures or portions thereof called for redemption and such junior subordinated debentures shall no longer be deemed to be outstanding.

Restrictions on Certain Payments; Certain Covenants of Popular North America and Popular

Popular North America will not:

- declare or pay any dividends or distributions, or redeem, purchase, acquire, or make a liquidation payment on any of our capital stock;
- make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any of our debt securities that rank equal or junior to the junior subordinated debentures; or
- make any guarantee payments with respect to any guarantee by us of the debt securities of any subsidiary if such guarantee ranks equal or junior to the junior subordinated debentures or our guarantee of the capital securities,

if at such time:

- there has occurred any event that constitutes a debenture default under the junior subordinated indenture;
- the junior subordinated debentures are held by the trust and we are in default with respect to our payment of any obligations under our guarantee of the capital securities; or
- we have given notice of our election to begin an extension period and have not rescinded this notice, and the extension period, or any extension thereof, is continuing.

The restrictions listed above do not apply to:

- repurchases, redemptions or other acquisitions of shares of our capital stock in connection with (1) any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors, (2) a dividend reinvestment or stockholder stock purchase plan, or (3) the issuance of our capital stock, or securities convertible into or exercisable for such capital stock, as consideration in an acquisition transaction entered into prior to the extension period;

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an exchange or conversion of any class or series of our capital stock, or any capital stock of any of our subsidiaries, for any other class or series of our capital stock, or of any class or series of our indebtedness for any class or series of our capital stock;

the purchase of fractional interests in shares of our capital stock under the conversion or exchange provisions of the capital stock or the security being converted or exchanged;

any declaration of a dividend in connection with any stockholder s rights plan, or the issuance of rights, stock or other property under any stockholder s rights plan, or the redemption or repurchase of rights pursuant to the plan; or

any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equal or junior to that stock.

In addition, as long as the trust holds any of the junior subordinated debentures, we agree:

to continue to hold, directly or indirectly, 100% of the common securities, provided that successors that are permitted under the junior subordinated indenture may succeed to our ownership of the common securities;

as holder of the common securities, not to voluntarily dissolve, windup or liquidate the trust, other than (a) as part of the distribution of the junior subordinated debentures to the holders of the capital securities in accordance with the terms of the capital securities or (b) as part of a merger, consolidation or amalgamation which is permitted under the trust agreement; and

to use our reasonable efforts, consistent with the terms and provisions of the trust agreement, to cause the trust to be characterized as a grantor trust for United States federal income tax purposes and to not be required to register as an investment company under the Investment Company Act.

The junior subordinated indenture does not contain restrictions on our ability to:

incur, assume or become liable for any type of debt or other obligation;

create liens on our property for any purpose; or

pay dividends or make distributions on our capital stock or repurchase or redeem our capital stock, except as set forth above.

Popular will not:

declare or pay any dividends or distributions, or redeem, purchase, acquire, or make a liquidation payment on any of its capital stock;

make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem its debt securities that rank equal or junior to its guarantees of the junior subordinated debentures and the capital securities; or

make any guarantee payments with respect to any guarantee that ranks equal or junior to its guarantees of the junior subordinated debentures and the capital securities,

if at such time:

there has occurred any event that constitutes a debenture default under the junior subordinated indenture or related guarantees;

Popular is in default with respect to its payment of any obligations under its guarantees of the junior subordinated debentures or, if the junior subordinated debentures are held by the trust, its guarantee the capital securities; or

Popular North America has given notice of its election to begin an extension period and has not rescinded this notice, and the extension period, or any extension thereof, is continuing.

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The restrictions listed above do not apply to:

repurchases, redemptions or other acquisitions of shares of its capital stock in connection with (1) any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors, (2) a dividend reinvestment or stockholder stock purchase plan, or (3) the issuance of its capital stock, or securities convertible into or exercisable for such capital stock, as consideration in an acquisition transaction entered into prior to the extension period;

an exchange or conversion of any class or series of its capital stock, or any capital stock of a subsidiary of Popular, for any other class or series of its capital stock, or of any class or series of its indebtedness for any class or series of its capital stock;

the purchase of fractional interests in shares of its capital stock under the conversion or exchange provisions of the capital stock or the security being converted or exchanged;

any declaration of a dividend in connection with any stockholder s rights plan, or the issuance of rights, stock or other property under any stockholder s rights plan, or the redemption or repurchase of rights pursuant to the plan; or

any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equal or junior to that stock.

There are no restrictions on Popular s ability to:

incur, assume or become liable for any type of debt or other obligation;

create liens on its property for any purpose; or

pay dividends or make distributions on its capital stock or repurchase or redeem our capital stock, except as set forth above.

The junior subordinated indenture does not require us or Popular to maintain any financial ratios or specified levels of net worth or liquidity. In addition, the junior subordinated indenture does not contain any provisions which would require us or Popular to repurchase or redeem or modify the terms of any of the junior subordinated debentures, or which would otherwise provide holders of the junior subordinated debentures protection upon a change of control or other event involving us or Popular which may adversely affect the creditworthiness of such junior subordinated debentures.

Registration, Denomination and Transfer

Popular North America will register the junior subordinated debentures in the name of the property trustee on behalf of the trust. The property trustee will hold the junior subordinated debentures in trust for the benefit of the holders of the capital securities and the common securities. The junior subordinated debentures will be issued in denominations of $1,000 and integral multiples of $1,000.

If the junior subordinated debentures are distributed to holders of capital securities, it is anticipated that DTC will act as securities depositary for the junior subordinated debentures and that the provisions relating to purchases of, transfers of, notices concerning, and payments on, the capital securities described under Description of Capital Securities Book-Entry Only Issuance herein will be applicable to the junior subordinated debentures.

If the junior subordinated debentures are issued in definitive form, payments of principal, premium, if any, and interest will be payable, the transfer of the junior subordinated debentures will be registrable, and junior subordinated debentures will be exchangeable for junior subordinated debentures of other authorized denominations of a like aggregate principal amount.

Payment of interest may also be made at the option of Popular North America by check mailed to the address of the holder entitled to the payment. Upon written request to the paying agent not less than

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15 calendar days prior to the date on which interest is payable, a holder of $1,000,000 or more in aggregate principal amount of junior subordinated debentures may receive payment of interest, other than payments of interest payable at maturity, by wire transfer of immediately available funds.

Junior subordinated debentures may be presented for registration of transfer or exchange with an endorsed form of transfer, or a duly executed and satisfactory written instrument of transfer, at the indenture trustee s office or the office of any transfer agent selected by Popular North America without service charge and upon payment of any taxes and other governmental charges as described in the junior subordinated indenture. Popular North America has appointed J.P. Morgan Trust Company, National Association as transfer agent and security registrar under the junior subordinated indenture. Popular North America may at any time designate additional transfer agents with respect to the junior subordinated debentures.

In the event of any redemption, Popular North America and the indenture trustee will not be required to:

issue, register the transfer of or exchange junior subordinated debentures during a period beginning 15 calendar days before the first mailing of the notice of redemption; or

register the transfer of or exchange any junior subordinated debentures selected for redemption, except, in the case of any junior subordinated debentures being redeemed in part, any portion not to be redeemed.

At the request of Popular North America, funds deposited with the indenture trustee or any paying agent held for Popular North America for the payment of principal of and interest and premium, if any, on any junior subordinated debenture which remain unclaimed for two years after the principal, interest, and premium, if any, has become payable will be repaid to Popular North America and the holder of the junior subordinated debenture will, as a general unsecured creditor, look only to Popular North America for payment thereof.

Modification of Indenture

Under the junior subordinated indenture, certain of our rights and obligations and certain of the rights of holders of the junior subordinated debentures may be modified or amended with the consent of the holders of a majority of the aggregate principal amount of the outstanding junior subordinated debentures. However, the following modifications and amendments will not be effective against any holder without such holder s consent:

a change in the maturity date or any interest payment date of the junior subordinated debentures;

a reduction in the principal amount of, or interest rate on, the junior subordinated debentures;

a change in the redemption dates, events or prices;

a change in the place of payment or currency in which any payment on the junior subordinated debentures is payable;

a limitation of a holder s right to sue us for the enforcement of any payment due on the junior subordinated debentures;

a reduction in the percentage of outstanding junior subordinated debentures required to consent to a modification or amendment of the junior subordinated indenture or required to consent to a waiver of compliance with certain provisions of such indenture or certain defaults under such indenture; and

a modification of any of the foregoing requirements contained in the junior subordinated indenture.

If the consent of the holder of each outstanding junior subordinated debenture is required for such modification or amendment, no such modification or amendment shall be effective without the prior consent of each holder of capital securities of the trust.

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In addition, if any of the capital securities are outstanding, without the prior consent of the holders of a majority of the aggregate liquidation amount of the outstanding capital securities:

- no modification or amendment may be made to the junior subordinated indenture that materially adversely affects the holders of the capital securities;
- no termination of the junior subordinated indenture may occur; and
- no waiver of any past default under the junior subordinated debentures or compliance with any covenant under the junior subordinated indenture may be effective.

In addition, if any of the capital securities are outstanding, all holders of the capital securities must consent if Popular North America wants to amend the junior subordinated indenture to remove the rights of holders of capital securities to institute a direct action (as defined below).

