ODYSSEY MARINE EXPLORATION INC
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April 17, 2007

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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant ¨ Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

ODYSSEY MARINE EXPLORATION INC

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which the transaction applies:

(2) Aggregate number of securities to which the transaction applies:

(3) Per unit price or other underlying value of the transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

5215 W. LAUREL STREET

TAMPA, FLORIDA 33607

(813) 876-1776

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 18, 2007

TO THE STOCKHOLDERS OF ODYSSEY MARINE EXPLORATION, INC.:

NOTICE HEREBY IS GIVEN that the Annual Meeting of Stockholders of Odyssey Marine Exploration, Inc., a Nevada corporation (the Company), will be held at the Quorum Hotel Tampa, 700 North Westshore Blvd., Tampa, Florida, on Friday, May 18, 2007, at 9:30 a.m., Eastern Time, and at any and all adjournments thereof, for the purpose of considering and acting upon the following matters:

1. The election of six (6) Directors of the Company to serve until the next Annual Meeting of Stockholders and until their successors have been duly elected and qualified;

2. The transaction of such other business as may properly come before the meeting or any adjournment thereof.

Only holders of the common stock, $.0001 par value, of the Company of record at the close of business on April 2, 2007, will be entitled to notice of and to vote at the Meeting or at any adjournment or adjournments thereof. The proxies are being solicited by the Board of Directors of the Company.

All Stockholders, whether or not they expect to attend the Annual Meeting of Stockholders in person, are urged to sign and date the enclosed Proxy and return it promptly in the enclosed postage-paid envelope which requires no additional postage if mailed in the United States. The giving of a proxy will not affect your right to vote in person if you attend the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

JOHN C. MORRIS, PRESIDENT

Tampa, Florida

April 20, 2007

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ODYSSEY MARINE EXPLORATION, INC.

5215 W. LAUREL STREET

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PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD MAY 18, 2007

ABOUT THE MEETING

The enclosed Proxy is solicited by and on behalf of the Board of Directors of Odyssey Marine Exploration, Inc., a Nevada corporation (the Company), for use at the Company s Annual Meeting of Stockholders to be held at the Quorum Hotel Tampa, 700 North Westshore Blvd., Tampa, Florida, on Friday, May 18, 2007, at 9:30 a.m., Eastern Time, and at any adjournment thereof. It is anticipated that this Proxy Statement and the accompanying Proxy will be mailed to the Company s Stockholders on or about April 20, 2007.

The expense of soliciting proxies, including the cost of preparing, assembling and mailing this proxy material to Stockholders, will be borne by the Company. It is anticipated that solicitations of proxies for the Meeting will be made only by use of the mails; however, the Company may use the services of its Directors, Officers and employees to solicit proxies personally or by telephone, without additional salary or compensation to them. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting materials to the beneficial owners of the Company s shares held of record by such persons, and the Company will reimburse such persons for their reasonable out-of-pocket expenses incurred by them in that connection.

What is the purpose of the Annual Meeting?

At the Annual Meeting, stockholders will act upon the matters outlined in the Notice of Annual Meeting that is attached to this Proxy Statement. These matters include the election of directors and the transaction of any other business that may properly come before the meeting. The Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2006, is being simultaneously mailed to the Company s Stockholders, but does not constitute part of these proxy soliciting materials.

Who is entitled to vote at the meeting?

All voting rights are vested exclusively in the holders of the Company s common stock, $.0001 par value, with each share entitled to one vote. Only stockholders of record at the close of business on April 2, 2007, are entitled to notice of and to vote at the Meeting or any adjournment thereof. On April 2, 2007, the Company had 46,897,833 shares of its common stock outstanding, each share of which is entitled to one vote on all matters to be voted upon at the Meeting, including the election of Directors. Cumulative voting in the election of Directors is not permitted.

How many shares must be present to establish a quorum?

A majority of the Company s outstanding common stock represented in person or by proxy shall constitute a quorum at the Meeting. Shares represented by a properly signed and returned proxy will be treated as present at the annual meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote. Likewise, stock represented by broker non-votes will be treated as present for purposes of determining a quorum. Broker non-votes are proxies with respect to shares held in record name by brokers or nominees, as to which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable national securities exchange rules or the instrument under which it serves to vote such shares on that matter.

How do I vote?

Stockholders may vote in person or by proxy. All shares represented by valid proxies will be voted in accordance therewith at the Meeting. If you are a Stockholder of record you can vote your shares by completing, signing and dating the enclosed proxy card and then mailing it to the Company s transfer agent in the pre-addressed envelope provided. If you hold your shares in street name through a brokerage or other nominee, you will need to obtain a proxy card from the institution that holds your shares. Any person signing and returning a Proxy may revoke it at any time before it is voted by giving written notice of such revocation to the Secretary of the Company at the principal office, or by voting in person at the Meeting.

What is the voting requirement to approve each of the proposals?

The election of directors requires the affirmative vote of a plurality of the votes cast by shares represented in person or by proxy and entitled to vote for the election of directors. This means that the nominees receiving the most votes from those eligible to vote will be elected. You may vote FOR all of the nominees or your vote may be WITHHELD with respect to one or more of the nominees. Accordingly, votes withheld or broker non-votes as to the election of directors will not affect the election of the candidates receiving the plurality of votes.

An affirmative vote of the majority of the shares of common stock represented and entitled to vote at the Meeting, assuming a quorum is present, is necessary for the approval of other matters. For other matters, broker non-votes are not included in the vote totals. If you grant a proxy, the persons named as proxy-holders will have the discretion to vote your shares on any additional matter properly presented for a vote at the Meeting. We are not aware of any other business to be acted upon at the meeting.

ELECTION OF DIRECTORS

The Board of Directors currently consists of six members. The Board of Directors recommends the election as Directors of the six (6) nominees listed below, to hold office until the next Annual Meeting of Stockholders and until their successors are elected and qualified or until their earlier death, resignation or removal. Each of the six current members of the present Board of Directors has been nominated for re-election. The persons named as Proxies in the enclosed form of Proxy will vote the shares represented by all valid returned proxies in accordance with the specifications of the Stockholders returning such proxies. If at the time of the Meeting any of the nominees named below should be unable to serve, which event is not expected to occur, the discretionary authority provided in the Proxy will be exercised to vote for such substitute nominee or nominees, if any, as shall be designated by the Board of Directors.

The following table sets forth the name and age of each nominee for Director, indicating all positions and offices with the Company presently held, and the period during which each person has served as a Director:

Name	**Age**	**Positions and Offices Held and Term as a Director**
John C. Morris	57	Co-Chairman and President and CEO; Director since May 1994
Gregory P. Stemm	49	Co-Chairman and Executive Vice President; Director since May 1994
George Knutsson	68	Director since June 2001
David J. Saul	67	Director since October 2001
George E. Lackman, Jr.	76	Director since November 2002
David J. Bederman	45	Director since January 2006

There is no family relationship between any of the Directors or the Executive Officers of the Company except that John Morris and David Morris, Secretary and Treasurer, are brothers.

All directors will hold office until the next Annual Meeting of the Stockholders. The Board of Directors recommends a vote For the nominees named above.

DIRECTORS AND EXECUTIVE OFFICERS OF THE COMPANY

The following sets forth biographical information as to the business experience of each Executive Officer and Director of the Company for at least the last five years.

John C. Morris served as President and CEO of the Company from May 1994 until November 2005 when he resigned as President and CEO due to the effects of cancer treatment. He has served as Chairman of the Board of Directors of the Company since May 1994 and as Co-Chairman since February 24, 2006. Mr. Morris medical condition improved and he returned to the CEO position on July 1, 2006. In these capacities, Mr. Morris has been responsible for strategic planning, financing, and general execution of our business plan. He has overseen the first deep-water archaeological recovery of a Spanish shipwreck from the 1622 fleet using a remotely operated vehicle and has been instrumental in the planning and execution of the company s current search and recovery operations.

Gregory P. Stemm has served as Executive Vice President and as a member of the Board of Directors since May 1994. He has served as Co-Chairman since February 24, 2006. He is responsible for research and operations on all shipwreck projects. Mr. Stemm has extensive experience in managing shipwreck exploration operations since entering the field in 1986, including deep-ocean search and robotic archaeological excavation on a number of projects. A panelist at the 1998 Law of the Sea Institute, Stemm was appointed for four consecutive terms to the United States delegation to the United Nations Educational, Scientific and Cultural Organization (UNESCO) expert meeting to negotiate the Draft Convention for the Protection of Underwater Cultural Heritage. He was selected as a Fellow of the Explorers Club, and was the founder and past-president of the Professional Shipwreck Explorers Association (ProSEA). Stemm served as a founding director (1986-93) and international president (1992-93) of YEO (Young Entrepreneurs Organization) and was also a founding member of the World Entrepreneurs Organization, where he served on the International Board of Directors (1997-98).

George Knutsson has served as a Director of the Company since June 2001. Mr. Knutsson is Chairman of the Audit Committee. Since 1995, Mr. Knutsson has been the President and Chairman of American Boat Trailer Rental Company, Inc., a provider of boat trailer rentals in the Southeast US. In 1978, he founded Dollar Rental Car of Florida and served as CEO until 1990, when he sold the company. Mr. Knutsson also owned and operated Pirates Cove Marina in the Tampa Bay area from 1984 until he sold it in 1995. From 1995 to 1999, he was the co-founder and Chief Financial Officer of Pro-Tech Monitoring, which uses patented GPS/cellular technology in the monitoring and tracking of felons worldwide. He received his Bachelors degree from the University of Florida and a MBA from the University of South Florida.

Dr. David J. Saul, who is retired, has served as a member of the Company s Board of Directors since October 2001. Dr. Saul is Chairman of the Governance Committee. Dr. Saul was Bermuda s Minister of Finance from 1989 to 1995, and Premier of Bermuda from 1995 to 1997. In addition to his political background, Dr. Saul held two senior posts with Fidelity Investments, from 1984 through 1995, as the President of Fidelity Bermuda and Executive Vice President of Fidelity International. He retired from the firm in 1999, but remains a Director of Fidelity s main international Board, and a Director of some 40 other Fidelity Companies around the world - including the U.K., Bermuda, Jersey, Tokyo, Hong Kong, Cayman Islands, Luxembourg and Taiwan. Dr. Saul s professional activities include two stints as a Director of the Bermuda Monetary Authority (Bermuda s Central Bank) and he currently serves as a Director of Lombard Odier Darier Trust Ltd. (Bermuda), a subsidiary of the Swiss Bank, and a Director of the London Steam Ship Owners Mutual Insurance Association (Bermuda) Ltd. A keen oceanographer with a passion for shipwrecks and the sea, he is a founding Trustee of the Bermuda Underwater Exploration Institute, and a founding Director of the Professional Shipwreck Explorers Association.

George E. Lackman Jr., who is retired, has served as a member of the Company s Board of Directors since November 2002, and brings experience from his distinguished career in banking, business operations, shipbuilding, international business and public service to Odyssey Marine Exploration. Mr. Lackman is past Chairman of the Compensation Committee. Mr. Lackman was founding Chairman and President of Citrus Park Bank, which was sold to Florida National Bank in 1985. At Florida National, he served as head of Retail Banking, Business Banking and Commercial Banking for the Tampa area. After the merger of Florida National and First Union National Bank, he started First Union s first Private Banking Program in the Tampa area. He retired from First Union as Vice President of Corporate Development. Mr. Lackman spent 25 years in the shipyard business, including service as Vice President of Tampa Ship Repair and Dry Dock Company, Tampa s largest shipyard. He was President of Nutri-Sol Chemical Company, Marine Insulation Company, Corban Industries and Acetogen Gas Company of Florida. Mr. Lackman s international experience spans service as President of an International Investment Group, Chairman of the Tampa Chamber of Commerce International Board and as President/Chairman of the Tampa Bay International Business Council. He also served as an Advisor to the Central American Banks. Mr. Lackman s extensive public and community service includes service to and leadership of many health care organizations and he served fourteen years on the Board of Tampa General Hospital including two years as Chairman. He was especially active in groups working to reduce infant mortality and increase prenatal care. Two Florida Governors have called on Mr. Lackman to serve on various health care and community service groups.

Dr. David J. Bederman joined the Board of Directors in January 2006. Dr. Bederman has been a professor of law at Emory University in Atlanta, Georgia since 1991. At Emory University, Professor Bederman teaches in the areas of international law, admiralty law, and constitutional law. He is widely published in many areas of international law. He also has an outside law practice. In his practice, he has been involved with many cases involving maritime law and shipwreck disputes, and has represented clients in the federal courts of appeals and the U.S. Supreme Court. He has served as a legal advisor to Odyssey since 1998.

George J. Becker Jr. (age 72), joined Odyssey as Chief Operating Officer during April 2002, and became Executive Vice President in June 2004. He also serves as President of Odyssey Marine Entertainment, Inc. a wholly owned subsidiary which was founded in February 2005. From 1992 until April 2002, Mr. Becker was the President of George J. Becker Jr. & Associates, consultants to companies in the leisure, themed attraction and hospitality industries. Mr. Becker is a senior executive with thirty years experience in major leisure industry profit center development, management, marketing, staffing and operations. For twenty-two years, Mr. Becker was involved in the development and management of the Sea World marine life parks in the United States and served at various times in several positions including as the former Executive Vice President of Sea World Inc., Chairman and Chief Executive Officer, Sea World of Texas, President and Chief Executive Officer of Sea World of California and President and Chief Executive Officer of Sea World of Florida. In 1997 Mr. Becker became President of Entercitement LLC. He led the creative concept and design of a proposed theme park in Indianapolis, Indiana. Park development was stopped in 1998 due to a lack of financing and Mr. Becker resigned in 1999 from Entercitement. Mr. Becker has been recognized as a tourism leader for his work in several regions of the country. A skilled new business developer and team builder, Mr. Becker is known for creating viable management teams, achieving excellent productivity and harmony between employees of widely divergent skills and personalities. Becker has been active in a number of national, regional and state visitor organizations. He served as Executive Director of the Florida Tourism Commission. In 1983, he was President of the Florida Chamber of Commerce and in 1984 he chaired Governor Bob Graham s Commission on Public Facility Financing.

Michael J. Holmes (age 57), joined Odyssey as Controller in March 2004, and became Chief Financial Officer in May 2004. Mr. Holmes has served in a variety of subsidiary financial management positions with Anheuser-Busch Companies, Inc. to include Vice President Finance, Sea World Orlando from February 1998 to May 2003; Vice President Finance, Busch Gardens Tampa Bay; Corporate Controller, Metal Container Corp in St Louis; Vice Finance & CFO, Exploration Cruise Lines in Seattle, Washington; and Director Internal Audit Services for Anheuser-Busch in St Louis. Mr. Holmes received his undergraduate degree from the University of Missouri and his MBA from Crummer Graduate School of Business at Rollins College in Orlando. Mr. Holmes has also served as an adjunct professor of Accounting at the Rosen School of Hospitality Management, University of Central Florida in Orlando from August 2003 to March 2004. He has been very active in community leadership positions to include past board membership on the Orlando Regional Chamber of Commerce, Crummer Graduate School of Business Alumni Board, the ETC of Central Florida (International Drive Transportation Group) and Junior Achievement of Tampa Bay. He is a graduate of Leadership Tampa.

David A. Morris (age 56), has served as Secretary and Treasurer of the Company since August 1997. Mr. Morris graduated with a Bachelor of Science degree in Mechanical Engineering from Michigan State University in 1974. In his capacity with the Company Mr. Morris coordinates administrative business activities, assists with financial reporting and participates in overall corporate planning.

Davis D. Howe (age 48), joined Odyssey Marine Exploration as Chief Operating Officer in July 2004. Mr. Howe has assisted several public companies transition from the developmental and early revenue generating stages to successful operational companies maximizing revenues and earnings. He held senior management positions including Senior Vice President of Operations at Intermedia from July 2000 to October 2001, Senior Vice President of Service and Operations at Aerial Communications which merged with VoiceStream and Omnipoint from November 1998 to June 2000, and Director of Process Improvement at Nextel Communications from June 1996 to October 1998. Mr. Howe has been instrumental in developing strong organizational structure for companies requiring cross-departmental improvement.

Jay A. Nudi (age 43), has served as Principal Accounting Officer of the Company since January 2006. Mr. Nudi has been with the Company since May 2005 as Corporate Controller and has over 15 years of accounting and management experience. Mr. Nudi is a certified public accountant. Prior to joining the Company, Mr. Nudi served as Controller for The Axis Group in Atlanta where he began in 2003. The Axis Group provides logistic solutions and services to the automotive industry. From 2001 to 2003, he served as a consultant to various companies on specific value added tasks. From 2000 to 2001, Mr. Nudi was Director of Financial Reporting for OneSource, Inc., a leading provider of facilities management. From 1997 to 2000, he served as Corporate Controller for Acsys, Inc., a national recruiting firm that was publicly-held until it was acquired in 2000. Mr. Nudi received a BS degree in Accounting from Penn State University in 1985.

Mark D. Gordon (age 46), has been with the Company since June 2005 as Director of Business Development. He was appointed Executive Vice President of Sales in January 2007. In this capacity Mr. Gordon oversees the Attraction, Business Development and Retail Merchandising operations for the Company. Prior to joining the Company he owned and managed four different entrepreneurial ventures from 1987 to 2003 including Synergy Networks which he sold to the Rockefeller Group in 2003. Mr. Gordon founded Synergy Networks in May 1993 and served as CEO until September of 2003. He subsequently served as President of Rockefeller Group Technology Services Mid Atlantic (RGTSMA), a member of Rockefeller Group International, from September 2003 to December 2005. In 1998 Mr. Gordon founded and served as the first Chairman of 1NService. 1NService is a Cooperative Corporation that was formed to provide a structured forum for business owners in the I.T. Services industry to exchange best practices in order to help accelerate the growth of their individual companies. Mr. Gordon served as Chairman from August 1998 until August 2000 and remained a member of the Board of Directors of 1NService from August 2000 until June 2005. From January 2005 through June 2005 Mr. Gordon worked as an independent consultant to the Company. Mr. Gordon received a B.S./Business Administration in 1982 and MBA in Finance in 1983 from the American University.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of March 15, 2007, the stock ownership of each person known by the Company to be the beneficial owner of five percent or more of the Company s Common Stock, each Officer and Director individually and all Officers and Directors of the Company as a Group.

