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FLEETBOSTON FINANCIAL CORP
Form 424B5
February 12, 2003

FILED PURSUANT TO RULE 424(b)(5)
REGISTRATION NO. 333-72912

PROSPECTUS SUPPLEMENT
FEBRUARY 10, 2003
(TO PROSPECTUS DATED NOVEMBER 21, 2001)

\$500,000,000

[FLEET BOSTON FINANCIAL LOGO]
FLEETBOSTON FINANCIAL CORPORATION

3.85% SENIOR NOTES DUE 2008

The 3.85% senior notes will mature on February 15, 2008. Interest on the senior notes is payable semiannually on February 15 and August 15 of each year, beginning August 15, 2003. The senior notes are not redeemable prior to maturity. There is no sinking fund. The senior notes are unsecured.

The senior notes are not deposits or other obligations of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

	PER NOTE	TOTAL
	-----	-----
Price to Public(1).....	99.896%	\$499,480,000
Underwriting Discounts and Commissions.....	0.350%	\$1,750,000
Proceeds (before expenses) to FleetBoston.....	99.546%	\$497,730,000

(1) Plus accrued interest, if any, from February 13, 2003.

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

Delivery of the senior notes, in book-entry form only, will be made through the facilities of The Depository Trust Company on or about February 13, 2003.

Joint Book Running Managers

BANC OF AMERICA SECURITIES LLC GOLDMAN, SACHS & CO. FLEET SECURITIES, INC.

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DOCUMENT MAY ONLY BE USED WHERE IT IS LEGAL TO SELL THESE SECURITIES. THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS DOCUMENT MAY ONLY BE ACCURATE ON THE DATE OF THIS DOCUMENT OR AS OF ITS DATE, AS APPLICABLE.

The terms "we," "us," "our," "FleetBoston" and similar terms refer to FleetBoston Financial Corporation. The terms "you," "your" and similar terms refer to the beneficial owner of the senior notes.

UPDATING INFORMATION

Information contained in this prospectus supplement updates and supersedes information in the accompanying prospectus.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement under the Securities Act of 1933 that registers, among other securities, the offer and sale of the senior notes offered by this prospectus supplement and accompanying prospectus. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit certain information included in the registration statement from this prospectus supplement and accompanying prospectus.

In addition, we file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the SEC's public reference room at the following address:

Public Reference Room
450 Fifth Street, N.W.
Washington, D.C. 20549

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an internet world wide web site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that site is:

<http://www.sec.gov>

You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, 17th Floor, New York, New York 10005 and the Boston Stock Exchange, 100 Franklin Street, Boston, Massachusetts 02110.

The SEC allows us to "incorporate by reference" information into this prospectus supplement and accompanying prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus supplement and accompanying prospectus, except for any information that is superseded by information that is included directly in this document or in a more recent incorporated document.

This prospectus supplement and accompanying prospectus incorporate by reference the documents listed below that we have previously filed with the SEC (other than information in such documents that is deemed not to have been filed in accordance with the SEC's rules). They contain important information about us and our financial condition.

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SEC FILINGS -----	PERIOD -----
Annual Report on Form 10-K.....	Year ended December 31, 2001, as filed on March 1, 2002
Quarterly Reports on Form 10-Q.....	Quarter ended March 31, 2002, as filed on 15, 2002 Quarter ended June 30, 2002, as filed on August 14, 2002 Quarter ended September 30, 2002, as filed on November 14, 2002
The description of FleetBoston common stock set forth in the FleetBoston registration statement filed by Industrial National Corporation (predecessor to FleetBoston) on Form 8-B dated May 29, 1970, and any amendment or report filed for the purpose of updating that description; and Current Reports on Form 8-K.....	Filed: -January 29, 2002 -March 12, 2002 -April 16, 2002 -July 2, 2002 -July 15, 2002 -August 14, 2002 -October 16, 2002 -January 10, 2003 -January 16, 2003

We incorporate by reference additional documents that we may file with the SEC between the date of this prospectus supplement and the date we complete our offering of the securities to be issued under the registration statement or, if later, the date on which any of our affiliates cease offering and selling these securities (other than information in such documents that is deemed not to have been filed in accordance with the SEC's rules). These documents include, among others, periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this document through us, or from the SEC through the SEC's Internet world wide web site at the address described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this prospectus supplement and accompanying prospectus. You can obtain documents incorporated by reference in this prospectus supplement and accompanying prospectus by requesting them in writing or by telephone from us at the following address:

Investor Relations Department
FleetBoston Financial Corporation
P.O. Box 2016, MA DE 10032F
Boston, Massachusetts 02106-2106
(617) 434-7858

We have not authorized anyone to give any information or make any representation about us that is different from, or in addition to, those contained in this prospectus supplement and accompanying prospectus or in any of the materials that we have incorporated into this prospectus supplement and accompanying prospectus. If anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to sell, or

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solicitations of offers to purchase, the senior notes offered by this prospectus supplement and the accompanying prospectus are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this prospectus supplement and the accompanying prospectus does not extend to you. The information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus speaks only as of the date of those documents unless the information specifically indicates that another date applies.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and accompanying prospectus, including information included or incorporated by reference, contains certain forward-looking statements with respect to our financial condition, results of operations, plans, objectives, future performance and business, including, without limitation, statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates" or similar expressions.

These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to many factors, including:

- changes in general political and economic conditions, either domestically or internationally;
- continued economic, political and social uncertainties in Latin America;
- developments concerning credit quality, including the resultant effect on the level of our provision for credit losses, nonperforming assets, net charge-offs and reserve for credit losses;
- continued weakness in domestic commercial loan demand, and the impact of that weakness on our lending activities;
- interest rate and currency fluctuations, equity and bond market fluctuations and inflation;
- continued weakness in the capital markets and the impact of that weakness on our Principal Investing and other capital markets business lines;
- changes in competitive product and pricing pressures among financial institutions within our markets;
- legislative or regulatory developments, including changes in laws or regulations concerning taxes, banking, securities, capital requirements and risk-based capital guidelines, reserve methodologies, deposit insurance and other aspects of the financial services industry;
- changes in accounting rules, policies, practices and procedures; and
- legal and regulatory proceedings and related matters with respect to the financial services industry, including those directly involving us and our subsidiaries.

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FLEETBOSTON FINANCIAL CORPORATION

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We are a diversified financial services company offering a comprehensive array of financial solutions to approximately 20 million customers in more than 20 countries. Our four lines of business are:

- Personal Financial Services -- composed of domestic retail banking, consumer lending and credit card services, as well as wealth management, including specialized asset management, estate settlement and deposit and credit products for high-net-worth customers, proprietary and third party mutual funds and other investment products for retail and institutional customers, and retirement planning, large institutional asset management and not-for-profit investment services, and retail brokerage and securities clearing;
- Commercial Financial Services -- composed of commercial finance, including asset-based lending and leasing; corporate banking, including specialized industry lending and institutional banking; commercial banking, including middle market commercial lending, trade services and cash management, as well as government banking services, including cash management, investment services and municipal, state and national government agency underwriting; and small business services, including lending, deposits and cash management;
- International Banking -- includes our international operations, principally in Latin America; and
- Capital Markets -- includes brokerage market-making and Principal Investing.

At September 30, 2002, our total assets on a consolidated basis were \$187.2 billion, our consolidated total deposits were \$121.5 billion and our consolidated total stockholders' equity was \$16.9 billion. Based on total assets at September 30, 2002, we were the seventh largest financial holding company in the United States.

We are organized under the laws of the State of Rhode Island with perpetual existence. Our date of incorporation was March 16, 1970. Our principal office is located at 100 Federal Street, Boston, Massachusetts 02110, and our telephone number is (617) 434-2200.

RECENT DEVELOPMENTS

On January 16, 2003, we reported fourth quarter net income from continuing operations of \$297 million, or \$.28 per share, compared with a net loss of \$486 million, or \$.47 per share, in the fourth quarter of 2001. The improvement from 2001 was mainly due to valuation charges recorded in 2001 related to our Argentine and Principal Investing businesses, partially offset by higher provisions for credit losses recorded in 2002 related to commercial credit. For 2002, net income from continuing operations was \$1.5 billion, or \$1.44 per share, compared with \$968 million, or \$.87 per share for 2001.

Including results from discontinued operations (primarily Fleet Trading and Robertson Stephens in the fourth quarter), net income for the fourth quarter of 2002 was \$261 million, or \$.24 per share, compared with a net loss of \$507 million, or \$.49 per share, for the fourth quarter of 2001. Net income for 2002 was \$1.2 billion, or \$1.12 per share, compared with \$931 million, or \$.83 per share, for 2001.

For additional information about fourth quarter and full year 2002 results, please refer to our Current Reports on Form 8-K filed with the SEC on January 10 and January 16, 2003, both of which are incorporated by reference herein.

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SELECTED CONSOLIDATED FINANCIAL DATA OF
FLEETBOSTON FINANCIAL CORPORATION

The following summary sets forth unaudited selected consolidated financial data for us and our subsidiaries for the nine months ended September 30, 2002 and 2001 and for each of the years in the five-year period ended December 31, 2001. The following summary should be read in conjunction with the financial information incorporated by reference in this prospectus supplement and the accompanying prospectus. See "Where You Can Find More Information" in this prospectus supplement and the accompanying prospectus. Certain financial information for the nine months ended September 30, 2001 and for each of the years in the five-year period ended December 31, 2001 has been restated to reflect businesses sold or held for sale on a discontinued operations basis. Information concerning adjusted net income and related earnings per share for the nine months ended September 30, 2001 and for each of the years in the five-year period ended December 31, 2001 is presented in accordance with the disclosure provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," which was adopted on January 1, 2002. This pro forma information reflects net income and earnings per share without the amortization of goodwill. The summary for the nine months ended September 30, 2002 and 2001 is based on unaudited consolidated financial statements which include all adjustments (consisting only of normal, recurring adjustments) that, in our opinion, are necessary for a fair statement of the results for the respective interim periods. The results of operations for the nine months ended September 30, 2002 are not necessarily indicative of the results expected for 2002 or any other interim period. Certain amounts in prior periods have been reclassified to conform to current-year presentation.

	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,			
	2002	2001	2001	2000	1999	1998
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)						
CONSOLIDATED SUMMARY OF OPERATIONS:						
Interest income (fully taxable equivalent).....	\$ 7,799	\$ 10,727	\$ 13,662	\$ 16,153	\$ 15,379	\$ 14,5
Interest expense.....	2,880	5,101	6,317	8,324	7,336	6,8
Net interest income (fully taxable equivalent).....	4,919	5,626	7,345	7,829	8,043	7,6
Provision for credit losses.....	2,010 (a)	951	2,324 (d)	1,290	1,056	9
Net interest income after provision for credit losses (fully taxable equivalent).....	2,909	4,675	5,021	6,539	6,987	6,7
Noninterest income.....	3,752	3,917	4,616	7,767	6,209	5,3
Noninterest expense.....	4,767	6,177	8,056	8,257	9,179	7,5
Income from continuing operations.....	1,226 (a)	1,446 (c)	957 (e)	3,605 (f)	2,399 (g)	2,7
(Loss)/income from discontinued operations.....	(298) (b)	(8)	(26)	305	77	(
Net income.....	\$ 928	\$ 1,438	\$ 931	\$ 3,910	\$ 2,476	\$ 2,7

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PER COMMON SHARE:

Continuing Operations:

Basic earnings per share.....	\$ 1.16 (a)	\$ 1.31 (c)	\$.87 (e)	\$ 3.30 (f)	\$ 2.14 (g)	\$ 2.09 (g)
Diluted earnings per share.....	1.16 (a)	1.30 (c)	.86 (e)	3.25 (f)	2.09 (g)	2.09 (g)
Net Income:						
Basic earnings per share.....	0.87 (b)	1.31	.84	3.58	2.21	2.21
Diluted earnings per share.....	0.87 (b)	1.29	.83	3.52	2.16	2.16
Weighted average basic shares outstanding (in millions).....	1,045.1	1,083.8	1,074.2	1,081.4	1,095.7	1,094.1
Weighted average diluted shares outstanding (in millions).....	1,049.2	1,094.1	1,083.7	1,098.7	1,121.5	1,119.1
Book value.....	\$ 15.84	\$ 18.09	\$ 16.61	\$ 17.31	\$ 15.92	\$ 14.84
Cash dividends declared....	1.05	.99	1.34	1.23	1.11	1.11

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	NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,			
	2002	2001	2001	2000	1999	1998
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)						
RATIO OF EARNINGS TO FIXED CHARGES (I):						
Excluding interest on deposits.....	2.42x	2.01x	1.52x	2.49x	2.19x	2.19x
Including interest on deposits.....	1.63	1.46	1.24	1.71	1.53	1.53
CONSOLIDATED BALANCE SHEET -- AVERAGE BALANCES:						
Total assets (j).....	\$190,887	\$210,791	\$208,931	\$223,895	\$223,235	\$201,000
Securities held to maturity.....	654	578	577	5,907	7,820	6,600
Securities available for sale.....	27,631	26,407	25,601	29,362	27,329	24,400
Loans and leases, net of unearned income.....	120,320	129,675	128,792	138,609	138,751	130,000
Due from brokers/dealers...	3,896	4,069	4,117	3,449	3,240	3,700
Interest bearing deposit liabilities.....	92,321	96,658	96,717	100,711	109,336	106,400
Short-term borrowings.....	14,329	20,462	19,845	22,127	20,035	24,500
Due to brokers/dealers.....	3,902	3,879	3,849	4,829	4,149	4,500
Long-term debt (k).....	23,306	28,863	27,945	31,191	26,198	12,900
Stockholders' equity.....	17,457	19,571	19,330	18,134	17,479	16,300
CONSOLIDATED RATIOS:						
Net interest margin (fully taxable equivalent) (l)...	4.05%	4.24%	4.18%	4.26%	4.35%	4.35%

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Return on average assets(l).....	.88 (a)	.94 (c)	.47 (e)	1.68 (f)	1.11 (g)	1.
Return on average common stockholders' equity(l).....	9.43 (a)	9.93 (c)	4.91 (e)	20.30 (f)	14.45 (g)	17.
Average stockholders' equity to average assets(j).....	9.15	9.28	9.25	8.10	7.83	8.
Tier 1 risk-based capital ratio(j).....	8.24	8.86	7.37	8.08	7.15	7.
Total risk-based capital ratio(j).....	11.77	12.58	10.95	11.87	11.44	11.
Period-end reserve for credit losses to period-end loans and leases, net of unearned income.....	3.18	2.16	2.86	2.02	1.98	1.
Net charge-offs to average loans and leases, net of unearned income(l).....	2.06	.94	1.08	.89	.74	.
Period-end nonperforming assets to related assets.....	3.20	1.23	1.46	.84	.70	.
ADJUSTED NET INCOME AND EARNINGS PER SHARE						
Reported net income from continuing operations available to common stockholders.....		\$ 1,423	\$ 930	\$ 3,566	\$ 2,343	\$ 2,7
Add back goodwill amortization, net of applicable tax benefit...		190	255	251	235	1
Adjusted net income from continuing operations....		1,613	1,185	3,817	2,578	2,9
Net (loss)/income from discontinued operations.....		(8)	(26)	305	77	(
Add back goodwill amortization of discontinued operations, net of applicable tax benefit.....		7	10	8	8	
Adjusted net income.....		\$ 1,612	\$ 1,169	\$ 4,130	\$ 2,663	\$ 2,8

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NINE MONTHS ENDED SEPTEMBER 30,		YEARS ENDED DECEMBER 31,			
2002	2001	2001	2000	1999	1998
(DOLLARS IN MILLIONS, EXCEPT PER SHARE DATA)					

Adjusted Earnings Per

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Share -- Continuing operations					
Reported basic earnings per share.....	\$ 1.31	\$.87	\$ 3.30	\$ 2.14	\$ 2.14
Add back goodwill amortization.....	.18	.23	.23	.21	.21
Adjusted basic earnings per share.....	\$ 1.49	\$ 1.10	\$ 3.53	\$ 2.35	\$ 2.35
Reported diluted earnings per share.....	\$ 1.30	\$.86	\$ 3.25	\$ 2.09	\$ 2.09
Add back goodwill amortization.....	.17	.23	.22	.21	.21
Adjusted diluted earnings per share.....	\$ 1.47	\$ 1.09	\$ 3.47	\$ 2.30	\$ 2.30
Adjusted Earnings Per Share -- Net income					
Reported basic earnings per share.....	\$ 1.31	\$.84	\$ 3.58	\$ 2.21	\$ 2.21
Add back goodwill amortization.....	.18	.25	.24	.22	.22
Adjusted basic earnings per share.....	\$ 1.49	\$ 1.09	\$ 3.82	\$ 2.43	\$ 2.43
Reported diluted earnings per share.....	\$ 1.29	\$.83	\$ 3.52	\$ 2.16	\$ 2.16
Add back goodwill amortization.....	.18	.25	.24	.21	.21
Adjusted basic earnings per share.....	\$ 1.47	\$ 1.08	\$ 3.76	\$ 2.37	\$ 2.37

(a) Includes impact of additional provisions for credit losses related to Argentina (\$300 million pre-tax, \$200 million post-tax) and domestic commercial credit (\$582 million pre-tax, \$387 million post-tax) recorded in the second quarter of 2002.

(b) Includes impact of gain from sale of AFSA Data Corporation (\$300 million pre-tax, \$173 million post-tax), estimated losses from dispositions of Robertson Stephens (\$638 million pre-tax, \$421 million post-tax) and Asia fixed income business (\$50 million pre-tax, \$30 million post-tax) recorded in the second quarter of 2002.

(c) Includes impact of merger-related and restructuring charges (\$858 million pre-tax, \$541 million post-tax); an aggregate loss from sale of FleetBoston's mortgage banking business (\$428 million pre-tax, \$285 million post-tax); write-downs recorded against the carrying value of the Principal Investing portfolio (\$650 million pre-tax, \$399 million post-tax); impact of gains on branch divestitures associated with the BankBoston merger (\$333 million pre-tax, \$204 million post-tax) and the sale of FleetBoston's investment in the NYCE Corporation (\$146 million pre-tax, \$91 million post-tax) recorded in the nine months ended September 30, 2001.

(d) Includes impact of provisions for credit losses related to Argentina (\$725

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million pre-tax, \$434 million post-tax), the domestic economic downturn (\$175 million pre-tax, \$105 million post-tax) and the transfer of problem credits to accelerated disposition status (\$150 million pre-tax, \$89 million post-tax) recorded in 2001.

- (e) Includes, in addition to the provisions described in note (d), impact of merger-related and restructuring charges (\$961 million pre-tax, \$604 million post-tax); write-downs recorded against the carrying value of the Principal Investing portfolio (\$1.1 billion pre-tax, \$679 million post-tax); charges related to the estimated impact of Argentine government actions with respect to FleetBoston's Argentine operations (\$200 million pre-tax, \$120 million post-tax); write-downs recorded against the carrying value of Argentine government bonds (\$175 million pre-tax, \$105 million post-tax); and a loss from the sale of the mortgage banking business (\$428 million pre-tax, \$285 million post-tax) recorded in 2001. Also includes impact of gains on branch divestitures (\$410 million pre-tax, \$252 million post-tax) and the sale of an investment in the NYCE Corporation (\$146 million pre-tax, \$91 million post-tax) recorded in 2001.
- (f) Includes impact of gain on branch divestitures (\$843 million pre-tax, \$420 million post-tax) and merger-related and restructuring charges (\$249 million pre-tax, \$151 million post-tax) recorded in 2000.
- (g) Includes impact of merger- and restructuring-related charges and other costs (\$1 billion pre-tax, \$680 million post-tax) recorded in 1999.

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- (h) Includes impact of merger- and restructuring-related charges and other costs (\$218 million pre-tax, \$135 million post-tax) recorded in 1998.
- (i) For the purpose of computing the ratio of earnings to fixed charges, "earnings" consist of income from continuing operations before income taxes plus fixed charges, excluding capitalized interest. "Fixed charges" consist of interest on short- and long-term debt, including interest related to capitalized leases and capitalized interest, and one-third of rent expense, which approximates the interest component of such expense. In addition, where indicated, fixed charges include interest on deposits.
- (j) Includes discontinued operations.
- (k) Amounts include guaranteed preferred beneficial interests in our junior subordinated debentures.
- (l) Ratios for the nine-month periods are annualized.

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USE OF PROCEEDS

We anticipate our net proceeds from the sale of the senior notes, after deducting underwriting commissions but before expenses, to be \$497,730,000. We intend to use these net proceeds for general corporate purposes. Our general corporate purposes may include extending credit to, or funding investments in, our subsidiaries. The precise amounts and the timing of our use of the net proceeds will depend upon our subsidiaries' funding requirements and the availability of other funds. Until we use the net proceeds from the sale of any of the senior notes for general corporate purposes, we will use the net proceeds to reduce our short-term indebtedness or for temporary investments. We expect that we will, on a recurrent basis, engage in additional financings as the need

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arises to finance our growth, through acquisitions or otherwise, or to fund our subsidiaries.

CERTAIN TERMS OF THE SENIOR NOTES

GENERAL

The following description of the particular terms of the senior notes supplements the description of the general terms of the senior debt securities set forth under the headings "Description of Debt Securities" in the accompanying prospectus beginning on page 7 and "Senior Debt Securities" in the accompanying prospectus beginning on page 14. Capitalized terms used but not defined in this prospectus supplement have the meanings assigned in the accompanying prospectus or the senior indenture referred to in the accompanying prospectus.

The senior notes are a series of senior debt securities issued under an indenture, dated as of December 6, 1999 (the "senior indenture"), between us and The Bank of New York as trustee (the "trustee"). We will issue the senior notes in fully registered form and in denominations of \$1,000 and integral multiples of \$1,000. The senior indenture and the senior notes will be governed by and construed in accordance with the laws of the State of New York without regard to conflicts of laws principles of that state.

The courts of the State of New York and the United States District Court located in the Borough of Manhattan in The City of New York will have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the senior notes.

The senior notes will bear interest at the rate of 3.85% per year. Interest on the senior notes will accrue from and including February 13, 2003 to but excluding the maturity date. We will pay interest on the senior notes at maturity and semiannually in arrears on the 15th day of February and August of each year, beginning August 15, 2003. Interest will be paid to the person in whose names the senior notes are registered at the close of business on the preceding February 1 and August 1 (the "record date").

We will compute interest on the senior notes on the basis of a 360-day year of twelve 30-day months. If an interest payment date or the maturity date falls on a day that is not a business day, the payment will be made on the next business day as if it were made on the date the payment was due, and no interest will accrue on the amount so payable for the period from and after that interest payment date or the maturity date, as the case may be.

The senior notes will mature on February 15, 2008.

We will make all principal and interest payments on the senior notes in immediately available funds. All sales of the senior notes, including secondary market sales, will settle in immediately available funds.

The senior notes are not redeemable prior to maturity and will not be entitled to any sinking fund. We will redeem the senior notes at maturity at par.

FUTURE ISSUES

We may, without the consent of the holders of senior notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as the senior notes. Any additional notes having

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such similar terms, together with the senior notes, will constitute a single series of notes under the senior indenture.

BOOK-ENTRY SYSTEM

The senior notes will be issued in the form of one or more fully registered global certificates which will be deposited with, or on behalf of, The Depository Trust Company, New York, New York (the "Depository" or "DTC") and registered in the name of Cede & Co., the Depository's nominee. Ownership of the senior notes will be limited to institutions that have accounts with the Depository or its nominee (each, a "participant" and collectively, the "participants") or persons that may hold interests through participants. In addition, ownership of the senior notes by participants will only be evidenced by, and transfers of such ownership interest will be effected only through, records maintained by the Depository or its nominee. Ownership of the senior notes by persons that hold through participants will only be evidenced by, and transfers of such ownership interest within such participants will be effected only through, records maintained by such participants.

Upon the issuance of the senior notes and the deposit of the global certificate or certificates representing the senior notes with or on behalf of the Depository, the Depository will immediately credit, on its book-entry registration and transfer system, the respective principal amounts of the senior notes represented by such certificate or certificates to the accounts of the participants. The accounts to be credited will be designated by the underwriters of the offering of the senior notes.

The senior notes will initially be represented by one or more permanent global certificates registered in the name of the Depository or its nominee. Owners of beneficial interests in the global certificates will not be entitled to receive certificated senior notes in registered form and will not be considered holders of senior notes unless (i) the Depository notifies us in writing that it is no longer willing or able to continue to act as a depository or if the Depository ceases to be a clearing agency registered under the Exchange Act, and we do not appoint a successor depository within 90 days, (ii) we execute and deliver to the trustee a company order to the effect that the global certificates shall be exchangeable for senior notes in certificated form or (iii) an Event of Default has occurred and is continuing with respect to the senior notes. In the event of such occurrences, upon surrender by the Depository or a successor depository of the global certificates, senior notes in certificated form will be issued to each person that the Depository or a successor depository identifies as the beneficial owner of the related senior notes. Upon such issuance, the trustee is required to register such senior notes in the name of, and cause the same to be delivered to, such person or persons (or the nominee thereof). Such senior notes would be issued in fully registered form, without coupons, in minimum denominations of \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000. Such senior notes may not subsequently be exchanged by a holder for senior notes in denominations of less than \$1,000 or any amount in excess thereof that is an integral multiple of \$1,000.

Payments of principal of and interest on the senior notes registered in the name of the Depository's nominee will be made to the Depository's nominee as the sole registered owner of the global certificates. Under the terms of the senior indenture, we and the trustee may treat the persons in whose names the senior notes are registered as the absolute owners of such senior notes for the purpose of receiving payment of principal of and interest on such senior notes and for all other purposes whatsoever. Therefore, neither we nor the trustee has any direct responsibility or liability for the records relating to or payments made on account of beneficial ownership interests in the senior notes or for

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maintaining, supervising or reviewing any records relating to the senior notes. The Depository's current practice is to credit the accounts of the participants with payments of principal or interest on the date payable in amounts proportionate to their respective holdings in principal amount of beneficial interests in the global certificates as shown in the records of the Depository, unless the Depository has reason to believe that it will not receive payment on such date. Payments by participants and indirect participants to owners of beneficial interests in the global certificates will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of the participants or indirect participants.

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Except as provided above, owners of the senior notes will not be entitled to receive physical delivery of senior notes in certificated form and no global certificate representing the senior notes shall be exchangeable, except for another global certificate of like denomination and tenor to be registered in the name of the Depository or its nominee. Accordingly, each person owning a senior note must rely on the procedures of the Depository and, if such person is not a participant, on the procedures of the participant through which such person owns its beneficial interest, to exercise any rights under the senior notes. We understand that, under existing industry practices, in the event that (i) we request any action of holders or (ii) an owner of a senior note desires to take any action which a holder is entitled to give or take under the senior notes in accordance with the terms of the senior notes, the Depository would authorize the participants owning the relevant senior notes to give or take such action, and such participants would authorize beneficial owners owning through such participants to give or take such actions or would otherwise act upon the instructions of beneficial owners.

DTC, which has been appointed as the Depository for the senior notes, is a limited-purpose trust company organized under New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("Direct Participants") deposit with it. DTC also facilitates the settlement among Direct Participants of securities transactions among its participants in deposited securities through electronic computerized book-entry changes in Direct Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and by members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC's system is also available to others such as banks, securities brokers and dealers and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Direct and Indirect Participants are on file with the SEC. DTC agrees with and represents to its participants that it will administer its book-entry system in accordance with its rules and by-laws and applicable requirements of law. The information contained herein concerning DTC and its book-entry system has been obtained from sources we believe to be reliable. More information about DTC can be found at its world wide web site at <http://www.dtcc.com>.

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According to DTC, the above information has been provided to its participants and other members of the financial community for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind. We take no responsibility for the accuracy of such information.

MATERIAL UNITED STATES TAX CONSIDERATIONS

Our counsel, Edwards & Angell, LLP, has prepared the following summary which describes the material United States federal income tax consequences of the ownership and disposition of senior notes to initial holders of the senior notes purchasing the senior notes at the public offering price set forth on the cover page of this prospectus supplement. The discussion below is based on the Internal Revenue Code of 1986, as amended (the "Code"), administrative pronouncements, judicial decisions, and existing and proposed Treasury regulations, and interpretations of the foregoing, changes to any of which subsequent to the date of this prospectus supplement may affect the tax consequences described herein. These statements address only the tax consequences to initial holders holding senior notes as capital assets within the meaning of section 1221 of the Code. They do not discuss all of the tax consequences that may be relevant to holders in light of their particular circumstances or to holders subject to special rules, such as certain financial institutions, insurance companies, dealers in securities or foreign currencies, United States Holders (defined below) whose functional currency (as defined in Code Section 985) is not the U.S. dollar, persons holding senior notes in

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connection with a hedging transaction, "straddle," conversion transaction, or other integrated transaction, traders in securities that elect to mark to market, or holders liable for alternative minimum tax. Persons considering the purchase of the senior notes should consult their tax advisors concerning the application of United States federal income tax laws, as well as the laws of any state, local, or foreign taxing jurisdictions, to their particular situations.

As used in this prospectus supplement, a "United States Holder" of a senior note means a beneficial owner that is for United States federal income tax purposes:

- a citizen or resident of the United States,
- a corporation or partnership (or other entity treated as a corporation or partnership for federal income tax purposes) created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia,
- an estate the income of which is subject to United States federal income taxation regardless of its source, or,
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or the trust has a valid election in effect under applicable Treasury regulations to be treated as a United States person.