Limitation on Mergers and Sales of Assets

If certain conditions are met, the junior subordinated indenture generally permits a consolidation or merger between us or Popular and another entity, as the case may be. If certain conditions are met, the junior subordinated indenture also permits the sale, lease or transfer by us or Popular, as the case may be, of all or substantially all of our or its property and assets. These transactions are permitted if:

- the resulting or acquiring entity, if other than us or Popular, is organized and existing under the laws of the United States or any state, the District of Columbia or Puerto Rico and assumes all of our or Popular s responsibilities and liabilities under the junior subordinated indenture, including the payment of all amounts due on the junior subordinated debentures and performance of the covenants in the junior subordinated indenture and the guarantees issued by us or Popular, as applicable (and in the event such entity is organized and existing under the laws of Puerto Rico, an additional obligation to make such payments without withholding or deduction for any taxes of whatever nature imposed or levied by or on behalf of Puerto Rico);
- immediately after the transaction, and giving effect to the transaction, no debenture default under the junior subordinated indenture exists; and
- an officers certificate and an opinion of counsel to the effect that the relevant provisions of the indenture have been complied with has been delivered to the indenture trustee.

If we or Popular consolidate or merge with or into any other entity or sell, lease or transfer all or substantially all of our or its property or assets according to the terms and conditions of the junior subordinated indenture, the resulting or acquiring entity will be substituted for us or it in such indenture with the same effect as if it had been an original party to the indenture. As a result, such resulting or acquiring entity may exercise our or Popular s rights and powers under the junior subordinated indenture, in our or its name and we or Popular, as the case may be, will be released from all our or its liabilities and obligations under such indenture and under the junior subordinated debentures.

Events of Default and the Rights of Capital Securities Holders to Take Action Against Popular North America

A debenture event of default, when used in the junior subordinated indenture with respect to the junior subordinated debentures, means any of the following:

- failure to pay interest on a junior subordinated debenture for 30 days following the deferral of such interest for 10 consecutive semi-annual periods; or
- certain events relating to a bankruptcy, insolvency or reorganization of Popular North America or Popular.

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A debenture default , when used in the junior subordinated indenture with respect to the junior subordinated debentures, means any of the following:

- the occurrence of a debenture event of default with respect to the junior subordinated debentures;
- failure in the payment of any interest when due on such junior subordinated debentures, including any additional interest, and the continuance of such failure to pay for a period of 30 days (subject to any deferral in the case of an extension period);
- failure to pay any principal or premium, if any, on such junior subordinated debentures when due; or
- failure to observe or perform any other covenants contained in the junior subordinated indenture that apply to junior subordinated debentures for 90 days after we have received written notice of the failure to perform in the manner specified in the junior subordinated indenture.

In case a debenture default shall occur and be continuing, the indenture trustee may in its discretion proceed to protect and enforce its rights and the rights of the holders by appropriate judicial proceedings as the indenture trustee deems most effectual. In case of a debenture default (other than a debenture event of default) there is no right to declare the principal amount of the junior subordinated debentures immediately payable.

If a debenture event of default under the junior subordinated indenture referred to in the first bullet above occurs and continues, the indenture trustee or the holders of at least 25% in aggregate principal amount of the outstanding junior subordinated debentures may declare the entire principal of and all accrued but unpaid interest on all junior subordinated debentures to be due and payable immediately. If the indenture trustee or the holders of junior subordinated debentures do not make such declaration and the junior subordinated debentures are held by the trust or property trustee of the trust, the property trustee or the holders of at least 25% in aggregate liquidation amount of the outstanding capital securities shall have the right to make such declaration. If a debenture event of default under the junior subordinated indenture referred to in the second bullet above occurs and continues, the entire principal of and all accrued but unpaid interest on the junior subordinated debentures will be due and payable immediately without further action.

If a declaration of acceleration of the maturity of the junior subordinated debentures occurs, the holders of a majority of the aggregate principal amount of the outstanding junior subordinated debentures may, subject to conditions (including, if the junior subordinated debentures are held by the trust or a trustee of the trust, the consent of the holders of a majority in aggregate liquidation amount of the outstanding capital securities), rescind the declaration. If the requisite holders of junior subordinated debentures do not rescind such declaration and such junior subordinated debentures are held by the trust or a trustee of the trust, the holders of a majority in aggregate liquidation amount of the outstanding capital securities may rescind the declaration.

The holders of a majority in aggregate principal amount of the outstanding junior subordinated debentures may, on behalf of all holders, waive any past default, except:

- a default in payment of principal, premium or interest; or
- a default under any provision of the junior subordinated indenture which itself cannot be modified or amended without the consent of the holder of each outstanding junior subordinated debenture.

The holders of a majority in principal amount of the junior subordinated debentures shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the indenture trustee under the junior subordinated indenture.

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So long as the trust holds the junior subordinated debentures, the property trustee and the holders of the capital securities will have the following rights under the junior subordinated indenture upon the occurrence of a debenture event of default:

- the property trustee and the holders of not less than 25% in aggregate liquidation amount of the outstanding capital securities may declare the principal of and all accrued but unpaid interest on the junior subordinated debentures due and payable immediately;

- if all defaults have been cured, the consent of the holders of more than 50% in aggregate liquidation amount of the outstanding capital securities is required to annul a declaration by the indenture trustee, the trust or the holders of the capital securities that the principal of and all accrued but unpaid interest on the junior subordinated debentures is due and payable immediately;

- the consent of each holder of capital securities is required to waive a default in the payment of principal, premium or interest with respect to the junior subordinated debentures or a default in respect of a covenant or provision that cannot be modified or amended without the consent of the holder of each outstanding junior subordinated debenture; and

- the consent of the holders of more than 50% in aggregate liquidation amount of the outstanding capital securities is required to waive any other default.

If the debenture default under the junior subordinated indenture arises from the failure of Popular North America to make a payment of principal of or any premium or interest on the junior subordinated debentures when due, then a holder of capital securities may bring a legal action against Popular North America (or Popular under the related guarantees) directly for enforcement of such payment to such holder of amounts owed on the junior subordinated debentures with a principal amount equal to the liquidation amount of such holder s capital securities (a direct action). Popular North America may not amend the junior subordinated indenture to remove this right to bring a direct action without the prior written consent of the holders of all outstanding capital securities. Popular North America can offset against payments then due under the junior subordinated debentures any corresponding payments made to holders of capital securities by Popular North America (or Popular under the related guarantees) in connection with a direct action.

The holders of the capital securities will not be able to exercise directly any remedies available to the holders of the junior subordinated debentures except under the circumstance described in the preceding paragraphs.

We and Popular are required to file an officers certificate with the junior subordinated trustee each year that states, to the knowledge of the certifying officer, whether or not any defaults exist under the terms of the junior subordinated indenture.

Governing Law

The junior subordinated indenture and the junior subordinated debentures will be governed by, and construed in accordance with, the laws of the State of New York.

Concerning the Indenture Trustee

The indenture trustee will have all of the duties and responsibilities specified under the Trust Indenture Act. Other than its duties in case of a default, the trustee is under no obligation to exercise any of the powers under the junior subordinated indenture at the request, order or direction of any holders of junior subordinated debentures unless offered reasonable indemnification.

From time to time, Popular North America and Popular and certain of their respective subsidiaries have maintained and may maintain deposit accounts and conduct other banking transactions, including lending transactions, with the indenture trustee in the ordinary course of business.

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DESCRIPTION OF DEBENTURE GUARANTEES

The following is a description of the material terms of the debenture guarantees from Popular. You should read the debenture guarantees, which are executed by Popular and endorsed on each junior subordinated debenture.

General

Under the debenture guarantees, Popular will guarantee, on a subordinated basis, the punctual payment of the principal of and premium, if any, and interest on the junior subordinated debentures, when and as the same are due and payable by Popular North America. The guarantee is absolute and unconditional, irrespective of any circumstance that might otherwise constitute a legal or equitable discharge of a surety or guarantor. To evidence the guarantee, a debenture guarantee, executed by Popular, will be endorsed on each junior subordinated debenture. Holders of the junior subordinated debentures and, if outstanding, capital securities may proceed directly against Popular under the debenture guarantees for payment defaults under the junior subordinated debentures without first proceeding against Popular North America.

Status of the Debenture Guarantees

Each debenture guarantee will be unsecured and will rank:

subordinate and junior in right of payment to all of Popular s current and future Senior Debt and secured debt in the same manner as the junior subordinated debentures as set forth in the junior subordinated indenture;

equally with all other guarantees that Popular issues in connection with junior subordinated debentures or similar securities; and

senior to Popular s capital stock.

In the event of Popular s insolvency, bankruptcy, liquidation or other proceeding, the occurrence and continuance of any default in the payment of principal, premium or interest on its Senior Debt beyond any applicable grace period, the occurrence and continuance of any event of default with respect to its Senior Debt permitting the holders of that Senior Debt (or a trustee) to accelerate the maturity of that Senior Debt, whether or not the maturity is in fact accelerated (unless the payment default or event of default has been cured or waived or ceased to exist and any related acceleration has been rescinded), or the occurrence and continuance of any judicial proceeding with respect to any such payment default or event of default, all Senior Debt is required to be paid in full before any payment or distribution is made on account of the debenture guarantees. In these circumstances, any payment or distribution on account of the debenture guarantees that would otherwise be payable in respect of the debenture guarantees will be paid directly to the holders of Senior Debt until all the Senior Debt of Popular has been paid in full. If any payment or distribution by Popular is received by any holder of any debenture guarantee in contravention of any of the terms of the debenture guarantee and before all the Senior Debt of Popular has been paid in full, this payment or distribution will be received in trust for the benefit of the holders of the Senior Debt of Popular to the extent necessary to pay all such Senior Debt of Popular in full. Notwithstanding the subordination provisions discussed in this paragraph, Popular may make payments or distributions in respect of the debenture guarantees so long as:

the payments or distributions consist of securities issued by us, Popular or another company in connection with a plan of reorganization or readjustment; and

payment on those securities is subordinate to our or Popular s outstanding Senior Debt, as the case may be, and any securities issued with respect to our or its Senior Debt under such plan of reorganization or readjustment at least to the same extent provided in the subordination provisions of those securities.