Beneficial ownership is determined in accordance with the rules of the SEC, based on factors including voting and investment power with respect to shares. Percentage of beneficial ownership is based on the number of shares of Common Stock outstanding as of March 15, 2007. Shares of Common Stock issuable upon conversion of Convertible Preferred Stock, or the exercise of stock options or warrants currently exercisable, or exercisable within 60 days after March 15, 2007, are deemed outstanding for the purpose of computing the percentage ownership of the person holding such shares, options or warrants, but are not deemed outstanding for computing the percentage ownership for any other persons.

Name of Beneficial Owner	Amount of Beneficial Ownership	Percentage of Class
Gregory P. Stemm 5215 W. Laurel St. Tampa, FL 33607	2,091,241(1)	4.4%
John C. Morris 5215 W. Laurel St. Tampa, FL 33607	1,746,562(2)	3.7%
David J. Saul 5215 W. Laurel St. Tampa, FL 33607	581,003(3)	1.2%
David A. Morris 5215 W. Laurel St. Tampa, FL 33607	530,866(4)	1.1%
George E. Lackman, Jr. 5215 W. Laurel St. Tampa, FL 33607	182,900(5)	*
George J. Becker, Jr. 5215 W. Laurel St. Tampa, FL 33607	211,640(6)	*
George Knutsson 5215 W. Laurel St. Tampa, FL 33607	162,000(7)	*
Michael J. Holmes 5215 W. Laurel St. Tampa, FL 33607	135,926(8)	*
Davis D. Howe 5215 W. Laurel St. Tampa, FL 33607	135,926(9)	*
Jay A. Nudi 5215 W. Laurel St. Tampa, FL 33607	57,314(10)	*
David J. Bederman 5215 W. Laurel St. Tampa, FL 33607	8,060(11)	*
Mark D. Gordon 5215 W. Laurel St. Tampa, FL 33607	40,742(12)	*
All Officers and Directors as a group (12 persons)	5,884,180	12.2%
Fortress Investment Holdings, LLC 1345 Avenue of the Americas 46th Floor New York, NY 10105	4,793,059(13)	9.9%
Drawbridge Global Macro Master Fund Ltd. 1345 Avenue of the Americas 46th Floor New York, NY 10105	4,816,059(14)	9.9%
GLG Partners LP 1 Curzon Street London W1J 5HB	4,858,600(15)	9.9%

GLG North American Opportunity Fund 1 Curzon Street London W1J 5HB	3,796,700(16)	7.7%

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* Represents less than 1% beneficial ownership

(1) Includes 762,909 shares held by Greg and Laurie Stemm; 1,122,559 shares held by Adanic Capital, Ltd., a limited partnership for which Greg Stemm serves as general partner; and 205,773 shares underlying currently exercisable stock options. Mr. Stemm has pledged 500,000 shares of the Company s common stock as collateral for a personal loan.

(2) Includes 1,580,789 shares and 165,773 shares underlying currently exercisable stock options held by John Morris. Mr. Morris has pledged 500,000 shares of the Company s common stock as collateral for a personal loan.

(3) Includes 523,003 shares held by David J. Saul and his wife Christine, and 58,000 shares underlying currently exercisable stock options held by David J. Saul.

(4) Includes 320,033 shares and 210,833 shares underlying currently exercisable stock options held by David A. Morris.

(5) Includes 124,900 shares and 58,000 shares underlying currently exercisable stock options held by George E. Lackman, Jr.

(6) Includes 100,807 shares and 110,833 shares underlying currently exercisable stock options held by George J. Becker, Jr.

(7) Includes 129,000 shares and 33,000 shares underlying currently exercisable stock options held by George Knutsson.

(8) Includes 19,259 shares and 116,667 shares underlying currently exercisable stock options held by Michael J. Holmes.

(9) Includes 19,259 shares and 116,667 shares underlying currently exercisable stock options held by Davis D. Howe.

(10) Includes 6,481 shares and 50,833 shares underlying currently exercisable stock options held by Jay A. Nudi.

(11) Includes 8,060 shares held by David J. Bederman.

(12) Includes 10,742 shares and 30,000 shares underlying currently exercisable stock options held by Mark D. Gordon.

(13) Includes 3,091,059 shares of Common Stock and 1,510,000 shares issuable upon the conversion of Series D Convertible Preferred Stock (Series D Preferred Stock) held by Drawbridge Global Macro Master Fund Ltd and 192,000 shares of Common Stock held by Drawbridge Investment Partners. Each share of Series D Preferred Stock is convertible into one share of common stock. Excluded from the computation of beneficial ownership are 940,000 shares issuable upon the conversion of Series D Preferred Stock and 1,440,000 shares issuable upon the exercise of warrants for Series D Preferred Stock held by Drawbridge Global Macro Master Fund Ltd. The shares are excluded due to a provision that such shares cannot be converted into Common Stock if the conversion would increase the beneficial ownership of the holder above 9.9%. Fortress Investment Holdings, LLC has indirect investment control over the shares beneficially owned by Drawbridge Global Macro Master Fund Ltd and Drawbridge Investment Partners. Michael E. Novogratz, Kevin J. Treacy, and Scott M. Lawin, the Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer, respectively, of Drawbridge Global Macro Master Fund Ltd., have the power to vote or to dispose of these shares.

(14) Includes 3,091,059 shares of Common Stock and 1,725,000 shares issuable upon the conversion of Series D Convertible Preferred Stock (Series D Preferred Stock) held by Drawbridge Global Macro Master Fund Ltd. Each share of Series D Preferred Stock is convertible into one share of common stock. Excluded from the computation of beneficial ownership are 725,000 shares issuable upon the conversion of Series D Preferred Stock and 1,440,000 shares issuable upon the exercise of warrants for Series D Preferred Stock held by Drawbridge Global Macro Master Fund Ltd. The shares are excluded due to a provision that such shares cannot be converted into Common Stock if the conversion would increase the beneficial ownership of the holder above 9.9%. Fortress Investment Holdings, LLC has indirect investment control over the shares beneficially owned by Drawbridge Global Macro Master Fund Ltd as described in Note (13). Michael E. Novogratz, Kevin J. Treacy, and Scott M. Lawin, the Chief Executive Officer, Chief Financial Officer, and Chief Operating Officer, respectively, of Drawbridge Global Macro Master Fund Ltd., have the power to vote or to dispose of these shares.

(15) Includes 2,668,600 shares of common stock and 2,190,000 shares issuable upon the conversion of Series D Preferred Stock held by GLG Partners LP, GLG North American Opportunity Fund and certain other funds, collectively the GLG Funds named below. Each share of Series D Preferred Stock is convertible into one share of common stock. GLG Partners LP serves as the Investment Manager for the GLG Funds, and GLG Partners Limited is the General Partner of GLG Partners LP. Excluded from beneficial ownership are 60,000 shares of Series D Preferred Stock and 1,200,000 shares issuable upon the exercise of warrants for the purchase of Series D Preferred Stock due to a provision that the Series D Preferred Stock cannot be exercised to the extent that it would increase the beneficial ownership of the holder above 9.9%. The GLG Funds are GLG North American Opportunity Fund which holds more than 5% of the outstanding common stock as detailed in Note 15; GLG Capital Appreciation Fund; GLG North American Equity Fund; GLG Investments IV PLC Capital Appreciation (Distributing) Fund; The Century Fund SICAV; Pleiade SICAV Pleiade Actions Amerique du Nord; GLG Balanced Fund; GLG LYXOR North American Opportunity Fund; GLG Global Aggressive Fund; GLG European Long-Short Fund. Mr. Noam Gottesman, Mr. Pierre Lagrange and Mr. Emmanuel Roman each a Managing Director of GLG Partners LP have the power to vote or to dispose of the shares held in the GLG Funds.

(16) Beneficial ownership of GLG North American Opportunity Fund with respect to the shares held by it consists of 1,451,700 shares of common stock, 1,225,000 shares issuable upon conversion of Series D Preferred Stock and 1,120,000 shares of Series D Preferred Stock issuable upon exercise of warrants. GLG Partners LP is the Investment Manager and a beneficial owner of the shares held by GLG North American Opportunity Fund as described in Note (14).

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company during the fiscal year ended December 31, 2006, and Form 5 and amendments thereto furnished to the Company with respect to the fiscal year ended December 31, 2006 and certain written representations, no persons who were either a Director, Officer or beneficial owner of more than 10% of the Company s Common Stock, failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the fiscal year ended December 31, 2006.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Policy on Review, Approval or Ratification of Transactions with Related Parties

On March 6, 2007, our Board of Directors adopted the following policy governing transactions with related parties.

Transactions involving related parties present a risk to us of being improperly valued or of exposing us to conflicts of interest. To reduce the potential for these risks the Board has adopted this policy which must be followed in connection with all related party transactions involving us or our subsidiaries when the dollar amount of the transaction or a series of similar related transactions exceeds or is expected to exceed $120,000 during a fiscal year. All completed or proposed related party transactions are to be reported to the Company s Disclosure Committee no later than the end of the current quarter and the Committee will present the transactions or proposed transactions to the Board of Directors for review, ratification or approval.

Related party transactions may be entered into or continued only if approved as follows:

If the related party transaction is in the normal course of our business and is (a) entered into on terms no less favorable to us than those generally being provided to or available for unrelated third parties, or (b) is fair to us in taking into account the totality of the relationships between the parties involved including other transactions that may be particularly favorable or advantageous to us, then the CEO or CFO may approve the transaction, provided the approving individual is not a party to the transaction. Such transactions will then be presented to the disinterested members of the Board of Directors for ratification.

Any other related party transaction may only be approved by a majority of the disinterested Board of Directors.

Prior to this, related party transactions were reviewed by the Board of Directors as these transactions were contemplated or occurred.

Related Party Transactions

Since January 1, 2006, none of our officers, directors, and beneficial owners have entered into related party transactions with the Company. The following described transaction could cause a future related party arrangement.

On December 9, 2002, a Georgia limited liability company acquired rights from an unrelated third party through a foreclosure sale to receive 5% of post finance cost proceeds, if any, from shipwrecks that we may recover within a predefined search area of the Mediterranean Sea. The shipwreck we believe to be HMS Sussex is located within this search area. John Morris and Greg Stemm, two of our officers and directors had member interests of 32% and 28% respectively, in the limited liability company until they sold their interests to an unrelated third party in 2005, upon the recommendation of the Board of Directors. In the event that political interference precludes the recovery efforts of the project, the officers could be required to buy back their interests.

CODE OF ETHICS

The Company has adopted a Code of Ethics that applies to, among others, its principal executive, financial and accounting officers, and other persons, if any, performing similar functions. Our Code of Ethics can be obtained from the Company, without charge, by written request to the Chief Financial Officer at the Company s address and is posted on the Company s Internet website (www.shipwreck.net).

CORPORATE GOVERNANCE

Board of Directors and Executive Officers

The Company s Board of Directors held eleven (11) meetings during the fiscal year ended December 31, 2006. Each Director attended at least 75% of the aggregate number of meetings held by the Board of Directors and its Committees during the time each such Director was a member of the Board or of any Committee of the Board.

Directors standing for election are expected to attend the Annual Meeting of Stockholders. All of the six directors standing for election at the 2006 Annual Meeting of Stockholders attended the meeting.

The Company s executive officers hold office until the next annual meeting of directors of the Company, which currently is scheduled for May 18, 2007. There are no known arrangements or understandings between any director or executive officer and any other person pursuant to which any of the above-named executive officers or directors was selected as an officer or director of the Company.

No event occurred during the past five years which is material to an evaluation of the ability or integrity of any Director or person nominated to be Director or Executive Officer of the Company.

Independence of Board Committee Members

The Company has four directors, David J. Bederman, George E. Lackman, Jr., George Knutsson, and David J. Saul, who are independent directors as defined in Section 803 of the listing standards of the American Stock Exchange. The Board of Directors affirmatively determined on March 6, 2007, that each of the four independent directors continues to meet the standards for independence established by the American Stock Exchange.

Audit Committee Financial Expert

The Board of Directors has determined that Mr. Knutsson is an audit committee financial expert as defined in Item 407(a) of Regulation S-K, pursuant to the fact that, among other things, he was founder and Chief Financial Officer of Pro-Tech Monitoring and in that capacity has acquired the relevant experience and expertise and has the attributes set forth in the applicable rules in order to constitute him as an audit committee financial expert.

Committees of the Board

<u>Governance Committee</u>

The Governance Committee was established May 26, 2004, and presently consists of David J. Saul, Chairman, George Knutsson, George E. Lackman, Jr. and David J. Bederman. The purpose of the Governance Committee is to i) identify individuals qualified to become members of the Board of Directors; ii) recommend individuals to the Board as director nominees and recommend Directors to serve as members of Board committees; iii) develop and recommend to the Board a set of Corporate Governance guidelines; iv) manage the Board s internal affairs, and v) be responsible for reassessing the overall effectiveness of the Board. A copy of the Governance Committee Charter was attached to Odyssey s proxy statement for the Annual Meeting held February 25, 2005 (a copy of which is available on our website at www.shipwreck.net). During the fiscal year ended December 31, 2006, the Governance Committee held two (2) meetings.

The Governance Committee has not established any minimum qualifications for persons to be considered for nomination, but will be guided by the following criteria, that the individual be of the highest character and integrity; be free of any conflict of interest that would violate any applicable law or regulation or interfere with proper performance of the responsibilities of a Director; possess substantial and significant experience that would be of particular importance to the Company in the performance of the duties of a Director; have sufficient time available to devote to the affairs of the Company; and have a desire to represent the balanced best interests of the Stockholders as a whole.

Stockholders who wish to recommend persons to the Governance Committee should submit a letter addressed to the Chairperson of the Governance Committee no later than 120 days prior to the date of the next Annual Meeting of Stockholders that sets forth the name, age, and address of the person recommended for nomination; the principal occupation or employment of the person recommended for nomination; a statement that the person is willing to be nominated and will serve if elected; and a statement as to why the Stockholder believes that the person should be considered for nomination for election to the Board of Directors and how the person meets the criteria to be considered by the Committee described above.

Audit Committee

The Audit Committee presently consists of George Knutsson, Chairman, David J. Saul, George E. Lackman, Jr., and David J. Bederman, who are independent directors (as defined in Section 803 of the listing standards of the American Stock Exchange). Mr. Knutsson serves as the Audit Committee Financial Expert. The Audit Committee assists the Board of Directors in fulfilling its responsibilities to stockholders concerning the Company s financial reporting and internal controls. It also facilitates open communication between the Audit Committee, Board of Directors, Odyssey s independent registered public accounting firm and management. The Audit Committee is responsible for reviewing the audit process and evaluating and retaining the independent registered public accountants. The independent registered public accounting firm meets with the Audit Committee to review and discuss various matters pertaining to the audit, Odyssey s financial statements, the report of the independent registered public accounting firm on the results, scope and terms of their work, and their recommendations concerning the financial practices, controls, procedures and policies employed by Odyssey. The Audit Committee is charged with the treatment of complaints for the confidential, anonymous submission by employees of Odyssey of concerns regarding questionable accounting or auditing matters. The Board of Directors has adopted a written charter for the Audit Committee, a copy of which was attached to Odyssey s proxy statement for the Annual Meeting held on February 25, 2005. A copy of the charter is also available on the Company s website at www.shipwreck.net. During the fiscal year ended December 31, 2006, the Audit Committee held four (4) regular meetings and four (4) private sessions with auditors. The report of the Audit Committee is included in this proxy statement.

Compensation Committee

The Company has a standing Compensation Committee (the Compensation Committee) of the Board of Directors. The Compensation Committee presently consists of David J. Bederman, Chairman, George E. Lackman, Jr., George Knutsson, and David J. Saul, who are independent directors (as defined in Section 803 of the listing standards of the American Stock Exchange). In April 2005, the Board of Directors adopted a charter for the Compensation Committee. A copy of the charter is available on our website at www.shipwreck.net. The Compensation Committee reviews and recommends to the Board compensation plans, policies and benefit programs for employees including stock options, distribution of stock in any form, bonuses, and termination agreements. The Committee reviews the compensation arrangements for our executive officers and directors and makes recommendations to the Board of Directors. During the fiscal year ended December 31, 2006, this Committee held five (5) meetings. The Compensation Committee s report on 2006 executive compensation is included in this proxy statement.

Compensation Committee Interlocks and Insider Participation

There were no interlocks or other relationships among our executive officers and directors that are required to be disclosed under applicable executive compensation disclosure requirements.

Stockholder Communications with the Board of Directors

Stockholders wishing to contact the Board of Directors or specified members or committees of the Board should send correspondence to the Corporate Secretary, Odyssey Marine Exploration, Inc., 5215 W. Laurel Street, Tampa, Florida 33607. All communications so received from stockholders of the Company will be forwarded to the members of the Board of Directors, or to a specific Board member or committee if so designated by the stockholder. A stockholder who wishes to communicate with a specific Board member or committee should send instructions asking that the material be forwarded to the Director or to the appropriate committee chairman. All stockholders are also encouraged to communicate directly with both Officers and Directors regarding issues affecting the Company at the Annual Meeting of Stockholders.