As used in this prospectus supplement, the term "United States Alien Holder" means a beneficial owner of a senior note that is not a United States Holder.

TAX CONSEQUENCES TO UNITED STATES HOLDERS

Payments of Interest. Interest on a senior note will generally be taxable

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to a United States Holder as ordinary interest income at the time it accrues or is received in accordance with the United States Holder's method of accounting for federal income tax purposes.

Sale, Exchange or Retirement. Upon the sale, exchange or retirement of a senior note, a United States Holder will recognize gain or loss equal to the difference between the amount realized on the sale, exchange, or retirement of the senior note and the holder's adjusted tax basis in the senior note. A United States Holder's adjusted tax basis in a senior note will generally equal the cost of the senior note to the holder. The amount realized excludes any amounts attributable to interest accrued between interest payment dates which will be includible in income as interest in accordance with the United States Holder's method of accounting if not previously included in income. Any gain or loss will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, or retirement the senior note has been held for more than one year.

TAX CONSEQUENCES TO UNITED STATES ALIEN HOLDERS

Under present United States federal tax law, and subject to the discussion below concerning backup withholding:

A. payments of principal, interest and premium and the senior notes by us or our paying agent to any United States Alien Holder will be exempt from the 30% United States federal withholding tax, provided that the holder does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote, the holder is not a controlled foreign corporation related, directly or indirectly, to us through stock ownership and the statement requirement set forth in section 871(h) or section 881(c) of the Code has been fulfilled with respect to the beneficial owner, as discussed below;

B. a United States Alien Holder of a senior note will not be subject to United States federal income tax on gain realized on the sale, exchange, or retirement of the senior note, unless the holder is an individual who is present in the United States for 183 days or more in the taxable year of the

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disposition and certain other conditions are met or the gain is effectively connected with the holder's conduct of a trade or business in the United States; and

C. a senior note held by an individual who is not, for United States estate tax purposes, a resident or citizen of the United States at the time of his death will not be subject to United States federal estate tax, provided that the individual does not own, actually or constructively, 10% or more of the total combined voting power of all classes of our stock entitled to vote and, at the time of the individual's death, payments with respect to the senior note would not have been effectively connected to the conduct by the individual of a trade or business in the United States.

The certification requirement referred to in sub-paragraph (A) will be fulfilled if the beneficial owner of a senior note certifies on Internal Revenue Service ("IRS") Form W-8BEN, or other successor form, under penalties of perjury, that it is not a United States person and provides its name and address, and (i) the beneficial owner files IRS Form W-8BEN, or other successor form with the withholding agent or (ii) in the case of a senior note held on behalf of the beneficial owner by a securities clearing organization, bank, or other financial institution holding customers' securities in the ordinary course

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of its trade or business, the financial institution files with the withholding agent a statement that it has received the IRS Form W-8BEN, or other successor form from the holder and furnishes the withholding agent with a copy of those forms. Unless a foreign partnership has entered into a withholding agreement with the IRS, the foreign partnership will generally be required to provide an intermediary IRS Form W-8IMY or other successor form and the appropriate certification by each partner. Prospective investors should consult their tax advisers regarding possible additional reporting requirements.

If a United States Alien Holder of a senior note is engaged in a trade or business in the United States, and if interest on the senior note (or gain realized on its sale, exchange, or other disposition) is effectively connected with the conduct of its trade or business, the United States Alien Holder, although exempt from the withholding tax discussed in the preceding paragraphs, will be subject to regular United States income tax on its effectively connected income, generally in the same manner as if it were a United States Holder. See "Tax Consequences to United States Holders" above. In lieu of the certificate described in the preceding paragraph, a holder will be required to provide to the withholding agent a properly executed IRS Form W-8ECI, or other successor form to claim an exemption from withholding tax. In addition, if a United States Alien Holder is a foreign corporation, it may be subject to a 30% branch profits tax (unless reduced or eliminated by an applicable treaty) on its earnings and profits for the taxable year attributable to its effectively connected income, subject to certain adjustments.

BACKUP WITHHOLDING AND INFORMATION REPORTING

Under current United States federal income tax law, information reporting requirements apply to certain payments of principal, premium, and interest made to, and to the proceeds of sales before maturity by, non-corporate United States Holders. In addition, backup withholding tax will apply if the non-corporate United States Holder (i) fails to furnish its Taxpayer Identification Number ("TIN") which, for an individual, is his Social Security Number, (ii) furnishes an incorrect TIN, (iii) is notified by the IRS that it has failed to properly report payments of interest and dividends, or (iv) under certain circumstances, fails to certify, under penalty of perjury, that it has furnished a correct TIN and has not been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Holders should consult their tax advisers regarding their qualification for exemption from backup withholding and the procedure for obtaining such an exemption if applicable.

Information reporting and backup withholding will not apply to payments made on a senior note if the certifications described above are received, provided that we or our paying agent does not have actual knowledge that the payee is a United States person.

Under current Treasury regulations, payments on the sale, exchange, or other disposition of a senior note made to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is (i) a United States person, (ii) a controlled foreign corporation for United States federal income tax purposes, (iii) a foreign person 50% or more of whose gross income is

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effectively connected with a United States trade or business for a specified three-year period, (iv) a foreign partnership with certain connections to the United States, or (v) a United States branch of a foreign bank or foreign insurance company, then information reporting will be required unless the broker has in its records documentary evidence that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption. Backup withholding may apply to any

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payment that the broker is required to report if the broker has actual knowledge that the payee is a United States person. Payments to or through the United States office of a broker will be subject to backup withholding and information reporting unless the beneficial owner certifies, under penalties of perjury, that it is not a United States person or otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules will be allowed as a credit against the holder's United States federal income tax liability and may entitle that holder to a refund, provided that the required information is furnished to the IRS.

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UNDERWRITING

Subject to the terms and conditions of an underwriting agreement, dated February 10, 2003 (the "Underwriting Agreement"), among us and the underwriters, for whom Banc of America Securities LLC, Goldman, Sachs & Co. and Fleet Securities, Inc. are acting as representatives (collectively, the "Underwriters"), we have agreed to sell to each of the Underwriters, and each of the Underwriters has severally agree to purchase, the respective principal amount of senior notes set forth after their names below.

UNDERWRITER -----	PRINCIPAL AMOUNT OF SENIOR NOTES -----
Banc of America Securities LLC.....	\$175,000,000
Goldman, Sachs & Co.	175,000,000
Fleet Securities, Inc.	112,500,000
Keefe, Bruyette & Woods, Inc.	12,500,000
Sandler O'Neill & Partners, L.P.	12,500,000
Blaylock & Partners, L.P.	2,500,000
Guzman & Company.....	2,500,000
Muriel Siebert & Co., Inc.	2,500,000
Utendahl Capital Partners, L.P.	2,500,000
The Williams Capital Group, L.P.	2,500,000

Total.....	\$500,000,000 =====

We have been advised by the Underwriters that they propose initially to offer the senior notes to the public at the public offering price set forth on the cover page of this prospectus supplement, and to certain dealers at that price less a concession not in excess of 0.200% of the principal amount of the senior notes. The Underwriters may allow, and these dealers may reallow, a concession to certain other dealers not in excess of 0.125% of the principal amount of the senior notes. After the initial public offering, the public offering price and these concessions may be changed from time to time.

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will purchase all the senior notes if any are purchased. The underwriting agreement also provides that, if an Underwriter defaults, the purchase commitments of the non-defaulting Underwriters may be increased or the offering of the senior notes may be terminated.

In connection with the offering, the Underwriters may engage in stabilizing

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transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- 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 senior notes in excess of the principal amount of the senior notes the Underwriters are obligated to purchase, which creates a syndicate short position.
- Syndicate covering transactions involve purchases of the senior notes 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 senior notes 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 senior notes originally sold by the syndicate member are purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of the senior notes or preventing or retarding a decline in the market price of

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the senior notes. As a result the price of the senior notes may be higher than the price that might otherwise exist in the open market.

The Underwriters and their respective associates and affiliates may be customers of, engage in transactions with, and perform investment banking and other financial services (including commercial lending) for us and our subsidiaries in the ordinary course of business. Fleet Securities, Inc., one of our wholly-owned subsidiaries, is acting as one of the Underwriters. When a member of the National Association of Securities Dealers, Inc. ("NASD") such as Fleet Securities participates in the distribution of an affiliated company's securities, the offering must be conducted in accordance with applicable provisions of the NASD's Conduct Rule 2720 ("CR 2720"). We are considered to be an "affiliate" (as such term is defined in CR 2720) of Fleet Securities. Our offer and sale of the senior notes will comply with the applicable requirements of CR 2720 regarding the underwriting of securities of affiliates. No NASD member participating in the offering of the senior notes will execute a transaction in the senior notes in a discretionary account without the prior written specific approval of the member's customer.

This prospectus supplement and the accompanying prospectus may be used by Fleet Securities in connection with offers and sales related to secondary market transactions in the senior notes. Fleet Securities may act as principal or agent in those transactions. Those sales will be made at prices related to prevailing market prices at the time of sale or otherwise.

The Underwriting Agreement provides that we will indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, or contribute to payments the Underwriters may be required to make in respect of those liabilities.

LEGAL OPINIONS

The validity of the securities offered by this prospectus supplement and

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the accompanying prospectus will be passed upon for us by Edwards & Angell, LLP, 101 Federal Street, Boston, Massachusetts 02110-1800. Certain legal matters will be passed upon for the Underwriters by Sidley Austin Brown & Wood LLP, 787 Seventh Avenue, New York, New York 10019.

EXPERTS

Our consolidated financial statements incorporated in this prospectus supplement and the accompanying prospectus by reference to our Annual Report on Form 10-K for the year ended December 31, 2001 have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing therein, given on the authority of that firm as experts in accounting and auditing.

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PROSPECTUS

[FLEETBOSTON FINANCIAL LOGO]

FLEETBOSTON FINANCIAL CORPORATION

FleetBoston Financial Corporation may offer and sell --

- Debt Securities
- Warrants

We will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplements carefully before you invest.

A security is not a deposit and the securities are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

This prospectus may be used to offer and sell securities only if accompanied by the prospectus supplement for those securities.

NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS OR THE ACCOMPANYING PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is November 21, 2001.

IMPORTANT NOTICE ABOUT INFORMATION PRESENTED IN THIS PROSPECTUS AND THE ACCOMPANYING PROSPECTUS SUPPLEMENT

We may provide information to you about the securities we are offering in three separate documents that progressively provide more detail:

- this prospectus, which provides general information, some of which may not apply to your securities;
- the accompanying prospectus supplement, which describes the terms of the securities, some of which may not apply to your securities; and
- if necessary, a pricing supplement, which describes the specific terms of your securities.

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IF THE TERMS OF YOUR SECURITIES VARY BETWEEN THE PRICING SUPPLEMENT, THE PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS, YOU SHOULD RELY ON THE INFORMATION IN THE FOLLOWING ORDER OF PRIORITY:

- THE PRICING SUPPLEMENT, IF ANY;
- THE PROSPECTUS SUPPLEMENT; AND
- THE PROSPECTUS.

We include cross-references in this prospectus and the accompanying prospectus supplement to captions in these materials where you can find further related discussions. The following Table of Contents and the Table of Contents included in the accompanying prospectus supplement provide the pages on which these captions are located.

Unless indicated in the applicable prospectus supplement, neither we nor the underwriters have taken any action that would permit us to publicly sell these securities in any jurisdiction outside the United States. If you are an investor outside the United States, you should inform yourself about and comply with any restrictions as to the offering of the securities and the distribution of this prospectus.

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ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, the "SEC," utilizing a "shelf" registration process. Under this shelf process, we may from time to time sell any combination of the debt securities or warrants described in this prospectus in one or more offerings up to a total dollar amount of \$4,131,868,750. We may also sell other securities under the registration statement that will reduce the total dollar amount of securities that we may sell under this prospectus. This prospectus provides you with a general description of the debt securities or warrants we may offer. Each time we sell debt securities or warrants, we will provide a prospectus supplement that will contain specific information about the terms of that offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information."

Unless otherwise indicated or unless the context requires otherwise, all references in this prospectus to "FLEETBOSTON," "WE," "US," "OUR" or similar references mean FleetBoston Financial Corporation.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement under the Securities Act of 1933 that registers, among other securities, the offer and sale of the securities offered by this prospectus. The registration statement, including the attached exhibits and schedules, contains additional relevant information about us. The rules and regulations of the SEC allow us to omit certain information included in the registration statement from this prospectus.

In addition, we file reports, proxy statements and other information with the SEC under the Securities Exchange Act of 1934. You may read and copy this information at the following locations of the SEC:

Public Reference Room
450 Fifth Street, N.W.
Room 1024
Washington, D.C. 20549

Northeast Regional Office

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233 Broadway
New York, New York 10007

Midwest Regional Office
500 West Madison Street
Suite 1400
Chicago, Illinois 60661-2511

You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The SEC also maintains an internet world wide web site that contains reports, proxy statements and other information about issuers, like us, who file electronically with the SEC. The address of that site is:

<http://www.sec.gov>.

You can also inspect reports, proxy statements and other information about us at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005 and the Boston Stock Exchange, 100 Franklin Street, Boston, Massachusetts 02110.

The SEC allows us to "INCORPORATE BY REFERENCE" information into this prospectus. This means that we can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is considered to be a part of this prospectus, except for any information that is superseded by information that is included directly in this document or in a more recent incorporated document.

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This prospectus incorporates by reference the documents listed below that we have previously filed with the SEC. They contain important information about us and our financial condition.

SEC FILINGS

PERIOD

Annual Report on Form 10-K.....	Year ended December 31, 2000, as filed on February 28, 2001
Quarterly Reports on Form 10-Q.....	Quarter ended March 31, 2001, as filed on 15, 2001
	Quarter ended June 30, 2001, as filed on August 14, 2001
	Quarter ended September 30, 2001, as filed November 14, 2001
The description of FleetBoston common stock set forth in the FleetBoston registration statement filed by Industrial National Corporation (predecessor to FleetBoston) on Form 8-B dated May 29, 1970, and any amendment or report filed for the purpose of updating that description; and Current Reports on Form 8-K.....	Filed: -January 17, 2001 -March 1, 2001 -March 14, 2001 -April 17, 2001 -May 4, 2001 -July 18, 2001

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-September 17, 2001
-September 26, 2001
-October 17, 2001
-October 19, 2001, as amended by a
Form 8-K/A filed October 23, 2001
-November 19, 2001

We incorporate by reference additional documents that we may file with the SEC between the date of this prospectus and the date we sell all of the debt securities. These documents include periodic reports, such as Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as proxy statements.

You can obtain any of the documents incorporated by reference in this document through us, or from the SEC through the SEC's Internet world wide web site at the address described above. Documents incorporated by reference are available from us without charge, excluding any exhibits to those documents, unless the exhibit is specifically incorporated by reference as an exhibit in this prospectus. You can obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following address:

Investor Relations Department
FleetBoston Financial Corporation
P.O. Box 2016, MA DE 10034F
Boston, Massachusetts 02106-2106
(617) 434-7858

We have not authorized anyone to give any information or make any representation about us that is different from, or in addition to, those contained in this prospectus or in any of the materials that we have incorporated into this prospectus. If anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to sell, or solicitations of offers to purchase, the securities offered by this document are unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

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FORWARD-LOOKING STATEMENTS

This prospectus, including information included or incorporated by reference, contains certain forward-looking statements with respect to our financial condition, results of operations, plans, objectives, future performance and business, including, without limitation, statements preceded by, followed by or that include the words "believes," "expects," "anticipates," "estimates" or similar expressions.

These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those contemplated by the forward-looking statements due to many factors, including:

- general political and economic conditions, either domestically or internationally or in the states in which we are doing business, may be less favorable than expected;
- the adverse economic effects of the recent terrorist attacks against the

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United States and the response of the United States to those attacks may be greater than expected;

- Latin American economies, particularly the economy of Argentina, may continue to exhibit weakness and may also adversely impact the economies of other countries;
- credit quality may continue to deteriorate, resulting in an increase in the level of our nonperforming assets and chargeoffs;
- interest rate and currency fluctuations, equity and bond market fluctuations and perceptions, and inflation may be greater than expected;
- global capital markets in general, and the technology and telecommunication industries in particular, may continue to exhibit weakness, adversely affecting our principal investing and other capital markets businesses;
- competitive product and pricing pressures among financial institutions within our markets may increase significantly;
- legislative or regulatory developments, including regulations adopted under the Gramm-Leach-Bliley Act and other changes in laws concerning taxes, banking, securities, insurance and other aspects of the financial services industry, may adversely affect our business;
- technological changes, including the impact of the Internet on our business, may be more difficult or expensive than anticipated;
- expected cost savings from mergers, acquisitions and integrations of acquired businesses and cost saving initiatives may not be fully realized or may not be realized within the expected time frames; and
- the level of costs or difficulties related to the integration of acquired businesses may be greater than expected.

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FLEETBOSTON FINANCIAL CORPORATION

We are a diversified financial services company offering a comprehensive array of financial solutions to approximately 20 million customers in more than 20 countries. Among our key lines of business are:

- Consumer and Investment Services -- includes domestic retail banking to consumer and small business customers, community banking, student loan processing, credit card services, and investment management and retail brokerage services, including mutual funds and investments, retirement planning, large institutional asset management and not-for-profit investment services;
- Wholesale and Global Banking -- includes commercial finance, including asset-based lending and leasing; international banking in key Latin American markets; corporate banking, including specialized industry and institutional lending; and middle market lending, including commercial lending, government banking services, trade services and cash management; and
- Capital Markets -- includes investment banking services, brokerage market-making and principal investing.

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On March 1, 2001, we completed our acquisition of Summit Bancorp, which was accounted for as a pooling of interests. All financial information set forth or incorporated by reference in this prospectus and the accompanying prospectus supplement has been restated for all periods to give effect to the Summit acquisition.

At September 30, 2001, our total assets on a consolidated basis were \$201.9 billion, our consolidated total deposits were \$126.4 billion and our consolidated total stockholders' equity was \$19.8 billion. Based on total assets, we are the seventh largest financial holding company in the United States.

Our principal office is located at 100 Federal Street, Boston, Massachusetts 02110, telephone number (617) 434-2200.

CONSOLIDATED RATIOS OF EARNINGS TO FIXED CHARGES

Our consolidated ratios of earnings to fixed charges were as follows for the five most recent fiscal years and the nine months ended September 30, 2001:

	NINE MONTHS ENDED SEPTEMBER 30,	YEAR ENDED DECEMBER 31,				
	2001	2000	1999	1998	1997	1996
Ratio of Earnings to Fixed Charges:						
Excluding Interest on Deposits.....	2.00x	2.58x	2.23x	2.65x	3.01x	2.81x
Including Interest on Deposits.....	1.45	1.75	1.54	1.63	1.70	1.59

For the purpose of computing the ratio of earnings to fixed charges, "EARNINGS" consist of income before income taxes plus fixed charges, excluding capitalized interest. "FIXED CHARGES" consist of interest on short-term debt and long-term debt, including interest related to capitalized leases and capitalized interest, and one-third of rent expense, which approximates the interest component of that expense. In addition, where indicated, fixed charges include interest on deposits.

USE OF PROCEEDS

We intend to use the net proceeds from the sale of the securities for general corporate purposes unless otherwise indicated in the prospectus supplement, pricing supplement or term sheet relating to a specific issue of securities. Our general corporate purposes may include extending credit to, or funding investments in, our subsidiaries. The precise amounts and the timing of our use of the net proceeds will depend upon our subsidiaries' funding requirements and the availability of other funds. Until we use the net proceeds from the sale of any of our securities for general corporate purposes, we will use the net proceeds to reduce our short-term indebtedness or for temporary investments. We expect that we will, on a recurrent basis, engage in additional financings as the need arises to finance our growth, through acquisitions or

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otherwise, or to fund our subsidiaries.

REGULATION AND SUPERVISION

As a financial holding company, we are subject to inspection, examination and supervision by the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act (the "GLB Act"), which is discussed below under "-- The GLB Act." Our banking subsidiaries are subject to extensive supervision, examination and regulation by various bank regulatory authorities and other governmental agencies in the states and countries where we and our subsidiaries operate. Because we are a holding company, our rights and the rights of our creditors, including the holders of the debt securities we are offering under this prospectus, to participate in the assets of any of our subsidiaries upon the subsidiary's liquidation or reorganization will be subject to the prior claims of the subsidiary's creditors except to the extent that we may ourselves be a creditor with recognized claims against the subsidiary. In addition, there are various statutory and regulatory limitations on the extent to which our banking subsidiaries can finance or otherwise transfer funds to us or to our nonbanking subsidiaries, whether in the form of loans, extensions of credit, investments or asset purchases. Those transfers by any subsidiary bank to us or a nonbanking subsidiary are limited in amount to 10% of the bank's capital and surplus and, with respect to us and all such nonbanking subsidiaries, to an aggregate of 20% of each such bank's capital and surplus. Furthermore, loans and extensions of credit are required to be secured in specified amounts and are required to be on terms and conditions consistent with safe and sound banking practices.

In addition, there are regulatory limitations on the payment of dividends directly or indirectly to us from our banking subsidiaries. Under applicable banking statutes, at September 30, 2001, our banking subsidiaries could have declared additional dividends of approximately \$786 million without prior regulatory approval. Federal and state regulatory agencies also have the authority to limit further our banking subsidiaries' payment of dividends based on other factors, such as the maintenance of adequate capital for such subsidiary bank.

Under the policy of the Federal Reserve Board, we are expected to act as a source of financial strength to each subsidiary bank and to commit resources to support such subsidiary bank in circumstances where we might not do so absent such policy. In addition, any subordinated loans by us to any of our subsidiary banks would also be subordinate in right of payment to depositors and obligations to other creditors of such subsidiary bank. Further, the Crime Control Act of 1990 amended the federal bankruptcy laws to provide that, in the event of our bankruptcy, any commitment by us to our regulators to maintain the capital of a banking subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment.

For a discussion of the material elements of the regulatory framework applicable to financial holding companies, bank holding companies and their subsidiaries, and specific information

relevant to us, refer to our Annual Report on Form 10-K for the year ended December 31, 2000 and any other subsequent reports filed by us with the SEC, which are incorporated by reference in this prospectus. This regulatory framework is intended primarily for the protection of depositors and the deposit insurance funds that insure deposits of banks, rather than for the protection of security holders. A change in the statutes, regulations or regulatory policies applicable to us or our subsidiaries may have a material effect on our business.

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THE GLB ACT

The GLB Act, enacted in 1999, eliminates many of the restrictions placed on the activities of certain qualified bank holding companies. A bank holding company that qualifies as a "financial holding company" can expand into a wide variety of financial services, including securities activities, insurance, and merchant banking without the prior approval of the Federal Reserve Board. Our election to become a "financial holding company," which we filed with the Federal Reserve Board, became effective on March 13, 2000.

Banks are also authorized by the GLB Act to engage, through "financial subsidiaries," in certain activities that are permissible for a financial holding company and other activities that its applicable regulators deem to be financial in nature or incidental to any such financial activity. The authority of a bank to invest in a financial subsidiary is subject to a number of conditions.

The GLB Act also contains a number of other provisions that will affect our operations and the operations of all financial institutions. At this time, we do not believe that the GLB Act will have a material adverse impact upon our or our subsidiaries' financial condition or results of operations.

FUTURE LEGISLATION

Changes to the laws and regulations in the states and countries where we and our subsidiaries do business can affect the operating environment of financial holding companies and their subsidiaries in substantial and unpredictable ways. We cannot accurately predict whether those changes in laws and regulations will occur, and, if those changes occur, the ultimate effect they would have upon our or our subsidiaries' financial condition or results of operations.

DESCRIPTION OF DEBT SECURITIES

We will issue the senior debt securities under an indenture dated as of December 6, 1999, the "SENIOR INDENTURE," between us and The Bank of New York as senior trustee. We will issue the subordinated debt securities under an indenture dated as of December 6, 1999, the "SUBORDINATED INDENTURE," between us and The Bank of New York as subordinated trustee. A copy of each of the indentures are exhibits to the registration statement which contains this prospectus.

In the following summaries, we describe the general terms and provisions of the debt securities to be offered by any prospectus supplement. The particular terms of the debt securities offered by any prospectus supplement and the extent, if any, to which these general provisions may apply to the debt securities so offered, will be described in the prospectus supplement relating to those offered securities. The following summaries of all material terms of the indentures are not complete and are subject to, and are qualified in their entirety by reference to, all the provisions of the respective indentures, including the definitions of terms.

The senior debt securities will be unsecured and will rank equally with all of our other unsecured and unsubordinated indebtedness. The subordinated debt securities will be unsecured and will be subordinated to all of our existing and future senior indebtedness and other financial obligations, as described under "Subordinated Debt Securities -- Subordination" beginning on page 15.

GENERAL

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We may issue the debt securities from time to time, without limitation as to aggregate principal amount and in one or more series. We expect from time to time to incur additional indebtedness which may be senior to the debt securities. Neither the indentures nor the debt securities will limit or otherwise restrict the amount of other indebtedness which we may incur or other securities which we or our subsidiaries may issue, including indebtedness which may rank senior to the debt securities. The debt securities will not be secured.

We may issue debt securities upon the satisfaction of conditions contained in the indentures, including the delivery to the applicable trustee of a resolution of our board of directors and a certificate of an authorized officer that fixes or establishes the terms of the debt securities being issued. Any resolution or officer's certificate approving the issuance of any issue of debt securities will include the terms of that issue of debt securities, including:

- the title and series designation;
- the aggregate principal amount and the limit, if any, on the aggregate principal amount or initial public offering price of the debt securities which may be issued under the applicable indenture;
- the principal amount payable, whether at maturity or upon earlier acceleration, whether the principal amount will be determined with reference to an index, formula or other method which may be calculated, without limitation, with reference to the value of currencies, securities or baskets of securities, commodities, indices or other measurements to which any such amount payable is linked, and whether the debt securities will be issued as original issue discount securities (as defined below);
- the date or dates on which the principal of the debt securities is payable;
- any fixed or variable interest rate or rates per annum or the method or formula for determining an interest rate;
- the date from which any interest will accrue;
- any interest payment dates;
- whether the debt securities are senior or subordinated, and if subordinated, the terms of the subordination if different from that summarized in this prospectus;
- the price or prices at which the debt securities will be issued, which may be expressed as a percentage of the aggregate principal amount of those debt securities;
- the stated maturity date;
- whether the debt securities are to be issued in global form;
- any sinking fund requirements;
- any provisions for redemption, the redemption price and any remarketing arrangements;
- the minimum denominations;
- whether the debt securities are denominated or payable in United States dollars or a foreign currency or units of two or more foreign currencies;

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- the form in which we will issue the debt securities, whether registered, bearer or both, and any restrictions applicable to the exchange of one form for another and to the offer, sale and delivery of the debt securities in either form;
- information with respect to book-entry procedures;
- the place or places where payments or deliveries on the debt securities will be made and the debt securities may be presented for registration of transfer or exchange;
- whether any of the debt securities will be subject to defeasance in advance of the date for redemption or the stated maturity date;
- whether, and the terms and conditions relating to when, we may satisfy all or part of our obligations with regard to

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payment upon maturity, or any redemption or required repurchase or in connection with any exchange provisions, or any interest payment, by delivering to the holders of the debt securities, other securities, which may or may not be issued by us, or a combination of cash, securities and/or property, "MATURITY CONSIDERATION";

- the terms, if any, upon which the debt securities are convertible into other securities of ours or another issuer and the terms and conditions upon which any conversion will be effected, including the initial conversion price or rate, the conversion period and any other provisions in addition to or instead of those described in this prospectus; and
- any other terms of the debt securities which are not inconsistent with the provisions of the applicable indenture.

Please see the accompanying prospectus supplement, pricing supplement or the terms sheet you have received or will receive for the terms of the specific debt securities we are offering. We may deliver this prospectus before or concurrently with the delivery of a terms sheet. We may issue debt securities under the indentures upon the exercise of warrants to purchase debt securities. See "Description of Warrants." Nothing in the indentures or in the terms of the debt securities will prohibit the issuance of securities representing subordinated indebtedness that is senior or junior to the subordinated debt securities.

Prospective purchasers of debt securities should be aware that special U.S. Federal income tax, accounting and other considerations may be applicable to instruments such as the debt securities. The prospectus supplement relating to an issue of debt securities will describe these considerations, if they apply.

Debt securities may be issued as "ORIGINAL ISSUE DISCOUNT SECURITIES" which bear no interest or interest at a rate which at the time of issuance is below market rates and which will be sold at a substantial discount below their principal amount. In the event that the maturity of any original issue discount security is accelerated, the amount payable to the holder of the original issue discount security upon acceleration will be determined in accordance with the applicable prospectus supplement, the terms of the security and the relevant indenture, but will be an amount less than the amount payable at the maturity of the principal of that original issue discount security. Special federal income tax and other considerations relating to original issue discount securities will be described in the applicable prospectus supplement.