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Taxation by Puerto Rico

All payments pursuant to any debenture guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Puerto Rico or by or with any district, municipality or other political subdivision thereof or authority therein having power to tax unless such taxes, duties, assessments or governmental charges are required by law to be withheld or deducted.

In the event that Popular is required by law to deduct or withhold any amounts in respect of taxes, duties, assessments or governmental charges, it will pay such additional amounts in respect of principal, premium and interest as will result (after deduction of the said taxes, duties, assessments or governmental charges) in the payment to the holders of the junior subordinated debentures of the amounts which would otherwise have been payable in respect to the junior subordinated debentures in the absence of such deduction or withholding (additional debenture guarantee payments), except that no such additional debenture guarantee payments shall be payable:

(i) to any holder of junior subordinated debentures or any interest therein or rights in respect thereof where such deduction or withholding is required by reason of such holder having some connection with Puerto Rico or any political subdivision or taxing authority thereof or therein other than the mere holding of and payment in respect of such junior subordinated debentures;

(ii) in respect of any deduction or withholding that would not have been required but for the presentation by the holder of junior subordinated debentures for payment on a date more than 30 days after the date on which payment thereof is duly provided for; or

(iii) in respect of any deduction or withholding that would not have been required but for the failure to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with Puerto Rico, or any political subdivision or taxing authority thereof or therein, of the holder of junior subordinated debentures or any interest therein or rights in respect thereof, if compliance is required by Puerto Rico, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from such deduction or withholding.

Governing Law

The debenture guarantees will be governed by, and construed in accordance with, the laws of the State of New York.

DESCRIPTION OF CAPITAL SECURITIES GUARANTEES

The following is a description of the material terms of the capital securities guarantees from Popular North America and Popular (also referred to as the capital securities guarantees) pursuant to the guarantee agreement between Popular, Popular North America and J.P. Morgan Trust Company, National Association, as guarantee trustee. You should read the guarantee agreement and the Trust Indenture Act.

General

Under the capital securities guarantee we will irrevocably and unconditionally agree to pay in full to the holders of the capital securities, except to the extent paid by the trust, as and when due, regardless of any defense, right of set-off or counterclaim which the trust may have or assert, the following payments, which are referred to as *guarantee payments,* without duplication:

any accumulated and unpaid distributions that are required to be paid on the capital securities, to the extent the trust has funds available for such distributions;

the redemption price for any capital securities called for redemption or then subject to mandatory redemption by the trust, to the extent the trust has funds available for such redemption; and

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upon a voluntary or involuntary dissolution, winding-up or termination of the trust, other than in connection with the distribution of junior subordinated debentures to the holders of capital securities or the redemption of all of the capital securities, the lesser of:

the aggregate of the $1,000 liquidation amount and all accumulated and unpaid distributions on the capital securities to the date of payment, to the extent the trust has funds available therefor; and

the amount of assets of the trust remaining for distribution to holders of the capital securities in liquidation of the trust.

Under the capital securities guarantee, Popular will irrevocably and unconditionally agree to pay in full, to the holders of the capital securities, Popular North America s obligation under its guarantee to make the guarantee payments, regardless of any defense, right of set-off or counterclaim which the trust may have or assert, when and as the same are due and payable by Popular North America.

Our and Popular s obligation to make a guarantee payment may be satisfied by direct payment of the required amounts by us or Popular to the holders of capital securities or by causing the trust to pay such amounts to such holders.

The capital securities guarantees will not apply to any payment of distributions or other amounts except to the extent the trust shall have funds available for such payment. If we do not make interest and other payments on the junior subordinated debentures purchased by the trust, the trust will not have sufficient funds to pay distributions and other amounts on the capital securities. See Status of the Capital Securities Guarantees.

Because each of Popular North America and Popular is a holding company, the rights of Popular North America and Popular to participate in the distribution of assets of any of our respective subsidiaries upon the subsidiary s liquidation or reorganization will be subject to the prior claims of the subsidiary s creditors and preferred equity holders except to the extent that Popular North America or Popular may be a creditor with recognized claims against the subsidiary. The capital securities guarantees do not limit the incurrence or issuance by us or Popular of other secured or unsecured debt, including Senior Debt.

The capital securities guarantees, when taken together with our and Popular s obligations under the junior subordinated debentures, the debenture guarantees, the junior subordinated indenture, the trust agreement and the expense agreement, including our and Popular s obligations to pay costs, expenses, debts and liabilities of the trust, other than those relating to trust securities, will provide a full and unconditional guarantee on a subordinated basis of payments due on the capital securities.

We will also agree separately to irrevocably and unconditionally guarantee the obligations of the trust with respect to the common securities to the same extent as the capital securities guarantee.

Status of the Capital Securities Guarantees

Each capital securities guarantee will be unsecured and will rank:

subordinate and junior in right of payment to all of Popular North America s and Popular s Senior Debt and secured debt in the same manner as the junior subordinated debentures as set forth in the junior subordinated indenture;

equally with all other guarantees that Popular North America or Popular issue in connection with capital securities or similar preferred securities; and

senior to Popular North America s and Popular s capital stock.

Each guarantee constitutes a guarantee of payment and not of collection, which means that the guaranteed party may sue the guarantor to enforce its rights under the guarantee without suing any other person or entity. Each guarantee will be held by the guarantee trustee for the benefit of the holders of the capital securities. Each guarantee will be discharged only by payment of the guarantee payments in full to

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the extent not paid by the trust or upon the distribution of the junior subordinated debentures as described herein.

Taxation by Puerto Rico

All payments pursuant to any capital securities guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of Puerto Rico or by or with any district, municipality or other political subdivision thereof or authority therein having power to tax unless such taxes, duties, assessments or governmental charges are required by law to be withheld or deducted.

In the event that Popular is required by law to deduct or withhold any amounts in respect of taxes, duties, assessments or governmental charges, it will pay such additional amounts in respect of principal, premium and interest as will result (after deduction of the said taxes, duties, assessments or governmental charges) in the payment to the holders of the capital securities of the amounts which would otherwise have been payable in respect to the capital securities in the absence of such deduction or withholding (additional capital security guarantee payments), except that no such additional capital security guarantee payments shall be payable:

(i) to any holder of capital securities or any interest therein or rights in respect thereof where such deduction or withholding is required by reason of such holder having some connection with Puerto Rico or any political subdivision or taxing authority thereof or therein other than the mere holding of and payment in respect of such capital securities;

(ii) in respect of any deduction or withholding that would not have been required but for the presentation by the holder of capital securities for payment on a date more than 30 days after the date on which payment thereof is duly provided for; or

(iii) in respect of any deduction or withholding that would not have been required but for the failure to comply with any certification, identification or other reporting requirements concerning the nationality, residence, identity or connection with Puerto Rico, or any political subdivision or taxing authority thereof or therein, of the holder of capital securities or any interest therein or rights in respect thereof, if compliance is required by Puerto Rico, or any political subdivision or taxing authority thereof or therein, as a precondition to exemption from such deduction or withholding.

Amendments and Assignment

Each capital securities guarantee may be amended only with the prior approval of the holders of a majority in aggregate liquidation amount of the outstanding capital securities. No vote will be required, however, for any changes that do not adversely affect the rights of holders of the capital securities in any material respect. All guarantees and agreements contained in each capital securities guarantee will bind our successors, assignees, receivers, trustees and representatives and will be for the benefit of the holders of the capital securities then outstanding.

Termination of the Capital Securities Guarantees

Each capital securities guarantee will terminate (1) upon full payment of the redemption price of all capital securities, (2) upon distribution of the junior subordinated debentures to the holders of the trust securities as described herein or (3) upon full payment of the amounts payable in accordance with the trust agreement upon liquidation of the trust. Each capital securities guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of capital securities is required to repay any sums paid under the capital securities or any capital securities guarantee.

Events of Default

An event of default under a capital securities guarantee will occur if Popular North America or Popular, as the case may be, fails to perform any payment obligation under that guarantee or fails to

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perform any other obligation under that guarantee and such other obligation remains unremedied for 30 days.

The holders of a majority in liquidation amount of the capital securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of any capital securities guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under any guarantee. Any holder of capital securities may institute a legal proceeding directly against Popular North America or Popular, as the case may be, to enforce its or the guarantee trustee s rights and our obligations under any capital securities guarantee without first instituting a legal proceeding against the trust, the guarantee trustee or any other person or entity.

As guarantors, Popular North America and Popular are required to file annually with the guarantee trustee a certificate as to whether or not it is in compliance with all applicable conditions and covenants under its capital securities guarantee.