Report of the Audit Committee

The Company has a standing Audit Committee (the Audit Committee) of the Board of Directors. The Audit Committee currently consists of Messrs. Knutsson, Saul, Lackman and Bederman who are independent directors (as defined in Section 803 of the listing standards of the American Stock Exchange). In January 2003, the Audit Committee adopted a charter which was amended by the Board of Directors on May 26, 2004 and revised in February, 2005. A copy of the amended charter was attached to Odyssey s proxy statement for the Annual Meeting of Stockholders held on February 25, 2005. A copy of the amended charter is also available on our website at www.shipwreck.net. The Audit Committee, on behalf of the Board, oversees the Company s accounting and financial reporting process. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management and the outside auditors the audited financial statements and the footnotes thereto in the Company s quarterly reports on Form 10-Q and annual report on Form 10-K for the fiscal year ended December 31, 2006. The Committee discussed with management and the outside auditors, qualitative aspects of financial reporting in the accounting principles, the reasonableness of significant judgments, and the clarity of the disclosures in the financial statements to the Stockholders. In addition, the Audit Committee is responsible for the engagement of the Company s independent public accountants and the scope of their work. The Audit Committee held eight (8) meetings in the fiscal year ended December 31, 2006: Four private executive meetings with the outside auditors and four regular Audit Committee meetings.

The Company s outside independent public accountants, Ferlita, Walsh & Gonzalez, P.A., are responsible for expressing an opinion on the conformity of the Company s audited financial statements in all material respects, to accounting principles generally accepted in the United States. The Audit Committee reviewed and discussed with the independent public auditors their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed by the Audit Committee with the Company s independent public auditors under Statement on Auditing Standards 61, as amended by SAS 90. The Company s independent public accountants have expressed the opinion that the Company s audited financial statements conform, in all material respects, to accounting principles generally accepted in the United States. The independent public auditors have full and free access to the Audit Committee.

The Audit Committee Chairman discussed with the Company s independent public accountants their independence from management and the Company, and received from them the written disclosures and the letter concerning the independent accountants independence required by the Independence Standard Board Standard No. 1. In addition, the Audit Committee in a private executive session inspected and reviewed the PCAOB audit of our independent auditors. The results were favorable in all respects. The Audit Committee Chairman was one of four Audit Chairmen in the United States selected to participate in the panel Discussion on Effective Communication with Audit Committees held in Washington, D.C. by the Public Company Accounting Oversight Board (PCAOB). The PCAOB was created in 2002 for the purpose of Standards Setting for the Accounting Profession.

The Audit Committee Chairman discussed with the Company s independent public auditors the overall scope and plans of the audit. The Audit Committee met with the independent public auditors to discuss the results of their audit, their evaluations of the Company s internal controls and the overall quality of the Company s financial reporting.

In reliance on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2006, for filing with the Securities and Exchange Commission. The Audit Committee also selected Ferlita, Walsh & Gonzalez, P.A. to serve as the Company s independent public accountants for the year ending December 31, 2007.

Members of the Audit Committee

George Knutsson, Chairman	David J. Bederman
David J. Saul	George E. Lackman, Jr.

Report of the Compensation Committee

The Compensation Committee of the Board of Directors has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of SEC Regulation S-K with management. Based upon our review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the registrant s Proxy Statement on Schedule 14A.

Members of the Compensation Committee

David J. Bederman, Chairman	David J. Saul
George E. Lackman, Jr.	George Knutsson

EXECUTIVE COMPENSATION

The Company does not currently have Executive Employment Agreements in effect with any of its Named Executive Officers. The Compensation Committee is considering instituting contracts for certain Named Executive Officers.

Compensation Discussion and Analysis (CD&A)

Oversight of Executive Compensation Plan

The Compensation Committee of our Board of Directors oversees our executive compensation program. This includes compensation paid to our chief executive officer and all other officers named in the Summary Compensation Table. Our Compensation Committee is made up of independent, non-management members of our Board of Directors. During 2005, our Compensation Committee, which then consisted of George E. Lackman, Jr., George Knutsson, and David J. Saul, engaged Krys Boyle, P.C., our independent outside counsel, to begin the task of establishing a formal compensation plan for our executive officers and department heads. The Committee hired AON Consulting, Inc. to provide a framework and peer group analysis for a total compensation program. The group met regularly with Michael J. Holmes, our chief financial officer, to review and refine the details of the plan.

General Executive Compensation Philosophy

We adopted a compensation program designed to attract, motivate and retain senior management, to drive business success and create long-term stockholder value. We compensate our executive officers with base salary, annual incentive compensation and long-term equity compensation planned to be competitive with other similar employers and to align our executive officers with the financial interest of our Stockholders. We have designed our compensation program to balance short-term and long-term financial objectives, to encourage building stockholder value and to reward individual and company performance. We target base salary at levels to attract and retain qualified individuals, to encourage long-term commitments and to discourage turnover of key personnel. Annual incentive compensation is paid to reward executives for company and personal achievement. The long-term equity component of compensation is designed to encourage our executives to think like stockholders by taking a long-term interest in the financial success of the company and to encourage retention through vesting provisions of long-term incentives. We also make incentive compensation a greater part of the compensation package for more senior positions. Since our company is still developing the revenue generating component of our business, we take into account our ability to pay as a factor when determining base or incentive compensation that is cash based. The Compensation Committee considers the use of cash and the current financial conditions of the Company when approving cash based compensation.

General Stock Option Award Philosophy

Stock options are awarded to strengthen the relationship between the long-term value of our stock and potential financial incentives to our executive officers. These awards only become valuable if the recipient continues to be employed by us and if the value of our common stock rises to a level above the option exercise price established by the Compensation Committee on the grant date of the award. Stock options can vest based on time or time plus performance; however, we do not use market related targets in any stated performance criteria. While our Compensation Committee can set option prices as low as the fair market value on the date of grant, historically we have awarded options at a premium over fair market value as an incentive to our executive officers to strive for long-term improvement in the financial condition of our Company.

When stock options are awarded to officers as part of our compensation plan, the awards are to be granted as close to January 1st each year as is reasonably practical for the members of the Compensation Committee and the Board of Directors. All of the members of our Board of Directors, other than our two executive directors, are on our Compensation Committee, so when an action is taken by the Compensation Committee our policy is to obtain the full Board approval on the same day. Thus, there are no timing differences between the approval of the Compensation Committee and the approval by the Board of Directors. The awards are made as early as practical in the year so that the time associated with any performance criteria is maximized. This practice avoids market timing of the grant of options around expected news releases.

2006 Plan Highlights

During 2005 we hired AON Consulting, Inc., a nationally recognized firm, to assist us in establishing a compensation strategy for our senior management and department heads and to develop a framework for our total compensation program for 2006. Because our business of locating valuable shipwrecks and marketing the cargo and related products is unique, AON determined that a traditional set of peer companies could not be identified. AON determined that our profile was similar to high tech companies with less than $50 million in revenue for broad benchmarking survey purposes and provided a compensation analysis to us for that group. We were not provided the names of the specific companies included in the AON benchmark data. AON recommended compensation ranges for our CEO and other executive officers based on the results of their survey and their analysis of our Company. Our Compensation Committee refined the recommended ranges for base salary, annual incentive target and long-term incentive values for each of our executive officers based upon the individual s qualifications and experience with the Company, past performance, value to the Company, and the Company s ability to pay.

Based upon this analysis our Compensation Committee established the target ranges for each component of compensation that could be earned by our executive officers. The Compensation Committee also established the ratios of the three major components of compensation to the total compensation achievable by each officer in the approximate ratios as recommended by AON. Due to the Company s financial performance and negative operating cash flow, base salaries in general were set on the low end or below the ranges recommended by AON. Annual incentive targets and long-term compensation value were expressed as percentages of base salary.

This plan was developed to provide a framework for executive compensation and the Compensation Committee retained the flexibility to use its discretion and deviate from the guidelines in determining compensation as appropriate at the time its decisions are made.

Components of the 2006 Compensation Plan

Base salary

Base salary is intended to provide our executive officers with a level of assured cash compensation that is reasonably competitive in the marketplace. It is based on the individual s qualifications and experience with the Company, past performance of duties, value to the Company, the Company s ability to pay and relevant competitive market data.

Annual Incentive Awards

Annual incentive awards are intended to provide a component of total cash compensation that represents an award for meeting corporate key objectives or for achievement of strategic objectives. Annual incentive awards are expressed as target amounts that can be earned as a percentage of base salary. The amount of these targets are based on the individual s qualifications and experience with the Company, past performance of duties, value to the Company, and the Company s ability to pay.

Annual incentive awards are earned by achievement of weighted key or strategic objectives. For John Morris, our CEO and co-founder, and for Greg Stemm, executive vice president and co-founder, the weighted criteria for 2006 were:

25% Cash flow growth compared to budget

25% Stock price appreciation over the Russell 2000 index

25% Growth in EPS

25% Increase in Value of Recovered Cargo greater than $25 million

For all other officers the weighted criteria for 2006 were:

12.5 % Cash flow growth compared to budget

12.5 % Stock price appreciation over the Russell 2000 index

12.5 % Growth in EPS

12.5 % Increase in value of recovered cargo greater than $25 million

50.0 % Based upon implementation of strategic objectives

The Compensation Committee follows these guidelines when determining annual incentive awards; however, it has the discretion to deviate from these guidelines based on any extenuating or unforeseen circumstances.

Long Term Incentive Targets

Long-term incentive targets are intended to provide an equity component of total compensation in the form of stock options that vest based on time or performance. The value of these targets is set by the Compensation Committee based on the individual s qualifications and experience with the Company, past performance of duties, and value to the Company. The long-term incentives for John Morris and Greg Stemm were established with vesting over three years provided that 75% of the options would vest only if the Company recovered in excess of $25 million of new cargo during the year prior to each annual vesting date. Excess recovered value could be carried forward to contribute to a subsequent year s vesting performance, but value could not be retroactively applied to a prior period. The long-term incentives for all other officers were established with vesting over a three year period with 50% of the options vesting only if the Company recovered in excess of $25 million of new cargo during the year prior to the annual vesting date. Excess recovered value could be carried forward to a subsequent year s vesting performance, but value could not be retroactively applied to a previous period. The $25 million target was established because the Compensation Committee wanted to see the Company continuously recover sufficient cargo to fund its operations.

Allocation of the Compensation Components for 2006

Our compensation plan provides a range of minimum to maximum amounts targeted for base salary, annual incentive and long-term incentive for each officer position. If the financial results dictated that an officer was paid at the mid point of these ranges, the components of compensation would be allocated as detailed below. Because of the various ways that the components could pay out at year end, the ratios below could be skewed significantly. As an example, if no annual incentive was paid, base salary would ultimately make up a much higher percent of total compensation.

At the midpoint of compensation ranges the components of compensation were allocated to our officers as follows:

Name	Typical Base Salary	Typical Annual Incentive Target	Typical Equity Target
John C. Morris, CEO and Gregory P. Stemm, Ex VP;both Co-Founders (Senior Officers)	32%	26%	42%
All other Named Executive Officers	40%	25%	35%

In making this allocation the compensation of our senior officers rely more heavily on performance based earnings potential.

Base Salary and Long-Term Incentive Compensation of Named Executive Officers

Chief Executive Officer

Michael Barton filled the position of interim chief executive officer from November 9, 2005, until June 30, 2006, while John Morris was undergoing treatments for cancer. Mr. Morris remained co-chairman of the Board and while he relinquished day-to-day responsibility to Mr. Barton, Mr. Morris stayed abreast of daily activity at Odyssey. Mr. Morris returned to the position of chief executive officer on July 1, 2006. Mr. Barton continued as a consultant to the Company until September 30, 2006, to assist in the transition. Mr. Barton was not affiliated with the Company at year end.

At the midpoint of compensation ranges of our 2006 Plan, base salary for our CEO position was targeted to make up 32% of total compensation with annual incentive contributing 26% and long-term incentive making up the remaining 42%. Assuming all incentive targets were met, total cash compensation was planned to range from $380,000 to $650,000. The base salaries for Mr. Barton and Mr. Morris were set at approximately 25% of the range above the minimum base salary established for the CEO position. This was in line with the philosophy to pay lower base salary with more potential for incentive earnings for our most senior positions. Base salaries for Mr. Morris and Mr. Barton are reported in the Summary Compensation Table. Annual incentive targets for the CEO range from 70% to 100% of base salary to be determined by the Compensation Committee near year end when incentive awards are considered. Long-term incentive value was targeted from 125% to 150% of base salary. During January 2006, a non-qualified stock option was awarded to Mr. Barton with a Black-Scholes value of $265,000 subject to performance vesting provisions. This value was 110 % of base salary. Due to Mr. Barton s departure from the Company during 2006, none of the long-term award became vested and the award was cancelled. When Mr. Morris returned to the CEO position, the Board granted an equivalent stock option to Mr. Morris with the same option exercise price, vesting and term as the option approved earlier for Mr. Barton. Both options to Mr. Barton and to Mr. Morris were granted at an option exercise price which was over the fair market value when granted. The Black Scholes value of the stock option granted to Mr. Morris was $85,000 when granted due to the Company s stock price being lower at the time the Compensation Committee agreed that Morris would return as CEO. Vesting of 75% of the options requires attainment of performance criteria. The expense associated with these options for 2006 is reflected in the Summary Compensation Table.

Executive Vice President and Co-Founder

Greg Stemm, who is executive vice president and a corporate co-founder is a vital component of our management team. He oversees marine operations on a daily basis, plans and executes our maritime legal and political strategies worldwide, and is also involved in nearly every aspect of our corporate planning and oversight with our CEO. For these reasons, Mr. Stemm is compensated at a level generally equivalent to our CEO position.

At the midpoint of compensation ranges of our 2006 Plan, base salary for Mr. Stemm was targeted to make up 33% of total compensation with annual incentive contributing 27% and long-term incentive making up the remaining 40%. Assuming all incentive targets were met, total cash compensation was planned to range from $325,000 to $575,000. Base salary as reported in the Summary Compensation Table was set at the mid point of the range established for Mr. Stemm. Annual incentive targets for Mr. Stemm range from 60% to 90% of base salary to be determined by the Compensation Committee near year end when incentive awards are considered. Long-term incentive value was targeted from 100% to 125% of base salary. A long-term non statutory stock option was awarded to Mr. Stemm with a Black-Scholes value of $265,000 with 75% of the vesting subject to performance criteria. This value was 110 % of base salary. The stock option was granted at an option exercise price which was over the market when granted. The expense associated with this option for 2006 is reflected in the Summary Compensation Table.

Chief Financial Officer and Chief Operating Officer

Our compensation plan for 2006 established identical compensation opportunity for Michael Holmes, our chief financial officer, and for Davis Howe, our chief operating officer. At the midpoint of potential compensation ranges, base salary for these officers was targeted to make up 40% of total compensation with annual incentive contributing 25% and long-term incentive making up the remaining 35%. Assuming all incentive targets were met, total cash compensation was planned to range from $250,000 to $395,000. Actual base salaries as reported in the Summary Compensation Table were unchanged from 2005, and were $15,000 below the minimum base salary established for these positions in the 2006 Plan. The Compensation Committee set these salaries to minimize the cash flow impact of compensation to officers. Annual incentive targets for Mr. Holmes and Mr. Howe range from 50% to 75% of base salary to be determined by the Compensation Committee near year end when incentive awards are considered. Long-term incentive value was targeted to range from 75% to 100% of base salary. Long-term incentives are in the form of non statutory stock options. A long-term incentive stock option was awarded to each of these officers with a Black-Scholes value of $176,000 and such that 50% of the vesting is subject to performance provisions. This value was 117 % of base salary. The stock options were granted at an option exercise price which was over the market when granted. The expense associated with these options for 2006 is reflected in the Summary Compensation Table.

Secretary/Treasurer and Executive Vice President of Attractions

Our compensation plan for 2006 established identical compensation opportunity for David Morris, our secretary and treasurer, and George Becker, Jr., our executive vice president of attractions. At the midpoint of potential compensation ranges, base salary for these officers was targeted to make up 40% of total compensation with annual incentive contributing 25% and long-term incentive making up the remaining 35%. Assuming all incentive targets were met, total cash compensation was planned to range from $190,000 to $305,000. Actual base salaries were unchanged from 2005 and were $10,000 below the minimum base salary established for these positions in the 2006 Plan. The Compensation Committee set these salaries to minimize the cash flow impact of compensation to officers. Annual incentive targets for Mr. Morris and Mr. Becker range from 50% to 75% of base salary to be determined by the Compensation Committee near year end when incentive awards are considered. Long-term incentive value was targeted from 75% to 100% of base salary. A long-term non statutory stock option was awarded to each of these officers with a Black-Scholes value of $114,000 with 50% of the vesting subject to performance provisions. This value was 95% of base salary. The stock options were granted at option exercise prices which were over the market when granted. The expense associated with these options for 2006 is reflected in the Summary Compensation Table.

Performance Criteria for Stock Option Vesting

All of the stock options granted to officers as part of the 2006 executive compensation plan had a single performance criteria for vesting. The Compensation Committee believed that a major strategic objective of the Company was to recover additional cargo from shipwrecks with a value of at least $25 million. The Committee believed this amount would be necessary for the Company to meet its ongoing cash flow obligations. Management felt that this would be an achievable goal. However, this goal was not met for the year ended December 31, 2006, and the portion of long-term incentive associated with this performance criteria were forfeited on January 22, 2007 which was the first annual vesting date of the options. Compensation expense was recorded during 2006 for the portion of the stock options that did vest over time on a prorated basis over the service period of the options. Compensation expense for the vesting of stock options is detailed in the Summary Compensation Table . A total of 475,416 stock options having an exercise price of $3.50 per share were forfeited by the officers as a group. No compensation expense is reported for the forfeited options.