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REGISTRATION AND TRANSFER

Unless otherwise indicated in the applicable prospectus supplement, we will issue each series of debt securities in registered form only, without coupons. The indentures, however, provide that we may also issue debt securities in bearer form only, or in both registered and bearer form. If debt securities are issued in bearer form, the prospectus supplement will contain additional provisions that apply to those debt securities.

Holder may present debt securities in registered form for transfer or exchange for other debt securities of the same series at the offices of the trustee according to the terms of the applicable indenture. In no event, however, will debt securities in registered form be exchangeable for debt securities in bearer form.

Unless otherwise indicated in the applicable prospectus supplement, the debt securities issued in fully registered form will be issued without coupons and in denominations of (1) \$1,000 or integral multiples of \$1,000 for any senior debt security and (2) \$100,000 or any integral multiple of \$1,000 in excess of \$100,000 for any subordinated debt security.

We will not impose a service charge for any transfer or exchange of the debt securities but may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with any transfer or exchange.

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PAYMENT AND PLACE OF PAYMENT

We will pay or deliver principal, maturity consideration and any premium and interest in the manner, at the places and subject to the restrictions set forth in the applicable indenture, the debt securities and the applicable prospectus supplement. However, at our option, we may pay any interest by check mailed to the holders of registered debt securities at their registered addresses.

GLOBAL SECURITIES

Each indenture provides that we may issue debt securities in global form. If any series of debt securities is issued in global form, the prospectus supplement will describe any circumstances under which beneficial owners of interests in any of those global debt securities may exchange their interests for debt securities of that series and of like tenor and principal amount in any authorized form and denomination.

EVENTS OF DEFAULT

The following are events of default under the senior indenture with respect to senior debt securities of any series:

- default in the payment of any principal or premium on senior debt securities of that series when due;
- default in the payment of any interest on senior debt securities of that series when due, which continues for 30 days;
- default in the delivery or payment of the maturity consideration on senior debt securities of that series when due;
- default in the deposit of any sinking fund payment on senior debt securities of that series when due;

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- default in the performance of any other obligation contained in the applicable indenture for the benefit of that series or in the senior debt securities of that series, which continues for 60 days after written notice;
- specified events in bankruptcy, insolvency or reorganization; and
- any other event of default provided with respect to senior debt securities of that series.

The following are the only events of default under the subordinated indenture with respect to subordinated debt securities of any series:

- specified events in bankruptcy, insolvency or reorganization; and
- any other event of default provided with respect to subordinated debt securities of that series.

If an event of default occurs and is continuing for any series of debt securities, the trustee or the holders of at least 25% in aggregate principal amount or issue price of the outstanding securities of that series may declare all amounts, or any lesser amount provided for in the debt securities of that series, to be due and payable or deliverable immediately.

The subordinated trustee and the holders of subordinated debt securities will not be entitled to accelerate the maturity of the subordinated debt securities in the case of a default in the performance of any covenant with respect to the subordinated debt securities, including the payment of interest and principal or the delivery of the maturity consideration. However, if a default occurs and is continuing under the subordinated indenture, the subordinated trustee may, in its discretion and subject to certain conditions, seek to enforce its rights and the rights of the holders of the subordinated debt securities by appropriate judicial proceedings.

The following are defaults under the subordinated indenture with respect to subordinated debt securities of any series:

- any event of default with respect to subordinated debt securities of that series;
- default in the payment of any principal or premium on subordinated debt securities of that series when due;

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- default in the payment of any interest on subordinated debt securities of that series when due, which continues for 30 days;
- default in the delivery or payment of the maturity consideration on subordinated debt securities of that series when due;
- default in the performance of any other obligation contained in the applicable indenture for the benefit of that series or in the subordinated debt securities of that series, which continues for 60 days after written notice; and
- any other default provided with respect to subordinated debt securities of that series.

At any time after the trustee or the holders have accelerated a series of

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debt securities, but before the trustee has obtained a judgment or decree for payment of money due or delivery of the maturity consideration, the holders of a majority in aggregate principal amount or issue price of outstanding debt securities of that series may rescind and annul that acceleration and its consequences, provided that all payments and/or deliveries due, other than those due as a result of acceleration, have been made and all events of default have been remedied or waived.

The holders of a majority in principal amount or aggregate issue price of the outstanding debt securities of any series may waive any default with respect to that series, except a default:

- in the payment of any amounts due and payable or deliverable under the debt securities of that series; or
- in an obligation contained in, or a provision of, an indenture which cannot be modified under the terms of that indenture without the consent of each holder of each series of debt securities affected.

The holders of a majority in principal amount or issue price of the outstanding debt securities of a series may direct the time, method and place of conducting any proceeding for any remedy available to the applicable trustee or exercising any trust or power conferred on the trustee with respect to debt securities of that series, provided that any direction is not in conflict with any rule of law or the indenture. Subject to the provisions of the indenture relating to the duties of the trustee, before proceeding to exercise any right or power under the indenture at the direction of the holders, the trustee is entitled to receive from those holders reasonable security or indemnity against the costs, expenses and liabilities which it might incur in complying with any direction.

Unless otherwise stated in the applicable prospectus supplement, any series of debt securities issued under any indenture will not have the benefit of any cross-default provisions with any of our other indebtedness.

A holder of any debt security of any series will have the right to institute a proceeding with respect to the indenture or for any remedy under the indenture, if:

- that holder previously gives to the trustee written notice of a continuing event of default with respect to debt securities of that series;
- the holders of not less than 25% for any senior debt security, or a majority for any subordinated debt security, in aggregate principal amount or issue price of the outstanding debt securities of that series also will have made written request and offered the trustee indemnity satisfactory to the trustee to institute that proceeding as trustee;
- the trustee will not have received from the holders of a majority in principal amount or issue price of the outstanding debt securities of that series a direction inconsistent with the request; and
- the trustee will have failed to institute the proceeding within 60 days.

However, any holder of a debt security has the absolute right to institute suit for any defaulted payment after the due dates for payment under that debt security.

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We are required to furnish to the trustees annually a statement as to the performance of our obligations under the indentures and as to any default in that performance.

MODIFICATION AND WAIVER

We and the applicable trustee may amend and modify each indenture with the consent of holders of at least 66 2/3% in principal amount or issue price of each series of debt securities issued under that indenture affected. However, without the consent of each holder of any debt security issued under the applicable indenture, we may not amend or modify that indenture to:

- change the stated maturity date of the principal or maturity consideration of, or any installment of principal or interest on, any debt security issued under that indenture;
- reduce the principal amount or maturity consideration of, the rate of interest on, or any premium payable upon the redemption of any debt security issued under that indenture;
- reduce the amount of principal or maturity consideration of an original issue discount security issued under that indenture payable upon acceleration of its maturity;
- change the place or currency of payment of principal or maturity consideration of, or any premium or interest on, any debt security issued under that indenture;
- impair the right to institute suit for the enforcement of any payment or delivery on or with respect to any debt security issued under that indenture;
- reduce the percentage in principal amount or issue price of debt securities of any series issued under that indenture, the consent of whose holders is required to modify or amend the indenture or to waive compliance with certain provisions of the indenture; or
- reduce the percentage in principal amount or issue price of debt securities of any series issued under that indenture, the consent of whose holders is required to waive any past default.

The holders of at least a majority in principal amount or issue price of the outstanding debt securities of any series issued under that indenture may, with respect to that series, waive past defaults under the indenture, except as described under "-- Events of Default" beginning on page 10.

We and the trustee may also amend and modify each indenture without the consent of any holder for any of the following purposes:

- to evidence the succession of another person to us;
- to add to our covenants for the benefit of the holders of all or any series of securities;
- to add events of default;
- to add or change any provisions of the indentures to facilitate the issuance of bearer securities;
- to change or eliminate any of the provisions of the applicable indenture, so long as any such change or elimination will become effective only when there is no outstanding security of any series which is entitled to the

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benefit of that provision;

- to establish the form or terms of debt securities of any series;
- to evidence and provide for the acceptance of appointment by a successor trustee;
- to cure any ambiguity, to correct or supplement any provision in the applicable indenture, or to make any other provisions with respect to matters or questions arising under that indenture, so long as the interests of holders of debt securities of any series are not adversely affected in any material respect under that indenture;
- to convey, transfer, assign, mortgage or pledge any property to or with the trustee; or

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- to provide for conversion rights of the holders of the debt securities of any series to enable those holders to convert those securities into other securities.

CONSOLIDATION, MERGER AND SALE OF ASSETS

Unless otherwise indicated in the applicable prospectus supplement, we may consolidate or merge with or into any other corporation, and we may sell, lease or convey all or substantially all of our assets to any corporation, provided that:

- the resulting corporation, if other than us, is a corporation organized and existing under the laws of the United States of America or any U.S. state and assumes all of our obligations to:
 - pay or deliver the principal or maturity consideration of, and any premium, or interest on, the debt securities; and
 - perform and observe all of our other obligations under the indentures, and
- we are not, or any successor corporation, as the case may be, is not, immediately after any consolidation or merger, in default under the indentures.

Neither of the indentures provides for any right of acceleration in the event of a consolidation, merger, sale of all or substantially all of the assets, recapitalization or change in our stock ownership. In addition, the indentures do not contain any provision which would protect the holders of debt securities against a sudden and dramatic decline in credit quality resulting from takeovers, recapitalizations or similar restructurings.

REGARDING THE TRUSTEE

We maintain banking relations with the trustee. In addition, our banking subsidiaries maintain deposit accounts and correspondent banking relations with the trustee.

The occurrence of any default under either the senior indenture, the subordinated indenture or the indenture between us and the trustee relating to our junior subordinated debentures, which may also be issued under the registration statement, could create a conflicting interest for the trustee under the Trust Indenture Act. If that default has not been cured or waived within 90 days after the trustee has or acquired a conflicting interest, the

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trustee would generally be required by the Trust Indenture Act to eliminate that conflicting interest or resign as trustee with respect to the debt securities issued under the senior indenture or the subordinated indenture, or with respect to the junior subordinated debentures issued to certain Delaware statutory business trusts of ours under a separate indenture. If the trustee resigns, we are required to promptly appoint a successor trustee with respect to the affected securities.

The Trust Indenture Act also imposes certain limitations on the right of the trustee, as a creditor of us, to obtain payment of claims in certain cases, or to realize on certain property received in respect to any cash claim or otherwise. The trustee will be permitted to engage in other transactions with us, provided that, if it acquires a conflicting interest within the meaning of Section 310 of the Trust Indenture Act, it must generally either eliminate that conflict or resign.

INTERNATIONAL OFFERING

If specified in the applicable prospectus supplement, we may issue debt securities outside the United States. Those debt securities may be issued in bearer form and will be described in the applicable prospectus supplement. In connection with any offering outside the United States, we will designate paying agents, registrars or other agents with respect to the debt securities, as specified in the applicable prospectus supplement.

We will describe in the applicable prospectus supplement whether our debt securities issued outside the United States (1) may be subject to certain selling restrictions, (2) may be listed on one or more foreign stock exchanges and (3) may have special United States tax and other considerations applicable to an offering outside the United States.

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SENIOR DEBT SECURITIES

The senior debt securities will be our direct, unsecured obligations and will rank pari passu with all of our other outstanding senior indebtedness.

RESTRICTIVE COVENANTS

DISPOSITION OF VOTING STOCK OF CERTAIN SUBSIDIARIES. We may not sell or otherwise dispose of, or permit the issuance of, any voting stock or any security convertible or exercisable into voting stock of a "principal constituent bank" of ours or any subsidiary of ours which owns a controlling interest in a principal constituent bank. A "PRINCIPAL CONSTITUENT BANK" is defined in the senior indenture as Fleet National Bank and any other of our majority-owned banking subsidiaries designated as a principal constituent bank. Any designation of a banking subsidiary as a principal constituent bank with respect to senior debt securities of any series will remain effective until the senior debt securities of that series have been repaid. As of the date of this prospectus, no banking subsidiaries other than Fleet National Bank have been designated as principal constituent banks with respect to any series of debt securities.

This restriction does not apply to dispositions made by us or any subsidiary:

- acting in a fiduciary capacity for any person other than us or any subsidiary;
- to us or any of our wholly-owned subsidiaries;

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- if required by law for the qualification of directors;
- to comply with an order of a court or regulatory authority;
- in connection with a merger of, or consolidation of, a principal constituent bank with or into a wholly-owned subsidiary or a majority-owned banking subsidiary, as long as we hold, directly or indirectly, in the entity surviving that merger or consolidation, not less than the percentage of voting stock we held in the principal constituent bank prior to that action;
- if that disposition or issuance is for fair market value as determined by our board of directors, and, if after giving effect to that disposition or issuance and any potential dilution, we and our wholly-owned subsidiaries will own directly not less than 80% of the voting stock of that principal constituent bank or any subsidiary which owns a principal constituent bank;
- if a principal constituent bank sells additional shares of voting stock to its stockholders at any price, if, after that sale, we hold directly or indirectly not less than the percentage of voting stock of that principal constituent bank we owned prior to that sale; or
- if we or a subsidiary pledges or creates a lien on the voting stock of a principal constituent bank to secure a loan or other extension of credit by a majority-owned banking subsidiary subject to Section 23A of the Federal Reserve Act.

LIMITATION UPON LIENS ON CERTAIN CAPITAL STOCK. We may not at any time, directly or indirectly, create, assume, incur or permit to exist any mortgage, pledge, encumbrance or lien or charge of any kind upon:

- any shares of capital stock of any principal constituent bank, other than directors' qualifying shares; or
- any shares of capital stock of a subsidiary which owns capital stock of any principal constituent bank.

This restriction does not apply to:

- liens for taxes, assessments or other governmental charges or levies which are not yet due or are payable without penalty or which we are contesting in good faith by appropriate proceedings so long as we have set aside on our books adequate reserves to cover the contested amount; or
- the lien of any judgment, if that judgment is discharged, or stayed on appeal or otherwise, within 60 days.

DEFEASANCE

We may terminate or "defeasance" our obligations under the senior indenture with respect to the senior debt securities of any series by taking the following steps:

- depositing irrevocably with the senior trustee an amount which through the payment of interest, principal or premium, if any, will provide an amount sufficient to pay the entire amount of the senior debt securities:

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- in the case of senior debt securities denominated in U.S. dollars, U.S. dollars or U.S. government obligations;
 - in the case of senior debt securities denominated in a foreign currency, money in that foreign currency or foreign government obligations of the foreign government or governments issuing that foreign currency; or
 - a combination of money and U.S. government obligations or foreign government obligations;
- delivering:
- an opinion of independent counsel that the holders of the senior debt securities of that series will have no federal income tax consequences as a result of that deposit and termination;
 - if the senior debt securities of that series are then listed on the New York Stock Exchange, an opinion of counsel that those senior debt securities will not be delisted as a result of the exercise of this defeasance option;
 - an opinion of counsel as to certain other matters; and
 - officers' certificates certifying as to compliance with the senior indenture and other matters;
- no event of default under the senior indenture may exist or be caused by the defeasance;
- the defeasance will not cause an event of default under any of our other agreements or instruments; and
- we will have paid all other amounts due and owing under the senior indenture.

SUBORDINATED DEBT SECURITIES

The subordinated debt securities will be our direct, unsecured obligations. Unless otherwise specified in the applicable prospectus supplement, the subordinated debt securities will rank equal with all of our outstanding subordinated indebtedness that is not specifically stated to be junior to the subordinated debt securities.

SUBORDINATION

The subordinated debt securities will be subordinated in right of payment to all "senior indebtedness," as defined below. In certain events of insolvency, payments on the subordinated debt securities will also be effectively subordinated in right of payment to all "other financial obligations," as defined below. In certain circumstances relating to our liquidation, dissolution, winding up, reorganization, insolvency or similar proceedings, the holders of all senior indebtedness will first be entitled to receive payment in full before the holders of the subordinated debt securities will be entitled to receive any payment on the subordinated debt securities. If, after all payments have been made to the holders of senior indebtedness, (A) there are amounts available for payment on the subordinated debt securities and (B) any

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person entitled to payment according to the terms of our other financial obligations, as defined on page 16, has not received full payment, then amounts available for payments on the subordinated debt securities will first be used to pay in full those other financial obligations before we may make any payment on the subordinated debt securities. This obligation to pay over these excess amounts does not exist for any of our "EXISTING SUBORDINATED INDEBTEDNESS" issued prior to November 30, 1992.

If the maturity of any debt securities is accelerated, we will have to repay all senior indebtedness and other financial obligations before we can make any payment on the subordinated debt securities.

In addition, we may make no payment on the subordinated debt securities in the event:

- there is a default in any payment or delivery with respect to any senior indebtedness; or
- there is an event of default with respect to any senior indebtedness which permits the holders of that senior indebtedness to accelerate the maturity of the senior indebtedness.

By reason of this subordination in favor of the holders of senior indebtedness, in the event of an insolvency, our creditors who are not holders of senior indebtedness or the subordinated debt securities may recover less, proportionately, than holders of senior indebtedness and may recover more, proportionately, than holders of the subordinated debt securities. By reason of the obligation of the holders of subordinated debt securities to pay over any amount remaining after payment of senior indebtedness to persons in respect of our other financial obligations, in the event of insolvency, holders of our existing subordinated indebtedness may recover more, ratably, than the holders of subordinated debt securities.

Unless otherwise specified in the prospectus supplement relating to the particular series of subordinated debt securities, "SENIOR INDEBTEDNESS" is defined in the subordinated indenture as:

- the principal of, premium, if any, and interest on all of our "indebtedness for money borrowed," as defined below, except (A) existing subordinated indebtedness and other subordinated debt securities issued under the subordinated indenture, (B) any indebtedness which is expressly stated to be junior in right of payment to the subordinated debt securities and (C) indebtedness which is expressly stated to rank equal with the subordinated debt securities; and
- any deferrals, renewals or extensions of any senior indebtedness.

The term "INDEBTEDNESS FOR MONEY BORROWED" means:

- any of our obligations or any obligation we have guaranteed for the repayment of borrowed money, whether or not evidenced by bonds, debentures, notes or other written instruments; and
- any of our deferred payment obligations or any such obligation we have guaranteed for the payment of the purchase price of property or assets evidenced by a note or similar instrument.

Unless otherwise specified in the prospectus supplement relating to the particular series of subordinated debt securities offered by that prospectus supplement, "OTHER FINANCIAL OBLIGATIONS" means all of our obligation

Chair

X

Jean Charles Potvin

X

X

X

The persons named in the accompanying form of proxy intend to vote for the election of these nominees as directors unless otherwise directed. Management does not contemplate that the nominees will be unable to serve as directors.

If you complete and return the attached form of proxy, your representative at the Meeting, or any adjournment or postponement thereof, will vote your shares FOR the election of the nominees set out herein unless you specifically direct that your vote be withheld.

Item 2 – Appointment of Independent Auditors

It is proposed that the firm of PricewaterhouseCoopers LLP be appointed by the Shareholders as independent certified public accountants to audit the financial statements of the Company for the year ending December 31, 2014 and that the Board be authorized to fix the auditors' remuneration. PricewaterhouseCoopers LLP were first appointed auditors of the Company in 1992. Representatives of PricewaterhouseCoopers LLP are not expected to be present at the Meeting.

Management recommends that you vote FOR the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors at a remuneration to be fixed by the Board.

Unless such authority is withheld, the persons named in the accompanying proxy intend to vote FOR the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors at a remuneration to be fixed by the Board.

Item 3 – Consolidated Financial Statements

A copy of the consolidated financial statements of the Company for the year ended December 31, 2013 (the "Financial Statements") and the report of the Company's independent auditors Financial Statements are included in the 2013 Annual Report and will be submitted at the Meeting. Copies of the Financial Statements can also be obtained on www.sec.gov and www.sedar.com. Shareholders are not being asked to vote on the receipt of the Financial Statements.

EXECUTIVE COMPENSATION

The disclosure that follows has been prepared in accordance with the provisions of National Instrument 51-102 - *Continuous Disclosure Obligations* of the Canadian Securities Administrators.

Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis (“CD&A”) is to provide information about the Corporation’s executive compensation philosophy, objectives and processes and to discuss compensation decisions relating to certain of the Corporations’ senior officers, being the four identified named executive officers (the “NEOs”) during the Corporation’s most recently completed financial year, being the year ended December 31, 2013. The NEOs who are the focus of this CD&A and who appear in the executive compensation tables of this Circular are: A. Douglas Belanger, President; Robert A. McGuinness, Vice President Finance and Chief Financial Officer (the “CFO”); Rockne J. Timm, Chief Executive Officer (the “CEO”); and Mary E. Smith, Vice President Administration and Secretary.

Compensation Committee

The Company’s compensation program was administered during 2013, and has and will continue to be administered in 2014, by the Compensation Committee of the Board (the “Compensation Committee”), composed of Mr. Mikkelsen, Mr. Potvin and Mr. McChesney. The Compensation Committee met three times during 2013. While serving on the Compensation Committee, each of the members attended all three meetings. All of the members of the Compensation Committee have had direct experience in matters of executive compensation that is relevant to their responsibilities as members of such committee by virtue of their respective professions and long-standing involvement with public companies and matters of executive compensation. In addition, each member of the Compensation Committee keeps abreast on a regular basis of trends and developments affecting executive compensation.

The Board had determined that each member of the Compensation Committee satisfied the definition of “independent” director as established under National Instrument 58-101 of the Canadian Securities Administrators. The Compensation Committee currently has no written charter.

The function of the Compensation Committee is to evaluate the Company’s performance and the performance of the NEOs. The Compensation Committee approves the cash and equity-based compensation of the NEOs and submits such approvals to the full Board for ratification. The Compensation Committee also reviews the Company’s compensation plans, policies and programs and other specific compensation arrangements to assess whether they meet the Company’s risk profile and to ensure they do not encourage excessive risk taking on the part of the recipient of such compensation. The Board has complete discretion over the amount and composition of each NEO’s compensation. Compensation matters relating to the directors were administered by the full Board. Compensation matters relating to each NEO that is a member of the Board were administered by the Compensation Committee.

The Company currently does not anticipate making any significant changes to its compensation policies and practices in 2014.

Compensation Program Philosophy

The goal of the compensation program is to attract, retain and reward employees and other individuals who contribute to both the immediate and the long-term success of the Company. Contributions are largely measured subjectively, and are rewarded through cash and equity-based compensation.

The following objectives are considered in setting the compensation programs for the NEOs:

Set compensation and incentive levels that reflect competitive market practices for similar experience and similar size companies; and

Encourage stock holdings to align the interests of the NEOs with those of Shareholders.

The Company evaluates the extent to which strategic and business goals are met and measures individual performance, albeit subjectively, and the degree to which teamwork and Company objectives are promoted. The Company strives to achieve a balance between the compensation paid to a particular individual and the compensation paid to other employees and executives having similar responsibilities within the Company. The Company also strives to ensure that each employee understands the components of his or her salary, and the basis upon which it is determined and adjusted.

The Company encourages NEOs to own shares of the Company however there currently is no policy requiring officer or director ownership.

The Compensation Committee has considered the risk implications of the Company's compensation policies and practices and has concluded that there is no appreciable risk associated with such policies and practices as such policies and practices do not have the potential of encouraging an executive officer or other applicable individual to take on any undue risk or to otherwise expose the Company to inappropriate or excessive risks. Furthermore, although the Company does not have in place any specific prohibitions preventing a NEO or a director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of options or other equity securities of the Company granted in compensation or held directly or indirectly, by the NEO or director, the Company is unaware of the purchase of any such financial instruments by any NEO or director.

During 2013, the Company did not retain a compensation consultant or advisor to assist the Board or Compensation Committee in determining compensation for the Company's executive officers and directors.

Compensation Elements and Rationale for Pay Mix Decisions

To reward both short and long-term performance in the compensation program and in furtherance of the Company's compensation objectives noted above, the Company's executive compensation philosophy includes the following two principles.

Compensation levels should be competitive

A competitive compensation program is vital to the Company's ability to attract and retain qualified senior executives. The Company regularly assesses peer group data to ensure that the compensation program is competitive.

Incentive compensation should balance short and long-term performance

To reinforce the importance of balancing strong short-term annual results and long-term viability and success, NEOs may receive both short and long-term incentives. Short-term incentives focus on the achievement of certain objectives for the upcoming year, while stock options create a focus on share price appreciation over the long term.

Compensation Benchmarking

The Company in the past established base salaries by using an extensive internal survey of base salaries paid to officers of mining companies with similar experience, similar size mining projects, small to medium size producing companies and other development stage mining companies with large mining projects. The companies considered in our internal survey were:

Coeur d'Alene Mines Corporation
Gabriel Resources Ltd.
Hecla Mining Company
Lydian International Limited
Mines Management, Inc.
Revett Minerals Inc.
Sandspring Resources Ltd.

Copper Mountain Mining Corporation
Gran Columbia Gold
International Tower Hill Mines Ltd.
Midas Gold
NovaGold Resources Inc.
Rusoro Mining Ltd.
St. Augustine Gold and Copper Limited

All of the participants of the internally generated survey are listed on the NYSE MKT, the Toronto Stock Exchange, or TSX Venture Exchange (the "TSXV"). The Company believes that the survey is a very good representation of average salaries paid to officers with similar levels of experience with comparable mining companies and therefore a good basis on which to make comparisons. The data was obtained from publicly available information.

Components of Executive Compensation

The components of executive compensation are as follows:

Base Salary. The administration of the program requires the Compensation Committee to review annually the base salary of each NEO and to consider various factors, including individual performance, experience, length of time in position, future potential, responsibility, and the executive's current salary in relation to the executive salary range at other mining companies. These factors are considered subjectively and none are accorded a specific weight.

Bonuses. In addition to base salary, the Compensation Committee from time-to-time recommends to the Board payments of discretionary bonuses to executives and selected employees. Such bonuses are based on the same criteria and determined in a similar fashion as described above.

Equity. The Compensation Committee from time-to-time recommends to the Board grants of options to executives and selected employees. These grants are to motivate the executives and selected employees to achieve goals that are consistent with the Company's business strategies, to create Shareholder value and to attract and retain skilled and talented executives and employees. These factors are considered subjectively and none are accorded a specific weight when granting awards. In addition, the Compensation Committee annually determines the contribution to the KSOP Plan for allocation to individual participants. Participation in and contributions to the KSOP Plan by individual employees, including officers, is governed by the terms of the KSOP Plan. See "Incentive Plans – KSOP Plan".

Chief Executive Officer's Compensation

It is the responsibility of the Compensation Committee to review and recommend to the Board for ratification the compensation package for the Chief Executive Officer based on the same factors listed above that are used in determining the base salaries for the other NEOs.

The Compensation Committee has not developed specific quantitative or qualitative performance measures or other specific criteria for determining the compensation of the Company's Chief Executive Officer, primarily because the Company does not yet have a producing mine or other operations from which such quantitative data can be derived.

The determination of the Chief Executive Officer's compensation in 2013 was based on an internal survey of other companies previously listed, was subjective, and based on the progress of the proceedings relating to the resolution of the investment dispute with Venezuela, and the pursuit of new corporate opportunities.

Other NEO's Compensation

In determining the compensation of the other NEOs, the compensation during 2013 was also based on an internal survey of other companies, was subjective, and based on the progress of the proceedings relating to the resolution of the investment dispute with Venezuela, and the pursuit of new corporate opportunities. Generally, the Compensation Committee considers prior compensation and equity grants when considering current compensation.

Change of Control Agreements

The Company maintains Change of Control Agreements with each of the NEOs which were implemented by the Board to induce the NEOs to remain with the Company and continue their involvement in the then ongoing development of the Brisas project and more recently, resolution of the investment dispute with Venezuela and the pursuit of new corporate opportunities. A "Change of Control" means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding Common Shares; a change in the composition of the Board that causes less than a majority of the current directors of the Board to be members of the incoming board; reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company; liquidation or dissolution of the Company; or any other event the Board reasonably determines constitutes a Change of Control. Change of Control benefits become payable under the terms of the Change of Control agreements if, within 12 months following a Change of Control, the employee's employment is terminated by the Company or the surviving or successor entity without cause or the employee voluntarily terminates his/her employment for reasons specified under the respective Change of Control Agreement. Such reasons include a substantial alteration in the nature or status of employment responsibilities or a reduction in compensation or benefits.

The Board believes these individuals' familiarity and long-standing involvement with the Brisas project are important assets to the Company and their continued employment is important to resolve the dispute with Venezuela. The Board believes that the loss of their continued services could have a detrimental impact on the successful outcome of the arbitration, the potential settlement of the dispute with Venezuela, and the successful sale of assets associated with the Brisas Project.

See "Termination and Change of Control Benefits".

SUMMARY COMPENSATION TABLE

The following table discloses the compensation paid or granted by the Company to the NEOs for each of the fiscal years ended December 31, 2013, 2012, and 2011.

The amounts related to the Option-based awards and the Share-based awards (which are no longer allowed under TSXV regulations) do not necessarily represent the value of the shares when vesting occurs, the value of the options when exercised, or value the employee may realize from the sale of the shares.

No Share-based Awards or Option-based Awards were granted to the NEO's during 2013.