Information Concerning the Guarantee Trustee

Prior to the occurrence of an event of default relating to any capital securities guarantee, the guarantee trustee is required to perform only the duties that are specifically set forth in the capital securities guarantee. Following the occurrence of an event of default, the guarantee trustee will exercise the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs and the guarantee trustee is under no obligation to exercise any of the powers vested in it by any capital securities guarantee at the request of any holder of capital securities unless offered indemnity reasonably satisfactory to it against the costs, expenses and liabilities which might be incurred thereby.

Popular North America and Popular and their respective affiliates have maintained and may maintain certain accounts and other banking relationships with the guarantee trustee and its affiliates in the ordinary course of business.

Governing Law

Each capital securities guarantee will be governed by, and construed in accordance with, the laws of the State of New York.

RELATIONSHIP AMONG THE CAPITAL SECURITIES, THE JUNIOR SUBORDINATED DEBENTURES, THE EXPENSE AGREEMENT AND THE GUARANTEES

Popular North America and Popular will each guarantee payments of distributions and redemption and liquidation payments due on the capital securities to the extent the trust has funds available for such payments, as described under Description of Capital Securities Guarantees above. No single document executed by Popular North America or Popular will provide for the full, irrevocable and unconditional guarantee of the capital securities. It is only the combined operation of the guarantees, the trust agreement, the junior subordinated debentures, the junior subordinated indenture and the expense agreement that has the effect of providing a full, irrevocable and unconditional guarantee of the trust s obligations under the capital securities.

As long as Popular North America pays interest and other payments when due on the junior subordinated debentures, those payments will be sufficient to cover distributions and redemption and liquidation payments due on the capital securities, primarily because:

- the aggregate principal amount of the junior subordinated debentures will be equal to the sum of the aggregate liquidation amount of the capital securities and the common securities;
- the interest rate and interest and other payment dates on the junior subordinated debentures will match the distribution rate and distribution and other payment dates for the capital securities;
- Popular North America will pay any and all costs, expenses and liabilities of the trust, except the trust s obligations to holders of the capital securities and the common securities; and

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the trust agreement provides that the trust will not engage in any activity that is not consistent with the limited purposes of the trust.

If we do not make interest or other payments on the junior subordinated debentures, the trust will not have sufficient funds to pay distributions and other amounts on the capital securities. A capital securities guarantee is a subordinated guarantee in relation to the capital securities. A capital securities guarantee does not apply to any payment of distributions unless and until the trust has sufficient funds for the payment of such distributions. See Description of Capital Securities Guarantees.

Each of Popular North America and Popular has the right to set off any payment that it is otherwise required to make under the junior subordinated indenture with any payment that previously has been made to holders of the capital securities or is concurrently on the date of such payment being made under a capital securities guarantee.

If we fail to make interest or other payments on the junior subordinated debentures when due, taking account of any grace period or extension period, the trust agreement allows the holders of the capital securities to direct the property trustee to enforce its rights under the junior subordinated debentures. If the property trustee fails to enforce these rights, any holder of capital securities may directly sue us to enforce such rights without first suing the property trustee or any other person or entity. See Description of Capital Securities Voting Rights; Amendment of the Trust Agreement.

A holder of capital securities may also institute a direct action against Popular and us if we fail to make interest or other payments on the junior subordinated debentures when due, taking account of any grace period or extension period. A direct action may be brought without first:

directing the property trustee to enforce the terms of the junior subordinated debentures, or

suing us to enforce the property trustee s rights under the junior subordinated debentures.

In connection with such direct action, we will be subrogated to the rights of such holder of capital securities under the trust agreement to the extent of any payment made by us to such holder of capital securities. Consequently, we will be entitled to payment of amounts that a holder of capital securities receives in respect of an unpaid distribution to the extent that such holder receives or has already received full payment relating to such unpaid distribution from the trust.

We acknowledge that the guarantee trustee will enforce the capital securities guarantees on behalf of the holders of the capital securities. If we fail to make payments under our capital securities guarantee or if Popular fails to make payments under its capital securities guarantee, the holders of the capital securities may direct the guarantee trustee to enforce its rights under any such guarantee. If the guarantee trustee fails to enforce any capital securities guarantee, any holder of capital securities may directly sue us or Popular to enforce the guarantee trustee s rights under the applicable capital securities guarantee. Such holder need not first sue the trust, the guarantee trustee, or any other person or entity. A holder of capital securities may also directly sue us or Popular to enforce such holder s right to receive payment under any capital securities guarantee. Such holder need not first direct the guarantee trustee to enforce the terms of such capital securities guarantee or sue the trust, the guarantee trustee or any other person or entity.

We and the trust believe that the above mechanisms and obligations, taken together, are equivalent to a full and unconditional guarantee by us and Popular on a subordinated basis of payments due on the capital securities. See Description of Capital Securities Guarantees General.

The trust s capital securities evidence a beneficial interest in the assets of the trust, and the trust exists for the sole purpose of issuing its capital securities and common securities and investing the proceeds in junior subordinated debentures issued by Popular North America. A principal difference between the rights of a holder of a capital security and a holder of a junior subordinated debenture is that a holder of a junior subordinated debenture is entitled to receive from Popular North America payments on junior subordinated debentures held by the holder, while, other than the right of direct action, a holder of capital securities is entitled to receive distributions or other amounts payable with respect to the capital

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securities from the trust or from Popular or Popular North America under the capital securities guarantees only if and to the extent the trust has funds available for the payment of those distributions.

In the event of any voluntary or involuntary liquidation or bankruptcy of Popular North America or Popular, the trust, as holder of the junior subordinated debentures, would be a creditor of Popular North America or Popular, respectively, that is subordinated and junior in right of payment to all Popular North America s or Popular s current and future Senior Debt as defined in this prospectus, and secured debt, respectively, but entitled to receive payment in full of all amounts payable with respect to the junior subordinated debentures before any stockholders of Popular North America or Popular, respectively, receive payments or distributions. Since each of Popular North America and Popular is the guarantor under a guarantee and has agreed to pay all costs, expenses and liabilities of the trust (other than the trust s obligations to the holders of the capital securities and common securities), the positions of a holder of the capital securities and a holder of the junior subordinated debentures relative to other creditors and to stockholders of Popular North America in the event of liquidation or bankruptcy of Popular North America or Popular are expected to be substantially the same.

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CERTAIN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal United States federal income tax consequences of the purchase, ownership and disposition of capital securities. It applies to you only if you acquire capital securities on their original issue date at their original offering price and you hold your capital securities as capital assets for tax purposes. This summary does not address all tax consequences that may be applicable to you, nor does it address the tax consequences to you if you are:

a member of a class of holders subject to special rules, such as: a dealer in securities or currencies, a trader in securities that elects to use a mark-to-market method of accounting for your securities holdings, a bank, a life insurance company, a tax-exempt organization,

a person that owns capital securities that are a hedge or that are hedged against interest rate risks,

a person that owns capital securities as part of a straddle or conversion transaction for tax purposes, or

a U.S. holder, as defined below, whose functional currency for tax purposes is not the U.S. dollar.

The statements of law or legal conclusion set forth in this summary constitute the opinion of Sullivan & Cromwell LLP, counsel to Popular, Popular North America and the trust. This summary is based on the Internal Revenue Code of 1986, as amended (the Code), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. The authorities on which this discussion is based are subject to various interpretations, and it is possible that the United States federal income tax treatment of the purchase, ownership and disposition of capital securities may differ from the treatment below.

Please consult your own tax advisor concerning the consequences of purchasing, owning and disposing of these capital securities in your particular circumstances under the Code and the laws of any other taxing jurisdiction.

U.S. Holders

This subsection describes the tax consequences to a U.S. holder. You are a U.S. holder if you are a beneficial owner of capital securities and you are:

a citizen or resident of the United States,

a domestic corporation,

an estate whose income is subject to United States federal income tax regardless of its source, or

a trust if a United States court can exercise primary supervision over the trust s administration and one or more United States persons are authorized to control all substantial decisions of the trust.

If you are not a U.S. holder, this subsection does not apply to your and you should refer to U.S. Alien Holders below.

Classification of the Trust

Under current law and assuming full compliance with the terms of the trust agreement, the trust will be classified as a grantor trust and will not be taxable as a corporation for United States federal income tax purposes. Accordingly, for United States federal income tax purposes, the trust will not be subject to United States federal income tax and each holder of a capital security will be considered the owner of an undivided portion of the junior subordinated debentures owned by the trust. As a result, you will be required to include in your gross income your proportional share of the interest income, including original issue discount, if any, paid or accrued with respect to the junior subordinated debentures, whether or not the trust actually distributes cash to you. See Interest Income and Original Issue Discount.

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Classification of Junior Subordinated Debentures

We and the trust will agree to treat the junior subordinated debentures as indebtedness for all United States federal income tax purposes. Under current law, the junior subordinated debentures will be characterized for United States federal income tax purposes as our indebtedness.

Interest Income and Original Issue Discount

Under Treasury regulations, an issuer and the Internal Revenue Service will ignore a remote contingency that stated interest will not be timely paid when determining whether a debt instrument is issued with original issue discount (OID). As a result of the terms and conditions of the junior subordinated debentures that prohibit certain payments with respect to our capital stock and indebtedness if we elect to defer payment of interest on the junior subordinated debentures, we believe that the likelihood that we will exercise our option to defer interest payments is remote. Based on the foregoing, we believe that the junior subordinated debentures will not be considered to be issued with OID at the time of their original issuance.