Annual Incentive Awards and Bonus to Named Executive Officers

During December 2006, the Compensation Committee met to consider annual incentive compensation for officers. The Company did not meet key objectives established for stock price appreciation over the Russell 2000 index, growth in EPS, or increase in value of recovered cargo greater than $25 million, each of which carried a 25% weighting towards achievement of the annual incentive award. The Company did achieve cash flow growth as measured by the Company s actual year-end cash position as compared to budgeted ending cash balances. This criteria which carried a weighting of 25% of the annual incentive target, required that the ending cash balance exceed the budgeted cash balance at year end. The Compensation Committee is allowed to take into consideration cash flow from other activities such as financing raised in determining whether this criteria was met. The Company s budget projected a cash shortfall of approximately $500,000 at year end; however, cash on hand at year end was approximately $2,400,000. For this reason the Compensation Committee determined that the key objective was met. The key objectives applied to all of our Named Executive Officers as described later in this section.

The CEO provided a report to the Compensation Committee detailing strategic objectives accomplished during 2006 and unusual and unforeseen circumstances that impacted performance relative to the key objectives.

Chief Executive Officer and Executive Vice President and Co-Founder

The Senior Officers were confronted with multiple political and diplomatic situations that could not have been foreseen, prevented or avoided during 2006. After unexpected political intervention with the Sussex project, the Company re-deployed the Odyssey Explorer to a project in an area that was later closed by a naval blockade. The Senior Officers reacted quickly to the circumstances and successfully developed new financing plans and re-prioritized projects in order to maintain company momentum, while continuing delicate governmental negotiations and other diplomatic initiatives. Marine operations were continued by re-deploying the Odyssey Explorer to the Atlas project, and several strategic equipment acquisitions and changes were effected to maximize efforts to meet our key objectives. The support of key investors was maintained throughout this time and funds were raised through the issuance of debt and equity to continue operations.

According to our compensation plan, the Senior Officers would be entitled to incentive compensation ranging from 17.5% to 25% of base pay for Mr. Morris and from 15.0% to 22.5% for Mr. Stemm. However, due to the extenuating circumstances encountered during 2006, and the broad accomplishments contributing to the Company s overall strategic development, the Compensation Committee recommended that a payment of 30% of base salary be made to the Senior Officers. The Compensation Committee used its discretion rather than adherence to a specific formula in recommending this amount which is reported as a Bonus in the Summary Compensation Table. Additionally, the Senior Officers were given the choice of receiving the incentive in cash or common stock at the time of payment. The recommended incentive amounts would not be paid unless the Company was successful in raising additional operating cash. The amounts were accrued for each officer and paid during January 2007, after completion of a private placement offering. John Morris elected to receive stock at fair market value for the net amount of the annual incentive.

<u>All Other Officers</u>

During December 2006, the Compensation Committee met to consider annual incentive compensation for officers. The Committee reviewed key objectives and individual accomplishments as reported by the CEO. While the following achievements are segmented, cooperation between departments is crucial to the overall accomplishment of our strategic goals. Administratively, these included exception free audits of the internal control processes of the Company, timely filing of all financial statements, quarterly reviews with no material exceptions, the successful implementation of new procedures for recording FAS 123R expense, successful implementation of risk management insurance programs, and implementation of a cash projection model spanning all subsidiaries. Additionally, the Company saw a favorable resolution of a major insurance claim and resolution of a lawsuit brought by an ex-crewman. Operationally, the Company completed Phase 1a and 2b of the Sussex project prior to unforeseen political intervention, acquired and fitted a second ship for search operations, and located over 1,800 anomalies in the Tripoli phase of the Atlas search area. This resulted in the location of 161 shipwrecks and the arrest of one target of interest. In the sales and marketing area we altered a coin and artifact marketing program by successfully implementing a strategic marketing agreement with a third party. The attraction group reopened the Shipwreck Treasure and Adventure exhibit in New Orleans and in spite of a virtual destruction of the customer base by Hurricane Katrina, managed to achieve superior results as measured by the customer exit surveys conducted on site.

The CEO reported that the officers all met and exceeded expectations. Based on the achievements detailed above, incentive awards of 12.5% for key objective performance and up to 50% for individual performance could be awarded for each officer. However, since the Company did not meet other key objective performance criteria, a bonus of 30% of annual base salary was approved by the Compensation Committee. The amounts paid were less than the 50% minimum recommended annual incentive target established in the 2006 Plan. The amounts paid are reported as Bonus in the Summary Compensation Table due to the Compensation Committee using its discretion rather than application of a specific formula in determining the awards. In addition, the Compensation Committee approved the awards based on the net amount due after tax being paid in common stock to reduce the cash flow impact to the Company. Also, the recommended bonus amounts would not be paid unless the Company was successful in raising additional operating cash. The amounts were accrued for each officer and ultimately paid by the issuance of common stock for the net amount due after tax to each officer during January 2007, after completion of a private placement offering. The stock was issued at fair market value.

Retirement Plans and All Other Compensation

We do not have any deferred compensation or retirement plan at this time. During 2006, we did not pay amounts that would be classified as perquisites or other compensation to our CEO or other Named Executive Officers other than consulting fees to Mr. Barton as disclosed in the Summary Compensation Table. Our named executive officers participated in non-discriminatory life and health insurance plans on the same basis as all other employees.

Compensation Tables

2006 SUMMARY COMPENSATION TABLE

The following table set forth information regarding the compensation paid to the Company s Chief Executive Officer (CEO) and other Named Executive Officers (NEOs) for services rendered to the Company and its subsidiaries for the fiscal year ended December 31, 2006. Compensation expense related to options that vested in January of 2007 is included where appropriate in the tables for 2006. Also, expense related to Bonus or Annual Incentive Awards that were paid in January 2007 are included in 2006 compensation expense.

Name and Principal Position	Year	Salary ($)	Bonus ($) (1)	Option Awards ($) (2)	All Other Compensation ($) (3)	Total ($)
John C. Morris, Chief Executive Officer (CEO)	2006	$ 250,000	$ 75,000	$ 7,125	$	$ 332,125
Michael V. Barton, Former CEO	2006	$ 120,000	$	$	$ 30,000	$ 150,000
Gregory P. Stemm, Executive V.P.	2006	$ 250,000	$ 75,000	$ 22,000	$	$ 347,000
Michael J. Holmes, Chief Financial Officer (CFO)	2006	$ 150,000	$ 45,000	$ 29,334	$	$ 224,334
Davis D. Howe, Chief Operating Officer	2006	$ 150,000	$ 45,000	$ 29,334	$	$ 224,334
George J. Becker, Jr., Executive V.P.	2006	$ 120,000	$ 36,000	$ 19,066	$	$ 175,066
David A. Morris, Secretary/Treasurer	2006	$ 120,000	$ 36,000	$ 19,066	$	$ 175,066

Note (1) As discussed in the CD&A, all of our named executive officers received an annual bonus of 30% of base salary for 2006. Mr. Morris elected to receive the net amount after tax of the bonus in common stock at the fair market value on the date the stock was issued. Mr. Stemm received cash. All other officers received the net amount due after tax in shares of common stock at fair market value on the date the stock issuance was approved by the Board of Directors in January 2007.

Note (2) A stock option was granted to John Morris on June 22, 2006, when the Board of Directors approved Mr. Morris returning to the CEO position effective July 1, 2006. The options granted were valued at $0.57 per share under FAS -123(R). Stock options were approved for all other officers on January 26, 2006 provided that the 2005 Stock Incentive Plan would be ratified at the annual meeting of stockholders to be held May 5, 2006. If the Plan was not approved all of these options would have been cancelled. The Plan was approved and the options were deemed to be granted on May 5, 2006. The options granted had a value of $1.76 per share under FAS-123(R). The amounts shown represent the vesting expense for one full year and are the amounts included in the Company s financial statements for the year ended December 31, 2006. The assumptions used in evaluating the option awards are detailed in Note P to the financial statements included in the Company s 10-K for the period ended December 31, 2006. The stock option vesting provisions are described in Note (1) to the GRANTS OF PLAN-BASED AWARDS table below.

Note (3) Mr. Barton received $30,000 as a consultant during the three-month period after he relinquished the position of Interim CEO on June 30, 2006. Mr. Barton was not employed by us at December 31, 2006.

2006 GRANTS OF PLAN-BASED AWARDS

The following table sets forth the actual number of stock options granted and the grant date fair value of these awards. There were no restricted stock or other equity or non-equity incentive awards granted for 2006.

Name	Grant Date	All Other Option Awards: Number of Securities Underlying Options (#) (1)(2)(3)	Exercise or Base Price of Option Awards ($ / Sh)	Closing Price on Grant Date ($ / Sh)
John C. Morris	6/22/2006	150,000	$ 3.50	$ 1.64
Michael V. Barton	5/5/2006	150,000	$ 3.50	$ 3.25
Gregory P. Stemm	5/5/2006	150,000	$ 3.50	$ 3.25
Michael J. Holmes	5/5/2006	100,000	$ 3.50	$ 3.25
Davis D. Howe	5/5/2006	100,000	$ 3.50	$ 3.25
George J. Becker, Jr.,	5/5/2006	65,000	$ 3.50	$ 3.25
David A. Morris	5/5/2006	65,000	$ 3.50	$ 3.25

Note (1) John Morris was granted a stock option on June 22, 2006 when the Board of Directors approved Mr. Morris returning to the CEO position effective July 1, 2006. One third of the stock options are eligible for vesting during 2006, 2007 and 2008. Of the number of options eligible for vesting each year, 25% of the options will vest based on Mr. Morris being continuously employed by the Company, and 75% of the options vest if the Company recovers $25 million or more from shipwreck operations during the year.

Note (2) Messrs. Barton and Stemm were granted stock options on January 26, 2006, provided that the 2005 Stock Incentive Plan would be approved at the annual meeting of stockholders to be held May 5, 2006. If the Plan was not approved all of these options would be cancelled. The Plan was approved and the options were deemed to be granted and were valued on May 5, 2006. One third of the stock options are eligible for vesting during 2006, 2007 and 2008. Of the options eligible to vest each year, 25% of the options will vest based on the officers being continuously employed by the Company, and 75% of the options vest if the Company recovers $25 million or more from shipwreck operations during the year. Due to Mr. Barton s employment terminating prior to year end, none of the options granted to him were vested and all of these options were cancelled.

Note (3) Stock option grants were granted to all other officers on January 26, 2006 subject to approval of the 2005 Stock Incentive Plan by stockholders. If the Plan was not approved all of these options would be cancelled. The Plan was approved and the options were deemed to be granted and were valued on May 5, 2006. One third of the stock options are eligible for vesting during 2006, 2007 and 2008. Of the options eligible to vest each year, 50% of the options will vest based on the officers being continuously employed by the Company, and 50% of the options vest if the Company recovers $25 million or more from shipwreck operations during the year.

2006 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table shows outstanding stock option awards that are exercisable and unexercisable as of December 31, 2006, for the CEO and each NEO. Options that vest on January 26, 2007, are shown as vested at year end to conform with the expense recorded for these options during 2006. We did not have any outstanding restricted stock awards to report.

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) (1) Unexercisable	Option Awards Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (2)	Option Exercise Price ($)	Option Expiration Date
John C. Morris	68,273			$ 1.25	2/28/2008
	85,000			$ 2.50	2/28/2008
	12,500	25,000	75,000	$ 3.50	1/26/2011
Gregory P. Stemm	68,273			$ 1.25	2/28/2008
	125,000			$ 2.50	2/28/2008
	12,500	25,000	75,000	$ 3.50	1/26/2011
Michael J. Holmes	100,000			$ 5.00	3/14/2009
	16,667	33,333	33,333	$ 3.50	1/26/2011
Davis D. Howe	100,000			$ 5.00	3/14/2009
	16,667	33,333	33,333	$ 3.50	1/26/2011
George J. Becker, Jr.	50,000			$ 1.25	2/28/2008
	50,000			$ 2.50	2/28/2008
	10,833	21,667	21,667	$ 3.50	1/26/2011
David A. Morris	100,000			$ 1.25	2/28/2008
	100,000			$ 2.50	2/28/2008
	10,833	21,667	21,667	$ 3.50	1/26/2011

Note (1) Each option in this column will vest in 50% of the number of options indicated for each NEO on January 26, 2008, and 50% on January 26, 2009, so long as the NEO is continuously employed by us until the vesting date.

Note (2) For each option in this column, 50% of the number of options indicated will vest on each of January 26, 2008 and 2009, if the Company recovers $25 million or more from shipwreck operations during the year ending December 31, 2007 and 2008, respectively. In the event more than $25 million is recovered during 2007, the excess amount may be carried forward to 2008.

2006 OPTION EXERCISES AND STOCK VESTED

The following table sets forth certain information regarding options exercised during 2006 for the persons named in the Summary Compensation Table above. There are no stock awards outstanding and none were vested during the period.

	Option Awards	
Name	Number of Shares Acquired on Exercise (#) (1)	Value Realized on Exercise ($)
John C. Morris	96,727	$ 145,621
Gregory P. Stemm	56,727	$ 145,221
George J. Becker, Jr.	100,000	$ 279,469

Note (1) The shares acquired by Mr. Morris and Mr. Stemm were purchased and held. 50,000 of the shares acquired by Mr. Becker were purchased and held.

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE-IN-CONTROL

None of our NEOs have an employment contract or agreement, whether written or unwritten, that provides for payments at, following, or in connection with a change-in-control of the Company or termination of employment. Under our 2005 Stock Incentive Plan, the Compensation Committee has the discretion, but not the obligation to accelerate the vesting of otherwise unvested stock options in the event of a change-in-control. This provision does not exist in our 1997 Employee Stock Option Plan, therefore only options granted during 2006 and later are subject to potential acceleration of vesting.

At December 31, 2006, our closing stock price was $2.99 per share which is lower than the $3.50 per share option exercise price of all of the stock options issued to our NEOs that could have become immediately exercisable due to a change-in-control. All of the options were out of the money at December 31, 2006, and none of the options could have been exercised. There is no potential compensation benefit to any of the NEOs due to the potential change-of-control. If the vesting of options held by our NEOs were accelerated, the expense to the Company under FAS-123(R) would have been $804,375.

DIRECTOR COMPENSATION

The following table sets forth certain information regarding the compensation paid to Directors for 2006.

2006 DIRECTOR COMPENSATION TABLE

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($) (1)	Option Awards ($)	Total ($)
George Knutsson	$ 78,000	$ 0	$ 0	$ 78,000
George E. Lackman, Jr.	$ 69,550	$ 0	$ 0	$ 69,550
Dr. David J. Saul	$ 19,000	$ 43,000	$ 0	$ 62,000
Dr. David J. Bederman	$ 45,000	$ 11,250	$ 0	$ 56,250

Note (1) Dr. Saul elected to receive restricted stock for the full amount of his annual retainers for 2006. Dr. Bederman elected to receive restricted stock for the fourth payment of his annual retainers for 2006. The stock was issued October 1, 2006, and restricted until December 31, 2007, when the performance period ended.

Compensation of Directors

For the year ended December 31, 2006, our outside Directors were compensated according to the following structure:

Each outside director received $40,000 annually as a retainer. Additional annual retainers were paid as follows for the chairmanship of committees:

Audit Committee Chairman	$ 10,000
Compensation Committee Chairman	$ 5,000
Governance Committee Chairman	$ 3,000

Each Director has the option to receive cash or common stock for the amount of retainers. Retainers are paid quarterly in advance unless stock is awarded. When stock is awarded the number of shares is calculated by dividing the dollar amount otherwise due in cash by the fair market value of the stock on the first day of each quarter when cash payments are due. The stock is restricted until the service period ends.

In addition outside directors received $1,000 per meeting attended on behalf of the Board of Directors including full board meetings, and audit committee, governance committee and compensation committee meetings.

Meetings attended telephonically earned compensation of $500 for attendance.

Committee chairman received an additional $500 per meeting over which they presided.

No additional equity compensation was awarded for 2006.

We do not pay amounts that would be classified as perquisites or other compensation to our directors, and there are no existing or potential change-of-control, retirement or legacy obligations.

Directors were reimbursed for out-of-pocket expenses in connection with attending board of director or committee meetings. Directors will be compensated for 2007 under the same terms as for 2006.

APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The independent accounting firm of Ferlita, Walsh & Gonzalez, P.A., audited the financial statements of the Company for the year ended December 31, 2006, and has been selected by the Audit Committee to serve in such capacity for the year ending December 31, 2007.

It is expected that representatives of Ferlita, Walsh & Gonzalez, P.A., will be present at the meeting and will be given an opportunity to make a statement if they desire to do so. It is also expected that the representatives will be available to respond to appropriate questions from stockholders.

INDEPENDENT AUDITOR FEES

The following table presents aggregate fees billed for professional services rendered by Ferlita, Walsh & Gonzalez, P.A., for the audit of the Company s annual financial statements for the years ended December 31, 2006 and December 31, 2005, and fees billed for other services rendered by them during those periods.

	2006	**2005**
Audit Fees (1)	$ 109,346	$ 94,475
Audit-Related Fees	$ 0	$ 0
Tax Fees	$ 0	$ 0
All Other Fees	$ 0	$ 0
Total	$ 109,346	$ 94,475

(1) These are fees for professional services performed by Ferlita, Walsh & Gonzalez, P.A., for the audit of the Company s annual financial statements and review of financial statements included in the Company s Form 10-Q filings, and services that are normally provided in connection with statutory and regulatory filings or engagements.