Name and Principal Position	Year	Share-based Awards		Option-based Awards		Non-equity Incentive plan compensation		All Other Compensation	Total Compensation
		Salary	\$	\$	plans	Long-term	Pension		
		\$				incentive plans	value		
Rockne J. Timm	2013	300,000	-	-	n/a	n/a	n/a	33,499 ⁽⁴⁾	333,499
	2012	300,000	303,000 ⁽¹⁾	478,842 ⁽²⁾	n/a	n/a	n/a	100,000 ⁽⁵⁾	1,181,842
	2011	300,000	-	669,023 ⁽³⁾	n/a	n/a	n/a	50,384 ⁽⁶⁾	1,019,407
Chief Executive Officer									
Robert A. McGuinness	2013	180,000	-	-	n/a	n/a	n/a	33,499 ⁽⁴⁾	213,499
	2012	180,000	227,250 ⁽¹⁾	136,117 ⁽²⁾	n/a	n/a	n/a	70,000 ⁽⁵⁾	613,367
	2011	180,000	-	264,821 ⁽³⁾	n/a	n/a	n/a	39,422 ⁽⁶⁾	484,243
Vice President Finance and CFO									
A. Douglas Belanger	2013	270,000	-	-	n/a	n/a	n/a	33,499 ⁽⁴⁾	303,499
	2012	270,000	303,000 ⁽¹⁾	456,966 ⁽²⁾	n/a	n/a	n/a	92,500 ⁽⁵⁾	1,122,466
	2011	270,000	-	634,178 ⁽³⁾	n/a	n/a	n/a	51,711 ⁽⁶⁾	955,889
President									
Mary E. Smith	2013	119,000	-	-	n/a	n/a	n/a	26,353 ⁽⁴⁾	145,353

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Vice President	2012	119,000	181,800 ⁽¹⁾	131,256 ⁽²⁾	n/a	n/a	n/a	54,750 ⁽⁵⁾	486,806
Administration and Secretary	2011	119,000	-	234,158 ⁽³⁾	n/a	n/a	n/a	35,932 ⁽⁶⁾	389,090

For Share-based awards granted in 2012, the amount represents the aggregate grant date fair value computed by multiplying the number of shares granted with the grant date fair value of \$3.03 per share, the price of the Common Shares on the grant date of January 30, 2012. The number of shares granted to each NEO was as follows: Mr. Timm, 100,000; Mr. McGuinness, 75,000; Mr. Belanger, 100,000; and Ms. Smith, 60,000.

On January 30, 2012, the Company granted options to the NEOs as follows: Mr. Timm, 394,000; Mr. McGuinness, 112,000; Mr. Belanger, 376,000; and Ms. Smith, 108,000; with an exercise price of \$2.89 per share. The fair value of these options at the date of grant was estimated using the Black-Scholes valuation model, which valuation model the Company has determined to be the most accurate measure of value for option-based awards (“Black-Scholes”) with the following assumptions: a 2.9 year expected term; expected volatility of 65%; risk free interest rate of 0.29% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the options granted during 2012 was calculated at approximately \$1.22. The options vested as follows: 34% immediately, 33% on July 30, 2012, and 33% on January 30, 2013.

On January 3, 2011, the Company granted options to the NEOs as follows: Mr. Timm, 480,000; Mr. McGuinness, 190,000; Mr. Belanger, 455,000; and Ms. Smith, 168,000; with an exercise price of \$1.82 per share. The fair value of these options at the date of grant was estimated using Black-Scholes with the following assumptions: a 4.7 year expected term; expected volatility of 107%; risk free interest rate of 1.88% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the options granted during 2011 was calculated at approximately \$1.39. The options vest in 25% increments over a three year period on January 3, 2011, December 1, 2011, December 1, 2012, and December 1, 2013.

Represents the Company’s contribution in the form of cash to each of the NEOs allocated to the KSOP Plan for 2013.

Represents the Company’s contribution of \$25,000 to each of the NEOs in the form of cash allocated to the KSOP Plan for 2012 and a payment of a waiver of Change of Control Rights in connection with the restructuring of the 5.5% convertible notes due 2022 approved by the Shareholders on June 27, 2012 as follows: Mr. Timm \$75,000; Mr. McGuinness \$45,000; Mr. Belanger \$67,500; and Ms. Smith \$29,750.

Represents the Company’s contribution of \$32,499 in the form of cash and stock allocated to the KSOP Plan in 2011 for each NEO and a cash bonus as follows: Mr. Timm, \$17,885; Mr. McGuinness, \$6,923; Mr. Belanger, \$19,212; and Ms. Smith \$3,433.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares, some of which were previously unvested (the “Formerly Restricted Shares”) granted to the NEOs outstanding as at December 31, 2013.

Name	Grant Date	Number Of securities underlying unexercised options	Option-based Awards			Stock-based Awards		
			Option exercise price	Option expiration	Value of Unexercised in-the-money options (1)	Market or payout value of share-based awards that have not vested	Market or payout value of share-based awards not paid out or distributed	
		#	\$	date	\$	#	\$	\$
Rockne J.	1/3/2011	480,000	1.82	1/3/2016	772,800	-	-	-
Timm	1/30/2012	394,000	2.89	1/30/2017	212,760	-	-	-
	Total					-	-	-
Chief Executive Officer		874,000			985,560			
Robert A.	1/3/2011	190,000	1.82	1/3/2016	305,900	-	-	-
McGuinness	1/30/2012	112,000	2.89	1/30/2017	60,480	-	-	-
	Total					-	-	-
Vice President Finance and CFO		302,000			366,380			
A. Douglas	1/3/2011	455,000	1.82	1/3/2016	732,550	-	-	-
Belanger	1/30/2012	376,000	2.89	1/30/2017	203,040	-	-	-
	Total					-	-	-
President		831,000			935,590			
Mary E. Smith	1/3/2011	168,000	1.82	1/3/2016	270,480	-	-	-
	1/30/2012	108,000	2.89	1/30/2017	58,320	-	-	-
	Total					-	-	-
Vice President Administration and Secretary		276,000			328,800			

(1) The “Value of Unexercised in-the-money options” was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2013 the closing price of the Class A Shares on the OTCQB was \$3.43.

OPTIONS AND STOCK VESTED DURING THE YEAR

The following table sets forth information for NEOs regarding the vesting of previously granted restricted stock and the value of stock options vesting during 2013.

Name	Option-based awards – Value vested during the year (1)	Share-based awards – Value vested during the year (2)	Non-equity incentive plan compensation – Value earned during the year
	\$	\$	\$
Rockne J. Timm Chief Executive Officer	190,502	145,000	-
Robert A. McGuinness Vice President Finance and CFO	74,101	108,750	-
A. Douglas Belanger President	180,655	145,000	-
Mary E. Smith Vice President Administration and Secretary	65,788	87,000	-

(1) The stock option value represents the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended December 31, 2013. As these options were not exercised, the amounts do not necessarily reflect amounts realized by the NEOs during the year.

(2) The Formerly Restricted Shares, granted on January 30, 2012, vested on March 26, 2013 as follows: Mr. Timm, 50,000; Mr. McGuinness, 37,500; Mr. Belanger, 50,000; and Ms. Smith, 30,000. The value was calculated by multiplying the total number of Formerly Restricted Shares vesting times \$2.90, the price of the shares on the OTCQB on March 26, 2013.

INCENTIVE PLANS

The 2012 Equity Incentive Plan, as amended and restated (the “2012 Plan”)

The 2012 Plan was adopted by the Board for the employees, officers, directors and consultants of the Company and its subsidiaries and permits the grant of stock options, which are exercisable for Class A Shares.

The 2012 Plan was re-approved on June 11, 2013 and permitted the grant of stock options of up to 10% of the issued and outstanding Class A Shares of the Company on a rolling basis.

In 2014, pursuant to the approval of the TSXV, the Board amended and restated the 2012 Plan changing the maximum number of Class A Shares issuable under options granted under the 2012 Plan from a “rolling” 10% of the outstanding Class A Shares to a fixed number of 7,550,000 Class A Shares. At the date of this Circular there were 5,405,500 options outstanding and 2,144,500 available for grant.

Securities Authorized for issuance under Equity Compensation Plans

The following table sets forth certain information regarding the 2012 Plan as of December 31, 2013:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under 2012 Plan
2012 Equity Incentive Plan approved by Shareholders	5,443,000	\$2.21	2,159,265
Equity compensation plans not approved by Shareholders	N/A	N/A	N/A
Total	5,443,000		2,159,265

The Company provides newly issued shares to satisfy stock option exercises. The grants are made for terms of up to ten years with vesting periods as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Company’s board of directors.

The 2012 Plan was established to provide incentives to qualified parties to increase their proprietary interest in the Company and thereby encourage their continuing association with the Company. The 2012 Plan is administered by a committee of the Board, and in certain cases by the Board, established pursuant to the terms of the 2012 Plan.

In accordance with the rules of the TSXV the number of Class A Shares which may be reserved for issuance to any one person may not exceed 5% of the issued shares in a 12-month period, calculated as at the date the stock options

are granted to such person. In addition pursuant to such rules and as set forth in the 2012 Plan, the Company may not grant stock options providing for the issuance of more than 2% of the issued Class A Shares to any one consultant in any 12-month period, calculated as at the date the stock options are granted to such consultant, and the Company may not grant stock options providing for the issuance, in the aggregate, of more than 2% of the issued Class A Shares to all persons retained to conduct investor relations activities in any 12-month period, calculated as at the date the stock options are granted to such persons.

The 2012 Plan also provides for the following:

- a) stock options granted under the 2012 Plan will have an expiry date not to exceed 10 years from the date of grant;
- b) any stock options granted that expire or terminate for certain reasons without having been exercised will again be available under the 2012 Plan;
- c) stock options will vest as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Company's board of directors;
- d) the minimum exercise price of any stock options issued under the 2012 Plan will be the last previous closing price on the date of grant, subject to the requirements of the Exchange; and
- e) the Company's board of directors is authorized to grant to participants that number of stock options under the 2012 Plan not exceeding 7,550,000 of the issued and outstanding Class A Shares of the Company, less the number of currently outstanding stock options.

Amendments to the 2012 Plan may be made by the board of directors of the Company without shareholder approval to:

- (i) amend the 2012 Plan to correct typographical, grammatical or clerical errors;
- (ii) change the vesting provisions of an option granted under the 2012 Plan, subject to prior written approval of the TSXV, if applicable;
- (iii) change the termination provision of an option granted under the 2012 Plan if it does not entail an extension beyond the original expiry date of such option;
- (iv) make such amendments to the 2012 Plan as are necessary or desirable to reflect changes to securities laws applicable to the Company;
- (v) make such amendments as may otherwise be permitted by the Exchange, if applicable; and
- (vi) amend the 2012 Plan to reduce the benefits that may be granted to new plan participants.

The board of directors of the Company is of the view that the 2012 Plan provides the Company with the flexibility to attract and maintain the services of executives, employees and other service providers in competition with other companies in the industry.

KSOP Plan

The Company's subsidiary, Gold Reserve Corporation, maintains a KSOP Plan for the benefit of eligible employees. The KSOP Plan consists of two components— a salary reduction component (401(k)) and stock ownership component (ESOP). Eligible employees are those who have been employed for a period in excess of one year and who have worked at least 1,000 hours during the year in which any allocation is to be made.

Employee contributions to the 401(k) component of the KSOP Plan are limited in each year to the total amount of salary reduction the employee elects to defer during the year, which is limited in 2014 to \$17,500 (\$23,000 limit for participants who are 50 or more years of age, or who turn 50 during 2014).

Employer contributions, stated as a percentage of eligible compensation, are determined each year by the Board and allocations are made in the form of Class A Shares or by cash. The number of Class A Shares released for allocation is determined by multiplying the total eligible compensation by the contribution percentage approved by the Board and dividing that number by the average price of the Class A Shares remaining in the KSOP Plan for distribution. The employer contributions are disclosed under "Executive Compensation – Summary Compensation Tables", under the column "All Other Compensation". All contributions, once made to the individual's account under the KSOP Plan, are thereafter self-directed.

Total employer and employee annual contributions to an employee participating in both the 401(k) and ESOP components of the KSOP Plan are limited (in 2014) to a maximum of \$52,000 (\$57,500 limit for participants who are 50 or more years of age or who turn 50 during 2014). The annual dollar limit is an aggregate limit which applies to all contributions made under this plan or any other cash or deferral arrangements. For KSOP Plan year 2014 the Company has adopted a minimum "Safe Harbor" contribution of 3% of eligible compensation.

Distributions from the KSOP Plan are not permitted before the participating employee reaches the age of 59 and six months, except in the case of death, disability, termination of employment by the Company or financial hardship. The employee stock ownership component of the KSOP Plan is qualified under Sections 421 and 423 of the U.S. Internal Revenue Code of 1986, as amended.

Allocated contributions to eligible KSOP Plan participants (10 participants for 2013) for plan years 2013, 2012, and 2011 were \$171,895, \$168,909, and \$237,919, respectively. Contributions were made in the form of cash for 2013 and 2012 and a combination of cash and stock for 2011. As of December 31, 2013, no Class A Shares remained in the KSOP Plan to be allocated to KSOP Plan participants.

Retention Units

The Company presently has a Director and Employee Retention Plan (the "Retention Plan") for the primary purposes of: (1) attracting and retaining directors, management and personnel with the training, experiences, and ability to enable them to make a substantial contribution to the success of the business of the Company, (2) to motivate participants by means of growth-related incentives to achieve long range goals, (3) to further the identity of interests of participants with those of the Company's shareholders through equity-based incentive opportunities and (4) to allow each participant to share in the value of the Company following the grant of retention units.

Under the Retention Plan, the Board or a committee thereof may grant retention units (the "Units") to directors and certain key employees of the Company or its subsidiaries. Individuals become eligible to participate if the Board or a committee thereof determines that the individual can assist the Company in achieving corporate milestones, influence the growth of the Company, or that the individual's performance warrants further incentive or reward. Current

participants in the Retention Plan include all directors, officers, and certain other employees, all of whom have signed award agreements.

The current vesting of the Units is based upon the occurrence of certain major corporate milestones: 50% upon successfully financing the Brisas project and 50% upon placing the Brisas project into production. The Units also become fully vested and payable upon a change of control. The Board has considered, but has not yet acted upon, alternative vesting provisions for the Units to more adequately reflect the current business objectives of the Company.

Subject to a vesting provision, each Unit granted to participating directors and employees entitles such persons to receive a cash payment equal to the fair market value of one Class A Share (a) on the date the Unit was granted or (b) on the date any such participant becomes entitled to payment, whichever is greater.

No Units were granted to directors, executive officers, or employees in 2013, 2012, or 2011. As of December 31, 2013, an aggregate of 1,457,500 unvested Units have been granted to directors and executive officers; 315,000 Units have been granted to other employees. The aggregate value of the outstanding awards as of December 31, 2013 was \$7,694,200.

TERMINATION AND CHANGE OF CONTROL BENEFITS

Termination of Employment, Change in Responsibilities and Employment Contracts

At this time, there are no written employment agreements between the Company and the NEOs.

The Company maintains Change of Control Agreements with each of the NEOs, which were implemented by the Board to induce the NEOs to remain with the Company in the event of a change of control. The Board believes these individuals' familiarity and long-standing involvement with the Brisas project are important assets to the Company and their continued employment is important to resolve the dispute with Venezuela. The Board believes that the loss of their continued services could have a detrimental impact on the successful outcome of the arbitration, potential settlement of the dispute, and the successful sale of assets associated with the Brisas Project.

Existing Change of Control Arrangements with Executive Officers

Beginning in 2003, the Company entered into Change of Control Agreements with each of the NEOs and three other employees. Other than as disclosed herein, no other executive officers, directors or affiliates of the Company have Change of Control Agreements with the Company.

A Change of Control means one or more of the following: the acquisition by any individual, entity or group, of beneficial ownership of the Company of 25 percent of the voting power of the outstanding Common Shares; a change in the composition of the Board that causes less than a majority of the current directors of the Board to be members of the incoming board; reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company; liquidation or dissolution of the Company; or any other event the Board reasonably determines constitutes a Change of Control.

In connection with the 2012 restructuring of the Company's 5.5% convertible notes due 2022, members of management and the directors agreed to limited waivers of their rights under their respective change in control agreements.

Pursuant to the Change of Control Agreements, in the event of a Change of Control each participant is entitled to, among other things, continue employment with the Company and, if the participant's employment is terminated within 12 months following the Change of Control for any reason other than termination by the Company for cause, such participant will be entitled to receive, among other things:

- An amount equal to 24 times his or her monthly salary (36 times for Mr. Timm and Mr. Belanger), determined as of the date immediately prior to termination or the Change of Control, whichever is greater (the Change of Control time period of 24 months compared to 36 months is based primarily on seniority of position and responsibility and length of service with the Company);
- An amount equal to two years of the Company's KSOP contributions (based upon the maximum allowable allocation pursuant to applicable law and the participant's annual salary immediately prior to his or her termination date or the Change of Control, whichever is greater);
- An amount equal to the aggregate of all bonuses received during the 12 months prior to his or her termination date, plus any amounts required to be paid in connection with unpaid vacation time;
- A payment equal to two times the monthly premium for maintenance of health, life, accidental death and dismemberment, and long term disability insurance benefits for a period of 36 months;
- Cause all equity awards or equity-based awards (including options and restricted shares) granted to the participant to become fully vested and unrestricted;
- At the election of the participant, the buy-out of the cash value of any unexercised options based upon the amount by which the weighted average trading price of the Class A Shares for the last five days preceding the date the participant makes such election exceeds the exercise price of the options; and
- A payment equal to the value of the participant's vested retention units in accordance with the Retention Plan.

As further discussed in the following two paragraphs, the participants are entitled to receive certain "gross-up payments" (that is, an excess parachute gross-up payment and a deferred compensation gross-up payment) if payments that he or she receives are subject to the excise tax under Code Section 4999 on excess parachute payments or the additional tax and interest factor tax under Code Section 409A on deferred compensation. The intent of these gross-up payments is to put the participant in the same position, after tax, that he or she would have been in if the payments that the participant received had not been subject to the excise and additional taxes.

The Change of Control Agreements also provide for a gross-up payment if any payment made to or for the benefit of a participant ("Excess Parachute Payment") would be subject to the excise tax imposed by Code Section 4999, or any interest or penalties are incurred by the participant with respect to such excise tax. The Company will pay to the participant an additional payment ("Excess Parachute Gross-Up Payment") in an amount such that after payment by the participant of all taxes on the Excess Parachute Gross-Up Payment, the participant retains an amount of the Excess Parachute Gross-Up Payment equal to the excise tax (and any interest or penalties) imposed upon the participants Excess Parachute Payment.

The Change of Control Agreements further provide for a gross-up payment if any payment made to or for the benefit of a participant ("Deferred Compensation Payment") would be subject to the additional tax or additional interest on any underpayment of tax imposed by Code Section 409A, or any interest or penalties are incurred by the participant with respect to such additional tax or underpayment of tax. The Company will pay to the participant an additional payment ("Deferred Compensation Gross-Up Payment") in an amount such that after payment by the participant of all taxes on the Deferred Compensation Gross-Up Payment, the participant retains an amount of the Deferred Compensation Gross-Up Payment equal to the additional tax and additional interest on any underpayment of tax (and any interest or penalties) imposed upon the participant's Deferred Compensation Payment.

Payments may be delayed six months under Code Section 409A. In the event of such a delay, the delayed payments will be made to a rabbi trust. Upon the completion of the six-month delay period, the payments held in the rabbi trust will be paid to the participant plus interest at the prime rate. The Company will pay all costs associated with the rabbi trust.

Participants would have been entitled to collectively receive an aggregate of approximately \$14,307,641 if a Change of Control had occurred on December 31, 2013. This amount assumes all persons with Change of Control Agreements elect the buy-out of their options as described above. For purposes of such calculation, Gold Reserve assumed the election was made on December 31, 2013, which resulted in share price of \$3.43 per share. This amount was determined exclusive of any gross-up payments, which payments could be substantial depending on the tax position of each individual.

The following table represents the estimated payout for employees holding Change of Control Agreements at December 31, 2013. These amounts were determined exclusive of any gross-up payments, which could be substantial depending on the tax position of each individual.

Name	Compensation (1)	Payout of Stock Options (2)	Payout of Retention Units (3)	Total
	\$	\$	\$	
Rockne J. Timm	1,331,206	985,560	1,502,000	3,818,766
Robert A. McGuinness	665,430	366,380	589,000	1,620,810
A. Douglas Belanger	1,274,345	935,590	1,502,000	3,711,935
Mary E. Smith	472,084	328,800	524,400	1,325,284
Total NEOs	3,743,065	2,616,330	4,117,400	10,476,795
Other participants	763,286	1,700,760	1,366,800	3,830,846
Total	4,506,351	4,317,090	5,484,200	14,307,641

(1) Represents the estimated payout as of December 31, 2013 of the associated salary, vacation, KSOP contribution, bonus and insurance.

(2) Represents the payout of stock options.

(3) Represents the payment associated with the value of the Units on December 31, 2013 and does not include 500,000 retention units for non-employee directors equal to \$2,210,000.

DIRECTOR COMPENSATION**Summary Director Fee Tables**

During 2013, the Board agreed to pay \$36,000 to each non-employee director in quarterly installments of \$9,000 per quarter, payable on June 14, 2013, July 15, 2013, October 15, 2013, and January 15, 2014. Mr. Coleman received \$100,000 for his role as Chairman.

The amount related to Option-based awards does not necessarily represent the value of the shares when vesting occurs, the value of the options when exercised, or value the director may realize from the sale of the shares.

Name	Year	Fees					Total
		Earned (1)	Share-based awards	Option-based awards (2)	Non-equity Incentive plan compensation	All Other Compensation	
		\$	\$	\$		\$	\$
James H. Coleman	2013	36,000	-	48,888	-	100,000 ⁽³⁾	184,888
James P. Geyer	2013	36,000	-	48,888	-	-	84,888
Patrick D. McChesney	2013	36,000	-	48,888	-	-	84,888
Chris D. Mikkelsen	2013	36,000	-	48,888	-	-	84,888
Jean Charles Potvin	2013	36,000	-	48,888	-	-	84,888

(1) Represents cash fees granted as director during the year.

(2) On June 11, 2013, the Company granted 50,000 options to each of the non-executive directors with an exercise price of \$3.00 per share. The fair value of these options at the date of grant was estimated using Black-Scholes with the following assumptions: a 2.0 year expected term; expected volatility of 59%; risk free interest rate of 0.34% per annum; and a dividend rate of 0%. The weighted average grant date fair value of the options granted during 2013 was calculated at approximately \$0.98. The options were immediately vested on June 11, 2013.

(3) Represents cash fees of \$100,000 earned as Chairman during the year.

1.

Directors of the Company received no additional compensation for serving on Board committees or for attendance at the Board or committee meetings.

The following table sets forth information concerning all outstanding stock options to acquire Class A Shares granted to the Directors as at December 31, 2013:

Name	Grant Date	Option-based Awards				Stock-based Awards		
		Number Of securities underlying unexercised options	Option exercise price	Option expiration date	Value of Unexercised in-the-money options (1)	Market or Number of shares or units of share-based awards that have not vested	Market or payout value of share-based awards that have not vested	Market or payout value of share-based awards not paid out or distributed
		#	\$	date	\$	#	\$	\$
James H. Coleman	1/3/2011	120,000	1.82	1/3/2016	193,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	48,600	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	21,500	-	-	-
Total		260,000			263,300	-	-	-
James P. Geyer	1/3/2011	120,000	1.82	1/3/2016	193,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	48,600	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	21,500	-	-	-
Total		260,000			263,300	-	-	-
Patrick D. McChesney	1/3/2011	120,000	1.82	1/3/2016	193,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	48,600	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	21,500	-	-	-
Total		260,000			263,300	-	-	-
Chris D. Mikkelsen	1/3/2011	120,000	1.82	1/3/2016	193,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	48,600	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	21,500	-	-	-
Total		260,000			263,300	-	-	-
J.C. Potvin	1/3/2011	120,000	1.82	1/3/2016	193,200	-	-	-
	1/30/2012	90,000	2.89	1/30/2017	48,600	-	-	-
	6/11/2013	50,000	3.00	6/11/2018	21,500	-	-	-
Total		260,000			263,300	-	-	-

(1) The "Value of Unexercised in-the-money options" was calculated by determining the difference between the market value of the securities underlying the option at the end of the financial year and the exercise price of such options. At December 31, 2013 the closing price of the Class A Shares on the OTCQB was \$3.43.

The following table sets forth information for the directors other than the NEOs regarding the vesting of previously granted restricted stock and the value of stock options vesting during 2013.

Name	Option-based awards – Value vested during the year (1)	Share-based awards – Value vested during the year (2)	Non-equity incentive plan compensation – Value earned during the year
	\$	\$	\$
James H. Coleman	47,373	52,200	-
James P. Geyer	47,373	52,200	-
Patrick D. McChesney	47,373	52,200	-
Chris D. Mikkelsen	47,373	52,200	-
Jean Charles Potvin	47,373	52,200	-

(1) The stock option value represents the aggregate value that would have been realized if the options had been exercised on the vesting date during the financial year ended December 31, 2013. As these options were not exercised, the amounts do not necessarily reflect amounts realized by the NEOs during the year.

(2) The Formerly Restricted Shares for each Director vested on March 26, 2013. The value was calculated by multiplying the total number of Formerly Restricted shares vesting times \$2.90, the price of the shares on the OTCQB on March 26, 2013.

Directors and Officers Insurance

The Company carries directors and officers' liability insurance which is subject to a total aggregate limit of \$20,000,000 and deductibles from \$100,000 to \$1,000,000 depending on the nature of the claim. The annual premium for the latest policy period was \$323,000.

2012 BONUS POOL PLAN

The Board of Directors approved the 2012 Bonus Pool Plan ("Bonus Plan"), which is intended to reward the participants in the Bonus Plan, including NEOs, employees, directors and consultants, for their past and future contribution related to among other things: (i) the development of the Brisas Project to the construction stage and subsequent issuance of the environmental permit to commence construction of the Brisas Project; (ii) the manner in which the Brisas Project development effort was carried out allowing the Company to present a compelling and vigorous defense of its arbitration claim; (iii) the support of the Company's execution of the arbitration proceedings through the filing of numerous memorandum and exhibits as well as the oral hearings; and (iv) the on-going efforts to assist with positioning the Company to collect, in the most optimum manner, any proceeds or other consideration related to the arbitration claim and/or sale of Brisas Project mining data assets that the Company may be entitled to as management considers in the best interest of all stakeholders. All awards payable under the Bonus Plan are payable in cash.

The bonus pool under the Bonus Plan will generally be comprised of the gross proceeds or the fair value of any consideration related to such transactions less certain deductions and applicable taxes (except in the case of an Enterprise Sale as described below where gross proceeds will be considered before any applicable taxes and after any Change of Control payments) times 1% of the first \$200 million and 5% thereafter of any consideration received.

The bonus pool, will be established and separate bonus amounts will be determined, if and when the Company (i) recovers any settlement, award, or other payment made or other consideration transferred to the Company or any of its affiliates arising out of, in connection with or with respect to the Arbitration Proceedings, including, but not limited to the proceeds received by the Company or its affiliates from a sale, pledge transfer or other disposition, directly or indirectly, of the Company's rights with respect to the Arbitration Proceedings; (ii) sells, pledges, transfers or disposes, directly or indirectly, of all or any portion of the Brisas Project mining data, or (iii) in the event the Company or its shareholders, directly or indirectly, engage in any (a) merger, plan of arrangement or other business combination transaction involving the Company or any of its subsidiaries, (b) a sale, pledge, transfer or other disposition of 85% or more of the Company's then outstanding shares or (c) sale, pledge, transfer or other disposition, directly or indirectly, of all or substantially all of the assets of the Company ("Enterprise Sale").

The Bonus Plan is managed by a Committee of independent directors who have the authority to select each individual for participation in the Bonus Plan and fix the relative percentage of the total pool to be distributed to each participant. Participation in the Bonus Plan vests upon the participant's selection by the Committee, subject to voluntary termination of employment or termination for cause.

INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS OTHER THAN SECURITIES PURCHASE PROGRAMS

No director, executive officer or senior officer, or associate or affiliate of any such director, executive officer or senior officer, is, or at any time since the beginning of the most recently completed financial year of the Company was, indebted to the Company.

AUDIT COMMITTEE INFORMATION

Audit Committee Charter

The Audit Committee of the Board operates within a written mandate, as approved by the Board, which describes the Committee's objectives and responsibilities. The full text of the Audit Committee Charter, as amended as of April 2011, is attached as "Appendix A" to this Circular.

Membership and Role of the Audit Committee

The Audit Committee consists of Chris D. Mikkelsen (Chairman), Jean Charles Potvin, and Patrick D. McChesney. The Board has determined each member of the Audit Committee to be "independent" and "financially literate" as such terms are defined under Canadian securities laws. Further, each member of the Audit Committee satisfies the definition of "independent" director as established under the SEC rules. In addition, each member of the Audit Committee is financially literate and the Board has determined that Chris D. Mikkelsen qualifies as an audit committee "financial expert" as defined by SEC rules. The Board has made these determinations based on the education and experience of each member of the Committee.

Mr. Mikkelsen has an extensive background in providing operational and tax advice to a wide variety of clients and businesses. He is actively involved as a board member in local charitable and civic organizations. He has considerable knowledge of the Company and currently serves on the audit and compensation committees.