Under these regulations, if we were to exercise our option to defer any payment of interest, the junior subordinated debentures would at that time be treated as issued with OID, and all stated interest on the junior subordinated debentures would thereafter be treated as OID as long as the junior subordinated debentures remained outstanding. In that event, all of your taxable interest income on the junior subordinated debentures would be accounted for as OID on an economic accrual basis regardless of your method of tax accounting, and actual distributions of stated interest would not be reported separately as taxable income. Consequently, you would be required to include OID in gross income even though we would not make any actual cash payments during an extension period.

These regulations have not been addressed in any rulings or other interpretations by the Internal Revenue Service, and it is possible that the Internal Revenue Service could take a position contrary to the interpretation in this prospectus supplement.

Because income on the capital securities will constitute interest or OID, U.S. holders of the capital securities will not be entitled to the preferential tax rate (generally 15%) generally applicable to payments of dividends before January 1, 2009. Moreover, because income on the capital securities will constitute interest or OID, U.S. holders of the capital securities will not be entitled to a dividends-received deduction for any income taken into account with respect to the capital securities.

In the rest of this discussion, we assume that unless and until we exercise our option to defer any payment of interest, the junior subordinated debentures will not be treated as issued with OID.

Distribution of Junior Subordinated Debentures to Holders of Capital Securities Upon Liquidation of the Trust

Under current law, if the trust distributes junior subordinated debentures as described under the caption Certain Terms of Capital Securities Liquidation of Trust and Distribution of Junior Subordinated Debentures to Holders, you will receive directly your proportional share of junior subordinated debentures previously held indirectly through the trust. Under current law, you will not be taxed on the distribution and your holding period and aggregate adjusted tax basis in your junior subordinated debentures will be the same as the holding period and aggregate adjusted tax basis that you had in your capital securities before the distribution. If, however, the trust were to become taxed on the income received or accrued on junior subordinated debentures due to a Tax Event, the trust might be taxed on a distribution of junior subordinated debentures to you, and you might recognize gain or loss as if you had exchanged your capital securities for the junior subordinated debentures you received upon the liquidation of the trust.

If you receive junior subordinated debentures in exchange for your capital securities, you will continue to include interest and OID, if any, in income in respect of junior subordinated debentures received from the trust in the manner described above under Interest Income and Original Issue Discount.

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Sale or Redemption of Capital Securities

If you sell your capital securities, including through a redemption for cash, you will recognize gain or loss equal to the difference between your adjusted tax basis in your capital securities and the amount you realize on the sale of your capital securities. Assuming that we do not exercise our option to defer payment of interest on the junior subordinated debentures, your adjusted tax basis in your capital securities generally will be the price you paid for your capital securities.

If the junior subordinated debentures are deemed to be issued with OID as a result of an actual deferral of interest payments, your adjusted tax basis in your capital securities generally will be the price you paid for your capital securities, increased by OID previously includible in your gross income to the date of disposition and decreased by distributions or other payments you received on your capital securities since and including the date of the first extension period. Any gain or loss that you recognize upon a sale of your capital securities generally will be capital gain or loss, except to the extent any amount that you realize is treated as a payment of accrued interest on your proportional share of the junior subordinated debentures required to be included in income.

Capital gain of a non-corporate U.S. holder that is recognized before January 1, 2009 is generally taxed at a maximum rate of 15% where the holder has a holding period greater than one year.

If we exercise our option to defer any payment of interest on the junior subordinated debentures, our capital securities may trade at a price that does not accurately reflect the value of accrued but unpaid interest with respect to the underlying junior subordinated debentures. If you sell your capital securities before the record date for the payment of distributions, you will not receive payment of a distribution for the period before the sale. However, you will be required to include in income any OID that has accrued with respect to your capital securities. As previously discussed, your adjusted tax basis in your capital securities generally would be increased by OID previously includible in your gross income. In such an instance, your increased tax basis in the capital securities will increase the amount of any capital loss that you may have otherwise realized on the sale. In general, an individual taxpayer may offset only $3,000 of capital losses against ordinary income during any taxable year.

U.S. Alien Holders

This subsection describes the tax consequences to a U.S. alien holder. You are a U.S. alien holder if you are a beneficial owner of capital securities and you are, for United States federal income tax purposes:

a nonresident alien individual,

a foreign corporation,

a foreign partnership, or

an estate or trust that in either case is not subject to United States federal income tax on a net income basis on income or gain from a note.

If you are a U.S. holder, this subsection does not apply to you.

Under United States federal income and estate tax law, and subject to the discussion of backup withholding below, if you are a U.S. alien holder of capital securities:

we and other U.S. payors generally will not be required to deduct United States withholding tax from payments of principal and interest, including OID, to you if, in the case of payments of interest:

you do not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Popular North America, Inc. entitled to vote,

you are not a controlled foreign corporation that is related to Popular North America, Inc. through stock ownership, and

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the U.S. payor does not have actual knowledge or reason to know that you are a United States person and:

you have furnished to the U.S. payor an Internal Revenue Service Form W-8BEN or an acceptable substitute form upon which you certify, under penalties of perjury, that you are a non-United States person,

in the case of payments made outside the United States to you at an offshore account (generally, an account maintained by you at a bank or other financial institution at any location outside the United States), you have furnished to the U.S. payor documentation that establishes your identity and your status as a non-United States person,

the U.S. payor has received a withholding certificate (furnished on an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form) from a person claiming to be:

a withholding foreign partnership (generally a foreign partnership that has entered into an agreement with the Internal Revenue Service to assume primary withholding responsibility with respect to distributions and guaranteed payments it makes to its partners),

a qualified intermediary (generally a non-United States financial institution or clearing organization or a non-United States branch or office of a United States financial institution or clearing organization that is a party to a withholding agreement with the Internal Revenue Service), or

a U.S. branch of a non-United States bank or of a non-United States insurance company,

and the withholding foreign partnership, qualified intermediary or U.S. branch has received documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations (or, in the case of a qualified intermediary, in accordance with its agreement with the Internal Revenue Service),

the U.S. payor receives a statement from a securities clearing organization, bank or other financial institution that holds customers securities in the ordinary course of its trade or business,

certifying to the U.S. payor under penalties of perjury that an Internal Revenue Service Form W-8BEN or an acceptable substitute form has been received from you by it or by a similar financial institution between it and you, and

to which is attached a copy of the Internal Revenue Service Form W-8BEN or acceptable substitute form, or

the U.S. payor otherwise possesses documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, and

no deduction for any United States federal withholding tax will be made from any gain that you realize on the sale or exchange of your capital security. In addition, a U.S. alien holder will not be subject to United States federal income tax on gain realized upon any sale or other disposition of the capital securities unless (i) the gain is effectively connected with the U.S. alien holder s conduct of a trade or business in the United States or (ii) in the case of an individual, the U.S. alien holder is present in the United States for 183 days or more in the taxable year in which the sale or other disposition occurs and certain other conditions are met.

Further, a capital security held by an individual who at death is not a citizen or resident of the United States will not be includible in the individual s gross estate for United States federal estate tax purposes if:

the decedent did not actually or constructively own 10% or more of the total combined voting power of all classes of stock of Popular North America, Inc. entitled to vote at the time of death and

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the income on the capital security would not have been effectively connected with a United States trade or business of the decedent at the same time.

Backup Withholding Tax and Information Reporting

In general, if you are a noncorporate U.S. holder, we and other payors are required to report to the Internal Revenue Service all payments of principal and interest and the accrual of OID on your capital security. In addition, we and other payors are required to report to the Internal Revenue Service any payment of proceeds of the sale of your capital security before maturity within the United States. Additionally, backup withholding will apply to any payments, including payments of OID, if you fail to provide an accurate taxpayer identification number or you are notified by the Internal Revenue Service that you have failed to report all interest and dividends required to be shown on your federal income tax returns.

In general, if you are a U.S. alien holder, payments of principal or interest, including OID, made by us and other payors to you will not be subject to backup withholding and information reporting, provided that the certification requirements described above under U.S. Alien Holders are satisfied or you otherwise establish an exemption. However, we and other payors are required to report payments of interest on your capital securities on Internal Revenue Service Form 1042-S even if the payments are not otherwise subject to information reporting requirements. In addition, payment of the proceeds from the sale of capital securities effected at a United States office of a broker will not be subject to backup withholding and information reporting provided that:

the broker does not have actual knowledge or reason to know that you are a United States person and you have furnished to the broker:

an appropriate Internal Revenue Service Form W-8 or an acceptable substitute form upon which you certify, under penalties of perjury, that you are not a United States person, or

other documentation upon which it may rely to treat the payment as made to a non-United States person in accordance with U.S. Treasury regulations, or

you otherwise establish an exemption.

If you fail to establish an exemption and the broker does not possess adequate documentation of your status as a non-United States person, the payments may be subject to information reporting and backup withholding. However, backup withholding will not apply with respect to payments made to an offshore account maintained by you unless the broker has actual knowledge that you are a United States person.