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Independence of Principal Accountant and Other Audit Committee Considerations

The Audit Committee reviews at least annually the independent auditors qualifications, performance and independence including that of the lead partner. On November 27, 2006, our Audit Committee received written confirmation from Ferlita, Walsh & Gonzalez, P.A. that the firm is independent of the Company within the meaning of the federal securities laws administered by the Securities and Exchange Commission. In private session with our auditors on March 5, 2007, the Audit Committee reviewed a written report from the independent auditor describing the firm s internal control procedures, any material issues raised by the most recent internal quality control review conducted by PCAOB, and any inquiry or investigation by governmental or professional authorities within the past five years, concerning an independent audit or audits carried out by the firm, and any steps taken to deal with those issues. The report also addressed any relationships between the auditors and us. The report was satisfactory to the Audit Committee in all respects.

AUDIT COMMITTEE PRE-APPROVAL POLICY

The Company s independent accountants may not be engaged to provide non-audit services that are prohibited by law or regulation to be provided by it, nor may the Company s principal accountant be engaged to provide any other non-audit service unless it is determined that the engagement of the principal accountant provides a business benefit resulting from its inherent knowledge of the Company while not impairing its independence. The Audit Committee must pre-approve the engagement of the Company s principal accountant to provide both audit and permissible non-audit services. No non-audit services were provided by the independent accountants during the past two fiscal years.

DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS

FOR THE 2007 ANNUAL MEETING OF STOCKHOLDERS

Any proposal by a stockholder intended to be presented at the Company s 2007 Annual Meeting of Stockholders must be received at the offices of the Company, 5215 W. Laurel Street, Tampa, Florida 33607, a reasonable amount of time prior to the mailing of the proxy statement for that meeting in order to be included in the Company s proxy statement and proxy relating to that meeting.

JOHN C. MORRIS, PRESIDENT

Tampa, Florida

April 20, 2007

PROXY

ODYSSEY MARINE EXPLORATION, INC.

SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby appoints John C. Morris with the power to appoint a substitute, and hereby authorizes him to represent and to vote as designated below, all the shares of common stock of Odyssey Marine Exploration, Inc. held of record by the undersigned on April 2, 2007, at the Annual Meeting of Stockholders to be held on May 18, 2007, or any adjournment thereof.

1. Election of Directors:

¨ FOR all nominees listed below (except as marked to the contrary)

¨ WITHHOLD authority to vote for all the nominees listed below:

John C. Morris	Gregory P. Stemm
George Knutsson	David J. Saul
George E. Lackman, Jr.	David J. Bederman

[INSTRUCTION: To withhold authority to vote for any individual nominee, cross out that nominee s name above and initial.]

2. To transact such other business as may properly come before the meeting.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR PROPOSAL 1.

SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AT THE MEETING IN ACCORDANCE WITH THE STOCKHOLDER S SPECIFICATIONS ABOVE. THIS PROXY CONFERS DISCRETIONARY AUTHORITY IN RESPECT TO MATTERS NOT KNOWN OR DETERMINED AT THE TIME OF THE MAILING OF THE NOTICE OF THE ANNUAL MEETING OF STOCKHOLDERS TO THE UNDERSIGNED.

The undersigned hereby acknowledges receipt of the Notice of Annual Meeting of Stockholders, Proxy Statement and Annual Report.

Dated: __________, 2007.

Signature(s) of Stockholder(s)

Signature(s) should agree with the name(s) stenciled hereon. Executors, administrators, trustees, guardians and attorneys should indicate when signing. Attorneys should submit powers of attorney.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS OF ODYSSEY MARINE EXPLORATION, INC. PLEASE SIGN AND RETURN THIS PROXY IN THE ENCLOSED PRE-ADDRESSED ENVELOPE. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.

h="1%"> 2010 2009 2010 Nonperforming 1st Qtr 2nd Qtr 3rd Qtr 4th Qtr 1st Qtr 1st Qtr No.

Residential Construction and Land Development

Condominiums
>$4 mil $8.4 $7.9 $5.3 $ $ $

<$4 mil 7.9 8.8 3.7 6.1 0.9 0.9 1
Town homes
>$4 mil

<$4 mil 4.2 2.3
Single Family Residences
>$4 mil 6.6 6.5

<$4 mil 13.9 10.3 7.1 4.1 3.9 0.6 5
Single Family Land & Lots
>$4 mil 21.8 21.8 5.9 5.9 5.9 5.9 1

<$4 mil 29.6 21.5 19.5 16.6 15.7 4.9 16
Multifamily
>$4 mil 7.8 7.8 6.6 6.6 6.6 6.6 1

<$4 mil 17.0 9.8 9.5 8.3 8.1 2.9 4

TOTAL
>$4 mil 44.6 44.0 17.8 12.5 12.5 12.5 2
TOTAL
<$4 mil 72.6 52.7 39.8 35.1 28.6 9.3 26

GRAND TOTAL
$117.2 $96.7 $57.6 $47.6 $41.1 $21.8 28

The Company s other loan portfolios related to residential real estate are amortizing loans. The Company has never offered sub-prime, Alt A, Option ARM or any negative amortizing residential loans, programs or products, although it has originated and holds residential mortgage loans from borrowers with original or current FICO credit scores that are currently less than prime FICO credit scores. Substantially all residential originations have been underwritten to conventional loan agency standards, including loans having balances that exceed agency value limitations.

The Company selectively adds residential mortgage loans to its portfolio, primarily loans with adjustable rates. Home equity loans (amortizing 10-year loans for home improvements) totaled $89.1 million and home equity lines totaled $60.1 million at March 31, 2010, compared to $85.5 million and $60.3 million at March 31, 2009. Each borrower s credit was fully documented as part of the Company s underwriting of home equity lines. The Company never promoted home equity lines using solely credit scoring, and therefore believes this portfolio of loans, primarily to customers with other relationships to Seacoast National, will perform better than portfolios of peers. Both charge-offs and past due ratios have been better than those nationally and for Florida during 2010 and 2009. Net charge-offs for the quarter ended 2010 totaled $156,000 for home equity lines, compared to $2,782,000 for all of 2009, and home equity lines past due 90 days or more and nonaccrual lines were $384,000 and $19,000 at March 31, 2010 and 2009, respectively. Other Florida peer banks have experienced higher losses and delinquencies for their home equity lines.

Congress and bank regulators encouraged recipients of Troubled Asset Relief Program (TARP) capital to use such capital to make loans and the Company continues to successfully produce residential mortgages. A total of 259 mortgage applications were taken during the first quarter of 2010 for $52 million with $33 million closed. In addition, a total of 37 applications were received seeking restructured mortgages, compared to 93 in the first quarter of 2009. Existing home sales and home mortgage loan refinancing activity in the Company s markets has improved, however demand for new home construction is expected to remain soft in 2010.

Since year-end 2009, nonaccrual loans declined by $1.6 million to $96.3 million at March 31, 2010, and were $13.1 million lower than at March 31, 2009 (see Nonperforming Assets). Loans have declined $24.2 million or 1.7 percent since year-end 2009 and have declined $259.3 million or 15.9 percent since March 31, 2009 (see Loan Portfolio). For the remainder of 2010, the Company s loan portfolio is expected to experience further declines, but to a lesser degree than 2009.

NONINTEREST INCOME

Noninterest income, excluding gains or losses from securities, totaled $4,560,000 for the first quarter of 2010, $422,000 or 8.5 percent lower than the first quarter of 2009 and $41,000 or 0.9 percent lower than the fourth quarter of 2009. Noninterest income accounted for 20.9 percent of total revenue (net interest income plus noninterest income, excluding securities gains or losses) in the first quarter of 2010 compared to 21.5 percent a year ago. Noninterest income for the first quarter of 2010, and the fourth quarter and first quarters of 2009 is detailed as follows:

(Dollars in thousands)	1st Qtr 2010	4th Qtr 2009	1st Qtr 2009
Service charges on deposits	$ 1,372	$ 1,612	$ 1,585
Trust income	476	543	558
Mortgage banking fees	421	422	499
Brokerage commissions and fees	286	321	381
Marine finance fees	339	228	345
Debit card income	717	658	608
Other deposit-based EFT fees	93	79	94
Merchant income	465	409	536
Other income	391	329	376
Total	$ 4,560	$ 4,601	$ 4,982

For the first quarter of 2010, revenues from the Company s wealth management services businesses (trust and brokerage) decreased year over year, by $177,000 or 18.8 percent, and were lower than the fourth quarter of 2009 by $102,000 or 11.8 percent. Of the $177,000 decrease, trust revenue was lower by $82,000 or 14.7 percent and brokerage commissions and fees were lower by $95,000 or 24.9 percent. Included in the $95,000 decline in brokerage commissions and fees was a decline of $102,000 in revenue from insurance annuity sales year over year, reflecting the lower interest rate environment. Lower estate and agency fees were the primary cause for the decline in trust income, as these decreased $73,000 and $16,000, respectively, from first quarter 2009 s results. Economic uncertainty is the primary issue affecting clients of the Company s wealth management services. The Company completed a new strategic plan for wealth management services in 2009 and is implementing it in 2010. Therefore, it is expected that fees from wealth management will begin to grow as the year progresses.

Service charges on deposits for the first quarter of 2010 were $213,000 or 13.4 percent lower year over year versus first quarter 2009, and were $240,000 or 14.9 percent lower than service charges for the fourth quarter of 2009. Overdraft income was the primary cause, as this declined $159,000 in 2010 compared to first quarter 2009 and $222,000 compared to fourth quarter 2009. Overdraft fees represented approximately 74 percent of total service charges on deposits for the first quarter of 2010, compared to 76 percent for all of 2009. Growth rates for remaining service charge fees on deposits have been nominal or declining, as the trend over the past few years is for customers to prefer deposit products which have no fees or where fees can be avoided by maintaining higher deposit balances. Beginning July 1, 2010 all financial institutions must adopt procedures which may have a negative impact on overdraft fee income. The Company estimates that approximately 43% or $1.7 million of overdraft fee income related to the changed procedures will be impacted which could reduce fee income. The Company has a plan which it believes will reduce the impact, but believes overdraft fee income will be reduced.

For 2010, fees from the non-recourse sale of marine loans originated by our Seacoast Marine Division of Seacoast National decreased nominally compared to first quarter 2009, by $6,000, but, compared to fourth quarter 2009 were higher by $111,000 or 48.7 percent. The Seacoast Marine Division originated $25 million during the first quarter of 2010. $20 million in loans were originated in the first and second quarters of 2009, $15 million during the third quarter of 2009, and $15 million during the fourth quarter of 2009 (a total of $70 million for the total year 2009). These production levels are significantly lower than loan production of $143 million and $186 million during 2008 and 2007, respectively, and are reflective of the economic downturn. Of the loans originated during the first quarter of 2010, $20 million (79.5 percent) were sold. This compares to sales as a percentage of production of 97.1 percent, 99.3 percent, and 86.0 percent for all of 2009, 2008 and 2007, respectively. As economic conditions deteriorated over 2008, attendance at boat shows by consumers, manufacturers, and marine retailers was lower than in prior years, and as a result marine sales and loan volumes were lower and are expected to continue to be lower in 2010. The Seacoast Marine Division is headquartered in Ft. Lauderdale, Florida with lending professionals in Florida, California, Washington and Oregon.

Greater usage of check or debit cards over the past several years by core deposit customers and an increased cardholder base has increased our interchange income. For the first quarter of 2010, debit card income increased $109,000 or 17.9 percent from 2009 s first quarter, and was $59,000 or 9.0 percent higher than fourth quarter 2009 s income. Other deposit-based electronic funds transfer (EFT) income decreased nominally, by $1,000 for 2010 compared to first quarter 2009, and increased $14,000 compared to fourth quarter s 2009 s revenue. Debit card and other deposit-based EFT revenue is dependent upon business volumes transacted, as well as the fees permitted by VISA® and MasterCard®.

Merchant income was $71,000 or 13.2 percent lower for first quarter 2009, compared to one year earlier, and was $56,000 or 13.7 percent higher when compared to the fourth quarter of 2009. Merchant income as a source of revenue is dependent upon the volume of credit card transactions that occur with merchants who have business demand deposits with Seacoast National. Over the past few years, expansion into new markets favorably impacted our merchant income, but continued economic weakness and related effects on consumer spending have more than offset our geographic expansion. Merchant income historically has been highest in the first quarter each year, reflecting seasonal sales activity.

The Company originates residential mortgage loans in its markets, with loans processed by commissioned employees of Seacoast National. Many of these mortgage loans are referred by the Company s branch personnel. Mortgage banking fees in 2010 decreased $78,000 or 15.6 percent from first quarter 2009, but were nominally lower than fourth quarter 2009 s result, by $1,000. Mortgage banking revenue as a component of overall noninterest income was 9.2 percent for the first quarter of 2010, the same as for all of 2009. Sales of residential loans for the first quarter of 2010 totaled $22 million, versus $20 million in 2009 s first quarter. Mortgage revenues are dependent upon favorable interest rates, as well as good overall economic conditions, including the volume of new and used home sales. We are beginning to see some signs of stability for residential real estate sales and activity in our markets, with transactions increasing, prices firming and affordability improving. The Company had more opportunities in markets it serves during 2009 and hopes to continue to take advantage in 2010 of tighter credit and reduced capital limiting the ability of some of our competitors. The Company also began offering FHA loans during the second quarter of 2009, a product previously not offered.

Other income for the first quarter of 2010 increased $15,000 or 4.0 percent compared to a year ago. Operating income from an investment in a limited partnership formed under the auspices of the Community Reinvestment Act improved year over year by $29,000, but most other line items in other income were slightly lower, including check charges, wire transfer fees, and miscellaneous other fees.

NONINTEREST EXPENSES

When compared to first quarter 2009, total noninterest expenses for 2010 increased by $4,034,000 or 20.9 percent to $23,369,000. The primary cause for the increase was net losses on other real estate owned (OREO) and other asset dispositions, increasing by $3,571,000 from $502,000 for the first quarter of 2009 to $4,073,000 for the first quarter of 2010. In addition, other legal and professional fees were $709,000 higher, versus a year ago, and totaled $2,101,000. While these increases are significant, noninterest expenses for 2010 have been in line with our expectations. Salaries, wages and benefits were $430,000 or 5.0 percent lower for first quarter 2010 compared to the same period in 2009. The elimination of bonus compensation for most positions and profit sharing contributions for all associates, reductions in matching contributions associated with salary savings plans, job eliminations, and branch consolidation(s), as well as the freezing of executive salaries, and reduced salary increases for other associates remain in place, thereby containing salary and wage costs. Cost reductions were also achieved in data processing, communication costs, occupancy, and furniture and equipment expenses, all of which declined when comparing the first quarter of 2010 to 2009 for the same period.

Salaries and wages for the first quarter of 2010 decreased by $426,000 or 6.2 percent to $6,462,000 compared to the prior year s first quarter. Reduced headcount (including the branch closures in 2009), limited accruals for severance payments as compared to a year ago, and lower commission payments due to lower revenues generated from wealth management and weak lending production were the primary causes of the decrease in 2010 compared to first quarter 2009. As noted in prior management discussions, the Company has eliminated incentive payouts for senior officers and limited 401K contributions by the Company, cost savings that will remain in effect until the Company produces meaningful earnings improvements. Severance payments during the first quarter of 2009 totaled $241,000, compared to only $5,000 for the first quarter of this year. Base salaries were 5.4 percent lower year over year for the first quarter, with full-time equivalent employees (FTEs) totaling 428 at March 31, 2010, 2.1 percent less than the 437 FTEs at March 31, 2009.

As a recipient of funding from the U.S. Treasury s TARP Capital Purchase Program (CPP), the Company is subject to various limitations on senior executive officers compensation pursuant the U.S. Treasury s standards for executive compensation and corporate governance for the period during which the U.S. Treasury holds equity pursuant to the TARP CPP, including common stock which may be issued pursuant to the Warrant issued by the Company to the U.S. Treasury. These standards generally apply to the Company s chief executive officer, chief financial officer and the three next most highly compensated senior executive officers.

Employee benefits costs decreased nominally, by $4,000 to $1,778,000 from the first quarter of 2009. The Company recognized lower claims experience in the first three months of 2010 for its self-funded health care plan compared to 2009, a decrease of $28,000 versus the first quarter a year ago. In addition, payroll taxes were $30,000 lower due to lower FTE s for 2010. Offsetting, unemployment compensation costs were $60,000 higher year over year for the first quarter of 2010 due to the state of Florida increasing rates to replenish funding pools for compensation disbursements.

Outsourced data processing costs totaled $1,876,000 for the first quarter of 2010, a decrease of $15,000 or 0.8 percent from a year ago. Seacoast National utilizes third parties for its core data processing systems and merchant services processing. Outsourced data processing costs are directly related to the number of transactions processed. Merchant income and merchant services processing costs were lower year over year, with fewer transactions occurring at local businesses reflecting the poor economy (see Noninterest Income). Merchant services processing expenses were $70,000 lower than a year ago for the first quarter of 2009. Partially offsetting, core data processing and software maintenance costs were $39,000 and $15,000 higher for the first quarter of 2010, versus a year ago. Outsourced data processing costs can be expected to increase as the Company s business volumes grow and new products such as bill pay, internet banking, etc. become more popular.

Telephone and data line expenditures, including electronic communications with customers and between branch locations and personnel, as well as third party data processors, decreased by $85,000 or 17.5 percent to $399,000 for the first quarter of 2010 when compared to 2009. Improved systems and monitoring of services utilized as well as reducing the number telephone lines (in part due to our branch consolidations) has reduced our communication costs, and these costs should continue to be lower prospectively when compared to prior year.

Total occupancy, furniture and equipment expenses for the first quarter of 2010 decreased $254,000 or 9.1 percent to $2,551,000, year over year, versus the same period in 2009. Included in the $254,000 decrease during 2010 were lease payments for bank premises decreasing $88,000, and lower depreciation and repair and maintenance costs, declining $95,000 and $25,000, respectively. Utility costs (power, lights and water) were reduced as well, lower by $54,000 during the first quarter of 2010, compared to 2009 s first quarter.