Mr. Potvin is also a director and a member of the audit committee of Azimut Exploration Ltd., a publicly listed mineral exploration company. Mr. Potvin holds a Bachelor of Science degree in Geology from Carleton University and an MBA from the University of Ottawa. He spent nearly 14 years as a mining investment analyst for a large Canadian investment brokerage firm (Burns Fry Ltd., now BMO Nesbitt Burns Inc.).

Mr. McChesney was a certified public accountant and a financial officer of an operating gold mining company and has been president and a director of a company that manufactured automated test equipment for the semiconductor industry. He has been involved in the mining industry since 1983 and has considerable knowledge regarding the Company's activities in Venezuela and currently serves on the audit and compensation committees.

The Audit Committee met four times during 2013 at which attendance, in person or by phone, averaged 100%. The Audit Committee's principal functions are to assist the Board in fulfilling its oversight responsibilities, and to specifically review: (i) the integrity of our financial statements; (ii) the independent auditor's qualifications and independence; (iii) the performance of our system of internal audit function and the independent auditor; and (iv) our compliance with laws and regulations, including disclosure controls and procedures. During 2013, the Audit Committee worked with management, our internal auditor and our independent auditor to address Sarbanes-Oxley Section 404 internal control requirements.

The Audit Committee reviews our financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements, the reporting process and maintaining an effective system of internal control over financial reporting. Our independent auditors are engaged to audit and express opinions on the conformity of our financial statements to accounting principles generally accepted in the United States, and the effectiveness of our internal control over financial reporting.

External Auditor Service Fees

Fees paid to the Company's independent external auditor, PricewaterhouseCoopers LLP, for the fiscal years ended December 31, 2013 and 2012 are detailed in the following table:

Fee Category	Year Ended 2013	Year Ended 2012
Audit Fees ⁽¹⁾	\$60,152	\$116,850
Audit Related Fees ⁽²⁾	60,181	38,651
Tax Fees ⁽³⁾	5,855	6,128
All Other Fees	-	-
Total	\$126,188	\$161,629

All fees for services performed by the Company's external auditors during 2013 were pre-approved by the Audit Committee.

(1) Audit fees were for professional services rendered by PricewaterhouseCoopers LLP for the audit of the Company's annual financial statements.

(2) Audit-related fees were for the review of the Company's quarterly financial statements and services provided in respect of other regulatory-required auditor attest functions associated with government audit reports, registration statements, prospectuses, periodic reports and other documents filed with securities regulatory authorities or other documents issued in connection with securities offerings.

(3) Tax fees were for services outside of the audit scope and represented consultations for tax compliance and advisory services relating to common forms of domestic and international taxation.

Pre-approval Policies and Procedures

The Company's Audit Committee has adopted policies and procedures for the pre-approval of services performed by the Company's external auditors, with the objective of maintaining the independence of the external auditors. The Company's policy requires that the Audit Committee pre-approve all audit, audit-related, tax and other permissible non-audit services to be performed by the external auditors, including all engagements of the external auditors with respect to the Company's subsidiaries. Prior approval of engagements for services other than the annual audit may, as required, be approved by the Chair of the Committee with the provision that such approvals be brought before the full Committee at its next regular meeting. The Company's policy sets out the details of the permissible non-audit services consistent with the applicable Canadian independence standards for auditors. The Chief Financial Officer presents the details of any proposed assignments of the external auditor for consideration by the Audit Committee. The procedures do not include delegation of the Audit Committee's responsibilities to management of the Company.

NOMINATING COMMITTEE INFORMATION

Nominating Committee Charter

The Nominating Committee currently has no written charter.

Membership and Role of the Nominating Committee

The Nominating Committee is composed of the following three (3) directors:

James H. Coleman

Chris D. Mikkelsen

Jean Charles Potvin

The Board had determined each member of the Nominating Committee satisfies the definition of “independent” director as established under National Instrument 58-101 of the Canadian Securities Administrators.

The Nominating Committee assists the Board in fulfilling its responsibilities with respect to the composition of the Board, including recommending candidates for election or appointment as director of the Company.

In considering and identifying new candidates for Board nomination, the Board, where relevant, addresses succession and planning issues; identifies the mix of expertise and qualities required for the Board; assesses the attributes new directors should have for the appropriate mix to be maintained; arranges for each candidate to meet with the Board Chair and the CEO; recommends to the Board as a whole proposed nominee(s) and arranges for their introduction to as many Board members as practicable; and encourages diversity in the composition of the Board.

CORPORATE GOVERNANCE

Applicable Canadian securities laws require listed corporations to disclose their approach to corporate governance. The Company’s disclosure in this regard is set out in “Appendix B” to this Circular.

Board Leadership Structure

Currently, the positions of Chairman of the Board and Chief Executive Officer are separate. Our Board does not have a policy on whether these roles should be separate or combined, but believes that the most effective leadership model for the Company at this time is to have these roles separated. Our current Chairman is independent and is responsible for providing leadership to the Board. In addition, having a separate Chairman and Chief Executive Officer allows Board members to raise issues without involving senior management, allows the Chairman to serve as a liaison between the Board and senior management, and allows the Chief Executive Officer to devote his time and focus to the management of the Company. The Board retains flexibility to determine whether these roles should be separate or combined in one individual in the future.

Risk Oversight

The various committees of the Board assist the Board in its responsibility for oversight of risk management. In particular, the Audit Committee focuses on major financial risk exposures, the steps management has taken to monitor and control such risks, and, if appropriate, discusses with the independent auditor the guidelines and policies governing the process by which senior management and the relevant departments of the Company assess and manage the Company's financial risk exposure and operational/strategic risk. We believe this arrangement maximizes the risk oversight benefit while providing for an appropriate leadership structure.

Communication with Board Members

Any Shareholder or other interested party that desires to communicate with the Board of Directors or any of its specific members, including the chairman or the non-management directors as a group, should send their communication to the Secretary, Gold Reserve Inc., 926 W. Sprague Avenue, Suite 200, Spokane, Washington 99201. All such communications will be forwarded to the appropriate members of the Board.

Code of Conduct and Ethics

The Board has adopted the Gold Reserve Inc. Code of Conduct and Ethics which can be found at www.goldreserveinc.com under Investor Relations – Corporate Governance and is available in print to any Shareholder who requests it from the Company by writing to us at Gold Reserve Inc., 926 W. Sprague Ave. Suite 200, Spokane, WA 99201, Attn: Investor Relations.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

Other than as set forth in this Circular, no proposed nominee for election as a director of the Company and no person who has been a director or senior officer of the Company at any time since the beginning of the last financial year, nor any associate or affiliate of any of the foregoing, has any material interest, directly or indirectly, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors or the appointment of auditors.

INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No informed person or any proposed director of the Company, or any of the associates or affiliates of those persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has, in either case, materially affected or would materially affect the Company or any of its subsidiaries.

For the purposes of the above, "informed person" means: (a) a director or executive officer of the Company; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Company; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Company or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Company other than voting securities held by the person or company as underwriter in the course of a distribution; and (d) the Company after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

SHAREHOLDER PROPOSALS

Under s. 138(5) of the Yukon Business Corporations Act, a corporation is not required to comply with the requirements to put forward a shareholder proposal if the proposal is not submitted to the corporation at least 90 days before the anniversary date of the previous annual meeting of the shareholders. The deadline under this rule for shareholder proposals at the 2015 Annual General Meeting is March 12, 2015.

ANY OTHER MATTERS

Management of the Company knows of no matters to come before the Meeting other than those referred to in the Notice of Annual Meeting of Shareholders accompanying this Circular. However, if any other matters properly come before the Meeting, it is the intention of the persons named in the form of proxy accompanying this Circular to vote the same in accordance with their best judgment of such matters.

ADDITIONAL INFORMATION

Additional information about the Company may be found on the SEDAR website at www.sedar.com, on the U.S. Securities and Exchange Commission's website at www.sec.gov and on the Company's website at www.goldreserveinc.com. Additional financial information is provided in the Company's comparative annual financial statements and management's discussion and analysis for its year ended December 31, 2013, as contained in the 2013 Annual Report on Form 40-F filed with the SEC on April 29, 2014. A copy of this document and other public documents of the Company are available upon request to:

Gold Reserve Inc.

Attention: Robert A. McGuinness

926 W. Sprague Avenue, Suite 200

Spokane, Washington 99201

Phone: (509) 623-1500

Fax: (509) 623-1634

APPROVAL AND CERTIFICATION

The contents and the sending of this Circular have been approved by the Board.

Dated at Spokane, Washington, this 1st day of May, 2014

Rockne J. Timm

Robert A. McGuinness

Chief Executive Officer

Vice President Finance and Chief Financial Officer

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APPENDIX A

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Purpose

The primary purposes of the Audit Committee (the “Committee”) are to oversee on behalf of the Board of Directors (“Board”) of Gold Reserve Inc. (the “Company”):

- the Company’s accounting and financial reporting processes and the integrity of its financial statements;
- the audits of the Company’s financial statements and the appointment, compensation, qualifications, independence and performance of the Company’s independent auditors; and
- the Company’s compliance with legal and regulatory requirements.

The Committee also has the purpose of preparing the financial report that rules of the U.S. Securities and Exchange Commission (the “SEC”) or the Ontario Securities Commission (the “OSC”) require the Company to include in its annual proxy or information statement and annual report with the SEC and/or its equivalent filed with the OSC.

The Committee’s function is one of oversight only and does not relieve management of its responsibilities for preparing financial statements that accurately and fairly present the Company’s financial results and condition, nor the independent auditors of their responsibilities relating to the audit or review of financial statements.

Organization

The Committee shall consist of at least three directors. The Board shall designate a Committee member as the chairperson of the Committee, or if the Board does not do so, the Committee members shall appoint a Committee member as chairperson by a majority vote of the authorized number of Committee members.

All Committee members shall be “independent,” as defined and to the extent required in the applicable SEC and OSC rules and American Stock Exchange (“NYSE-Amex”) and TSXV listing standards and applicable laws and regulations, as they may be amended from time to time (collectively, such SEC and exchange requirements are referred to as the “listing standards”), for purposes of audit committee membership.

Notwithstanding the foregoing, one director who is not independent as defined by the AMEX listing standards, but who satisfies the requirements of Rule 10A-3 under the Securities Exchange Act of 1934, and is not a current officer or employee or an immediate family member of such officer or employee, may be appointed to the Committee if the Board, under exceptional and limited circumstances, determines that membership on the Committee by the individual is in the best interests of the Company and its shareholders, and the Board

discloses, in the next periodic filing made with the SEC subsequent to such determination, the nature of the relationship and the reasons for that determination; provided, however, that any such non-independent Committee member may only serve on the Committee for two (2) years and may not serve as the chairperson of the Committee.

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Each Committee member shall be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cashflow statement upon appointment to the Committee. At all times there shall be at least one member of the Committee who, in the Board's business judgment, is an audit committee "financial expert" as defined in the SEC rules and is "financially sophisticated" as defined in the AMEX listing standards.

Subject to the requirements of the listing standards, the Board may appoint and remove Committee members in accordance with the Company's by-laws. Committee members shall serve for such terms as may be fixed by the Board, and in any case at the will of the Board whether or not a specific term is fixed.

Independent Auditors and Their Services

The Committee shall have the sole authority and direct responsibility for the appointment, compensation, retention, termination, evaluation and oversight of the work of the independent auditors engaged by the Company for purposes of preparing or issuing an audit report or related work or performing other audit, review or attest services for the Company. The independent auditors shall report directly to the Committee. The Committee's authority includes the resolution of disagreements between management and the auditors regarding financial reporting.

The Committee shall pre-approve all audit, review, attest and permissible non-audit services to be provided to the Company or its subsidiaries by the independent auditors. The Committee may establish pre-approval policies and procedures in compliance with applicable listing standards. The Committee shall obtain and review, at least annually, a report by the independent auditors describing:

- the firm's internal quality-control procedures; and
- any material issues raised by the most recent internal quality-control review, or peer review, of the auditing firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

In addition, the Committee's annual review of the independent auditors' qualifications shall also include the review and evaluation of the lead partner of the independent auditors for the Company's account, and evaluation of such other matters as the Committee may consider relevant to the engagement of the auditors, including views of company management and internal finance employees, and whether the lead partner or auditing firm itself should be rotated.

Annual Financial Reporting

As often and to the extent the Committee deems necessary or appropriate, but at least annually in connection with the audit of each fiscal year's financial statements, the Committee shall:

1. Review and discuss with appropriate members of management the annual audited financial statements, related accounting and auditing principles and practices, and (when required of management under the applicable listing standards) management's assessment of internal control over financial reporting.
2. Timely request and receive from the independent auditors the report required (along with any required update thereto) pursuant to applicable listing standards prior to the filing of an audit report, concerning:

- all critical accounting policies and practices to be used;
- all alternative treatments of financial information within generally accepted accounting principles for policies and practices relating to material items that have been discussed with company management, including ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditors; and

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- other material written communications between the independent auditors and company management, such as any management letter or schedule of unadjusted differences.
3. Discuss with the independent auditors the matters required to be discussed by AICPA Statement on Auditing Standards No. 61, including such matters as:
- the quality and acceptability of the accounting principles applied in the financial statements;
 - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
 - the selection, application and effects of critical accounting policies and estimates applied by the Company;
 - issues raised by any “management” or “internal control” letter from the auditors, problems or difficulties encountered in the audit (including any restrictions on the scope of the work or on access to requested information) and management’s response to such problems or difficulties, significant disagreements with management, or other significant aspects of the audit; and
- any off-balance sheet transactions, and relationships with any unconsolidated entities or any other persons, which may have a material current or future effect on the financial condition or results of the Company and are required to be reported under SEC rules.
4. Review and discuss with appropriate members of management the Company’s intended disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (or equivalent disclosures) to be included in the Company’s annual report filed with the SEC and the OSC.
5. Receive from the independent auditors a formal written statement of all relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1.
6. Actively discuss with the independent auditors any disclosed relationships or services that may impact their objectivity and independence, and take any other appropriate action to oversee their independence.

Quarterly Financial Reporting

The Committee’s quarterly review shall normally include:

1. Review and discuss the quarterly financial statements of the Company and the results of the independent auditors’ review of these financial statements with appropriate members of management.
2. Review and discuss with Company management and, if appropriate, the independent auditors, significant matters relating to:
 - the quality and acceptability of the accounting principles applied in the financial statements;
 - new or changed accounting policies, and significant estimates, judgments, uncertainties or unusual transactions;
 - the selection, application and effects of critical accounting policies and estimates applied by the Company; and
 - any off-balance sheet transactions and relationships with any unconsolidated entities or any other persons which may have a material current or future effect on the financial condition or results of the Company and are required to be reported under SEC rules.

3. Review and discuss with appropriate members of management the Company's intended disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" (or equivalent disclosures) to be included in the Company's quarterly reports filed with the SEC and the OSC.

Other Functions

The Committee shall review and assess the adequacy of this charter annually, recommend any proposed changes to the full Board and, to the extent required by the listing standards, certify annually to any AMEX, TSX or other listing market that the Committee reviewed and assessed the adequacy of the charter.

The Committee shall discuss with management earnings press releases (including the type and presentation of information to be included, paying particular attention to any use of "pro forma" or "adjusted" non-GAAP information), and financial information and earnings guidance provided to analysts and rating agencies. This may be conducted generally as to types of information and presentations, and need not include advance review of each release or other information or guidance.

The Committee, to the extent it deems necessary or appropriate, shall periodically review with management the Company's disclosure controls and procedures, internal control over financial reporting and systems and procedures to promote compliance with applicable laws.

The Committee shall periodically:

- inquire of management and the independent auditors about the Company's major financial risks or exposures;
- discuss the risks and exposures and assess the steps management has taken to monitor and control the risks and exposures; and
- discuss guidelines and policies with respect to risk assessment and risk management.

The Committee shall conduct any activities relating to the Company's code(s) of conduct and ethics as may be delegated, from time to time, to the Committee by the Board.

The Committee shall establish and maintain procedures for:

- the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
- the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

If the Committee so determines, the confidential, anonymous submission procedures may also include a method for interested parties to communicate directly with non-management directors.

It is the Company's policy that the Company shall not enter into transactions required to be disclosed under item 404 of the Securities and Exchange Commission's Regulation S-K or other applicable Canadian requirements unless the Committee first reviews and approves such transactions.

The Committee shall review and take appropriate action with respect to any reports to the Committee from internal or external legal counsel engaged by the Company concerning any material violation of securities law or breach of fiduciary duty or similar violation by the Company, its subsidiaries or any person acting on their behalf.

The Committee shall, from time to time as necessary, review the effect of regulatory and accounting initiatives on the financial statements of the Company. In addition, the Committee, as it considers appropriate, may consider and review with the full Board, company management, internal or external legal counsel, the independent auditors or any other appropriate person any other topics relating to the purposes of the Committee which may come to the Committee's attention.

The Committee may perform any other activities consistent with this charter, the Company's corporate governance documents and applicable listing standards, laws and regulations as the Committee or the Board considers appropriate.

Meetings, Reports and Resources

The Committee shall meet as often as it determines is necessary, but not less than quarterly. The Committee shall meet separately with management and independent auditors. In addition, the Committee may meet with any other persons, as it deems necessary.

The Committee may establish its own procedures, including the formation and delegation of authority to subcommittees, in a manner not inconsistent with this charter, the by-laws or the listing standards. The chairperson or a majority of the Committee members may call meetings of the Committee. A majority of the authorized number of Committee members shall constitute a quorum for the transaction of Committee business, and the vote of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee, unless in either case a greater number is required by this charter, the by-laws or the listing standards. The Committee shall keep written minutes of its meetings and deliver copies of the minutes to the corporate secretary for inclusion in the Company's corporate records.

The Committee shall prepare any audit committee report required to be included in the Company's annual meeting proxy or information statement, and report to the Board on the other matters relating to the Committee or its purposes, as required by the listing standards. The Committee shall also report to the Board annually the overall results of its annual review of the independent auditors' qualifications, performance and independence. The Committee shall also report to the Board on the major items covered by the Committee at each Committee meeting, and provide additional reports to the Board as the Committee may determine to be appropriate, including review with the full Board of any issues that arise from time to time with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the independent auditors.

The Committee is at all times authorized to have direct, independent and confidential access to the independent auditors and to the Company's other directors, management and personnel to carry out the Committee's purposes. The Committee is authorized to conduct or authorize investigations into any matters relating to the purposes, duties or responsibilities of the Committee.

As the Committee deems necessary to carry out its duties, it is authorized to select, engage (including approval of the fees and terms of engagement), oversee, terminate, and obtain advice and assistance from outside legal, accounting, or other advisers or consultants. The company shall provide for appropriate funding, as determined by the Committee, for payment of:

- compensation to the independent auditors for their audit and audit-related, review and attest services;
- compensation to any advisers engaged by the Committee; and
- ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

Nothing in this charter is intended to preclude or impair the protection provided under corporation law for good faith reliance by members of the Committee on reports or other information provided by others.

APPENDIX B

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

In this Appendix are the Company's corporate governance practices in accordance with Canadian National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), and Canadian National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201"), which came into force in Canada on June 30, 2005. The Company's Board has reviewed this disclosure of the Company's corporate governance practices.

	Disclosure Requirement under Form 58-101F1	Company's Governance Practices
1. (a)	Disclose the identity of directors who are independent.	The Board of Directors (the "Board") of the Company believes that Messrs. Coleman, McChesney, Mikkelsen, and Potvin are "independent" within the meaning of section 1.4 of Canadian National instrument 52-110 – <i>Audit Committees</i> ("NI 52-110") and section 1.2 of NI 58-101, as none of them is, or has been within the last three years, an executive officer or employee of the Company or party to any material contract with the Company and none of them receive remuneration from the Company in excess of directors' fees and grants of stock options. The Board believes that the four Directors are free from any interest and any business or other relationship that could, or could reasonably be perceived to, materially interfere with their ability to act independently from management or to act as a director with a view to the best interests of the Company, other than interests and relationships arising from shareholdings.
(b)	Disclose the identity of directors who are not independent, and describe the basis for that determination.	Two Directors, Mr. Timm, and Belanger, are employees of the Company and therefore not considered independent. Mr. Geyer resigned his position as Senior Vice President during 2010

- however he continues to be regarded as not-independent.
- (c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgement in carrying out its responsibilities. Four of seven, approximately 57.1% of the Company's current Directors, are independent.
- (d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer. Such other directorships have been disclosed in "Business of the Meeting - Item 1 - Election of Directors" section of this Circular.
- (e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors. The Board has not adopted a formal policy for the independent Directors to meet without management present before and after each regularly scheduled meeting of the Board. Without management present, the independent Directors met on three occasions, in person or by telephone during 2013 and are expected to continue to meet on a regular basis. These sessions are of no fixed duration and participating Directors are encouraged to raise and discuss any issues of concern.
- (f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors. The Board has appointed James H. Coleman as its Chairman. Mr. Coleman is an independent director of the Company. One of his responsibilities is to oversee the Board processes so that it operates efficiently and effectively in carrying out its duties and to act as liaison between the Board and management.
- (g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year. The Board held eight formal meetings during 2013 at which attendance, in person or by phone, averaged 91%. Various matters were considered and approved by written resolution during the year.
- Messrs. McChesney, Mikkelsen and Potvin attended all eight meetings. Messrs. Timm, Belanger and Geyer attended seven of the eight meetings and Mr. Coleman attended six of the eight meetings.

2. Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.
- The Board does not have a written mandate. The Board is responsible for supervising the conduct of the Company's affairs and the management of its business. To assist the Board in implementing key policies, the Board delegates some of its responsibility to committees. Although the Board has delegated to management responsibility for the day-to-day operations of the Company, the Board has ultimate responsibility for the stewardship of the Company.
- Strategic planning is at the forefront of deliberations at meetings of the Board. Management is responsible for the development of overall corporate strategies. These strategies are under constant review by the Board and senior management.
- The Board's duties include overseeing strategic planning, reviewing and assessing principal risks to the Company's business and approving risk management strategies.
- The Board ensures that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of the Company's business. Management reports regularly to the Board in relation to principal risks, which potentially could affect the Company's business activities.
- The Board reviews and approves, for release to Shareholders, quarterly and annual reports on the performance of the Company. It seeks to ensure that the Company communicates effectively with its Shareholders, respective investors and the public, including dissemination of information on a timely basis. Through its officers, the Company responds to questions and provides information to individual Shareholders, institutional investors, financial analysts and the media.

3. (a)

Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.

The Board's duties include supervising and evaluating management, authorizing significant expenditures, and overseeing the Company's internal controls and information systems.

The Board has not developed a written position description for the Chair. The responsibilities of the Chair include presiding over Board meetings, assuming principal responsibility for the Board's operation and functioning, and ensuring that Board functions are effectively carried out.

The Board has not developed written position descriptions for the chair of any committee of the Board.

The responsibilities of committee chairs include presiding over committee meetings, ensuring that the committee is properly organized and effectively discharges its duties, reporting to the Board with respect to the activities of the committee, and leading the committee in reviewing and assessing on an annual basis, the adequacy of the committee's mandate and its effectiveness in fulfilling its mandate.

(b)

Disclose whether or not the board and CEO have developed a written position description for the CEO. If the board and CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.

The board has not developed a written position description for the CEO.

The CEO reports to the Board and has general supervision and control over the business and affairs of the Company. The CEO's responsibilities include:

fostering a corporate culture that promotes ethical practices, encourages individual integrity and fulfills social responsibility;

developing and recommending to the Board a long-term strategy and vision for the Company that leads to creation of Shareholder value;

developing and recommending to the Board annual business plans and budgets that support the Company's long-term strategy; and

consistently striving to achieve the Company's financial and operating goals and objectives.

4. (a) Briefly describe what measures the board takes to orient new directors regarding (i) the role of the board, its committees and its directors, and (ii) the nature and operation of the issuer's business. Due to its current size, the Board does not currently provide an orientation and education program for specifically training new recruits to the Board.
- (b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors. Due to its current size, the Board does not provide a continuing education program for its Directors. All Directors are given direct access to management, which is encouraged to provide information on the Company and its business and affairs to Directors. The Board believes that each of its Directors maintain the skills and knowledge necessary to meet their obligations as Directors.
5. (a) (i) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code, disclose how a person or company may obtain a copy of the code. The Board has adopted the Gold Reserve Inc. Code of Conduct and Ethics (the "Code"), which can be found at www.goldreserveinc.com and is available in print to any Shareholder who requests it.
- (a) (ii) Describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code. The Compliance Officer, as well as other officers, Directors and the Company's legal and other advisors, have the full power and authority to investigate any evidence of improper conduct, violations of laws, rules, regulations or the Code, and to determine what steps, if any, should be taken to resolve the problem and avoid the likelihood of its recurrence.
- (a) (iii) Provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code. The Company has not filed any material change reports since the beginning of the 2013 financial year that pertains to any conduct of a Director or executive officer of the Company that constitutes a departure from the Code.
- (b) Describe any steps the board takes to ensure directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest. Each Director must possess and exhibit the highest degree of integrity, professionalism and values, and must never be in a conflict of interest with the Company. A Director who has a conflict of interest regarding any particular matter under consideration must advise the Board, refrain from debate on the matter and

abstain from any vote regarding it.

All Company employees, including officers, and Directors are expected to use sound judgment to help maintain appropriate compliance procedures and to carry out the Company's business with honesty and in compliance with laws and high ethical standards. Each employee and Director is expected to read the Code and demonstrate personal commitment to the standards set forth in the Code.

(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.

The Company will not tolerate retaliation against an employee or Director for reporting in good faith any violations of the Code and any such retaliation is against Company policy. Employees and Directors who violate the Code may be subject to disciplinary action, including termination of employment.

Knowledge of a violation and failure to promptly report or correct the violation may also subject an employee or Director to disciplinary action up to and including immediate discharge from employment.

6. (a) Describe the process by which the board identifies new candidates for board nomination.

In considering and identifying new candidates for Board nomination, the Board, where relevant:

(a) addresses succession and planning issues;

(b) identifies the mix of expertise and qualities required for the Board;

(c) assesses the attributes new directors should have for the appropriate mix to be maintained;

(d) arranges for each candidate to meet with the Board Chair and the CEO;

(e) recommends to the Board as a whole proposed nominee(s) and arranges for their introduction to as many Board members as practicable; and

(f) encourages diversity in the composition of the Board.

- (b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.
- (c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.
7. (a) Describe the process by which the board determines the compensation for the issuer's directors and officers.
- The Nominating Committee consists of Messrs. Coleman, Mikkelsen, McChesney and J.C. Potvin, all of whom are independent directors.
- The Nominating Committee assists the Board in fulfilling its responsibilities with respect to the composition of the Board, including recommending candidates for election or appointment as director of the Company.
- The Board reviews from time to time the compensation paid to directors in order to ensure that they are being adequately compensated for the duties performed and the obligations they assume. The Board as a whole is responsible for determining the compensation paid to the directors.

The Board considers evaluations submitted by the Compensation Committee evaluating the Company's performance and the performance of its executive officers, and ratifies the cash and equity-based compensation of such executive officers approved by the Compensation Committee.

The Company evaluates the extent to which strategic and business goals are met and measures individual performance, albeit subjectively, against development objectives and the degree to which teamwork and Company objectives are promoted. The Company strives to achieve a balance between the compensation

paid to a particular individual and the compensation paid to other employees and executives having similar responsibilities within the Company. The Company also strives to ensure that each employee understands the components of his or her salary, and the basis upon which it is determined and adjusted.

(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. If the board does not have a compensation committee composed entirely of independent directors, describe what steps the board takes to ensure an objective process for determining such compensation.

The Compensation Committee, which met three times during 2013 by phone, consists of Messrs. Mikkelsen (Chair), McChesney, and Potvin, all of whom are independent directors.

(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.

The function of the Compensation Committee is to evaluate the Company's performance and the performance of its executive officers, approve the cash and equity-based compensation of such executive officers and submit such approvals to the full Board for ratification.

The Compensation Committee has not developed specific quantitative or qualitative performance measures or other specific criteria for determining the compensation of the Company's CEO, primarily because the Company does not yet have a producing mine or other operations from which such quantitative data can be derived. As a consequence, the determination of the CEO's compensation in 2013 was largely subjective, and based on the Company's progress in addressing its more immediate concerns, continued exploration, and identifying and analyzing new corporate opportunities.

(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the

A compensation consultant has not been engaged by the Company since the beginning of the Company's most recent financial year to assist in determining compensation for the directors or officers of the Company.

- work.
8. If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.
- The Executive Committee, which is comprised of Messrs. Coleman, Timm and Belanger, meets in person or by phone on a regular basis. Mr. Coleman is considered an independent director. Messrs. Timm and Belanger are not considered independent directors within the definition in NI 52-110.
9. Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.
- The Executive Committee facilitates the Company's activities from an administrative perspective, but does not supplant the full Board in the consideration of significant issues facing the Company. The Audit Committee, the Compensation Committee, the Nominating Committee and the Executive Committee are the only committees of the Board.
- Due to its current size, the Board does not currently have a separate committee for assessing the effectiveness of the Board as a whole, the committees of the Board, or the contribution of individual directors. The Board as a whole bears these responsibilities.
- The Board chair meets annually with each director individually to discuss personal contributions and overall Board effectiveness.
-

Exhibit 99.2 Form of Proxy

GOLD RESERVE INC.