In general, payment of the proceeds from the sale of capital securities effected at a foreign office of a broker will not be subject to information reporting or backup withholding. However, a sale effected at a foreign office of a broker will be subject to information reporting and backup withholding if:

the proceeds are transferred to an account maintained by you in the United States,

the payment of proceeds or the confirmation of the sale is mailed to you at a United States address, or

the sale has some other specified connection with the United States as provided in U.S. Treasury regulations,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of capital securities effected at a United States office of a broker) are met or you otherwise establish an exemption.

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In addition, payment of the proceeds from the sale of notes effected at a foreign office of a broker will be subject to information reporting if the broker is:

a United States person,

a controlled foreign corporation for United States tax purposes,

a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, or

a foreign partnership, if at any time during its tax year:

one or more of its partners are U.S. persons, as defined in U.S. Treasury regulations, who in the aggregate hold more than 50% of the income or capital interest in the partnership, or

such foreign partnership is engaged in the conduct of a United States trade or business,

unless the broker does not have actual knowledge or reason to know that you are a United States person and the documentation requirements described above (relating to a sale of capital securities effected at a United States office of a broker) are met or you otherwise establish an exemption. Backup withholding will apply if the sale is subject to information reporting and the broker has actual knowledge that you are a United States person.

Any amounts withheld from you under the backup withholding rules will be allowed as a refund or credit against your United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

CERTAIN ERISA CONSIDERATIONS

If you are a fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, or ERISA, you should consider the fiduciary standards of ERISA in the context of the plan s particular circumstances before authorizing an investment in the capital securities. Accordingly, among other factors, you should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the plan.

In addition, if you are a fiduciary of an employee benefit plan subject to ERISA, or if you are investing on behalf of an individual retirement account or a pension or profit-sharing plan for one or more self-employed persons (each of which we refer to as a Plan), you should consider whether an investment in the capital securities could result in a prohibited transaction. ERISA and the Section 4975 of the Code prohibit Plans from engaging in certain transactions involving plan assets with persons who are parties in interest under ERISA or disqualified persons under the Code with respect to the Plan. A violation of these prohibited transaction rules may result in a substantial excise tax under the Code and other liabilities under ERISA, unless relief is available under an applicable statutory or administrative exemption. Employee benefit plans that are governmental plans, certain church plans and foreign plans generally are not subject to the prohibited transaction rules or the fiduciary standards of ERISA, although governmental plans may be subject to similar provisions under applicable state laws.

Under a regulation (the Plan Asset Regulation) issued by the U.S. Department of Labor, the assets of the trust would be deemed to be plan assets of a Plan for purposes of ERISA and Section 4975 of the Code if plan assets of the Plan were used to acquire an equity interest in the trust and no exception were applicable under the Plan Asset Regulation. An equity interest is defined in the Plan Asset Regulation as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. For purposes of the Plan Asset Regulation, the capital securities are likely to be treated as equity interests in the trust.

Pursuant to an exception contained in the Plan Asset Regulation, the assets of the trust will not be deemed to be plan assets of investing Plans if the capital securities are publicly offered securities

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that is, they are (i) part of a class of securities that is widely held, i.e., held by 100 or more investors who are independent of the issuer and each other, (ii) freely transferable and (iii) either (a) part of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934 (the Exchange Act) or (b) sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act of 1933 and such class is registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred. Although no assurances can be given, the underwriters believe that the capital securities will meet the foregoing criteria for treatment as publicly offered securities within the meaning of the Plan Asset Regulation.

Even if the assets of the trust are not considered plan assets of any Plan, it is possible that Popular or Popular North America might be considered a party in interest or disqualified person with respect to a Plan by reason of, for example, the provision of services by Popular, Popular North America or any affiliates to the Plan. In that event, the purchase of capital securities by any such Plan might be considered to result in a prohibited transaction unless an exemption applies.

The Department of Labor has issued five prohibited transaction class exemptions (PTCEs) that may provide exemptive relief if required for direct or indirect prohibited transactions that may arise from the purchase or holding of the capital securities. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified asset managers).

In view of the prohibitions under ERISA and Section 4975 of the Code, discussed above, the capital securities may not be purchased or held by any Plan, any entity whose underlying assets include plan assets by reason of any Plan s investment in the entity (a Plan Asset Entity) or any person investing plan assets of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or another applicable exemption. Any purchaser or holder of the capital securities or any interest therein will be deemed to have represented by its purchase and holding thereof that it either (a) is not a Plan or a Plan Asset Entity and is not purchasing such securities on behalf of or with plan assets of any Plan or (b) is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or another applicable exemption with respect to such purchase or holding. If a purchaser or holder of the capital securities that is a Plan or a Plan Asset Entity elects to rely on an exemption other than PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, Popular, Popular North America and the trust may require a satisfactory opinion of counsel or other evidence with respect to the availability of such exemption for such purchase and holding.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the capital securities on behalf of or with plan assets of any Plan consult with their counsel regarding the potential consequences if the assets of the trust were deemed to be plan assets and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or any other applicable exemption.

UNDERWRITERS

Under the terms and subject to the conditions of an underwriting agreement dated , 2004, the underwriters named below, for whom Credit Suisse First Boston LLC, and J.P. Morgan Securities Inc.

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are acting as joint book-running managers, have severally agreed to purchase, and the trust has agreed to sell to them, severally, the following respective number of capital securities:

Name	Number of Capital Securities
Credit Suisse First Boston LLC	
J.P. Morgan Securities Inc.	
Popular Securities, Inc.	

The underwriters are offering the capital securities subject to their acceptance of the capital securities from the trust and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the capital securities are conditioned upon the delivery of legal opinions by their counsel and certain other conditions. The underwriters are obligated to purchase all the capital securities, if any capital securities are purchased.

The underwriters initially propose to offer part of the capital securities directly to the public at the public offering price set forth on the cover page of this prospectus. The underwriters may also offer the capital securities to securities dealers at a price that represents a concession not in excess of $ per capital security. Any underwriter may allow, and dealers may reallow, a concession not in excess of $ per capital security to certain other dealers. After the initial offering of the capital securities, the offering price and other selling terms may from time to time be changed by the underwriters.

The following table shows the per capital security and total offering price, underwriting discounts and commissions to be paid to the underwriters by Popular North America as well as the proceeds received by the trust from the offering.

	Per Capital Security	Total
Public offering price	$	$250,000,000
Underwriting discounts and commissions(1)	$	$
Proceeds to the trust(1)	$	$250,000,000

(1) Popular North America will pay all underwriting discounts and commissions.

Because the proceeds from the sale of the capital securities will be used to purchase the junior subordinated debentures issued by Popular North America, the underwriting agreement provides that Popular North America will pay to the underwriters as compensation for their services $ per capital security, or $ in the aggregate. Popular North America s offering expenses, not including underwriting discounts and commissions, are estimated to be $530,000.

Popular, Popular North America and the trust have agreed that, without the prior written consent of Credit Suisse First Boston LLC and J.P. Morgan Securities Inc. on behalf of the underwriters, they will not, directly or indirectly, during the period beginning on the date of the underwriting agreement and continuing to and including the closing under the underwriting agreement, offer or sell, grant any option for sale of, or otherwise dispose of, or announce the offering of, any securities that are substantially similar to the capital securities, or any security convertible into or exchangeable into capital securities or equity securities substantially similar to the capital securities and, in each case, are covered by a registration statement filed under the Securities Act.

Prior to this offering, there has been no public market for the capital securities. The underwriters have advised the trust that they presently intend to make a market in the capital securities. The underwriters are not obligated to make a market in the capital securities, however, and may discontinue market making activities at any time without notice. No assurance can be given as to the development, maintenance or liquidity of any trading market for the capital securities.

Popular, Popular North America and the trust have agreed to indemnify the underwriters and certain other persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the underwriters may be required to make under the Securities Act.

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In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, and penalty bids in accordance with Regulation M under the Securities Exchange Act of 1934.

Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

Over-allotment involves sales by the underwriters of capital securities in excess of the number of capital securities the underwriters are obligated to purchase, which creates a syndicate short position.

Syndicate covering transactions involve purchases of the capital securities in the open market after the distribution has been completed in order to cover syndicate short positions. A short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the capital securities in the open market after pricing that could adversely affect investors who purchase in the offering.

Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the capital securities originally sold by the syndicate member are purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.

Any of these activities may have the effect of raising or maintaining the market price of the capital securities or preventing or retarding a decline in the market price of the capital securities. As a result, the price of the capital securities may be higher than the price that might otherwise exist in the open market. These transactions, if commenced, may be discontinued at any time.

Each underwriter has agreed that it will, to the best of its knowledge and belief, comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers the capital securities or possesses or distributes this prospectus and will obtain any required consent, approval or permission for its purchase, offer, sale or delivery of the capital securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers, sales or deliveries. None of the trust, Popular North America or Popular has any responsibility for an underwriter s compliance with applicable securities laws.

In particular, each underwriter has represented and agreed that:

(i) it has not offered or sold, and, prior to the expiration of the period of six months from the closing date for the issue of the capital securities, will not offer or sell any capital securities to persons in the United Kingdom, except to those persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(ii) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the capital securities in circumstances in which section 21(1) of the FSMA does not apply to us; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the capital securities in, from or otherwise involving the United Kingdom.

In addition, each underwriter understands and agrees that:

This prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each of the underwriters has agreed that it has not offered or sold any capital securities or made any capital securities the subject of an invitation for subscription or purchase, and it has not circulated or distributed and will not circulate or distribute this

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prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the capital securities, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person falling within Section 274 of the Securities and Futures Act (Chapter 289) of Singapore (the Singapore Securities and Futures Act), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Singapore Securities and Futures Act or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the Singapore Securities and Futures Act.