For 2010, marketing expenses, including sales promotion costs, ad agency production and printing costs, newspaper and radio advertising, and other public relations costs associated with the Company s efforts to market products and services, increased by $168,000 or 34.4 percent to $656,000 when compared to first quarter 2009. Agency production, donations, and public relations expenses were lower by $18,000, $28,000 and $83,000, respectively, during the first quarter of 2010, compared to 2009. Media costs (including newspaper, radio and television) and direct mail costs were more than offsetting, increasing $166,000 and $122,000, respectively, compared to the first quarter of 2009. A focused campaign in our markets targeting the customers of competing financial institutions in our markets and promoting our brand has been underway, thereby causing the increases indicated.

Legal and professional fees increased $709,000 or 50.9 percent, to $2,101,000 for the first quarter of 2010, compared to a year ago for 2009. Legal fees were $195,000 lower in 2010 year over year, primarily due to lower problem assets. Compared to first quarter 2009, regulatory examination fees and CPA fees on an aggregate basis were $14,000 higher for 2010, and professional fees were $890,000 higher reflecting strategic planning assistance. Professional fees have generally been higher during this period of increased regulatory compliance. The Company also uses the consulting services of a former bank regulator who also serves as a director of Seacoast National to assist it with its compliance with the formal agreement and regulatory examinations. For the three months ended March 31, 2010 and 2009, Seacoast National paid $121,000 and $106,000, respectively, for these services. We expect legal fees will continue to be lower for 2010 as a result of fewer new nonperforming loans.

The FDIC assessment for first quarter 2010 totaled $1,006,000. FDIC assessments for the first, second, third and fourth quarters of 2009 totaled $877,000, $2,026,000, $1,007,000 and $1,042,000, respectively. The second quarter 2009 assessment included a special assessment of $976,000, based upon 5 basis points of total assets less Tier 1 risk-based capital. In addition, on April 1, 2009 a higher base assessment went into effect as well as the FDIC s implementation of a more complex risk-based formula to calculate assessments. The FDIC also mandated the prepayment of assessments for the next three years plus fourth quarter 2009 s assessment that was remitted on December 30, 2009. The amount of the prepayment totaled $14.8 million. The Company anticipates that FDIC insurance costs are likely to remain elevated, with assessments possibly increasing even more depending on the severity of bank failures and their impact to the FDIC s Deposit Insurance Fund.

Net losses on other real estate owned and other asset dispositions totaled $4,073,000 for the first quarter of 2010, and totaled $502,000 for the same period in 2009. Other real estate owned increased during 2009 and while growth in nonaccrual loans is expected to moderate and decline, costs associated with the management of other real estate owned and other repossessed assets will likely continue to be higher in 2010 as problem assets migrate toward liquidation.

Remaining noninterest expenses increased $241,000 or 12.6 percent to $2,152,000 when comparing the first quarter of 2010 to the same quarter a year ago. Increasing year over year for the first three months of 2010 were employee placement fees (up $47,000, principally headhunter fees), origination fees for marine loan production (up $32,000), and one-time cash settlements regarding a branch lease terminated in 2009 and a trade in Seacoast National s brokerage subsidiary (each for $150,000). Partially offsetting were decreases in expenditures for stationery and supplies (down $34,000), reduced charge-offs related to robbery and customer fraud (down $42,000), and appraisal fees regarding real estate (down $33,000, for bank directed activity).

INCOME TAXES

No income tax benefit was recorded for the first three month of 2010, consistent with the third and fourth quarters of 2009. In comparison, an income tax benefit of $3.1 million was recorded for the first three months of 2009.

The tax benefit for the net loss for the first quarter of 2010 totaled $0.6 million. The deferred tax valuation allowance was increased by a like amount, and therefore there was no change in the carrying value of deferred tax assets which are supported by tax planning strategies (see Critical Accounting Estimates Deferred Tax Assets). The tax benefit for the net loss for the third and fourth quarters of 2009 totaled $29.7 million, and also was offset by a valuation allowance of a like amount. As the economy show signs of improvement and our credit costs moderate, we anticipate that we will be able to place increased reliance on our forecast of future taxable earnings, which would result in realization of future tax benefits.

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FINANCIAL CONDITION

CAPITAL RESOURCES

The Company s equity capital at March 31, 2010 totaled $151.2 million and the ratio of shareholders equity to period end total assets was 7.13 percent, compared with 7.06 percent at December 31, 2009, and 9.25 percent at March 31, 2009. Seacoast s management uses certain non-GAAP financial measures in its analysis of the Company s performance. Seacoast s management uses this measure to assess the quality of capital and believes that investors may find it useful in their analysis of the Company. This capital measure is not necessarily comparable to similar capital measures that may be presented by other companies. The Company and its banking subsidiary, Seacoast National, are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. As a result, the Company s capital position remains strong, meeting the general definition of well capitalized , with a total risk-based capital ratio of 15.29 percent at March 31, 2010, higher than December 31, 2009 s ratio of 15.16 percent and higher than 14.00 percent at March 31, 2009. The Bank agreed to maintain a Tier 1 capital (to adjusted average assets) (leverage ratio) ratio of at least 7.50 percent and a total risk-based capital ratio of at least 12.00 percent as of March 31, 2009 with its primary regulator the Office of the Comptroller of the Current (the OCC). Subsequently, as of January 31, 2010, following our capital raise, the Bank agreed to maintain a leverage ratio minimum of 8.50 percent. The agreement with the OCC as to minimum capital ratios does not change the Bank s status as well-capitalized for bank regulatory purposes, to which the Bank is currently in compliance.

The Company and its banking subsidiary, Seacoast National, are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal bank regulatory authority may prohibit the payment of dividends where it has determined that the payment of dividends would be an unsafe or unsound practice. The Company is a legal entity separate and distinct from Seacoast National and its other subsidiaries, and the Company s primary source of cash and liquidity, other than securities offerings and borrowings, is dividends from its bank subsidiary. Prior OCC approval presently is required for any payments of dividends from Seacoast National to the Company.

The OCC and the Federal Reserve have policies that encourage banks and bank holding companies to pay dividends from current earnings, and have the general authority to limit the dividends paid by national banks and bank holding companies, respectively, if such payment may be deemed to constitute an unsafe or unsound practice. If, in the particular circumstances, either of these federal regulators determined that the payment of dividends would constitute an unsafe or unsound banking practice, either the OCC or the Federal Reserve may, among other things, issue a cease and desist order prohibiting the payment of dividends by Seacoast National or us, respectively. Under a recently adopted Federal Reserve policy, the board of directors of a bank holding company must consider different factors to ensure that its dividend level is prudent relative to the organization s financial position and is not based on overly optimistic earnings scenarios such as any potential events that may occur before the payment date that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company, such as Seacoast, should consult with the Federal Reserve and eliminate, defer, or significantly reduce the bank holding company s dividends if: (i) its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends; (ii) its prospective rate of earnings retention is not consistent with the its capital needs and overall current and prospective financial condition; or (iii) it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

As a result of our participation in the TARP CPP program, additional restrictions have been imposed on our ability to declare or increase dividends on shares of our common stock, including a restriction on paying quarterly dividends above $0.01 per share. Specifically, we are unable to declare dividend payments on our common, junior preferred or *pari passu* preferred shares if we are in arrears on the dividends on the Series A Preferred Stock. Further, without the Treasury s approval, we are not permitted to increase dividends on our common stock above $0.01 per share until December 19, 2011 unless all of the Series A Preferred Stock has been redeemed or transferred by the Treasury. In addition, we cannot repurchase shares of common stock or use proceeds from the Series A Preferred Stock to repurchase trust preferred securities. The consent of the Treasury generally is required for us to make any stock repurchase until December 19, 2011 unless all of the Series A Preferred Stock has been redeemed or transferred by the Treasury to a third party. Further, our common, junior preferred or *pari passu* preferred shares may not be repurchased if we have not declared and paid all Series A Preferred Stock dividends.

Beginning in the third quarter of 2008, the Company reduced the dividend per share on common stock to $0.01 and, on May 19, 2009, suspended the payment of dividends on both the common stock and Series A Preferred Stock, as well as all distributions on its trust preferred securities, as a result of Federal Reserve policies related to dividends and other distributions. Dividends will be suspended until such time as dividends are allowed by the Federal Reserve.

As of March 31, 2010, our accumulated deferred interest payments on Series A Preferred Stock was $2,883,000 and our accumulated deferred interest payment on trust preferred securities was $1,183,000.

At March 31, 2010, the capital ratios for the Company and its subsidiary, Seacoast National, were as follows:

	Seacoast (Consolidated)	**Seacoast National**	**Minimum to be Well Capitalized***
March 31, 2010:			
Tier 1 capital ratio	13.83%	13.38%	6%
Total risk-based capital ratio	15.29%	14.65%	10%
Tier 1 leverage ratio	8.86%	8.56%	5%

* For subsidiary bank only

During April 2010, the Company enhanced capital by issuing Mandatorily Convertible Noncumulative Nonvoting Preferred Stock for total gross proceeds of approximately $50.0 million, including additional shares to CapGen Capital Group III LP (CapGen), a Delaware limited partnership. The Company expects to receive total proceeds of approximately $46.9 million from the sale, net of issuance costs (see Note H Equity Capital). Approximately $33 million has been received on April 10, 2010 and approximately $14 million is expected to be issued upon Federal Reserve approval.

LOAN PORTFOLIO

Total loans (net of unearned income) were $1,373,278,000 at March 31, 2010, $259,299,000 or 15.9 percent less than at March 31, 2009, and $24,225,000 or 1.7 percent less than at December 31, 2009. The following table details loan portfolio composition at March 31, 2010, December 31, 2009 and March 31, 2009:

(In thousands)	March 31, 2010	Dec. 31, 2009	March 31, 2009
Commercial real estate	$ 684,673	$ 709,285	$ 865,552
Residential real estate	564,858	562,660	619,896
Commercial and financial	62,134	61,058	75,448
Consumer	61,422	64,024	71,440
Other loans	191	476	241
Total	$ 1,373,278	$ 1,397,503	$ 1,632,577

Overall loan growth was negative when comparing outstanding balances at March 31, 2010 to prior year, as a result of the economic recession, including lower demand for commercial loans, and the Company s successful divestiture of specific problem loans (including residential construction and land development loans) through loan sales. Total problem loans sold in 2009 totaled $82 million, with the Company significantly reducing its exposure to construction and land development loans and improving the Company s overall risk profile.

As shown in the table above, commercial real estate loans decreased $180,879,000 or 20.9 percent from March 31, 2009 to $684,673,000 at March 31, 2010 and residential real estate loans decreased $55,038,000 or 8.9 percent to $564,858,000. The primary cause for the decrease in commercial real estate loans was a reduction in construction and land development loans for residential and commercial properties of $76,159,000 or 65.0 percent and $128,790,000 or 64.0 percent, respectively, to outstanding balances of $41,088,000 and $72,562,000 at March 31, 2010. Partially offsetting, commercial real estate mortgages were higher, increasing by $24,070,000 or 4.4 percent to $571,023,000. Construction and land development loans to individuals included in residential real estate loans were lower as well, declining $12,626,000 or 25.1 percent to $37,607,000. In addition, adjustable rate residential mortgages were lower year over year, by $42,602,000 or 12.8 percent to $290,520,000. Fixed rate residential mortgages, home equity mortgages and home equity lines changed less significantly and totaled $87,608,000, $89,050,000 and $60,073,000 at March 31, 2010. Commercial and financial loans and consumer loans (principally installment loans to individuals) decreased $13,314,000 or 17.6 percent and $10,018,000 or 14.0 percent, respectively, from a year ago to $62,134,000 and $61,422,000 at March 31, 2010, reflecting the impact on lending of the economic downturn.

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Construction and land development loans, including loans secured by commercial real estate, were comprised of the following types of loans at March 31, 2010 and March 31, 2009:

March 31 (In millions)	2010 Funded	2010 Unfunded	2010 Total	2009 Funded	2009 Unfunded	2009 Total
Construction and land development*						
Residential:						
Condominiums	$ 0.9	$	$ 0.9	$ 16.3	$ 0.4	$ 16.7
Town homes				4.2		4.2
Single Family Residences	3.9	1.3	5.2	20.5	1.2	21.7
Single Family Land & Lots	21.6	0.1	21.7	51.4	0.4	51.8
Multifamily	14.7		14.7	24.8	0.5	25.3
	41.1	1.4	42.5	117.2	2.5	119.7
Commercial:						
Office buildings	13.7		13.7	17.4	0.6	18.0
Retail trade	3.9		3.9	70.0	4.5	74.5
Land	45.7	0.1	45.8	60.9	0.3	61.2
Industrial	2.5	0.1	2.6	9.0	0.8	9.8
Healthcare				5.7	4.0	9.7
Churches & educational facilities						
Lodging				0.6		0.6
Convenience Stores						
Marina	6.8		6.8	31.6	2.8	34.4
Other				6.2		6.2
	72.6	0.2	72.8	201.4	13.0	214.4
	113.7	1.6	115.3	318.6	15.5	334.1
Individuals:						
Lot loans	28.9		28.9	34.0		34.0
Construction	8.7	5.6	14.3	16.2	7.2	23.4
	37.6	5.6	43.2	50.2	7.2	57.4
Total	$ 151.3	$ 7.2	$ 158.5	$ 368.8	$ 22.7	$ 391.5

* *Reassessment of collateral assigned to a particular loan over time may result in amounts being*

reassigned to a more appropriate loan type representing the loan s intended purpose, and for comparison purposes prior period amounts have been restated to reflect the change.

The Company s ten largest commercial real estate funded and unfunded loan relationships at March 31, 2010 aggregated to $163.8 million (versus $202.9 million a year ago) and for the top 36 commercial real estate relationships in excess of $5 million the aggregate funded and unfunded totaled $361.9 million (compared to 46 relationships aggregating to $498.0 million a year ago).

Commercial real estate mortgage loans, excluding construction and development loans, were comprised of the following loan types at March 31, 2010 and 2009:

March 31	2010			2009		
(In millions)	Funded	Unfunded	Total	Funded	Unfunded	Total
Office buildings	$ 131.1	$ 1.2	$ 132.3	$ 140.6	$ 2.8	$ 143.4
Retail trade	163.5		163.5	109.1	0.8	109.9
Industrial	81.7	1.2	82.9	95.3	1.9	97.2
Healthcare	29.1	0.1	29.2	28.3	0.6	28.9
Churches and educational facilities	29.1		29.1	34.8		34.8
Recreation	3.0	0.4	3.4	1.7	0.4	2.1
Multifamily	25.3		25.3	27.2	0.7	27.9
Mobile home parks	5.3		5.3	3.0		3.0
Lodging	23.5		23.5	26.3	0.4	26.7
Restaurant	4.7		4.7	6.1		6.1
Agriculture	11.4	0.5	11.9	8.2	0.5	8.7
Convenience Stores	22.3		22.3	23.3		23.3
Other	41.0	0.3	41.3	43.0	0.6	43.6
Total	$ 571.0	$ 3.7	$ 574.7	$ 546.9	$ 8.7	$ 555.6

Fixed rate and adjustable rate loans secured by commercial real estate, excluding construction loans, totaled approximately $347 million and $224 million, respectively, at March 31, 2010, compared to $327 million and $220 million, respectively, a year ago.

At March 31, 2010, approximately $291 million or 55 percent of the Company s residential mortgage balances were adjustable, compared to $333 million or 58 percent a year ago. Loans secured by residential properties having fixed rates totaled approximately $177 million at March 31, 2010, of which 15- and 30-year mortgages totaled approximately $30 million and $58 million, respectively. The remaining fixed rate balances were comprised of home improvement loans, most with maturities of 10 years or less. In comparison, loans secured by residential properties having fixed rates totaled approximately $176 million at March 31, 2009, with 15- and 30-year fixed rate residential mortgages totaling approximately $33 million and $58 million, respectively. The Company also has a small home equity line portfolio totaling approximately $60 million at March 31, 2010, the same amount that was outstanding at March 31, 2009.

Commercial loans decreased and totaled $62,134,000 at March 31, 2010, compared to $75,448,000 a year ago. Commercial lending activities are directed principally towards businesses whose demand for funds are within the Company s lending limits, such as small- to medium-sized professional firms, retail and wholesale outlets, and light industrial and manufacturing concerns. Such businesses are smaller and subject to the risks of lending to small to medium sized businesses, including, but not limited to, the effects of a downturn in the local economy, possible business failure, and insufficient cash flows.

The Company also provides consumer loans (including installment loans, loans for automobiles, boats, and other personal, family and household purposes, and indirect loans through dealers to finance automobiles) which totaled $61,422,000 (versus $71,440,000 a year ago), real estate construction loans to individuals secured by residential properties which totaled $8,689,000 (versus $16,236,000 a year ago), and residential lot loans to individuals which totaled $28,918,000 (versus $33,997,000 a year ago).

At March 31, 2010, the Company had commitments to make loans of $95 million, compared to $151 million at March 31, 2009.

Loan Concentrations

Over the past two years and into 2010, the Company has been pursuing an aggressive program to reduce exposure to loan types that have been most impacted by stressed market conditions in order to achieve lower levels of credit loss volatility. The program included aggressive collection efforts, loan sales and early stage loss mitigation strategies focused on the Company s largest loans. Successful execution of this program has significantly reduced our exposure to larger balance loan relationships (including multiple loans to a single borrower or borrower group). Commercial loan relationships greater than $10 million were reduced by $401.6 million to $195.9 million at March 31, 2010 compared with year-end 2007.