IMPORTANT ANNUAL AND SPECIAL MEETING INFORMATION

Electronic Voting Instructions

Available 24 hours a day, 7 days a week!

Instead of mailing your proxy, you may choose one of the voting methods outlined below to vote your proxy.

VALIDATION DETAILS ARE LOCATED BELOW IN THE TITLE BAR

Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Pacific Time, on June 10, 2014.

Vote by Internet

Go to www.investorvote.com/GDRZF

Or scan the QR code with your smartphone

Follow the steps outlined on the secure website

Vote by telephone

Call toll free 1-800-652-VOTE (8683) within the USA, US territories & Canada on a touch tone telephone

Follow the instructions provided by the recorded message

Using a black ink pen, mark your votes with an X as shown in this example. x

Please do not write outside the designated areas.

Annual Meeting Proxy Card

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

A. Proposals – Management recommends a vote “FOR” each of the director nominees and “FOR” Proposal 2.

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1. Election of the following nominees as directors, as set forth in the Management Information Circular.

Nominees:	For	Withhold
1.1 Rockne J. Timm
1.2 A. Douglas Belanger
1.3 James P. Geyer
1.4 James H. Coleman
1.5 Patrick D. McChesney
1.6 Chris D. Mikkelsen
1.7 Jean Charles Potvin

2. Appointment of PricewaterhouseCoopers LLP as auditors for the year ending December 31, 2014 and authorization of the Board of Directors to fix the auditor's remuneration.

For Withhold

.. ..

B. Non-Voting Items

Change of Address – Please print your new address below.

Comments – Please print your comments below.

Meeting Attendance

Mark the box to the right if you plan to attend the Annual Meeting. "

C. Authorized Signatures – This section must be completed for your vote to be counted. – Date and Sign Below

Please sign exactly as name(s) appears hereon. Joint owners should each sign. When signing as attorney, executor, administrator, corporate officer, trustee, guardian, or custodian, please give full title.

Date (mm/dd/yyyy) – Please print date below.

Signature 1 – Please keep signature within the box.

Signature 2 – Please keep signature within the box.

IF YOU HAVE NOT VOTED VIA THE INTERNET OR TELEPHONE, FOLD ALONG THE PERFORATION, DETACH AND RETURN THE BOTTOM PORTION IN THE ENCLOSED ENVELOPE.

Proxy – GOLD RESERVE INC.

ANNUAL MEETING OF SHAREHOLDERS

June 10, 2014

PROXY IS SOLICITED BY THE MANAGEMENT OF GOLD RESERVE INC.

The undersigned shareholder of Gold Reserve Inc. (the “Company”) hereby appoints Rockne J. Timm, Chief Executive Officer of the Company, or failing him, Robert A. McGuinness, Vice President Finance and Chief Financial Officer of the Company, or instead of either of them, _____, as proxyholder for the undersigned, with power of substitution, to attend, act and vote for and on behalf of the undersigned at the Annual Meeting of Shareholders of the Company to be held on June 10, 2014 (the “Meeting”) at 9:30 a.m. (Pacific daylight time) and at any adjournment or postponement thereof, in the same manner, to the same extent and with the same powers as if the undersigned were present at the Meeting or any adjournment or postponements thereof and, without limiting the general authorization given, the persons above named are specifically directed to vote on behalf of the undersigned in the following manner:

Management recommends that you vote “FOR” each of the director nominees and “FOR” Proposal 2, and, if no specification is made, to vote “FOR”. In their discretion, the Proxies are authorized to vote upon such other business as may properly come before the meeting.

(Items to be voted appear on reverse side.)

Exhibit 99.3 Supplemental Mailing List Return Card

SUPPLEMENTAL MAILING LIST RETURN CARD

(National Instrument 54-101)

NOTICE TO SHAREHOLDERS OF GOLD RESERVE INC.

National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer* and National Instrument 51-102 *Continuous Disclosure Obligations* (the "Rule") together establish a framework for communication between issuers and their registered and non-registered shareholders.

The Rule exempts companies from having to deliver interim financial statements and management's discussion and analysis ("MD&A") to their registered shareholders if the companies send interim financial statements and MD&A to those shareholders, whether registered or not, who request in writing to receive them.

If you are a registered or non-registered shareholder, and wish to be placed on a supplemental mailing list for the receipt of these financial statements and MD&A, you must complete and return the Supplemental Return Card below.

The supplemental mailing list will be updated each year and, therefore, a Supplemental Return Card will be required from you annually in order for you to receive interim financial statements and MD&A. All other shareholder mailings will continue to be mailed to registered shareholders in the normal manner without the completion of a Return Card.

TO: Gold Reserve Inc. (the "Company")

Cusip # 38068 N 10 8

The undersigned certifies that he/she/it is the owner of securities of the Company, and requests that he/she/it be placed on the Company's Supplemental Mailing List in respect of its interim financial statements and MD&A.

Name (please print)

Address

City/Province (or State)/Postal Code

Signature of shareholder, or if shareholder is a

Dated

Company, signature of authorized signatory

If you are interested in receiving the abovementioned information, please complete and return this document to:

Computershare Trust Company, N.A.

P.O. Box 43102

Providence, RI 02940-5068

As the supplemental list will be updated each year, a supplemental return card will be required from you annually in order for your name to remain on the list.

Exhibit 99.4 Annual Report

Gold Reserve

2013 Annual Report to shareholders

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") of Gold Reserve Inc. (the "Company" or "Gold Reserve") should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2013 and the related notes contained therein. In addition, the following should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012 and the related MD&A. This MD&A has been approved by the Board of Directors of the Company and is dated April 28, 2014

This MD&A is intended to assist in understanding and assessing the Company's results of operations and financial condition and should be read in conjunction with the audited consolidated financial statements and related notes.

Gold Reserve, an exploration stage company, is engaged in the business of acquiring, exploring and developing mining projects. Management's recent efforts have focused on:

§ Continued advancement of its working interest in the La Tortuga project;

§ Negotiating and closing in the third quarter of 2013 a previously agreed to private placement for gross proceeds totaling \$5,250,000, consisting of 1,750,000 units comprised of one Class A common share and one-half of one Class A common share purchase warrant;

§ Executing its arbitration claim (the "Brisas Arbitration") against Venezuela in connection with the expropriation of the Company's former Brisas Project, responding to the Tribunal's request for the production of further evidence related to valuation issues and continuing efforts to reach a settlement (See Note 3 to the audited consolidated financial statements);

§ Advancing efforts to sell the remaining Brisas Project related assets;

§ Identifying and evaluating alternatives associated with obtaining additional funds to support continued operating activities as well as alternatives that may be available for servicing the Company's convertible notes. On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes will be amended to be consistent with the New Notes. (See Notes 11 and 14 to the audited consolidated financial statements).

Exploration Prospects

La Tortuga Property

The La Tortuga Property, a copper and gold prospect, is an 11,562 hectare property being investigated for its base and precious metal potential with occurrences of copper and gold mineralization over 49 square kilometers, including iron oxide copper gold deposits, copper porphyries and epithermal gold and/or base metal veining. Work on the property has included 151 line-kilometers of induced polarization, 20 drill holes (both diamond core and reverse circulation), mapping and sampling (approximately 1,000 soil, rock chip and stream sediment samples) and ground magnetic survey.

Pursuant to a 2012 Option Agreement with Soltoro Ltd., Gold Reserve has the right to earn an undivided 51% interest in the 11,562 hectare La Tortuga property located in Jalisco State, Mexico, by making an aggregate US\$3,650,000 in option payments and property expenditures over three years. During the third quarter of 2013 the Company completed a property-wide aeromagnetic survey and collected over 1,350 soil and rock samples on the La Tortuga property which is being investigated for the potential to host a bulk tonnage gold-copper deposit.

The property-wide aeromagnetic survey was comprised of 930 line-kilometers of survey lines (100 meter spacing) over an area of approximately 86 square kilometers. All known mineralized targets were covered, including the Caballo and Quartz Breccia veins, and the Garrochas trend, a prominent northeast-striking structure with strong gold and copper anomalies at several locations, including a historically active mine.

The survey results which were overlain with mapped structures known to be associated with mineralization indicate several important apparent patterns. The Quartz Breccia vein is marked by discontinuities in the magnetic character along its known extent. There is an unusually strong magnetic high where the Quartz Breccia vein intersects the Garrochas trend, as well as in the area of the historic Garrochas Mine. These two trends, typified by the Quartz Breccia vein (NW-SE), and the Garrochas/Caballo veins (NE-SW) are well established in the district as important hosts to gold and copper mineralization. A generally circular magnetic high in the area of the Quartz Breccia and Caballo veins suggests an underlying intrusive, one that is displaced and/or chemically altered by hydrothermal activity along the structures.

Geochemical information from rock and soil sampling adds evidence to the importance of the Caballo and Garrochas veins, indicating several metals of interest, including gold, copper, lead, and molybdenum and a preponderance of high copper values in the area of the historic Garrochas Mine, some associated with anomalous gold and lead. The Caballo vein shows sporadic copper anomalies for a distance of two kilometers along its known extent. This includes some samples running over 1% Cu from an abandoned decline discovered by a field geologist during routine work. Recent mapping and outcrop copper values from soils and structure outcrops now indicate at least a two kilometer extension to the SW. Previously permitted drill locations along this extension are being incorporated into the 2014 drill plan.

In addition, two new structures, the Creston and Joel veins, were identified during field work. A number of outcrop samples taken along the Creston vein which trends N 80 E and appears to connect the Garrochas and Caballo veins were slightly anomalous in gold and copper. The Joel vein, due south of the Quartz Breccia vein, had poor exposure allowing for only limited samples of float gathered from an unexposed quartz vein but indicated significant levels of copper. Recent mapping and soil geochemical values in this area suggest a larger NE-SW structure, running parallel to the Caballo vein, and intersecting the Joel vein. The overall objective of the current exploration plan is (1) obtain a more comprehensive database on the property, and (2) obtain subsurface verification of known mineralized structures on surface.

The Environment Ministry (SEMARNAT – Secretaria del Medio Ambiente y Recursos Naturales) has requested the Company to resubmit its drilling permit application, expand our environmental baseline study and add additional other items. With the recent amendment to the Mexican mining law in late 2013, the Mexican authorities have a renewed focus on environmental reviews and approvals. The request for additional information will delay the receipt of our drilling permit and we are not certain when the previously scheduled drilling will commence. The Company is evaluating the government's posture towards mining along with our continued exploration of the La Tortuga Project.

In addition to several corporate employees providing assistance to our exploration activities, the Company has approximately 10 employees working directly on the La Tortuga project, as well as a number of drilling and other contracted services personnel. The Company's 2014 exploration program is subject to the receipt of permits, availability of subcontractors and qualified new employees. Given the uncertainties related to permitting, it is unclear when the 2014 drilling program will commence or the extent of funds expected to be committed for 2014.

As with any similarly-situated mining company, the Company is evaluating additional prospects and our efforts are subject to, among other things, the mineralized potential, the terms of any agreement, the level and quality of previous work completed by the target companies, schedules, weather and geography. The Company is focused on prospects

that have potential for success and generally located in a politically friendly jurisdiction which has clear and well established mining, tax and environmental laws, an experienced mining authority and likely to be an open pit versus an underground prospect.

Brisas Arbitration

In April 2008, after a series of actions which concluded with the revocation of the Company's previously authorized right to develop the Brisas Project, the Venezuelan government expropriated the Brisas Project and also effectively deprived the Company of its ability to further develop the Choco 5 Property.

The Company commenced arbitration in October 2009 by filing a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes ("ICSID"), against the Bolivarian Republic of Venezuela ("Respondent") seeking compensation in the arbitration for all of the losses and damages resulting from Venezuela's wrongful conduct (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1) (the "Brisas Arbitration")). The Company's claim as last updated in its July 2011 Reply totals approximately \$2.1 billion which includes interest from April 14, 2008 (the date of the loss) to July 29, 2011 (the date of the Company's reply) of approximately \$400 million. The claim, including accrued interest since the loss to the date of the Tribunal's decision, represents the estimated fair market value of the legal rights to develop the Brisas Project and the value of the Choco 5 Property.

The Company is well advanced in the arbitration process. The Tribunal held an oral hearing on the merits with the Parties in February 2012 and the Parties submitted post-hearing briefs in March, May and June 2012 as requested by the Tribunal. In July 2012, the Tribunal issued a procedural order requesting both Parties to submit further expert reports addressing certain valuation issues. The expert initial and reply reports for both Parties were filed May 24 and June 28, 2013, respectively, and on August 5, 2013 the Parties filed final comments on the expert reports. On October 15 and 16, 2013 the Tribunal held an oral hearing focused on the additional expert evidence requested in its previous procedural order. Subsequent to the October oral hearing the Tribunal issued post-hearing procedural instructions and the Parties submitted post-hearing briefs on December 23, 2013.

An ICSID Additional Facility Award is enforceable globally under the New York Convention, an international convention regarding the recognition and enforcement of arbitral awards with over one hundred forty State parties. There are clear, well documented procedures for identifying sovereign assets located in one or more of these Member States and for enforcing arbitral awards by attaching such assets.

Venezuela has publically stated its intent to develop the Brisas Project and contiguous areas and has reportedly engaged a major Chinese corporation for initial studies related to the development and eventual construction of the Brisas or Brisas-Cristinas mine as a large gold-copper complex. Consistent with Venezuela's publically stated intent, Gold Reserve continues to concentrate its efforts on finding a joint solution that would include the transfer of the extensive technical data related to the development of the Brisas Project that was compiled by the Company allowing the project, with the assistance of the Chinese corporation or a similar entity, to be developed on an accelerated basis for the benefit of Venezuela, with proper compensation for the Company's stakeholders. Regardless of whether there is a settlement or an arbitral award, management is committed to see this process through to its logical conclusion.

The Board of Directors approved a Bonus Pool Plan ("Bonus Plan") in May 2012, which is intended to reward the participants, including named executive officers, employees, directors and consultants, for their past and future contributions including their efforts related to the development of the Brisas Project, execution of the arbitration claim and the collection of an award, if any. The bonus pool under the Bonus Plan will generally be comprised of the gross proceeds collected or the fair value of any consideration realized related to such transactions less applicable taxes times 1% of the first \$200 million and 5% thereafter. Participation in the Bonus Plan vests upon the participant's selection by the Committee of independent directors, subject to voluntary termination of employment or termination for cause. The Company currently does not accrue a liability for the Bonus Plan as events required for payment under the Plan have not yet occurred.

FINANCIAL OVERVIEW

The Company's overall financial position is a product of a number of historical events including the uncompensated seizure of the Brisas Project by the Venezuelan government, the subsequent write-off of the accumulated Brisas Project development costs, impairment of the value of the equipment originally acquired for the Brisas Project as well

as the impact of the 2012 restructuring of debt originally issued for the Brisas Project.

Recent operating results continue to be shaped by the cost of ongoing ICSID arbitration related to the seizure of the Brisas Project by the Venezuelan government, ongoing advancement of the La Tortuga Project and the costs of maintaining the Company's legal and regulatory obligations in good standing.

The Company has no commercial production and, as a result, it has not recorded revenue or cash flows from mining operations and continues to experience losses from operations, a trend the Company expects to continue, unless and until the dispute regarding Brisas is resolved favorably to the Company and/or it acquires and invests in an alternative project such as the Tortuga Property, which results in positive results from operations.

Historically the Company has financed its operations through the issuance of common stock, other equity securities and convertible debt. The timing of any such new investment or transaction if any, and the amounts that may be required cannot be determined at this time and are subject to available cash, the collection, if any, of an award or settlement related to the Brisas Arbitration, the amount of proceeds and timing of sale, if any, of the remaining equipment originally slated for the Brisas Project, the timing of the redemption or maturity of the existing convertible notes and/or future financings, if any. The Company has only one operating segment, the exploration and development of mineral properties.

During the third quarter of 2013, the Company closed a previously agreed to private placement for gross proceeds totaling \$5,250,000. The private placement consisted of 1,750,000 units comprised of one Class A common share and one-half of one Class A common share purchase warrant, with each whole warrant exercisable by the holder for a period of 2 years after its issuance to acquire one Class A common share at a price of \$4.00 per share.

Substantially all of the Company's convertible notes mature in June 2014. As part of its plan to fund its future obligations, the Company maintains its efforts to dispose of the remaining Brisas Project related assets, pursue a timely and successful completion of the arbitration claim before ICSID including a possible settlement between the parties and initiate other debt and equity funding alternatives as may be available. On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes will be amended to be consistent with the New Notes. (See Notes 11 and 14 to the audited consolidated financial statements).

Future efforts in this regard, may be adversely impacted by financial market conditions, industry conditions, regulatory approvals or other unknown or unpredictable conditions and, as a result, there can be no assurance that additional funding will be available or, if available, offered on acceptable terms.

SELECTED ANNUAL INFORMATION

	2013	2012	2011
Other income (loss)	\$ (176,598)	\$ 9,633,453	\$ 2,358,514
Loss from continuing operations	\$ (15,436,410)	\$ (10,025,101)	\$ (23,612,393)
Per share	\$ (0.21)	\$ (0.16)	\$ (0.40)
Total Assets	\$ 22,756,769	\$ 28,437,052	\$ 78,340,069
Total non-current financial liabilities	\$ 25,011,149	\$ 21,037,945	\$ 101,833,491
Distributions or cash dividends declared per share	-	-	-

Factors that have caused period to period variations are more fully discussed below.

Liquidity and Capital Resources

At December 31, 2013, the Company had cash and cash equivalents of approximately \$3.0 million which represents a decrease from December 31, 2012 of approximately \$5.4 million. The twelve month net decrease was primarily due to cash used by operations of \$11.0 million and purchase of property, plant and equipment of \$0.1 million, partially offset by proceeds from the issuance of common shares of \$5.7 million. The activities that resulted in the net change in cash are more fully described in the "Operating," "Investing" and "Financing" Activities sections below.

	2013	Change	2012
Cash and cash equivalents	\$ 2,975,837	\$ (5,371,681)	\$ 8,347,518

The Company's short-term financial obligations included accounts payable and accrued expenses due in the normal course of approximately \$0.7 million.

As of December 31, 2013, the Company had financial resources including cash, cash equivalents and marketable securities totaling approximately \$3.3 million as well as Brisas Project related equipment which is subject to disposal with an estimated fair value of approximately \$19 million (See Note 7 to the audited consolidated financial statements).

The Company believes that cash and investment balances subsequent to the completion of the announced extension of the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and the issuance of up to \$12 million of New Notes which also mature on December 31, 2015 (See "Financing Activities" below and Notes 11 and 14 to the audited consolidated financial statements) along with funds available from potential future equipment sales will be sufficient to enable it to fund its activities into 2015. As of the date of this report, the Company had approximately \$1.4 million in cash and investments, which are held primarily in U.S. dollar denominated accounts.

The timing and extent of additional funding, if any, depends on a number of important factors, including, but not limited to the timing and outcome of the Company's current exploration program, its dispute with Venezuela, the timing and the amount of proceeds, if any, from the sale of Brisas Project related equipment, the extent of future acquisitions or investments, if any, status of the financial markets and the Company's share price.

Operating Activities

Cash flow used by operating activities for the years ended December 31, 2013, 2012 and 2011 was approximately \$11.0 million, \$13.2 million and \$17.9 million, respectively. Cash flow used by operating activities consists of net operating losses (the components of which are more fully discussed below) adjusted over the periods presented for certain non-cash income and expense items primarily related to gain on settlement of debt, stock options and common shares issued in lieu of cash compensation, accretion of convertible notes, gains on sale of equipment and marketable securities, and certain non-cash changes in working capital.

Cash flow used by operating activities during the year ended December 31, 2013 decreased from the prior comparable period generally due to reductions in corporate general and administrative, legal and accounting and Venezuelan operations partially offset by arbitration expenditures.

Investing Activities

	2013	Change	2012	Change	2011
Net proceeds from sale of marketable securities	\$ 8,461	\$ (5,184)	\$ 13,645	\$ (954,532)	\$ 968,177
Purchase of property, plant and equipment	(128,285)	30,853	(159,138)	(108,660)	(50,478)
Proceeds from sale of equipment	-	(277,965)	277,965	(16,179,576)	16,457,541
	\$ (119,824)	\$ (252,296)	\$ 132,472	\$ (17,242,768)	\$ 17,375,240

The year over year net change in funds provided by investing activities primarily resulted from a decrease in proceeds from the sale of Brisas Project related equipment and marketable equity securities sales. In addition, purchases of property, plant and equipment primarily related to the Tortuga Property mineral property option payments also impacted funds provided by investing activities.

Financing Activities

	2013	Change	2012	Change	2011
Settlement of convertible debt	\$ -	\$ 33,787,500	\$ (33,787,500)	\$ (33,786,817)	\$ (683)
Restructuring fees	-	2,585,119	(2,585,119)	(2,585,119)	-
Issuance of common shares	5,700,199	5,618,274	81,925	66,147	15,778
	\$ 5,700,199	\$ 41,990,893	\$ (36,290,694)	\$ (36,305,789)	\$ 15,095

The year over year net change in funds provided or used by financing activities primarily resulted from the 2012 redemption and restructuring of convertible notes inclusive of restructuring fees and the 2013 issuance of common shares pursuant to a private placement. In addition, proceeds provided from the exercise of employee stock options totaled approximately \$0.7 million and \$0.1 million in 2013 and 2012, respectively.

On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes (See Notes 11 and 14 to the audited consolidated financial statements) will be amended to be consistent with the New Notes. The New Notes and the Modified Notes (as amended from the date of closing) (the "Notes") bear interest at a rate of 11% per year, which will be accrued quarterly and added to the principal. Subject to certain conditions, the then outstanding principal and deferred interest may be converted into Class A common shares of the Company, redeemed or repurchased. The Notes mature on December 31, 2015 and are convertible, at the option of the holder, into 266.67 shares of Class A common shares per \$1,000 (equivalent to a conversion price of \$3.75 per common share) at any time upon prior written notice to the Company. The Company will pay in the case of the New Notes, a fee of 2.5% of the principal in the form of an original issue discount and in the case of the Modified Notes, a cash extension fee of 2.5% of the principal. The transaction is expected to be completed in May 2014.

Contractual Obligations

The following table sets forth information on the Company's material contractual obligation payments for the periods indicated as of December 31, 2013 (For further details see "Financing Activities" above and Notes 11 and 14 to the audited consolidated financial statements):

	Payments due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More Than 5 Years
Convertible Notes ^{1,2}	\$ 26,354,000	-	\$ 25,312,000	-	\$ 1,042,000
Interest	5,540,867	694,271	4,531,391	114,620	200,585
	\$ 31,894,867	\$ 694,271	\$ 29,843,391	\$ 114,620	\$ 1,242,585

1 Includes \$25,312,000 principal amount of convertible notes originally due June 29, 2014 and extended to December 31, 2015 by an agreement subject to TSX Venture Exchange approval (See Note 14 to the audited consolidated financial statements) and \$1,042,000 principal amount of 5.50% convertible notes due June 15, 2022. Subject to certain conditions, the notes may be converted into Class A common shares of the Company, redeemed or repurchased. The amounts shown above include the interest and principal payments due unless the notes are converted, redeemed or repurchased prior to their due date.

2 In May 2007, the Company issued \$103.5 million aggregate principal amount of senior subordinated convertible notes ("Old Notes"), of which \$102.3 million remained outstanding prior to June 15, 2012. On May 16, 2012, the Company notified the holders of Old Notes that they had the right to require the Company to purchase all or a portion of their Old Notes on June 15, 2012 and that, pursuant to a negotiated agreement with the largest note holders, the Company would pay, in cash, any such notes validly surrendered of which holders of Old Notes elected to surrender approximately \$16.9 million of the Old Notes leaving a remaining balance of approximately \$85.4 million. Subsequently, in the fourth quarter of 2012, the Company consummated a debt restructuring agreement (the "Restructuring") covering the remaining outstanding debt totaling \$85.4 million. Holders of an aggregate of \$84.4 million of Old Notes elected to participate in the Restructuring and \$1.0 million of Old Notes declined to participate. Pursuant to the Restructuring, the Company paid \$16.9 million cash, issued 12,412,501 Class A common shares, issued modified notes with a face value of \$25.3 million ("Modified Notes") and issued CVR's totaling 5.468% of any future proceeds, net of certain deductions (including income tax calculation and the payment of current obligations of the Company), actually received by the Company with respect to the Arbitration proceedings or disposition of the Brisas Project mining data. The amount recorded as convertible notes in the audited consolidated balance sheet as of December 31, 2013 is comprised of \$23.0 million carrying value (face value \$25.3 million) of Modified Notes issued pursuant to the Restructuring and the face value \$1.0 million of Old Notes held by Other Note Holders who declined

to participate in the Restructuring. The \$23.0 million carrying value of Modified Notes will be accreted to face value of \$25.3 million using the effective interest rate method over the expected life of the notes with the resulting charge recorded as interest expense.

Results of Operations

Summary

Consolidated other income (loss), total expenses and net loss for the three years ended December 31, 2013 were as follows:

	2013	Change	2012	Change	2011
Other Income (Loss)	\$ (176,598)	\$ (9,810,051)	\$ 9,633,453	\$ 7,274,939	\$ 2,358,514
Total Expenses	(15,259,812)	4,398,742	(19,658,554)	6,312,353	(25,970,907)
Net Loss	\$ (15,436,410)	\$ (5,411,309)	\$ (10,025,101)	\$ 13,587,292	\$ (23,612,393)
Net loss per share	\$ (0.21)		\$ (0.16)		\$ (0.40)

Other Income (Loss)

The Company has no commercial production and, as a result, other income (loss) is often variable from period to period due to one-time or otherwise variable sources of income.

	2013	Change	2012	Change	2011
Interest	\$ 1,146	\$ (14,581)	\$ 15,727	\$ (101,229)	\$ 116,956
Litigation settlement	-	(1,891,035)	1,891,035	1,891,035	-
Gain (loss) on sale of marketable securities	(4,039)	(11,412)	7,373	(765,325)	772,698
Loss on impairment of marketable securities	(178,250)	255,723	(433,973)	(433,973)	-
Gain on sale of equipment	-	(97,965)	97,965	(1,362,762)	1,460,727
Gain on settlement of debt	340	(8,088,755)	8,089,095	8,087,791	1,304
Foreign currency gain (loss)	4,205	37,974	(33,769)	(40,598)	6,829
	\$ (176,598)	\$ (9,810,051)	\$ 9,633,453	\$ 7,274,939	\$ 2,358,514

The year over year change in other income (loss) as presented above primarily consists of the effects of the gain on sale of equipment in 2011, gain on settlement of debt (net of expenses) and litigation settlement offset by the loss on impairment of marketable securities in 2012, as well as a decrease in loss on impairment of marketable securities in 2013.

Expenses

Corporate general and administrative, exploration and legal and accounting expenses decreased approximately \$4.5 million during the twelve months ended December 31, 2013 compared to the same period in 2012 and increased approximately \$1.3 million during the twelve months ended December 31, 2012 compared to the same period in 2011.

The net decrease in 2013 compared to 2012, as it relates to corporate general and administrative, was primarily a result of decreases in non-cash charges associated with the previous issuance of stock-based compensation and cash-based reductions related to both the number of personnel and compensation related items, fees associated with consultants and other discretionary costs and, in the case of exploration and legal and accounting, primarily attributable to an increase in activities associated with the Tortuga Project and a decrease in fees associated with corporate and tax planning activities, respectively. The net increase in 2012 compared to 2011, as it relates to corporate general and administrative, was primarily a result of non-cash charges associated with the previous issuance of stock-based compensation and, in the case of exploration and legal and accounting, primarily attributable to reductions in personnel and compensation related items and corporate and tax planning activities as well as costs associated with litigation, respectively.

Pursuant to generally accepted accounting principles, the Company records a non-cash expense associated with the issuance of options using the fair value method of accounting which is computed using the Black-Scholes method and expensed over the vesting period of the option. Non-cash compensation associated with the restricted stock grants is computed based on the value of the shares at date of grant. Accounting rules do not provide for the recovery of previously expensed amounts associated with expired share purchase options. The Company recorded non-cash compensation expense during 2013 and 2012 of \$0.6 million and \$4.8 million, respectively, for stock-based grants in 2013 and prior periods.

Venezuelan operations, arbitration, equipment holding, write-down of equipment and interest expense on a net basis increased approximately \$0.1 million during the twelve months ended December 31, 2013 compared to the same period in 2012 and decreased approximately \$7.6 million during the twelve months ended December 31, 2012 compared to the same period in 2011.

The net increase in 2013 compared to 2012, as it relates to arbitration, was primarily a result of an order by the Tribunal for an additional oral hearing and the preparation of a post hearing brief associated with the oral hearing and, in the case of Venezuelan operations and equipment holding costs, the decrease is attributable to a winding down of activities to nominal levels and reduced maintenance related costs, respectively. The net decrease in 2012 compared to 2011, as it relates to arbitration, was primarily a result of decreased activities subsequent to the preparation and conclusion of the original oral hearing and, in the case of Venezuelan operations and equipment holding costs, the decrease is attributable to a further reduction of in-country activities to minimal levels and reduced maintenance and storage related costs, respectively. In 2011 management made an adjustment to the carrying value of the Brisas Project related assets that was not repeated in the subsequent periods. As a result of the partial debt repayment associated with the 2012 debt restructuring actual interest payments have declined which are offset in the financial statements by the accretion of the carrying value of the debt to face value at maturity.