Each underwriter and each of its affiliates has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, any invitation, document or advertisement relating to the capital securities in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (unless permitted to do so under the securities laws of Hong Kong) other than with respect to capital securities intended to be disposed of outside Hong Kong or only to professional investors within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

It will not offer or sell any capital securities directly or indirectly in Japan or to, or for the benefit of any Japanese person or to others, for re-offering or re-sale directly or indirectly in Japan or to any Japanese person, except in each case pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law of Japan and any other applicable laws and regulations of Japan. For purposes of this paragraph, Japanese person means any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

No German selling prospectus (Verkaufsprospekt) has been or will be published in respect of the sale of the capital securities and that each underwriter will comply with the Securities Selling Prospectus Act of the Federal Republic of Germany (Wertpapier-Verkaufsprospektgesetz). It will not engage in a public offering in the Federal Republic of Germany with respect to any capital securities otherwise than in accordance with the Securities Sales Prospectus Act and any other act replacing or supplementing the Securities Sales Prospectus Act and all other applicable laws and regulations.

The capital securities are being issued and sold outside the Republic of France and that, in connection with their initial distribution, it has not offered or sold and will not offer or sell, directly or indirectly, any capital securities to the public in the Republic of France, and that it has not distributed and will not distribute or cause to be distributed to the public in the Republic of France this prospectus or any other offering material relating to the capital securities, and that such offers, sales and distributions have been and will be made in the Republic of France only to (a) qualified investors (investisseurs qualifiés) and/or (b) a restricted group of investors (cercle restreint d investisseurs), all as defined in Article L.411-2 of the Monetary and Financial Code and decrét no. 98-880 dated 1st October, 1998.

The capital securities may not be offered, sold, transferred or delivered in or from the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to banks, pension funds, insurance companies, securities firms, investment institutions, central governments, large international and supranational institutions and other comparable entities, including, among others, treasuries and finance companies of large enterprises, which trade or invest in securities in the course of a profession or trade. It understands and agrees that individuals or legal entities who or which do not trade or invest in securities in the course of their profession or trade may not participate in the offering of the capital securities, and this prospectus or any other offering material relating to the capital securities may not be considered an offer or the prospect of an offer to sell or exchange the capital securities.

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Popular Securities, Inc., a wholly owned subsidiary of Popular, is a member of the NASD and is participating in the distribution of this offering. The offering is therefore being made in compliance with the applicable provisions of NASD Conduct Rule 2720.

Because the NASD may view the capital securities as interests in a direct participation program, this offering will be made in compliance with the applicable provisions of Rule 2810 of the Conduct Rules of the NASD.

In recommending to an investor the purchase, sale or exchange of the capital securities, each underwriter shall (i) have reasonable grounds to believe, on the basis of information obtained from the investor concerning its investment objectives, other investments, financial situation and needs, and any other information known by such underwriter, that (a) the investor is or will be in a financial position appropriate to enable it to realize to a significant extent the benefits described in this prospectus, including any tax benefits discussed herein, (b) the investor has a fair market net worth sufficient to sustain the risks inherent in an investment in the capital securities, including loss of investment and lack of liquidity, and (c) the capital securities are otherwise suitable for the investor and (ii) maintain in its files written documentation as to the determination of suitability.

The underwriters and any dealers utilized in the sale of the capital securities do not intend to confirm sales to accounts over which they exercise discretionary authority without the prior specific written approval of the customer.

Certain of the underwriters and their affiliates engage in various general financing and banking transactions with Popular and Popular North America and their respective affiliates in the ordinary course of business.

VALIDITY OF SECURITIES

The validity of the capital securities will be passed upon by Richards, Layton & Finger, P.A., Wilmington, Delaware, special Delaware counsel to Popular North America and the trust. The validity of the junior subordinated debentures and the guarantees of Popular North America will be passed upon by Sullivan & Cromwell LLP, New York, New York, counsel to Popular North America, and the validity of the guarantees of Popular will be passed upon by Brunilda Santos de Alvarez, Esq., Executive Vice President and General Counsel of Popular. Sidley Austin Brown & Wood LLP, New York, New York, will act as counsel to the underwriters. Sullivan & Cromwell LLP and Sidley Austin Brown & Wood LLP will rely as to certain matters of Delaware law upon the opinion of Richards, Layton & Finger, P.C. and as to all matters of Puerto Rico law upon the opinion of Brunilda Santos de Alvarez, Esq. As of the date of this prospectus, Brunilda Santos de Alvarez, Esq. owns, directly or indirectly, 17,863 shares of common stock of Popular pursuant to Popular s employee stock ownership plan or otherwise. She also held stock options to acquire 92,748 shares of common stock of Popular pursuant to Popular s stock option plan.

EXPERTS

The financial statements incorporated by reference in this prospectus by reference to Popular, Inc. s annual report on Form 10-K for the year ended December 31, 2003 have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

WHERE YOU CAN FIND MORE INFORMATION

Popular files annual, quarterly and special reports, proxy statements and other information with the SEC. Popular s SEC filings are available to the public over the Internet at the SEC s web site at http://www.sec.gov. You may also read and copy any document Popular files with the SEC at its public reference facilities at 450 Fifth Street, N.W., Washington, D.C. 20549. You can also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 450 Fifth Street,

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N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

We incorporate by reference into this prospectus the information Popular files with the SEC, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus. Some information contained in this prospectus updates the information incorporated by reference, and information that Popular files subsequently with the SEC will automatically update this prospectus. In other words, in the case of a conflict or inconsistency between information set forth in this prospectus and information incorporated by reference into this prospectus, you should rely on the information contained in the document that was filed later.

We incorporate by reference the documents listed below and any filings Popular makes with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the initial filing of the registration statement that contains this prospectus and prior to the later of (1) the time that we and/or the trust sell all the securities offered by this prospectus and (2) the date that our broker-dealer subsidiaries cease offering securities in market-making transactions pursuant to this prospectus:

Popular s Annual Report on Form 10-K for the year ended December 31, 2003, including information specifically incorporated by reference into Popular s Form 10-K from its 2004 Annual Report to Stockholders and its definitive Proxy Statement for its 2004 Annual Meeting of Stockholders;

Popular s Quarterly Report on Form 10-Q for the quarters ended March 31 and June 30, 2004; and

Popular s Current Reports on Form 8-K filed with the SEC on January 20, 2004, April 6, 2004, April 16, 2004, April 29, 2004, May 13, 2004, July 2, 2004, July 16, 2004 and July 29, 2004.

You may request a copy of these filings, other than an exhibit to a filing unless that exhibit is specifically incorporated by reference into that filing, at no cost, by writing to or telephoning us at the following address: Ileana González, Senior Vice President, Popular, Inc., P.O. Box 362708, San Juan, Puerto Rico 009396-2708. Telephone requests may also be directed to (787) 765-9800. You may also access this information at our website at http://www.popularinc.com. No additional information on Popular s website is incorporated by reference in this prospectus.

As an indirect, wholly owned subsidiary of Popular, Popular North America does not file reports under the Securities Exchange Act of 1934 with the SEC, and does not expect to do so in the future. Financial disclosure by Popular North America is contained in the footnotes to the financial statements of Popular which are filed with the SEC.

You should rely only on the information incorporated by reference or presented in this prospectus. Neither Popular, Popular North America, or the trust, nor any underwriters, have authorized anyone else to provide you with different or additional information. Popular, Popular North America and the trust are only offering these securities for sale in jurisdictions where the offer and sale is permitted. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front of this prospectus.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 14. Other Expenses of Issuance and Distribution.

The estimated expenses in connection with the issuance and distribution of the securities being registered are:

Registration Fee	$ 31,675
Fees and Expenses of Accountants	$ 18,000
Fees and Expenses of Counsel	$240,000
Blue Sky Fees and Expenses	$ 10,000
Printing and Engraving Expenses	$ 23,000
Rating Agency Fees	$185,000
Trustee s Fees	$ 12,000
Miscellaneous	$ 10,325
Total	$530,000

Item 15. Indemnification of Directors and Officers.

(a) Popular, Inc. is a Puerto Rico corporation.

(i) Article ELEVENTH of the Restated Certificate of Incorporation of Popular, Inc. provides the following:

(1) Popular shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of Popular) by reason of the fact that he is or was a director, officer, employee or agent of Popular, or is or was serving at the written request of Popular as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Popular, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of Popular and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful.

(2) Popular shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of Popular to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of Popular, or is or was serving at the written request of Popular as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of Popular, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to Popular unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the

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adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(3) To the extent that a director, officer, employee or agent of Popular has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in paragraph 1 or 2 of this Article ELEVENTH, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys fees) actually and reasonably incurred by him in connection therewith.

(4) Any indemnification under paragraph 1 or 2 of this Article ELEVENTH (unless ordered by a court) shall be made by Popular only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because he has met the applicable standard of conduct set forth therein. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the stockholders.

(5) Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by Popular in advance of the final disposition of such action, suit or proceeding as authorized by the Board of Directors in the specific case upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount unless it shall ultimately be determined that he is entitled to be indemnified by Popular as authorized in this Article ELEVENTH.