Commercial Relationships Greater than $10 Million (*dollars in thousands*)

	March 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Performing	$ 139,750	$ 145,797	$ 374,241	$ 592,408
Performing TDR*	28,623	31,152		
Nonaccrual	27,567	28,525	14,873	5,152
Total	$ 195,940	$ 205,474	$ 389,114	$ 597,560
Top 10 Customer Loan Relationships	$ 163,849	$ 173,162	$ 228,800	$ 266,702

* TDR = Troubled debt restructures

Commercial loan relationships greater than $10 million as a percent of tier 1 capital and the allowance for loan losses was reduced to 84.6 percent at March 31, 2010, compared with 85.9 percent at year-end 2009, 162.1 percent at the end of 2008 and 258.1 percent at the end of 2007.

On a proforma basis including the additional $46.9 million from the April 2010 capital offering the ratio declines to approximately 66 percent.

Concentrations in total construction and development loans and total commercial real estate (CRE) loans have also been substantially reduced. As shown in the table below, under regulatory guidance for construction and land development and commercial real estate loan concentrations as a percentage of total risk based capital, Seacoast National s loan portfolio in these categories (as defined in the guidance) have improved.

	March 31, 2010	December 31, 2009	December 31, 2008	December 31, 2007
Construction & Land Development Loans to Total Risk Based Capital	76%	81%	206%	265%
CRE Loans to Total Risk Based Capital	267%	274%	389%	390%

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The following is the geographic location of the Company s construction and land development loans (excluding loans to individuals) totaling $113,650,000 at March 31, 2010 and $318,599,000 at March 31, 2009:

Florida County	% of Total Construction and Land Development Loans 2010	2009
Palm Beach	23.2	14.7
Indian River	15.7	11.6
St. Lucie	11.1	18.5
Brevard	10.8	6.7
Volusia	10.6	7.9
Miami-Dade	8.2	3.0
Martin	7.0	9.1
Orange	3.3	6.6
Okeechobee	2.9	2.1
Collier	2.2	0.9
Marion	1.3	1.1
Hendry	1.3	0.5
Charlotte	1.0	0.8
Lake	0.7	0.2
Pinellas	0.4	0.0
Highlands	0.2	4.9
Broward	0.0	2.5
Bradford	0.0	0.9
Dade	0.0	2.7
Osceola	0.0	3.5
Lee	0.0	1.5
Hillsborough	0.0	0.2
Other	0.1	0.1
Total	100.0	100.0

ALLOWANCE FOR LOAN LOSSES

Management continuously monitors the quality of the loan portfolio and maintains an allowance for loan losses it believes sufficient to absorb probable losses inherent in the loan portfolio. The allowance for loan losses totaled $43,719,000 at March 31, 2010, $11,219,000 greater than at March 31, 2009 and $1,473,000 lower than at December 31, 2009. The allowance for loan losses framework has two basic elements: specific allowances for loans individually evaluated for impairment, and a formula-based component for pools of homogeneous loans within the portfolio that have similar risk characteristics, which are not individually evaluated.

The first element of the ALLL analysis involves the estimation of allowance specific to individually evaluated impaired loans including accruing and nonaccruing restructured commercial and consumer loans. In this process, a specific allowance is established for impaired loans based on an analysis of the most probable sources of repayment, including discounted cash flows, liquidation of collateral, or the market value of the loan itself. It is the Company s policy to charge off any portion of the loan deemed a loss. Restructured consumer loans are also evaluated in this element of the estimate. As of March 31, 2010, the specific allowance related to impaired loans individually evaluated totaled $12.4 million.

The second element of the ALLL, the general allowance for homogeneous loan pools not individually evaluated, is determined by applying allowance factors to pools of loans within the portfolio that have similar risk characteristics. The general allowance factors are determined using a baseline factor that is developed from an analysis of historical net charge-off experience and qualitative factors designed and intended to measure expected losses. These baseline factors are developed and applied to the various loan pools. Adjustments may be made to baseline reserves for some of the loan pools based on an assessment of internal and external influences on credit quality not fully reflected in the historical loss. These influences may include elements such as changes in concentration risk, macroeconomic conditions, and/or recent observable asset quality trends.

In addition, our analyses of the adequacy of the allowance for loan losses also takes into account qualitative factors such as credit quality, loan concentrations, internal controls, audit results, staff turnover, local market conditions and loan growth.

The Company s independent Credit Administration Department assigns all loss factors to the individual internal risk ratings based on an estimate of the risk using a variety of tools and information. Its estimate includes consideration of the level of unemployment which is incorporated into the overall allowance. In addition, the portfolio is segregated into a graded loan portfolio, residential, installment, home equity, and unsecured signature lines, and loss factors are calculated for each portfolio. The loss factors assigned to the graded loan portfolio are based on historical migration of actual losses by grade and a range of losses over various periods. Loss factors for the other portfolios are based on historical losses over the prior 12 months and prospective factors that consider loan type, delinquencies, loan to value, purpose of the loan, and type of collateral.

Our charge-off policy meets or exceeds regulatory minimums. Secured loans may be charged-down to the estimated value of the collateral with previously accrued unpaid interest reversed. Subsequent charge-offs may be required as a result of changes in the market value of collateral or other repayment prospects. Initial charge-off amounts are based on valuation estimates derived from appraisals, broker price opinions, or other market information. Generally, new appraisals are not received until the foreclosure process is completed; however, collateral values are evaluated periodically based on market information and incremental charge-offs are recorded if it is determined that collateral values have declined from their initial estimates.

In general, collateral values for residential real estate have declined since 2006, with values being more stable over the last 12 months. Loans originated from 2005 through 2007 have seen property values decline approximately 50 percent from their original appraised values, more than the decline on loans originated in other years. Declining residential collateral value has affected our actual loan losses over the last two and half years, but values appear to have stabilized over the last nine months. Residential loans that become 90 days past due are placed on nonaccrual. A specific allowance is made for any loan that becomes 120 days past due. Residential loans are subsequently written down if they become 180 days past due and such write-downs are supported by a current appraisal, consistent with current banking regulations.

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Our Loan Review unit is independent, and performs loan reviews and evaluates a representative sample of credit extensions after the fact for appropriate individual internal risk ratings. Loan Review has the authority to change internal risk ratings and is responsible for assessing the adequacy of credit underwriting. This unit reports directly to the Directors Loan Committee of Seacoast National s Board of Directors.

The allowance as a percentage of loans outstanding was 3.18 percent at March 31, 2010, compared to 1.99 percent at March 31, 2009 and 3.23 percent at December 31, 2009. The allowance for loan losses represents management s estimate of an amount adequate in relation to the risk of losses inherent in the loan portfolio.

During the first quarter of 2010, net charge-offs totaled $3,541,000. This compares to $8,540,000 in the first quarter of 2009, $15,109,000 in the second quarter of 2009, $40,142,000 in the third quarter of 2009 and $45,172,000 in the fourth quarter of 2009. Some of the increase in charge-offs during 2009 were related to loan sales to reduce risk in the loan portfolio. Although there is no assurance that we will not have elevated charge-offs in the future, we believe that we have significantly reduced the risks in our loan portfolio and that with stabilizing market conditions, future charge-offs would decline. Net charge-offs for March 31, 2010 and 2009 were as follows:

	March 31, 2010			March 31, 2009		
Three Months Ended (In thousands)	Charge-Offs	Recoveries	Net	Charge-Offs	Recoveries	Net
Commercial real estate	$ 1,902	$ 745	$ 1,157	$ 3,920	$ 122	$ 3,798
Residential real estate	1,593	154	1,439	3,473	65	3,408
Commercial & financial	55	50	5	561	15	546
Consumer	1,059	119	940	819	31	788
Total	$ 4,609	$ 1,068	$ 3,541	$ 8,773	$ 233	$ 8,540

Concentrations of credit risk, discussed under Loan Portfolio of this discussion and analysis, can affect the level of the allowance and may involve loans to one borrower, an affiliated group of borrowers, borrowers engaged in or dependent upon the same industry, or a group of borrowers whose loans are predicated on the same type of collateral. The Company s most significant concentration of credit is a portfolio of loans secured by real estate. At March 31, 2010, the Company had $1.250 billion in loans secured by real estate, representing 91.0 percent of total loans, unchanged from March 31, 2009. In addition, the Company is subject to a geographic concentration of credit because it only operates in central and southeastern Florida. Included in real estate loans, the Company has a credit exposure to commercial real estate developers and investors with total commercial real estate construction and land development loans of $113.7 million or 8.3 percent of total loans at March 31, 2010, down from $318.6 million or 19.5 percent at March 31, 2009. The Company s exposure to these credits is secured by project assets and personal guarantees. The exposure to this industry group, together with an assessment of current trends and expected future financial performance, are considered in our evaluation of the adequacy of the allowance for loan losses.

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While it is the Company s policy to charge off in the current period loans in which a loss is considered probable, there are additional risks of future losses that cannot be quantified precisely or attributed to particular loans or classes of loans. Because these risks include the state of the economy, borrower payment behaviors and local market conditions as well as conditions affecting individual borrowers, management s judgment of the allowance is necessarily approximate and imprecise. It is also subject to regulatory examinations and determinations as to adequacy, which may take into account such factors as the methodology used to calculate the allowance for loan losses and the size of the allowance for loan losses in comparison to a group of peer companies identified by the regulatory agencies.

In assessing the adequacy of the allowance, management relies predominantly on its ongoing review of the loan portfolio, which is undertaken both to ascertain whether there are probable losses that must be charged off and to assess the risk characteristics of the portfolio in aggregate. This review considers the judgments of management, and also those of bank regulatory agencies that review the loan portfolio as part of their regular examination process. Our bank regulators have generally agreed with our credit assessments, however the regulators could seek additional provisions to our allowance for loan losses.

Seacoast National entered into a formal agreement with the OCC on December 16, 2008 to improve its asset quality. Under the formal agreement, Seacoast National s board of directors appointed a compliance committee to monitor and coordinate Seacoast National s performance under the formal agreement. The formal agreement provides for the development and implementation of written programs to reduce Seacoast National s credit risk, monitor and reduce the level of criticized assets, and manage commercial real estate loan (CRE) concentrations in light of current adverse CRE market conditions. The Company believes it has complied with this formal agreement.

NONPERFORMING ASSETS

Nonperforming assets at March 31, 2010 totaled $115,397,000 and are comprised of $96,321,000 of nonaccrual loans and $19,076,000 of other real estate owned (OREO), compared to $122,065,000 at March 31, 2009 (comprised of $109,381,000 in nonaccrual loans and $12,684,000 of OREO). At March 31, 2010, virtually all nonaccrual loans were secured with real estate. See the table below for details about nonaccrual loans. At March 31, 2010, nonaccrual loans have been written down by approximately $37.0 million or 29.4 percent of the original loan balance (including specific impairment reserves). OREO has increased as problem loans have migrated to foreclosure and then liquidation.

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During the first quarter 2010 loan sales have been nominal, compared to all of 2009 when sales totaled $82 million, at an average price of approximately 56 percent of the outstanding balance of the loan sold. Prospectively, the Company anticipates loan sales will likely play a lesser role in connection with liquidation efforts, since we have substantially reduced our largest borrower concentrations. The Company pursues loan restructurings in selected cases where it expects to realize better values than may be expected through traditional collection activities. The Company has worked with retail mortgage customers, when possible, to achieve lower payment structures in an effort to avoid foreclosure. Troubled debt restructurings (TDRs) are part of the Company s loss mitigation activities and can include rate reductions, payment extensions and principal deferrals. Company policy requires TDRs be classified as nonaccrual loans until (under certain circumstances) performance can be verified, which usually requires six months of performance under the restructured loan terms. Some TDRs that have never been past due continue as accruing loans. TDRs included in nonperforming loans totaled $35.5 million at March 31, 2010, of which $13.8 million were performing in accordance with their restructured terms. Accruing restructured loans totaled $60.0 million at March 31, 2010.

March 31, 2010 (In thousands)	Nonaccrual Loans Non-Current	Per-forming	Total	Accruing Restructured Loans
Construction & land development				
Residential	$ 21,754	$ 54	$ 21,808	$ 4,823
Commercial	29,800	0	29,800	487
Individuals	2,468	0	2,468	1,255
	54,022	54	54,076	6,565
Residential real estate mortgages	8,806	3,297	12,103	14,203
Commercial real estate mortgages	14,557	13,639	28,196	38,827
Real estate loans	77,385	16,990	94,375	59,595
Commercial and financial	61	328	389	0
Consumer	151	1,406	1,557	437
	$ 77,597	$ 18,724	$ 96,321	$ 60,032

At March 31, 2010, loans totaling $156,515,000 were considered impaired (comprised of total nonaccural and TDRs)(see Note F Impaired Loans and Allowance for Loan Losses).

Over the past 24 months, management has maintained an intensive focus on the commercial real estate portfolio given the general economic stress in the Company s markets. The majority of these credits have been reviewed using current financial information and were appropriately risk graded. During the third and fourth quarters of 2009, additional reviews of all internally classified CRE loans was conducted. This included tests of cash flows against current outlook, the borrowers current condition and borrower financial trends. As a result of the reviews conducted, nonperforming loans increased and may have peaked in the third quarter.

SECURITIES

At March 31, 2010, the Company had $365,986,000 in securities available for sale (representing 97.3 percent of total securities), and securities held for investment carried at $10,228,000 (2.7 percent of total securities). The Company s securities portfolio increased $378,000 from March 31, 2009, and declined $34,521,000 or 8.4 percent from December 31, 2009.

As part of the Company s interest rate risk management process, an average duration for the securities portfolio is targeted. In addition, securities are acquired which return principal monthly that can be reinvested. Agency and private label mortgage backed securities and collateralized mortgage obligations comprise $362,689,000 of total securities, approximately 96 percent of the portfolio. Remaining securities are largely comprised of U.S. Treasury, U.S.

Government agency securities and tax-exempt bonds issued by states, counties and municipalities.

Federal funds sold and interest bearing deposits (aggregated) totaled $216,550,000 at March 31, 2010, compared to $110,231,000 at March 31, 2009 and $182,900,000 at December 31, 2009, which reflects the decline in the loan portfolio and funds from the capital raise during 2009. The Company has maintained additional liquidity during the uncertain environment and may use these funds to increase loans and investments as the economy continues to improve.

At March 31, 2010, available for sale securities had gross losses of $2,739,000 and gross gains of $7,058,000, compared to gross losses of $2,576,000 and gross gains of $10,531,000 at March 31, 2009. All of the securities with unrealized losses are reviewed for other-than-temporary impairment at least quarterly. As a result of these reviews during the first quarters of 2010 and 2009, it was determined that the unrealized losses were not other than temporarily impaired and the Company has the intent and ability to retain these securities until recovery over the periods presented (see discussion under Critical Accounting Estimates Fair Value and Other than Temporary Impairment of Securities Classified as Available for Sale).

Company management considers the overall quality of the securities portfolio to be high. The Company has no exposure to securities with subprime collateral and had no Fannie Mae or Freddie Mac preferred stock when these entities were placed in conservatorship. The Company holds no interests in trust preferred securities.

DEPOSITS AND BORROWINGS

Total deposits decreased $54,875,000 or 3.0 percent to $1,759,433,000 at March 31, 2010 compared to one year earlier, reflecting declining brokered deposits. Since March 31, 2009, interest bearing deposits (NOW, savings and money markets deposits) increased $38,658,000 or 4.7 percent to $865,909,000, noninterest bearing demand deposits decreased $3,604,000 or 1.3 percent to $278,205,000, and CDs decreased $89,929,000 or 12.8 percent to $615,319,000. Included in CDs, brokered time deposits decreased $48,232,000 to $24,640,000 at March 31, 2010 from prior year, of which $8,411,000 are attributable to CDARs. Funds deposited under the CDARs program are required to be classified as brokered deposits. The Company has been and continues to be more cautious with regards to the pricing of CDs. The Company continues to utilize a focused retail deposit growth strategy that has successfully generated core deposit relationships and increased services per household since its implementation in the first quarter of 2008.

Securities sold under repurchase agreements decreased over the past twelve months by $57,239,000 or 37.4 percent to $95,708,000 at March 31, 2010. Repurchase agreements are offered by Seacoast National to select customers who wish to sweep excess balances on a daily basis for investment purposes. Public fund depositors switching to sweep repurchase agreements comprised a significant amount of the outstanding balance a year ago, when safety was a major concern for these customers. At March 31, 2010, the number of sweep repurchase accounts was 186, compared to 228 a year ago. No federal funds purchased were outstanding at March 31, 2010 and 2009.

OFF-BALANCE SHEET TRANSACTIONS

In the normal course of business, we engage in a variety of financial transactions that, under generally accepted accounting principles, either are not recorded on the balance sheet or are recorded on the balance sheet in amounts that differ from the full contract or notional amounts. These transactions involve varying elements of market, credit and liquidity risk.

The two primary off-balance sheet transactions the Company has engaged in are:

- to manage exposure to interest rate risk (derivatives); and
- to facilitate customers funding needs or risk management objectives (commitments to extend credit and standby letters of credit).

Derivative transactions are often measured in terms of a notional amount, but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is not usually exchanged, but is used only as the basis upon which interest or other payments are calculated.

The derivatives the Company uses to manage exposure to interest rate risk are interest rate swaps. All interest rate swaps are recorded on the balance sheet at fair value with realized and unrealized gains and losses included either in the results of operations or in other comprehensive income, depending on the nature and purpose of the derivative transaction.

The credit risk of these transactions is managed by establishing a credit limit for counterparties and through collateral agreements. The fair value of interest rate swaps recorded in the balance sheet at March 31, 2010 included derivative product assets of $47,000. In comparison, at March 31, 2009 net derivative product assets of $239,000 were outstanding.

Lending commitments include unfunded loan commitments and standby and commercial letters of credit. A large majority of loan commitments and standby letters of credit expire without being funded, and accordingly, total contractual amounts are not representative of our actual future credit exposure or liquidity requirements. Loan commitments and letters of credit expose the Company to credit risk in the event that the customer draws on the commitment and subsequently fails to perform under the terms of the lending agreement.