On a combined basis, total expenses decreased by approximately \$4.4 million and \$6.3 million for the years ended December 31, 2013 and 2012, respectively.

	2013	Change	2012	Change	2011
Corporate general and administrative	\$ 3,113,320	\$ (3,670,903)	\$ 6,784,223	\$ 707,676	\$ 6,076,547
Exploration	1,116,339	176,217	940,122	(351,405)	1,291,527
Legal and accounting	512,344	(978,372)	1,490,716	972,500	518,216
	4,742,003	(4,473,058)	9,215,061	1,328,771	7,886,290
Venezuelan operations	196,196	(390,760)	586,956	(576,836)	1,163,792
Arbitration	3,982,436	565,707	3,416,729	(3,242,630)	6,659,359
Equipment holding costs	913,913	(123,687)	1,037,600	(631,654)	1,669,254
Write-down of machinery & equipment	-	(71,166)	71,166	(1,810,793)	1,881,959
Interest expense	5,425,264	94,222	5,331,042	(1,379,211)	6,710,253
	10,517,809	74,316	10,443,493	(7,641,124)	18,084,617
Total expenses for the period	\$ 15,259,812	\$ (4,398,742)	\$ 19,658,554	\$ (6,312,353)	\$ 25,970,907

SUMMARY OF QUARTERLY RESULTS

Quarter ended	12/31/13	9/30/13	6/30/13	3/31/13	12/31/12	9/30/12
6/30/12	3/31/12					
Other Income (loss)	\$(104,405)	(\$78,304)	(\$23,123)	\$29,234	\$7,713,505	\$1,905,894
\$4,138	\$9,916					
Net income (loss)						

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before tax (4,907,669)	(4,273,836) (7,721,979)	(3,835,911)	(4,119,566)	(3,207,097)	4,353,609	(1,749,062)
Per share (0.08)	(0.06) (0.13)	(0.05)	(0.06)	(0.04)	0.08	(0.03)
Fully diluted (0.08)	(0.06) (0.13)	(0.05)	(0.06)	(0.04)	0.08	(0.03)
Net income (loss) (4,907,669)	(4,273,836) (7,721,979)	(3,835,911)	(4,119,566)	(3,207,097)	4,353,609	(1,749,062)
Per share (0.08)	(0.06) (0.13)	(0.05)	(0.06)	(0.04)	0.08	(0.03)
Fully diluted (0.08)	(0.06) (0.13)	(0.05)	(0.06)	(0.04)	0.08	(0.03)

Other income (loss) during 2013 consisted of foreign currency gains (losses), losses on marketable securities and interest income. Other income in the fourth quarter of 2012 was primarily comprised of an \$8.1 million gain on the restructuring of the Company's convertible notes partially offset by a \$0.4 million loss on marketable securities. In the third quarter of 2012, the Company recorded other income of \$1.9 million from settlement of litigation.

The increase in net loss in the fourth quarter of 2013 was related to costs associated with the arbitration. Net loss in the third quarter of 2013 decreased mainly as a result of a decrease in non-cash compensation. The increase in net loss during the second quarter of 2013 was primarily due to an increase in arbitration costs. During 2012, net loss decreased each quarter primarily due to decreases in costs associated with the arbitration and increases in other income in the third and fourth quarters as noted above.

Off-Balance Sheet Arrangements

The Company is not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on the Company's financial condition, changes in financial condition, revenues, expenses, results of operations, liquidity, capital expenditures or capital resources.

Transactions with Related Parties

During the third quarter of 2013, the Company closed a previously agreed to private placement for gross proceeds totaling \$5.25 million. The private placement consisted of 1,750,000 units comprised of one Class A common share and one-half of one Class A common share purchase warrant, with each whole warrant exercisable by the holder for a period of 2 years after its issuance to acquire one Class A common share at a price of \$4.00 per share. An aggregate 1.5 million units were issued to affiliated funds which exercised control or direction over more than 10% of the Company's common shares prior to the private placement and as a result, this portion of the private placement was considered to be a related party transaction.

On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes will be amended to be consistent with the New Notes. (See "Management's Analysis and Discussion" and Notes 11 and 14 to the audited consolidated financial statements). Pursuant to the terms of the agreement an aggregate \$19.2 million of Modified Notes are expected to be extended for two affiliated funds and approximately \$8 million of New Notes are expected to be issued to one of those affiliated funds, both of which, exercised control or direction over more than 10% of the Company's common shares prior to the transaction and as a result, this portion of the transaction is considered to be a related party transaction.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Critical accounting estimates used in the preparation of the audited consolidated financial statements include the:

§ assessments of the recoverability and carrying value of the Brisas Project related equipment, the realizable value of which may be different than management's current estimate;

§ determination of the fair value of the Company's convertible notes which are accreted to their face value at maturity using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense;

§ use of the fair value method of accounting for stock options which is computed using the Black-Scholes method which utilizes estimates that affect the amounts ultimately recorded as stock based compensation;

§ preparation of tax filings in a number of jurisdictions requires considerable judgment and the use of assumptions. Accordingly, the amounts reported could vary in the future.

Any current or future operations the Company may have are subject to the effects of changes in legal, tax and regulatory regimes, political, labor and economic developments, social and political unrest, currency and exchange controls, import/export restrictions and government bureaucracy in the countries in which it operates.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In February 2013, the FASB issued Accounting Standards Update 2013-02 which contains requirements regarding the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this update were effective for reporting periods beginning after December 15, 2012 and did not have a significant impact on the Company's financial statements.

DISCLOSURE OF OUTSTANDING SHARE DATA**Class A Common Shares**

The Company is authorized to issue an unlimited number of Class A common shares without par value of which 75,559,911 Class A common shares were issued as at the date hereof. Shareholders are entitled to receive notice of and attend all meetings of shareholders with each Class A common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. Shareholders are entitled to dividends if, as and when declared by the board of directors of the Company. Shareholders are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

Equity Units

In February 1999, Gold Reserve Corporation became a subsidiary of the Company, the successor issuer. Generally, each shareholder of Gold Reserve Corporation received one Class A common share of the Company for each common share owned in Gold Reserve Corporation. For tax reasons, certain U.S. holders elected to receive Equity Units in lieu of Class A common shares. An Equity Unit comprises one Class B common share of the Company and one Gold Reserve Corporation Class B common share, and is substantially equivalent to a Class A common share and is generally immediately convertible into Class A common shares. Equity Units, of which 500,236 were issued as of the date hereof, are not listed for trading on any stock exchange, but subject to compliance with applicable federal, provincial and state securities laws, may be transferred.

Preferred Shares

The Company is authorized, subject to the limitations prescribed by law and the Company's articles of incorporation, from time to time, to issue an unlimited number of serial preferred shares; and to determine variations, if any, between any series so established as to all matters, including, but not limited to, the rate of dividend and whether dividends shall be cumulative or non--cumulative; the voting power of holders of such series; the rights of such series in the event of the dissolution of the Corporation or upon any distribution of the assets of the Corporation; whether the shares of such series shall be convertible; and such other designations, rights, privileges, and relative participating, optional or other special rights, and such restrictions and conditions thereon as are permitted by law. There are no preferred shares issued or outstanding as of the date hereof.

Equity Incentive Plan

The Company adopted and the shareholders approved on June 27, 2012, the 2012 Equity Incentive Plan (the "2012 Plan"). The 2012 Plan permits grants of stock options of up to 10% of the issued and outstanding common shares of the Company on a rolling basis. As of December 31, 2013 there were 2,159,265 options available for grant.

Stock options exercisable for Common Shares as of the date herein:

Expiry Date	Exercise Price	Number of Shares
January 3, 2016	\$ 1.82	2,622,500
January 30, 2017	\$ 2.89	1,620,500
June 11, 2018	\$ 3.00	250,000
June 9, 2021	\$ 1.92	950,000

Total Class A Common Shares issuable pursuant to stock options

5,443,000

Convertible Notes

The Company has Convertible Notes outstanding as of the date hereof totaling \$26,354,000, which is comprised of face value \$25,312,000 of Modified Notes convertible to Class A common shares under certain circumstances at \$4.00 per share and face value \$1,042,000 of Old Notes convertible to Class A common shares under certain circumstances at \$7.54 per share.

The following summarizes the share capital structure of the Company as of the date hereof:

Class A Common Shares outstanding	75,559,911
Equity Units outstanding	500,236
Total shares outstanding	76,060,147
Shares issuable pursuant to the 2012 Equity Incentive Plan	5,405,500
Shares issuable pursuant to the Convertible Notes	6,466,196
Total shares outstanding, fully diluted	87,931,843

On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes (See Notes 11 and 14 to the audited consolidated financial statements) will be amended to be consistent with the New Notes. The New Notes and Modified Notes are convertible at the option of the holder into 266.67 shares of Class A common shares per \$1,000 (equivalent to a conversion price of \$3.75 per common share) at any time upon prior written notice to the Company.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS AND INFORMATION

The information presented or incorporated by reference herein contains both historical information and "forward-looking statements" and "forward-looking information" (within the meaning of the relevant sections of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and "forward-looking information" within the meaning of applicable Canadian securities laws, that state the Company's intentions, hopes, beliefs, expectations or predictions for the future. Forward-looking statements and forward-looking information are collectively referred to herein as "forward-looking statements".

In this Management's Discussion and Analysis, forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company at this time, are inherently subject to significant business, economic and competitive uncertainties and contingencies that may cause its actual financial results, performance, or achievements to be materially different from those expressed or implied herein and many of which are out of the Company's control.

Some of the material factors or assumptions used to develop forward-looking statements include, without limitation, the uncertainties associated with: the advancement of the La Tortuga Project, Brisas Arbitration, actions by the Venezuelan government, economic and industry conditions influencing the future sale of Brisas Project related equipment and conditions or events impacting the Company's ability to fund its operations or service its debt.

Forward-looking statements involve risks and uncertainties, as well as assumptions, including those set out herein, that may never materialize, prove incorrect or materialize other than as currently contemplated which could cause the Company's results to differ materially from those expressed or implied by such forward-looking statements. The words "believe," "anticipate," "expect," "intend," "estimate," "plan," "may," "could" and other similar expressions that are predictions of or indicate future events and future trends which do not relate to historical matters, identify forward-looking statements. Any such forward-looking statements are not intended to provide any assurances as to future results.

Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation:

- outcome of our arbitration against the Bolivarian Republic of Venezuela;
 - continued servicing or restructuring of our Notes or other obligations as they come due;
 - prospects for exploration and development of other mining projects by us;
-

- equity dilution resulting from the conversion of the Notes in part or in whole to Class A Common Shares;
- value, if any, realized from the disposition of the remaining Brisas Project related assets;
- ability to maintain continued listing on the TSXV or continued trading on the OTCQB;
- competition with companies that are not subject to, or do not follow, Canadian and U.S. laws and regulations;
- corruption, uncertain legal enforcement and political and social instability;
- our current liquidity and capital resources and access to additional funding in the future if required;
- regulatory, political and economic risks associated with foreign jurisdictions including changes in laws and legal regimes;
- currency, metal prices and metal production volatility;
- adverse U.S., Canadian and/or Mexican tax consequences;
- abilities and continued participation of certain key employees; and
- risks normally incident to the exploration, development and operation of mining properties.

This list is not exhaustive of the factors that may affect any of the company's forward-looking statements. See "Risk Factors" for additional risk factors that could cause results to differ materially from forward-looking statements.

Investors are cautioned not to put undue reliance on forward-looking statements, and investors should not infer that there has been no change in the Company's affairs since the date of this report that would warrant any modification of any forward-looking statement made in this document, other documents periodically filed with or furnished to the relevant securities regulators or documents presented on the Company's website. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by this notice. The Company disclaims any intent or obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of assumptions or factors, whether as a result of new information, future events or otherwise, subject to the Company's disclosure obligations under applicable Canadian and U.S. securities regulations. Investors are urged to read the Company's filings with Canadian and U.S. securities regulatory agencies, which can be viewed online at www.sedar.com and www.sec.gov, respectively.

Management's Report on Internal Control over Financial Reporting

The accompanying audited consolidated financial statements of the Company were prepared by management in accordance with accounting principles generally accepted in the United States, consistently applied and within the framework of the summary of significant accounting policies contained therein. Management is responsible for all information in the accompanying audited consolidated financial statements.

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of the Company's financial reporting for external purposes in accordance with accounting principles generally accepted in the U.S. Internal control over financial reporting includes:

- maintaining records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- providing reasonable assurance that transactions are recorded as necessary for preparation of the Company's financial statements in accordance with generally accepted accounting principles;
- providing reasonable assurance that receipts and expenditures are made in accordance with authorizations of the executive officers of the Company; and
- providing reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on the Company's financial statements would be prevented or detected on a timely basis.

Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of the Company's financial statements would be prevented or detected.

Management, including the CEO and CFO, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 based on the framework established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

The effectiveness of internal control over financial reporting as of December 31, 2013 has been audited by the Company's independent auditors, PricewaterhouseCoopers LLP ("PwC"), a registered public accounting firm, as stated in their audit report, which is dated April 28, 2014 and included below.

/s/ Rockne J. Timm

Chief Executive Officer

/s/ Robert A. McGuinness

Vice President–Finance and CFO

April 28, 2014

April 28, 2014

Independent Auditor's Report

To the Shareholders of Gold Reserve Inc.

We have completed integrated audits of Gold Reserve Inc.'s December 31, 2013 and December 31, 2012 consolidated financial statements and its internal control over financial reporting as at December 31, 2013. Our opinions, based on our audits are presented below.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Gold Reserve Inc., which comprise the consolidated balance sheets as at December 31, 2013 and December 31, 2012 and the consolidated statements of operations, comprehensive loss, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2013 and cumulatively for the period from January 1, 2010 to December 31, 2013, and the related notes.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Gold Reserve Inc. as at December 31, 2013 and December 31, 2012 and results of its operations and its cash flows for each of the three years in the period ended December 31, 2013 and cumulatively for the period from January 1, 2010 to December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Report on internal control over financial reporting

We have also audited Gold Reserve Inc.'s internal control over financial reporting as at December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's responsibility for internal control over financial reporting

Management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Controls over Financial Reporting.

Auditor's responsibility

Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control, based on the assessed risk, and performing such other procedures as we consider necessary in the circumstances.

We believe that our audit provides a reasonable basis for our audit opinion on the company's internal control over financial reporting.

Definition of internal control over financial reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent limitations

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, Gold Reserve Inc. maintained, in all material respects, effective internal control over financial reporting as at December 31, 2013, based on criteria established in Internal Control - Integrated Framework (1992) issued by COSO.

s/PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, British Columbia

April 28, 2014

GOLD RESERVE INC.

(An Exploration Stage Enterprise)

CONSOLIDATED BALANCE SHEETS

December 31, 2013 and 2012

(Expressed in U.S. dollars)

	2013
ASSETS	
Current Assets:	
Cash and cash equivalents (Note 4)	\$ 2,975,837 \$
Marketable securities (Notes 5, 6)	318,442
Deposits, advances and other	159,194
Total current assets	3,453,473
Property, plant and equipment, net (Note 7)	19,303,296
Total assets	\$ 22,756,769 \$
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 615,273 \$
Accrued interest	64,262
Total current liabilities	679,535
Convertible notes (Notes 11 and 14)	23,998,658
Other (Note 11)	1,012,491
Total liabilities	25,690,684

SHAREHOLDERS' EQUITY

Serial preferred stock, without par value

Authorized: Unlimited

Issued: None

Common shares and equity units

289,149,413

283

Class A common shares, without par value

Authorized: Unlimited

Issued and outstanding: 2013...75,522,412 2012...72,211,473

Equity Units

Issued and outstanding: 2013...500,236 2012...500,236

Contributed Surplus

5,171,603

5

Warrants

543,915

Stock options (Note 9)

19,849,225

19

Accumulated deficit

(317,645,497) (302,

Accumulated other comprehensive income (loss)	(2,574)
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Total shareholders' equity (deficit)	(2,933,915)	6
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Total liabilities and shareholders' equity \$ **22,756,769** \$ **28**

The accompanying notes are an integral part of the audited consolidated financial statements.

Approved by the Board of Directors:

s/ Chris D. Mikkelsen

s/ Patrick D. McChesney

GOLD RESERVE INC.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in U.S. dollars)

	For the Years Ended December 31,			January 1, 2010 through December 31, 2013
	2013	2012	2011	
OTHER INCOME (LOSS)				
Interest	\$ 1,146	\$ 15,727	\$ 116,956	\$ 375,999
Litigation settlement	—	1,891,035	—	1,891,035
Gain (loss) on sale of marketable securities	(4,039)	7,373	772,698	1,017,653
Loss on impairment of marketable securities	(178,250)	(433,973)	—	(612,223)
Gain on sale of equipment	—	97,965	1,460,727	1,978,105
Gain on sale of subsidiaries	—	—	—	474,577
Gain on settlement of debt (Note 11)	340	8,089,095	1,304	8,090,739
Foreign currency gain (loss)	4,205	(33,769)	6,829	(44,642)
	(176,598)	9,633,453	2,358,514	13,171,243
EXPENSES				
Corporate general and administrative	3,113,320	6,784,223	6,076,547	19,788,439
Exploration	1,116,339	940,122	1,291,527	3,347,988
Legal and accounting	512,344	1,490,716	518,216	2,967,887
Venezuelan operations	196,196	586,956	1,163,792	3,661,487
Arbitration (Note 3)	3,982,436	3,416,729	6,659,359	20,348,171
Equipment holding costs	913,913	1,037,600	1,669,254	5,187,948
Write-down of machinery and equipment	—	71,166	1,881,959	4,471,921
	9,834,548	14,327,512	19,260,654	59,773,841
Loss before interest expense	(10,011,146)	(4,694,059)	(16,902,140)	(46,602,598)
Interest expense	(5,425,264)	(5,331,042)	(6,710,253)	(24,108,436)
Net loss for the period	\$ (15,436,410)	\$ (10,025,101)	\$ (23,612,393)	\$ (70,711,034)
Net loss per share, basic and diluted	\$ (0.21)	\$ (0.16)	\$ (0.40)	
Weighted average common shares outstanding	74,255,484	61,377,173	59,470,615	

GOLD RESERVE INC.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in U.S. dollars)

	For the Years Ended December 31,			January 1, 2010 through December 31, 2013
	2013	2012	2011	
Net loss for the period	\$ (15,436,410)	\$ (10,025,101)	\$ (23,612,393)	\$ (70,711,034)
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on marketable securities	(396,546)	(256,659)	(403,475)	680,081
Realized (gain) loss included in net loss	4,039	(7,373)	(772,698)	(1,017,653)
Impairment of marketable securities	178,250	433,973	–	612,223
Other comprehensive income (loss)	(214,257)	169,941	(1,176,173)	274,651
Comprehensive loss for the period	\$ (15,650,667)	\$ (9,855,160)	\$ (24,788,566)	\$ (70,436,383)

The accompanying notes are an integral part of the audited consolidated financial statements.

GOLD RESERVE INC.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

For the Years Ended December 31, 2013, 2012 and 2011

(Expressed in U.S. dollars)

	<u>Common Shares and</u> <u>Equity Units</u>				Accumulated Other			
	Common Shares	Equity Units	Contributed Amount	Surplus Warrants	Stock Options	Accumulated Deficit	Comprehensive income (loss)	KSOP Debt
Balance, December 31, 2010	58,769,850	10,236	\$ 5,171,603	-	14,518,570	\$(268,571,593)	\$1,217,915	\$(110,691)
Net loss		243,582,458				(23,612,393)		
Other comprehensive loss							(1,176,173)	
Stock option compensation					2,723,577			
Fair value of options exercised		98,869			(98,869)			
Common shares issued for:								
Option exercises (\$0.16/share avg.)	95,921	15,778						
Services (\$1.83/share avg.)	178,200	326,160						
KSOP allocation								110,691
Balance, December 31, 2011	59,043,970	204,236	23,265	5,171,603	- 17,143,278	(292,183,986)	41,742	-
Net loss						(10,025,101)		
Other comprehensive income							169,941	
Stock option compensation					2,682,742			
Fair value of options exercised		63,137			(63,137)			
	28,437,052							

Common shares issued for:								
Convertible notes restructure	12,412,501	37,185,877						
Option exercises (\$1.56/share avg.)	52,500	81,925						
Services (\$3.03/share avg.)	702,500	2,128,575						
Balance, December 31, 2012	72,211,478	208,348	5,171,603	- 19,762,883	(302,209,087)		211,683	-
Net loss					(15,436,410)			
Other comprehensive loss							(214,257)	
Stock option compensation					594,517			
Fair value of options exercised		508,175			(508,175)			
Fair value of warrants issued			543,915					
Common shares issued for:								
Private placement (\$2.56/share avg.)	1,750,000	4,478,566						
Option exercises (\$0.43/share avg.)	1,560,188	677,718						
Debt settlement (\$2.90/share avg.)	750	2,175						
Balance, December 31, 2013	75,522,450	200,236	\$ 5,171,603	\$ 543,915	19,849,225	\$(317,645,497)	\$(2,574)	\$ -

The accumulated deficit for the period beginning January 1, 2010 was \$70,711,034 and \$55,274,624 as of December 31, 2013 and 2012, respectively.

The accompanying notes are an integral part of the audited consolidated financial statements.

GOLD RESERVE INC.

(An Exploration Stage Enterprise)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. dollars)

	For the Years Ended December 31,			January 1, 2010 through December 31, 2013
	2013	2012	2011	
Cash Flows from Operating Activities:				
Net loss for the period	\$(15,436,410)	\$(10,025,101)	\$ (23,612,393)	\$ (70,711,034)
Adjustments to reconcile net loss to net cash				
used in operating activities:				
Stock option compensation	594,517	2,682,742	2,723,577	6,100,368
Depreciation	15,781	22,806	68,222	239,462
Gain on settlement of debt	(340)	(8,089,095)	(1,304)	(8,090,739)
Gain on sale of equipment	—	(97,965)	(1,460,727)	(1,978,105)
Gain on sale of subsidiaries	—	—	—	(474,577)
Write-down of machinery and equipment	—	71,166	1,881,959	4,471,921
Amortization of premium on marketable debt securities	—	—	—	175,020
Accretion of convertible notes	3,975,719	852,045	1,081,074	6,921,520
Securities received in settlement of litigation	—	(101,482)	—	(101,482)
Net (gain) loss on sale of marketable securities	4,039	(7,373)	(772,698)	(1,017,653)

debt securities

155

Impairment of marketable securities	178,250	433,973	–	612,223
Shares issued for compensation	5,827	2,125,815	1,560,159	4,162,216
Changes in non-cash working capital:				
Net decrease in deposits and advances	10,272	22,269	189,712	314,065

**Net increase
(decrease) in
accounts payable
and accrued
expenses**

	(299,711)	(1,061,430)	442,976	(3,075,018)
Net cash used in operating activities	(10,952,056)	(13,171,630)	(17,899,443)	(62,451,813)
Cash Flows from Investing Activities:				
Proceeds from disposition of marketable securities	8,461	13,645	1,666,751	12,847,644
Purchase of marketable securities	–	–	(698,574)	(1,726,718)
Purchase of property, plant and equipment	(128,285)	(159,138)	(50,478)	(9,834,593)
Proceeds from sales of equipment	–	277,965	16,457,541	25,650,121
Decrease in restricted cash	–	–	–	9,489,777
Deconsolidation of subsidiaries	–	–	–	(1,429,655)
Net cash provided by (used in) investing activities	(119,824)	132,472	17,375,240	34,996,576
Cash Flows from Financing Activities:				
Net proceeds from the issuance of common shares and warrants	5,700,199	81,925	15,778	5,841,563
Restructure fees	–	(2,585,119)	–	(2,585,119)
Settlement of convertible notes	–	(33,787,500)	(683)	(33,788,183)
Net cash provided by (used in) financing activities	5,700,199	(36,290,694)	15,095	(30,531,739)
Change in Cash and Cash Equivalents:				
Net decrease in cash and cash equivalents	(5,371,681)	(49,329,852)	(509,108)	(57,986,976)
Cash and cash equivalents - beginning of period	8,347,518	57,677,370	58,186,478	60,962,813
Cash and cash equivalents - end of period	\$ 2,975,837	\$ 8,347,518	\$ 57,677,370	\$ 2,975,837

The accompanying notes are an integral part of the audited consolidated financial statements.

Note 1. The Company and Significant Accounting Policies:

The Company. Gold Reserve Inc. (the "Company") is engaged in the business of acquiring, exploring and developing mining projects. The Company is an exploration stage company incorporated in 1998 under the laws of the Yukon Territory, Canada and is the successor issuer to Gold Reserve Corporation which was incorporated in 1956. All amounts shown herein are expressed in U.S. dollars unless otherwise noted.

In February 1999 each Gold Reserve Corporation shareholder exchanged its shares for an equal number of Gold Reserve Inc. Class A Common shares except in the case of certain U.S. holders who for tax reasons elected to receive equity units which are comprised of one Gold Reserve Inc. Class B common share and one Gold Reserve Corporation Class B common share and substantially equivalent to a Class A common share.

Going Concern.

As of December 31, 2013, the Company had financial resources comprised of cash and marketable securities totaling approximately \$3.3 million and Brisas Project related equipment, which is being marketed for sale, with an estimated fair value of approximately \$19 million (See Note 7, Property, Plant and Equipment). The Company's financial obligations included convertible notes of \$25.3 million (face value) which as of December 31, 2013, mature in June 2014 and accounts payable and accrued expenses due in the normal course of approximately \$0.7 million.

The Company has no revenue producing operations at this time and its working capital deficiency, cash burn rate and debt maturity schedule required that the Company seek additional sources of funding to ensure the Company's ability to continue its activities in the normal course.

On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes will be amended to be consistent with the New Notes. (See Note 11, Convertible Notes and Note 14, Subsequent Event). In addition, the Company is continuing its efforts to dispose of the remaining Brisas Project related assets, pursue a timely and successful completion of the arbitration claim before ICSID including a possible settlement between the parties and consider other debt and equity funding alternatives as may be required in the future.

Commencing in the quarter ended June 30, 2013, in view of the uncertainties that faced the Company, management concluded that there was substantial doubt about the Company's ability to continue as a going concern. Considering the transaction discussed in Note 14, Subsequent Event, management has concluded that the substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time has been alleviated.

These consolidated financial statements are prepared on a going concern basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due and do not reflect potentially material adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations.

Principles of Consolidation. These audited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles. The statements include the accounts of the Company, Gold Reserve Corporation, four Venezuelan subsidiaries, a Mexican subsidiary and four other subsidiaries which were formed to hold the Company's interest in its foreign subsidiaries or for future transactions. All subsidiaries are wholly owned. All

intercompany accounts and transactions have been eliminated on consolidation. The Company's policy is to consolidate those subsidiaries where control exists. Certain reclassifications have been made to prior year amounts in order to conform to the current year presentation.

Exploration Stage Enterprise. As a result of the expropriation of the Brisas Project by the Venezuelan government, the Company was forced to abandon its development efforts on the project and, in 2009, expensed all capitalized costs associated with its development. The expropriation resulted in the end of the development of the Brisas Project and management considers January 1, 2010 a new inception date of the Company's business of acquiring and exploring other mining projects. Although the Company is in the exploration stage, it is still subject to compliance with ASC 915 which relates to development stage enterprises. ASC 915 requires additional disclosures of development stage enterprises including cumulative amounts from the inception of the Company's business.

Cash and Cash Equivalents. The Company considers short-term, highly liquid investments purchased with an original maturity of three months or less to be cash equivalents for purposes of reporting cash equivalents and cash flows. The cost of these investments approximates fair value. The Company manages the exposure of its cash and cash equivalents to credit risk by diversifying its holdings into major Canadian and U.S. financial institutions.

Exploration and Development Costs. Exploration costs incurred in locating areas of potential mineralization or evaluating properties or working interests with specific areas of potential mineralization are expensed as incurred. Development costs of proven mining properties not yet producing are capitalized at cost and classified as capitalized exploration costs under property, plant and equipment. Property holding costs are charged to operations during the period if no significant exploration or development activities are being conducted on the related properties. Upon commencement of production, capitalized exploration and development costs would be amortized based on the estimated proven and probable reserves benefited. Properties determined to be impaired or that are abandoned are written-down to the estimated fair value. Carrying values do not necessarily reflect present or future values.

Property, Plant and Equipment. Included in property, plant and equipment is certain equipment which was originally purchased for the Brisas project at a cost of approximately \$29 million. The carrying value of this equipment has been adjusted to its estimated fair value of \$19 million and it is not being depreciated. The realizable value of this equipment may be different than management's current estimate.

The Company has additional property, plant and equipment which are recorded at the lower of cost less accumulated depreciation or estimated net realizable value. Replacements and major improvements are capitalized. Maintenance and repairs are charged to expense as incurred. The cost and accumulated depreciation of assets retired or sold are removed from the accounts and any resulting gain or loss is reflected in operations. Depreciation is provided using straight-line and accelerated methods over the lesser of the useful life or lease term of the related asset.

Impairment of Long Lived Assets. The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the expected future net cash flows to be generated from the use or disposition of a long-lived asset (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized and the asset is written down to fair value. Fair value is generally determined by discounting estimated cash flows, using quoted market prices where available or making estimates based on the best information available.