(6) The indemnification provided by this Article ELEVENTH shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any statute, by-law, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(7) By action of its Board of Directors, notwithstanding any interest of the directors in the action, Popular may purchase and maintain insurance, in such amounts as the Board of Directors deems appropriate, on behalf of any person who is or was a director, officer, employee or agent of Popular, or is or was serving at the written request of Popular, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not Popular would have the power or would be required to indemnify him against such liability under the provisions of this Article ELEVENTH or of the General Corporation Law of the Commonwealth of Puerto Rico or of any other state of the United States or foreign country as may be applicable.

(b) Popular North America, Inc. is a Delaware corporation.

(i) Section 102 of the Delaware General Corporation Law allows a corporation to eliminate the personal liability of a director to Popular, Inc. or its stockholders for monetary damages for breach of fiduciary duty as a director, except in cases where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowing violation of law, authorized the unlawful payment of a dividend or approved an unlawful stock repurchase or obtained an improper personal benefit. Section 145 of the Delaware General Corporation Law, as amended, provides that a corporation may indemnify any person who was or is a party or is threatened to be a party to any threatened, pending or completed action, suit, or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer, employee or agent of Popular, Inc. or is or was serving at its request in such capacity in another corporation or business association against expenses (including attorneys fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably

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believed to be in or not opposed to the best interests of Popular, Inc. and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

(ii) Section 6.4 of the By-laws of Popular North America, Inc. provides the following:

Section 6.4. *Indemnification of Directors, Officers and Employees.* Popular shall indemnify to the full extent permitted by law any person made or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person or such person s testator or intestate is or was a director, officer or employee of Popular or serves or served at the request of Popular any other enterprise as a director, officer or employee. Expenses, including attorneys fees, incurred by any such person in defending any such action, suit or proceeding shall be paid or reimbursed by Popular promptly upon receipt by it of an undertaking of such person to repay such expenses if it shall ultimately be determined that such person is not entitled to be indemnified by Popular. The rights provided to any person by this by-law shall be enforceable against Popular by such person who shall be presumed to have relied upon it in serving or continuing to serve as a director, officer or employee as provided above. No amendment of this by-law shall impair the rights of any person arising at any time with respect to events occurring prior to such amendment. For purposes of this by-law, the term Corporation shall include any predecessor of Popular and any constituent corporation (including any constituent of a constituent) absorbed by Popular in a consolidation or merger; the term other enterprise shall include any corporation, partnership, joint venture, trust or employee benefit plan; service at the request of Popular shall include service as a director, officer or employee of Popular which imposes duties on, or involves services by, such director, officer or employee with respect to an employee benefit plan, its participants or beneficiaries; any excise taxes assessed on a person with respect to an employee benefit plan shall be deemed to be indemnifiable expenses; and action by a person with respect to an employee benefit plan which such person reasonably believes to be in the interest of the participants and beneficiaries of such plan shall be deemed to be action not opposed to the best interests of Popular.

(c) Popular, Inc. and Popular North America, Inc. maintain directors and officers liability insurance policies.

(d) Reference is made to the indemnity provisions in the underwriting agreements, which are attached as Exhibit 1(a) and Exhibit 1(b) to this Registration Statement.

Item 16. Exhibits.**

(1)(a)	Form of Underwriting Agreement.
(4)(a)	Form of Junior Subordinated Indenture between Popular North America, Inc., Popular, Inc. and J.P. Morgan Trust Company, National Association.
(4)(b)	Certificate of Trust of Popular North America Capital Trust I.
(4)(c)	Trust Agreement of Popular North America Capital Trust I.
(4)(d)	Form of Amended and Restated Trust Agreement of Popular North America Capital Trust I.
(4)(e)	Form of Capital Security Certificate for Popular North America Capital Trust I (included as Exhibit E of Exhibit (4)(d)).
(4)(f)	Form of Guarantee Agreement for Popular North America Capital Trust I.
(5)(a)	Opinion of Brunilda Santos de Alvarez, Esq.
(5)(b)	Opinion of Sullivan & Cromwell LLP.
(5)(c)	Opinion of Richards, Layton & Finger as to the legality of the capital securities to be issued by Popular North America Capital Trust I.
(8)	Opinion of Sullivan & Cromwell LLP, United States tax counsel to Popular, Inc. and Popular North America, Inc., re: tax matters.

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(12)	Computation of Consolidated Ratios of Earnings to Fixed Charges and Earnings to Fixed Charges and Preferred Stock Dividends. (Incorporated by reference from Exhibit 12.1 of Form 10-Q filed on May 10, 2004).
(23)(a)	Consent of Independent Registered Public Accounting Firm.
(23)(b)	Consent of Brunilda Santos de Alvarez, Esq. (included in Exhibit (5)(a)).
(23)(c)	Consents of Sullivan & Cromwell LLP (included in Exhibits (5)(b) and (8)).
(23)(d)	Consent of Richards, Layton & Finger (included in Exhibit (5)(c)).
(24)	Powers of attorney (included in pages II-6 through II-9).
(25)(a)	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of J.P. Morgan Trust Company, National Association, as Trustee under the Junior Subordinated Indenture.
(25)(b)	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of J.P. Morgan Trust Company, National Association, as Trustee under the Amended and Restated Trust Agreement of Popular North America Capital Trust I.
(25)(c)	Form T-1 Statement of Eligibility under the Trust Indenture Act of 1939 of J.P. Morgan Trust Company, National Association under the Guarantee Agreement for Popular North America Capital Trust I.

** Exhibits to be filed by amendment.

Item 17. Undertakings.

(a) The undersigned registrants hereby undertake that, for purposes of determining any liability under the Securities Act of 1933, each filing of Popular, Inc. s annual report pursuant to Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 that is incorporated by reference in this registration statement shall be deemed to be a new registration statement relating to the securities offered therein and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrants pursuant to the provisions referred to in Item 15 of this Registration Statement, or otherwise, the Registrants have been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification by the Registrants against such liabilities (other than the payment by the Registrants of expenses incurred or paid by a director, officer or controlling person of the Registrants in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrants will, unless in the opinion of their counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by them is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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(c) The undersigned registrants hereby undertake that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities as that time shall be deemed to be the initial *bona fide* offering thereof.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the undersigned Co-registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Juan, Commonwealth of Puerto Rico, on the day of September, 2004.

POPULAR, INC.
(Co-registrant)

By: /s/ Jorge A. Junquera

Jorge A. Junquera
Senior Executive Vice President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

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Signature	Title	Date
*	Chairman, President and Chief Executive Officer (Principal Executive Officer)	
Richard L. Carrión		
/s/ José B. Carrión, Jr.*	Director	
José B. Carrión, Jr.		
/s/ Juan J. Bermudez*	Director	
Juan J. Bermudez		
	Director	
Frederic V. Salerno		
/s/ José R. Vizcarrondo*	Director	
José R. Vizcarrondo		
/s/ María Luisa Ferré*	Director	
María Luisa Ferré		
/s/ Manuel Morales, Jr.*	Director	
Manuel Morales, Jr.		
/s/ Francisco M. Rexach, Jr.*	Director	
Francisco M. Rexach, Jr.		
/s/ Félix J. Serallés Nevares*	Director	
Félix J. Serallés Nevares		

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Signature	Title	Date
*	Senior Vice President (Principal Accounting Officer)	
Ileana González		
*	Senior Executive Vice President (Principal Financial Officer)	
Jorge A. Junquera		
*By: /s/ JORGE A. JUNQUERA		
Jorge A. Junquera *Attorney-in-Fact*		

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Pursuant to the requirements of the Securities Act of 1933, the undersigned Co-registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned thereunto duly authorized, in the City of San Juan, Commonwealth of Puerto Rico, on the day of September, 2004.

POPULAR NORTH AMERICA, INC.
(Co-registrant)

By: /s/ Jorge A. Junquera

Jorge A. Junquera
President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Table of Contents

Signature	Title	Date
/s/ Richard L. Carrión*	Chairman (Principal Executive Officer)	
Richard L. Carrión		
/s/ Jorge A. Junquera*	President and Director (Principal Financial Officer)	
Jorge A. Junquera		
/s/ Alfonso F. Ballester*	Director	
Alfonso F. Ballester		
/s/ Roberto R. Herencia*	Executive Vice President and Director	
Roberto R. Herencia		
/s/ Francisco M. Rexach, Jr.*	Director	
Francisco M. Rexach, Jr.		
/s/ Félix J. Serallés Nevares*	Director	
Félix J. Serallés Nevares		
/s/ Richard N. Speer, Jr.*	Director	
Richard N. Speer, Jr.		
/s/ Julio E. Vizcarrondo, Jr.*	Director	
Julio E. Vizcarrondo, Jr.		
	Director	
Frederic V. Salerno		
/s/ Héctor R. González*	Director	
Héctor R. González		

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	/s/ Ileana González*	Senior Vice President (Principal Accounting Officer)
	Ileana González	
*By:	/s/ Jorge A. Junquera	
	Jorge A. Junquera *Attorney-in-Fact*	

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SIGNATURE

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POPULAR NORTH AMERICA CAPITAL TRUST I
(Co-registrant)

By: POPULAR NORTH AMERICA, INC. AS DEPOSITOR

By: /s/ JORGE A. JUNQUERA

Jorge A. Junquera
President

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* Previously filed.

** Exhibits to be filed by amendment.