Foreign Currency. The U.S. dollar is the Company's (and its foreign subsidiaries') functional currency. Monetary assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the rates of exchange in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at historical rates and revenue and expense items are translated at average exchange rates during the reporting period, except for depreciation which is translated at historical rates. Translation gains and losses are included in the statement of operations.

Stock Based Compensation. The Company maintains the 2012 Equity Incentive Plan (the "2012 Plan") which provides for the grant of stock options of up to 10% of the issued and outstanding common shares of the Company on a rolling basis. The Company uses the fair value method of accounting for stock options. The fair value of options granted to employees is computed using the Black-Scholes method as described in Note 9 and is expensed over the vesting period of the option. For non-employees, the fair value of stock based compensation is recorded as an expense over the vesting period or upon completion of performance. Consideration paid for shares on exercise of share options, in addition to the fair value attributable to stock options granted, is credited to capital stock. Fair value of restricted stock previously issued as compensation is based on the grant date market value and expensed over the vesting period. The 2012 Plan does not provide for the issuance of restricted stock. The Company also maintains the Gold Reserve Director and Employee Retention Plan. Each Unit granted under the retention plan to a participant

entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A Common Share (1) on the date the Unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. The Company will not accrue a liability for these units until and unless events required for vesting of the units occur. Stock options and Units granted under the respective plans become fully vested and exercisable and/or payable upon a change of control.

Income Taxes. The Company uses the liability method of accounting for income taxes. Deferred tax assets and liabilities are determined based on the differences between the tax basis of assets and liabilities and those amounts reported in the financial statements. The deferred tax assets or liabilities are calculated using the enacted tax rates expected to apply in the periods in which the differences are expected to be settled. Deferred tax assets are recognized to the extent that they are considered more likely than not to be realized.

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Loss Per Share. Net loss per share is computed by dividing net loss by the combined weighted average number of Class A and B common shares outstanding during each year. In periods in which a loss is incurred, the effect of potential issuances of shares under options and convertible notes would be anti-dilutive, and therefore basic and diluted losses per share are the same.

Convertible Notes. Convertible notes are classified as a liability and were initially recorded at their estimated fair value, net of issuance costs. The notes are accreted to their face value using the effective interest rate method over the expected life of the notes, with the resulting charge recorded as interest expense.

Comprehensive Loss. Comprehensive loss includes net loss and other comprehensive income or loss. Other comprehensive loss may include unrealized gains and losses on available-for-sale securities. The Company presents comprehensive loss and its components in the consolidated statements of comprehensive loss.

Financial Instruments. Marketable equity securities are classified as available for sale with any unrealized gain or loss recorded in other comprehensive income. If a decline in fair value of a security is determined to be other than temporary, an impairment loss is recognized. Cash and cash equivalents, deposits and advances are accounted for at cost which approximates fair value. Accounts payable and convertible notes are recorded at amortized cost. The fair value of accounts payable and convertible notes may be less than the carrying value as a result of the Company's credit and liquidity risk.

Contingent Value Rights. Contingent value rights ("CVR") are obligations arising from the disposition of a portion of the rights to future proceeds of an arbitration award against Venezuela and/or the sale of mining data.

Warrants. Common share purchase warrants ("Warrants") issued by the Company entitle the holder to acquire common shares of the company at a specific price within a certain time period. The fair value of warrants issued is calculated using the Black-Scholes method.

Note 2. New Accounting Policies:

In February 2013, the FASB issued Accounting Standards Update 2013-02 which contains requirements regarding the reporting of reclassifications out of accumulated other comprehensive income. The amendments in this update were effective for reporting periods beginning after December 15, 2012 and did not have a significant impact on the Company's financial statements.

Note 3. Expropriation of Brisas Project by Venezuela and Related Arbitration:

In April 2008, after a series of actions which concluded with the revocation of the Company's previously authorized right to develop the Brisas Project, the Venezuelan government expropriated the Brisas Project and also effectively deprived the Company of its ability to further develop the Choco 5 Property.

The Company commenced arbitration in October 2009 by filing a Request for Arbitration under the Additional Facility Rules of the International Centre for Settlement of Investment Disputes ("ICSID"), against the Bolivarian Republic of Venezuela ("Respondent") seeking compensation in the arbitration for all of the losses and damages resulting from Venezuela's wrongful conduct (Gold Reserve Inc. v. Bolivarian Republic of Venezuela (ICSID Case No. ARB(AF)/09/1) (the "Brisas Arbitration")). The Company's claim as last updated in its July 2011 Reply totals approximately \$2.1 billion which includes interest from April 14, 2008 (the date of the loss) to July 29, 2011 (the date of the Company's reply) of approximately \$400 million. The claim, including accrued interest since the loss to the date of the Tribunal's decision, represents the estimated fair market value of the legal rights to develop the Brisas Project and the value of the Choco 5 Property.

The Company is well advanced in the arbitration process. The Tribunal held an oral hearing on the merits with the Parties in February 2012 and the Parties submitted post-hearing briefs in March, May and June 2012 as requested by the Tribunal. In July 2012, the Tribunal issued a procedural order requesting both Parties to submit further expert reports addressing certain valuation issues. The expert initial and reply reports for both Parties were filed May 24 and June 28, 2013, respectively, and on August 5, 2013 the Parties filed final comments on the expert reports. On October 15 and 16, 2013 the Tribunal held an oral hearing focused on the additional expert evidence requested in its previous procedural order. Subsequent to the October oral hearing the Tribunal issued post-hearing procedural instructions and the Parties submitted post-hearing briefs on December 23, 2013.

An ICSID Additional Facility Award is enforceable globally under the New York Convention, an international convention regarding the recognition and enforcement of arbitral awards with over one hundred forty State parties. There are clear, well documented procedures for identifying sovereign assets located in one or more of these Member States and for enforcing arbitral awards by attaching such assets.

The Board of Directors approved a Bonus Pool Plan ("Bonus Plan") in May 2012, which is intended to reward the participants, including named executive officers, employees, directors and consultants, for their past and future contributions including their efforts related to the development of the Brisas Project, execution of the arbitration claim and the collection of an award, if any. The bonus pool under the Bonus Plan will generally be comprised of the gross proceeds collected or the fair value of any consideration realized related to such transactions less applicable taxes times 1% of the first \$200 million and 5% thereafter. Participation in the Bonus Plan vests upon the participant's selection by the Committee of independent directors, subject to voluntary termination of employment or termination for cause. The Company currently does not accrue a liability for the Bonus Plan as events required for payment under the Plan have not yet occurred.

Pursuant to its 2012 debt restructuring, the Company issued a CVR which entitles each note holder participating in the Restructuring to receive, net of certain deductions (including income tax calculation and the payment of current obligations of the Company), a pro rata portion of a maximum aggregate amount of 5.468% of the proceeds actually received by the Company with respect to the Brisas Arbitration proceedings or disposition of the Brisas Project mining data. The proceeds, if any, could be cash, commodities, bonds, shares or any other consideration received by the Company and if such proceeds are other than cash, the fair market value of such non-cash proceeds, net of any required deductions (e.g., for taxes) will be subject to the CVR.

Note 4. Cash and Cash Equivalents:

	December 31, 2013	December 31, 2012
Bank deposits	\$ 1,578,903	\$ 2,981,234
Money market funds	1,396,934	5,366,284
Total	\$ 2,975,837	\$ 8,347,518

At December 31, 2013 and 2012, the Company had cash of approximately \$1,200 and \$9,000 respectively, in Venezuela.

Note 5. Marketable Securities:

	December 31, 2013	December 31, 2012
Fair value at beginning of year	\$ 723,449	\$ 892,271
Acquisitions	-	101,482
Dispositions, at cost	(12,500)	(6,272)
Realized (gain) loss	4,039	(7,373)
Unrealized loss	(396,546)	(256,659)
Fair value at balance sheet date	\$ 318,442	\$ 723,449

The Company's marketable securities are classified as available-for-sale and are recorded at quoted market value with gains and losses recorded within other comprehensive income until realized. Realized gains and losses are based on the average cost of the shares held at the date of disposition. Declines in the fair value of certain securities were determined to be other than temporary and as a result the Company recognized impairment losses of \$178,250 and \$433,973 during the years ended December 31, 2013 and 2012, respectively. As of December 31, 2013 and 2012, marketable securities had a cost basis of \$321,016 and \$511,766, respectively.

Note 6. Fair Value Measurements:

ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: Level 1 inputs are quoted prices in active markets for identical assets or liabilities, Level 2 inputs are inputs other than quoted prices included within Level 1 that are directly or indirectly observable for the asset or liability and Level 3 inputs are unobservable inputs for the asset or liability that reflect the entity's own assumptions. The Company has an equity investment in a privately held exploration-stage mining company which is classified as Level 3. The estimate of the fair value of this investment includes observable inputs being recently completed equity transactions by the held company.

Fair value	Level 1	Level 2	Level 3
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	December 31, 2013			
Marketable securities	\$ 318,442	\$ 271,436	–	\$ 47,006
Convertible notes	\$ 21,773,229	–	\$ 21,773,229	–

Fair value

	December 31, 2012			
		Level 1	Level 2	Level 3
Marketable securities	\$ 723,449	\$ 673,238	–	\$ 50,211
Convertible notes	\$ 18,973,603	–	\$ 18,973,603	–

Note 7. Property, Plant and Equipment:

	Cost	Accumulated Depreciation	Net
December 31, 2013			
Machinery and equipment ¹	\$ 18,985,828	\$ —	\$ 18,985,828
Furniture and office equipment	529,648	(501,190)	28,458
Leasehold improvements	41,190	(41,190)	—
Venezuelan property and equipment	171,445	(157,445)	14,000
Mineral property	275,010	—	275,010
	\$ 20,003,121	\$ (699,825)	\$ 19,303,296
December 31, 2012			
Machinery and equipment ¹	\$ 18,985,828	\$ —	\$ 18,985,828
Furniture and office equipment	526,363	(485,409)	40,954
Leasehold improvements	41,190	(41,190)	—
Venezuelan property and equipment	171,445	(157,445)	14,000
Mineral property	150,010	—	150,010
	\$ 19,874,836	\$ (684,044)	\$ 19,190,792

¹ Represents the estimated net realizable value of equipment previously intended for use on the Brisas Project.

In April 2012 the Company entered into an Option Agreement with Soltoro Ltd. ("Soltoro") whereby Soltoro granted the Company the right to earn an undivided 51% interest in the La Tortuga Property located in Jalisco State, Mexico (the "Soltoro Agreement"). The Soltoro Agreement requires the Company to make aggregate option payments to Soltoro of \$650,000 as well as expend \$3 million on the property over 3 years. At completion of the earn-in a joint venture agreement will be formalized. The Company may subsequently exercise an option to acquire an additional 9% interest in the La Tortuga Property for \$2 million. As of December 31, 2013, the Company had recorded as mineral property a total of \$275,010 in option payments. The remaining option payments are \$150,000 due in April 2014 and \$225,000 due in April 2015. The Company's property, plant and equipment is located in the United States with the exception of mineral property which is in Mexico.

Note 8. KSOP Plan:

The KSOP Plan, adopted in 1990 for the benefit of employees, is comprised of two parts, (1) a salary reduction component, or 401(k) which includes provisions for discretionary contributions by the Company, and (2) an employee share ownership component, or ESOP. Allocation, if any, of common shares or cash to participants' accounts, subject to certain limitations, is at the discretion of the Company's board of directors. The fair market value of the shares when allocated is recorded in the statement of operations with a reduction of the KSOP debt account. Cash contributions for the Plan years 2013, 2012 and 2011 were approximately \$172,000, \$169,000 and \$127,000 respectively. Additionally, in 2011 the Plan allocated common shares valued at \$110,690 to eligible participants.

Note 9. Stock Based Compensation Plans:Equity Incentive Plans

The shareholders approved on June 27, 2012, the 2012 Equity Incentive Plan (the "2012 Plan") to replace the Company's previous equity incentive plans: the 1997 Equity Incentive Plan (the "1997 Plan") and the 2008 Venezuelan Equity Incentive Plan (the "Venezuelan Plan"), both of which were terminated as they relate to future stock option grants. The 2012 Plan permits the grants of stock options of up to 10% of the issued and outstanding common shares of the Company on a rolling basis. As of December 31, 2013 there were 2,159,265 options available for grant. The Company provides newly issued shares to satisfy stock option exercises. The grants are made for terms of up to ten years with vesting periods as required by the TSXV and as may be determined by a committee established pursuant to the 2012 Plan, or in certain cases, by the Company's board of directors.

Share option transactions for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013		2012		2011	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding - beginning of period	6,753,188	\$ 1.77	5,185,188	\$ 1.42	3,178,102	\$ 2.39
Options exercised	(1,560,188)	0.43	(52,500)	1.56	(138,501)	0.93
Options expired	-	-	-	-	(1,521,413)	4.52
Options forfeited	-	-	-	-	(126,000)	1.82
Options granted	250,000	3.00	1,620,500	2.89	3,793,000	1.85
Options outstanding - end of period	5,443,000	\$ 2.21	6,753,188	\$ 1.77	5,185,188	\$ 1.42
Options exercisable - end of period	4,493,000	\$ 2.27	4,568,988	\$ 1.59	2,897,688	\$ 1.07

The following table relates to stock options at December 31, 2013:

Exercise Price Range	Outstanding Options				Exercisable Options			
	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)	Number	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term (Years)
\$1.82 - \$1.82	2,622,500	\$1.82	\$4,222,225	2.01	2,622,500	\$1.82	\$4,222,225	2.01
\$1.92 - \$1.92	950,000	\$1.92	1,434,500	7.44	-	-	-	-
\$2.89 - \$2.89	1,620,500	\$2.89	875,070	3.08	1,620,500	\$2.89	875,070	3.08
\$3.00 - \$3.00	250,000	\$3.00	107,500	4.44	250,000	\$3.00	107,500	4.44

\$1.82 - \$3.00	5,443,000	\$2.21	\$6,639,295	3.39	4,493,000	\$2.27	\$5,204,795	2.53
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During the years ended December 31, 2013 and 2012, the Company granted approximately 0.25 million and 1.6 million options, respectively. The Company recorded non-cash compensation expense during 2013, 2012 and 2011 of \$0.6 million, \$2.7 million and \$2.7 million, respectively, for stock options granted in 2013 and prior periods.

The weighted average grant date fair value of options granted during the years ended December 31, 2013 and 2012 was calculated at \$0.98 and \$1.22, respectively. The fair value of options granted was determined using the Black-Scholes model based on the following weighted average assumptions:

	2013	2012
Risk free interest rate	0.34%	0.29%
Expected term	2.0 years	2.9 years
Expected volatility	59%	65%
Dividend yield	nil	nil

The risk free interest rate is based on the US Treasury rate on the date of grant for a period equal to the expected term of the option. The expected term is based on historical exercise experience and expected post-vesting behavior. The expected volatility is based on historical volatility of the Company's stock over a period equal to the expected term of the option.

Restricted Stock

During the years ended December 31, 2012 and 2011, the Company issued 0.2 million and 0.7 million shares of restricted stock, respectively to employees and directors of the Company. No shares were issued in 2013. The fair value of restricted stock issued as compensation is based on the grant date market value and expensed over the vesting period. The Company recorded non-cash compensation expense during the years ended December 31, 2013, 2012 and 2011 of \$5,827, \$2.1 million and \$1.4 million, respectively, for stock granted in 2012 and prior periods. The issuance of restricted stock is currently not provided for in the 2012 Plan.

Retention Units Plan

The Company also maintains the Gold Reserve Director and Employee Retention Plan. Units granted under the plan become fully vested and payable upon achievement of certain milestones related to the Brisas Project or in the event of a change of control. The Company's Board of Directors has considered, but not acted upon alternative vesting provisions for the units to more adequately reflect the current business objectives of the Company. Each unit granted to a participant entitles such person to receive a cash payment equal to the fair market value of one Gold Reserve Class A Common Share (1) on the date the unit was granted or (2) on the date any such participant becomes entitled to payment, whichever is greater. As of December 31, 2013 an aggregate of 1,457,500 unvested units have been granted to directors and executive officers of the Company and 315,000 units have been granted to other employees. The Company currently does not accrue a liability for these units as events required for vesting of the units have not yet occurred. The minimum value of these units, based on the grant date value of the Class A shares, was approximately \$7.7 million.

Note 10. Shareholder Rights Plan:

The Company instituted a shareholder rights plan (the "Rights Plan") in 1999. Since the original approval by the shareholders, the Rights Plan and the Rights Plan agreement have been amended and continued from time to time. In June 2012, the shareholders approved certain amendments to the Rights Plan including continuing the Rights Plan until June 30, 2015 and providing a one-time exemption of the Large Note Holders (as defined in the Restructuring Agreement) from triggering the Plan as a result of the Restructuring (See Note 11, Convertible Notes). The Rights Plan is designed to give the Board of Director's time to consider alternatives, allow shareholders time to properly assess the merits of a bid and ensure they receive full and fair value for their common shares. One right is issued in respect of each outstanding share. The rights become exercisable only when a person, including any party related to it or acting jointly with it, acquires or announces its intention to acquire 20% or more of the Company's outstanding shares without complying with the "permitted bid" provisions of the Rights Plan. Each right would, on exercise, entitle the holder, other than the acquiring person and related persons, to purchase Class A common shares of the Company at a 50% discount to the market price at the time.

Note 11. Convertible Notes:

In May 2007, the Company issued \$103.5 million aggregate principal amount of senior subordinated convertible notes ("Old Notes"), of which \$102.3 million remained outstanding prior to June 15, 2012. On May 16, 2012, the Company notified the holders of Old Notes that they had the right to require the Company to purchase all or a portion of their Old Notes on June 15, 2012 and that, pursuant to a negotiated agreement with the largest note holders, the Company would pay, in cash, any such notes validly surrendered of which holders of Old Notes elected to surrender approximately \$16.9 million of the Old Notes leaving a remaining balance of approximately \$85.4 million.

Subsequently, in the fourth quarter of 2012, the Company consummated a debt restructuring agreement (the "Restructuring") covering the remaining outstanding debt totaling \$85.4 million. Holders of an aggregate of \$84.4 million of Old Notes elected to participate in the Restructuring and \$1.0 million of Old Notes declined to participate. Pursuant to the Restructuring, the Company paid \$16.9 million cash, issued 12,412,501 Class A common shares, issued modified notes with a face value of \$25.3 million ("Modified Notes") and issued CVR's totaling 5.468% of any future proceeds, net of certain deductions (including income tax calculation and the payment of current obligations of the Company), actually received by the Company with respect to the Arbitration proceedings or disposition of the Brisas Project mining data.

Management considered the relevant fair value measurement guidance as required by generally accepted accounting principles in order to record the debt restructuring transaction based on the fair value of the consideration given to redeem the Old Notes. The carrying value of the Old Notes was \$84.4 million and the fair value of the aggregate consideration given was estimated at approximately \$75.1 million, resulting in a gain on the transaction of approximately \$9.3 million which was recorded in the 2012 consolidated statement of operations net of costs associated with the restructuring transaction. Management's estimate of the fair value of the consideration given included approximately \$16.9 million cash, \$37.9 million of Class A common shares of the Company, \$19.3 million of Modified Notes and \$1.01 million related to the CVR.

The Modified notes were initially recorded at their estimated fair value, net of restructuring costs and are being accreted to their face value using the effective interest rate method over the expected life of the notes (originally estimated to be the maturity date of June 29, 2014- See Note 14, Subsequent Event), with the resulting charge recorded as interest expense.

Carrying value of Modified Notes as of December 31, 2012	\$	18,983,454
Old notes		1,042,000
Total carrying value of convertible notes as of December 31, 2012		20,025,454
Accretion of modified notes during 2013		3,975,719
Debt settlement		(2,515)
Total carrying value of convertible notes as of December 31, 2013	\$	23,998,658

The Modified Notes and Old Notes bear interest at a rate of 5.50% per year, payable semiannually in arrears on June 15 and December 15 and, subject to certain conditions, may be converted into Class A common shares of the Company, redeemed or repurchased. The Company made interest payments of \$1.4 million, \$4.6 million and \$5.6 million during the years ended December 31, 2013, 2012 and 2011, respectively.

The Modified Notes are governed by the terms of a supplemental indenture which includes a maturity date of June 29, 2014 and conversion into 250 shares of Class A common shares per \$1,000 (equivalent to a conversion price of \$4.00 per common share) at any time upon prior written notice to the Company. The Old Notes continue to be governed by the terms of the original indenture which includes a maturity date of June 15, 2022 and conversion into 132.626 shares of Class A common shares per \$1,000 (equivalent to a conversion price of \$7.54 per common share) at any time upon prior written notice to the Company.

The covenants in the indenture and supplement, as amended, relating to both the Modified Notes and the Old Notes are generally limited to administrative issues such as payments of interest, maintenance of office or agency location, delivery of reports and other related issues. Likewise, events of default are defined as failure to pay interest and principal amounts when due, default in the performance of covenants, failure to convert notes upon holder's exercise of conversion rights and similar provisions or the Company's failure to give notice of a fundamental change which is generally defined as events related to a change of control in the Company. The Company is in compliance with all relevant covenants and there have been no events of default.

Note 12. Private Placement:

During the third quarter of 2013, the Company closed a previously agreed to private placement for gross proceeds totaling \$5.25 million. The private placement consisted of 1,750,000 units comprised of one Class A common share and one-half of one Class A common share purchase warrant, with each whole warrant exercisable by the holder for a period of 2 years after its issuance to acquire one Class A common share at a price of \$4.00 per share. An aggregate 1.5 million units were issued to affiliated funds which exercised control or direction over more than 10% of the Company's common shares prior to the private placement and as a result, this portion of the private placement was considered to be a related party transaction. The proceeds were used for general working capital purposes.

The fair value of the warrants issued in the private placement was \$543,915 and was determined using the Black-Scholes model based on the following weighted average assumptions:

Risk free interest rate	0.39%
Expected term	2 years
Expected volatility	55%
Dividend yield	nil

The risk free interest rate is based on the US Treasury rate on the date of grant for a period equal to the expected term of the warrant. The expected term is based on the legal life of the warrant. The expected volatility is based on historical volatility of the Company's stock over a period equal to the expected term of the warrant. As of December 31, 2013, all of the 875,000 whole warrants issued in the private placement remained outstanding.

Note 13. Income Tax:

Income tax expense differs from the amount that would result from applying Canadian tax rates to net loss before taxes. These differences result from the items noted below:

	2013	2012	2011
Income tax benefit based on Canadian tax rates	\$ 3,859,103	\$ 2,506,275	\$ 6,257,284
Increase (decrease) due to:			
Different tax rates on foreign subsidiaries	284,904	623,387	474,459
Non-deductible expenses	(1,419,266)	(2,617,969)	(1,428,111)
Change in valuation allowance and other	(2,724,741)	(511,693)	(5,303,632)
	\$ -	\$ -	\$ -

No current income tax has been recorded by the parent company for the three years ended December 31, 2013. The Company has recorded a valuation allowance to reflect the estimated amount of the future tax assets which may not be realized, principally due to the uncertainty of utilization of net operating losses and other carry forwards prior to expiration. The valuation allowance for future tax assets may be reduced in the near term if the Company's estimate of future taxable income changes. The components of the Canadian and U.S. future income tax assets as of December 31, 2013 and 2012 were as follows:

and accrued expenses

	Future Tax Asset	
	2013	2012
Accounts payable and accrued expenses	\$ 28,507	\$ 33,869
Property, plant and equipment	(3,714)	(5,248)
Total temporary differences	24,793	28,621
Net operating loss carry forward	40,192,459	37,543,580
Alternative minimum tax credit	19,871	19,871
Total temporary differences, operating losses and tax credit carry forwards	40,237,123	37,592,072
Valuation allowance	(40,237,123)	(37,592,072)
Net deferred tax asset	\$ —	\$ —

At December 31, 2013, the Company had the following U.S. and Canadian tax loss carry forwards:

	U.S.	Canadian	Expires
\$	—	\$ 1,623,389	2014
	—	2,023,363	2015
	1,386,674	—	2018
	1,621,230	—	2019
	665,664	—	2020
	896,833	—	2021
	1,435,774	—	2022
	1,806,275	—	2023
	2,386,407	—	2024
	3,680,288	—	2025
	4,622,825	2,456,831	2026
	6,033,603	4,559,558	2027
	4,360,823	17,378,957	2028
	1,769,963	16,470,166	2029
	2,159,079	20,347,975	2030
	3,216,024	22,785,021	2031
	3,041,866	3,181,313	2032
	5,996,915	8,634,130	2033
\$	\$ 45,080,243	\$ 99,460,703	

Note 14. Subsequent Event:

On April 25, 2014, the Company signed a term sheet with its largest Noteholders to extend the maturity date of its \$25.3 million Modified Notes from June 29, 2014 to December 31, 2015 and issue up to \$12 million of New Notes also maturing December 31, 2015. The terms of arrangement are binding subject to TSX Venture Exchange approval. The relevant terms of the Modified Notes (See Note 11, Convertible Notes) will be amended to be consistent with the New Notes. The New Notes and the Modified Notes (as amended from the date of closing) (the "Notes") bear interest at a rate of 11% per year, which will be accrued quarterly and added to the principal. Subject to certain conditions, the then outstanding principal and deferred interest may be converted into Class A common shares of the Company, redeemed or repurchased. The Notes mature on December 31, 2015 and are convertible, at the option of the holder, into 266.67 shares of Class A common shares per \$1,000 (equivalent to a conversion price of \$3.75 per common share) at any time upon prior written notice to the Company. The Company will pay in the case of the New Notes, a fee of 2.5% of the principal in the form of an original issue discount and in the case of the Modified Notes, a cash extension fee of 2.5% of the principal.

The Notes will be senior unsecured, equal in rank and subject to certain terms including: (1) the Mining Data and any Arbitration Award may not be pledged without consent of holders comprising at least 75% in principal amount of Notes; (2) the Company may not incur any additional indebtedness that ranks senior to or pari passu with the Notes in any respect without consent of holders comprising at least 75% in principal amount of Notes; (3) each Noteholder will have the right to participate, on a pro rata basis based on the amount of equity it holds, including equity issuable upon conversion of convertible securities, in any future equity or debt financing; (4) the Notes shall be redeemable on a pro rata basis, by the Company at the Noteholders' option, at a price equal to 120% of the outstanding principal balance plus accrued interest upon the issuance of a final Arbitration Award, with respect to which enforcement has not been stayed and no annulment proceeding is pending; provided the Company shall only be obligated to make a redemption to the extent of the net cash proceeds received are in excess of \$20,000,000, net of taxes and \$13,500,000 to fund accrued and unpaid prospective operating expenses; (5) capital expenditures (including for exploration and related activities) shall not exceed \$500,000 in any 12-month period without the prior consent of holders of a majority of the Notes; and (6) the Company shall not agree with any of the Noteholders to any amendment or modification to any terms of the Notes, provide any fees or other compensation whether in cash or in kind to any holder of the Notes, or engage in the repurchase, redemption or other defeasance of any Notes without offering such terms, compensation or defeasance to all holders of the Notes on an equitable and pro-rata basis.

Management is currently evaluating, pursuant to the relevant accounting guidance, the proposed amendments to the terms of the existing notes, whether such amendments represent a modification or an extinguishment of such debt and how management's conclusions may impact the Company's future accounting results. The transaction is expected to be completed in May 2014.

Corporate Information

Officers and Directors

Rockne J. Timm

Chief Executive Officer and Director

A. Douglas Belanger

President and Director

Robert A. McGuinness

Vice President of Finance and CFO

Mary E. Smith

Vice President of Administration and Secretary

Arturo Rivero

President, Minera Gold Reserve S.A. de C.V.

James H. Coleman

Non-Executive Chairman and Director

and accrued expenses

James P. Geyer

Director

Jean Charles (JC) Potvin

Director

Patrick D. McChesney

Director

Chris D. Mikkelsen

Director

Share Information

Number of Shareholders:

Approximately 8,000

Common Shares Issued April 22, 2014

Class A common - 75,559,911

Equity Units - 500,236

Common Share

Purchase Options - 5,405,500

Securities Listings

Canada - The TSX Venture Exchange: GRZ.V

United States – OTC QB: GDRZF

Transfer Agent

Computershare Trust Company, Inc.

Toronto, Ontario Canada

Providence, RI USA

Registered Agent

Austring, Fendrick & Fairman

Whitehorse, Yukon Canada

Office

and accrued expenses

Corporate

926 W. Sprague Avenue, Suite 200

Spokane, WA 99201

Ph: (509) 623-1500

Fx: (509) 623-1634

Bankers

Bank of America

Spokane, Washington USA

Bank of Montreal

Vancouver, British Columbia Canada

Auditors

PricewaterhouseCoopers LLP

Vancouver, British Columbia Canada

Counsel

Baker & McKenzie LLP

Houston, Texas USA

Caracas, Venezuela

Norton Rose Fulbright

Toronto, Ontario Canada

White & Case LLP

Washington, D.C. USA

Annual Meeting

The 2014 Annual Meeting will be held at 9:30 a.m. on June 10, 2014

Gold Reserve
926 W. Sprague Avenue, Suite 200
Spokane, Washington

Additional information regarding the company may be obtained at www.GoldReserveInc.com