Loan commitments to customers are made in the normal course of our commercial and retail lending businesses. For commercial customers, loan commitments generally take the form of revolving credit arrangements. For retail customers, loan commitments generally are lines of credit secured by residential property. These instruments are not recorded on the balance sheet until funds are advanced under the commitment. For loan commitments, the contractual amount of a commitment represents the maximum potential credit risk that could result if the entire commitment had been funded, the borrower had not performed according to the terms of the contract, and no collateral had been provided. Loan commitments were $95 million at March 31, 2010, and $151 million at March 31, 2009.

INTEREST RATE SENSITIVITY

Fluctuations in interest rates may result in changes in the fair value of the Company s financial instruments, cash flows and net interest income. This risk is managed using simulation modeling to calculate the most likely interest rate risk utilizing estimated loan and deposit growth. The objective is to optimize the Company s financial position, liquidity, and net interest income while limiting their volatility.

Senior management regularly reviews the overall interest rate risk position and evaluates strategies to manage the risk. The Company s most recent Asset and Liability Management Committee (ALCO) model simulation indicates net interest income would increase 11.3 percent if interest rates are shocked 200 basis points up over the next 12 months and 5.3 percent if interest rates are shocked up 100 basis points. Prior discussions focused on rates gradually increasing over the projected period, however recent regulatory guidance has placed more emphasis on rate shocks.

The Company had a positive gap position based on contractual and prepayment assumptions for the next 12 months, with a positive cumulative interest rate sensitivity gap as a percentage of total earning assets of 7.7 percent, based on its most recent ALCO modeling. This result includes new assumptions for core deposit re-pricing recently validated for the Company by an independent third party consulting group.

The computations of interest rate risk do not necessarily include certain actions management may undertake to manage this risk in response to changes in interest rates. Derivative financial instruments, such as interest rate swaps, options, caps, floors, futures and forward contracts may be utilized as components of the Company s risk management profile.

LIQUIDITY MANAGEMENT

Liquidity risk involves the risk of being unable to fund assets with the appropriate duration and rate-based liability, as well as the risk of not being able to meet unexpected cash needs. Liquidity planning and management are necessary to ensure the ability to fund operations cost effectively and to meet current and future potential obligations such as loan commitments and unexpected deposit outflows.

Funding sources primarily include customer-based core deposits, collateral-backed borrowings, cash flows from operations, and asset securitizations and sales.

Cash flows from operations are a significant component of liquidity risk management and consider both deposit maturities and the scheduled cash flows from loan and investment maturities and payments. Deposits are a primary source of liquidity. The stability of this funding source is affected by numerous factors, including returns available to customers on alternative investments, the quality of customer service levels, safety and competitive forces. We routinely use securities and loans as collateral for secured borrowings. In the event of severe market disruptions, we have access to secured borrowings through the FHLB and the Federal Reserve Bank of Atlanta.

Contractual maturities for assets and liabilities are reviewed to meet current and expected future liquidity requirements. Sources of liquidity, both anticipated and unanticipated, are maintained through a portfolio of high quality marketable assets, such as residential mortgage loans, securities held for sale and federal funds sold. The Company also has access to borrowed funds such as FHLB lines of credit and the Federal Reserve Bank of Atlanta under its borrower-in-custody program. The Company is also able to provide short term financing of its activities by selling, under an agreement to repurchase, United States Treasury and Government agency securities not pledged to secure public deposits or trust funds. At March 31, 2010, Seacoast National had available lines of credit under current lendable collateral value, which are subject to change, of $339 million. Seacoast National had $56 million of United States Treasury and Government agency securities and mortgage backed securities not pledged and available for use under repurchase agreements, and had an additional $225 million in residential and commercial real estate loans available as collateral.

Liquidity, as measured in the form of cash and cash equivalents (including federal funds sold and interest bearing deposits), totaled $274,703,000 on a consolidated basis at March 31, 2010 as compared to $149,491,000 at March 31, 2009. The composition of cash and cash equivalents has changed from a year ago. Over the past twelve months, cash and due from banks increased $18,893,000 to $58,153,000 and federal funds sold decreased by $4,919,000 to zero, while interest bearing deposits grew to $216,550,000 from $105,312,000. The interest bearing deposits are maintained in Seacoast National s account at the Federal Reserve Bank of Atlanta. Cash and cash equivalents vary with seasonal deposit movements and are generally higher in the winter than in the summer, and vary with the level of principal repayments and investment activity occurring in Seacoast National s securities and loan portfolios.

The Company is a legal entity separate and distinct from Seacoast National and its other subsidiaries. Various legal limitations, including Section 23A of the Federal Reserve Act and Federal Reserve Regulation W, restrict Seacoast National from lending or otherwise supplying funds to the Company or its non-bank subsidiaries. The Company has traditionally relied upon dividends from Seacoast National and securities offerings to provide funds to pay the Company s expenses, to service the Company s debt and to pay dividends upon Company common stock. In 2008 and 2007, Seacoast National paid dividends to the Company that exceeded its earnings in those years. Seacoast National cannot currently pay dividends to the Company without prior OCC approval. At March 31, 2010, the Company had cash and cash equivalents at the parent of approximately $10 million, comprised of remaining proceeds from our common stock offering which was consummated in the third quarter of 2009 and a private placement of common stock completed in the fourth quarter of 2009. The Company has suspended all dividends upon its Series A preferred stock and its common stock, and has deferred distributions on its subordinated debt related to trust preferred securities issued through affiliated trusts. Additional losses could prolong Seacoast National s inability to pay dividends to its parent without regulatory approval (see Financial Condition - Capital Resources).

EFFECTS OF INFLATION AND CHANGING PRICES

The condensed consolidated financial statements and related financial data presented herein have been prepared in accordance with U. S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money, over time, due to inflation.

Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution s performance than the general level of inflation. However, inflation affects financial institutions by increasing their cost of goods and services purchased, as well as the cost of salaries and benefits, occupancy expense, and similar items. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings, and shareholders equity. Mortgage originations and re-financings tend to slow as interest rates increase, and higher interest rates likely will reduce the Company s earnings from such activities and the income from the sale of residential mortgage loans in the secondary market.

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SPECIAL CAUTIONARY NOTICE REGARDING FORWARD LOOKING STATEMENTS

Various of the statements made herein under the captions Management s Discussion and Analysis of Financial Condition and Results of Operations , Quantitative and Qualitative Disclosures about Market Risk , Risk Factors and elsewhere, are forward-looking statements within the meaning and protections of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act).

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance or achievements of Seacoast to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. You should not expect us to update any forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as may, will, anticipate, assume, sh indicate, would, believe, contemplate, expect, estimate, continue, further, plan, point to, proje and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- the effects of future economic, business and market conditions and changes, domestic and foreign, including seasonality;
- governmental monetary and fiscal policies;
- legislative and regulatory changes, including changes in banking, securities and tax laws and regulations and their application by our regulators, and changes in the scope and cost of FDIC insurance and other coverage;
- changes in accounting policies, rules and practices;
- the risks of changes in interest rates on the levels, composition and costs of deposits, loan demand, and the values and liquidity of loan collateral, securities, and interest sensitive assets and liabilities;
- changes in borrower credit risks and payment behaviors;
- changes in the availability and cost of credit and capital in the financial markets;

- changes in the prices, values and sales volumes of residential and commercial real estate;
- the effects of competition from a wide variety of local, regional, national and other providers of financial, investment and insurance services;
- the failure of assumptions and estimates underlying the establishment of reserves for possible loan losses and other estimates;
- the risks of mergers, acquisitions and divestitures, including, without limitation, the related time and costs of implementing such transactions, integrating operations as part of these transactions and possible failures to achieve expected gains, revenue growth and/or expense savings from such transactions;
- changes in technology or products that may be more difficult, costly, or less effective than anticipated;
- the effects of war or other conflicts, acts of terrorism or other catastrophic events that may affect general economic conditions;
- the failure of assumptions and estimates, as well as differences in, and changes to, economic, market and credit conditions, including changes in borrowers credit risks and payment behaviors from those used in our loan portfolio stress test;
- the risks that our deferred tax assets could be reduced if estimates of future taxable income from our operations and tax planning strategies are less than currently estimated, and sales of our capital stock could trigger a reduction in the amount of net operating losses carryforwards that we may be able to utilize for income tax purposes; and
- other risks and uncertainties described herein and in our annual report on Form 10-K for the year ended December 31, 2009 and otherwise in our Securities and Exchange Commission, or SEC , reports and filings.

All written or oral forward-looking statements that are made by us or are attributable to us are expressly qualified in their entirety by this cautionary notice. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date of this report, or after the respective dates on which such statements otherwise are made.

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Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See Management s discussion and analysis Interest Rate Sensitivity .

Market risk refers to potential losses arising from changes in interest rates, and other relevant market rates or prices. Interest rate risk, defined as the exposure of net interest income and Economic Value of Equity, or EVE, to adverse movements in interest rates, is the Company s primary market risk, and mainly arises from the structure of the balance sheet (non-trading activities). The Company is also exposed to market risk in its investing activities. The Company s Asset/Liability Committee, or ALCO, meets regularly and is responsible for reviewing the interest rate sensitivity position of the Company and establishing policies to monitor and limit exposure to interest rate risk. The policies established by the ALCO are reviewed and approved by the Company s Board of Directors. The primary goal of interest rate risk management is to control exposure to interest rate risk, within policy limits approved by the Board. These limits reflect the Company s tolerance for interest rate risk over short-term and long-term horizons.

The Company also performs valuation analyses, which are used for evaluating levels of risk present in the balance sheet that might not be taken into account in the net interest income simulation analyses. Whereas net interest income simulation highlights exposures over a relatively short time horizon, valuation analysis incorporates all cash flows over the estimated remaining life of all balance sheet positions. The valuation of the balance sheet, at a point in time, is defined as the discounted present value of asset cash flows minus the discounted value of liability cash flows, the net result of which is the EVE. The sensitivity of EVE to changes in the level of interest rates is a measure of the longer-term re-pricing risks and options risks embedded in the balance sheet. In contrast to the net interest income simulation, which assumes interest rates will change over a period of time, EVE uses instantaneous changes in rates. EVE values only the current balance sheet, and does not incorporate the growth assumptions that are used in the net interest income simulation model. As with the net interest income simulation model, assumptions about the timing and variability of balance sheet cash flows are critical in the EVE analysis. Particularly important are the assumptions driving prepayments and the expected changes in balances and pricing of the indeterminate life deposit portfolios. Based on our most recent modeling, an instantaneous 100 basis point increase in rates is estimated to decrease the EVE 6.4 percent versus the EVE in a stable rate environment, while a 200 basis point increase in rates is estimated to decrease the EVE 17.5 percent.

While an instantaneous and severe shift in interest rates is used in this analysis to provide an estimate of exposure under an extremely adverse scenario, a gradual shift in interest rates would have a much more modest impact. Since EVE measures the discounted present value of cash flows over the estimated lives of instruments, the change in EVE does not directly correlate to the degree that earnings would be impacted over a shorter time horizon, i.e., the next fiscal year. Further, EVE does not take into account factors such as future balance sheet growth, changes in product mix, change in yield curve relationships, and changing product spreads that could mitigate the adverse impact of changes in interest rates.

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Item 4. CONTROLS AND PROCEDURES

The Company s management, with the participation of its chief executive officer and chief financial officer has evaluated the effectiveness of the Company s disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) as of March 31, 2010 and concluded that those disclosure controls and procedures are effective. There have been no changes to the Company s internal control over financial reporting that occurred since the beginning of the Company s first quarter of 2010 that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

While the Company believes that its existing disclosure controls and procedures have been effective to accomplish these objectives, the Company intends to continue to examine, refine and formalize its disclosure controls and procedures and to monitor ongoing developments in this area.

Part II OTHER INFORMATION

Item 1. Legal Proceedings

The Company and its subsidiaries are subject, in the ordinary course, to litigation incident to the business in which they are engaged. Management presently believes that none of the legal proceedings to which the Company or any of its subsidiaries is a party or of which any of their property is the subject are materially likely to have a material adverse effect on the Company s consolidated financial position, or operating results or cash flows, although no assurance can be given with respect to the ultimate outcome of any such claim or litigation.

Item 1A. Risk Factors

Any of the following risks could harm our business, results of operations and financial condition and an investment in our stock. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements.

Risks Related to Our Business

There can be no assurance that recent or future legislation and administrative actions authorizing the U.S. government to take direct actions within the financial services industry will help stabilize the U.S. financial system or how such actions will impact the Company.

Numerous actions have been taken by the U.S. Congress, the Federal Reserve, the Treasury, the FDIC, the SEC and others to address the liquidity and credit crisis that followed the sub-prime mortgage crisis that commenced in 2007. These actions include the Financial Stability Program adopted by the Treasury, the Emergency Economic Stabilization Act of 2008 (or EESA), which was enacted on October 3, 2008 and the American Recovery and Reinvestment Act of 2009 (or ARRA), which was enacted on February 17, 2009. Additional regulatory reform measures have also been proposed and are currently under consideration by Congress, the Executive branch and the various regulatory authorities.

We cannot predict the continued effects of EESA, the ARRA, any new proposed regulatory reform measures that become law and various other governmental, regulatory, monetary and fiscal initiatives which have been and may be proposed or adopted on the economy, the financial markets, on us and on Seacoast National. The terms and costs of these measures, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and the trading prices of our securities. In addition, a number of the programs enacted in 2008 and 2009 are in the process of winding down and the effects of the wind-down on us and Seacoast National can not be predicted.

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Difficult market conditions have adversely affected and may continue to affect our industry.

We are exposed to downturns in the U.S. economy, and particularly the local markets in which we operate in Florida. Declines in the housing markets over the past two years, including falling home prices and sales volumes, and increasing foreclosures, have negatively affected the credit performance of mortgage loans and resulted in significant write-downs of asset values by financial institutions, including government-sponsored entities and major commercial and investment banks, as well as Seacoast National. These write-downs have caused many financial institutions to seek additional capital, to merge with larger and stronger institutions and, in some cases, to fail. Many lenders and institutional investors have reduced or ceased providing funding to borrowers, including other financial institutions. This market turmoil and the tightening of credit have led to increased levels of commercial and consumer delinquencies, lack of consumer confidence, increased market volatility and reductions in business activity generally. The resulting economic pressure on consumers and lack of confidence in the financial markets has adversely affected our business, financial condition and results of operations. We do not expect that the difficult conditions in the financial markets are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market conditions on us and other financial institutions. In particular:

- We expect to face increased regulation of our industry, including as a result of proposed regulatory reform initiatives by the U.S. government. Compliance with such regulations may increase our costs and limit our ability to pursue business opportunities.
- Market developments, government programs and the winding down of various government programs may continue to adversely affect consumer confidence levels and may cause adverse changes in borrower behaviors and payment rates, resulting in further increases in delinquencies and default rates, which could affect our loan charge-offs and our provisions for credit losses.
- Our ability to assess the creditworthiness of our customers or to estimate the values of our assets and collateral for loans will be reduced if the models and approaches we use become less predictive of future behaviors, valuations, assumptions or estimates. We estimate losses inherent in our credit exposure, the adequacy of our allowance for loan losses and the values of certain assets by using estimates based on difficult, subjective, and complex judgments, including estimates as to the effects of economic conditions and how these economic conditions might affect the ability of our borrowers to repay their loans or the value of assets.
- Our ability to borrow from other financial institutions on favorable terms or at all, or to raise capital, could be adversely affected by further disruptions in the capital markets or other events, including, among other things, deterioration in investor expectations and changes in the FDIC s resolution authority or practices.
- Failures of other depository institutions in our markets and increasing consolidation of financial services companies as a result of current market conditions could increase our deposits and assets, necessitating additional capital, and may have unexpected adverse effects upon our ability to compete effectively.

We are not paying dividends on our preferred stock or common stock and are deferring distribution on our trust preferred securities, and we are restricted in otherwise paying cash dividends on our common stock. The failure to resume paying dividends on our preferred stock and trust preferred securities may adversely affect us.

We historically paid cash dividends before we suspended dividend payments on our preferred and common stock and distributions on our trust preferred securities on May 19, 2009, pursuant to the request of the Federal Reserve, because, as a matter of policy, the Federal Reserve indicated that bank holding companies should not pay dividends or make distributions on trust preferred securities using funds from the TARP Capital Purchase Program (or CPP). There is no assurance that we will receive approval to resume paying cash dividends. Even if we are allowed to resume paying dividends again by the Federal Reserve, future payment of cash dividends on our common stock, if any, will be subject to the prior payment of all unpaid dividends and deferred distributions on our Series A Preferred Stock and trust preferred securities. Further, we need prior Treasury approval to increase our quarterly cash dividends above $0.01 per common share through the earliest of December 19, 2011, the date we redeem all shares of Series A Preferred Stock or the Treasury has transferred all shares of Series A Preferred Stock to third parties. All dividends are declared and paid at the discretion of our board of directors and are dependent upon our liquidity, financial condition, results of operations, capital requirements and such other factors as our board of directors may deem relevant.

Further, dividend payments on our Series A Preferred Stock and distributions on our trust preferred securities are cumulative and therefore unpaid dividends and distributions will accrue and compound on each subsequent dividend payment date. In the event of any liquidation, dissolution or winding up of the affairs of our Company, holders of the Series A Preferred Stock shall be entitled to receive for each share of Series A Preferred Stock the liquidation amount plus the amount of any accrued and unpaid dividends. If we miss six quarterly dividend payments, whether or not consecutive, the Treasury will have the right to appoint two directors to our board of directors until all accrued but unpaid dividends have been paid. We cannot pay dividends on our outstanding shares of Series A Preferred Stock or our common stock until we have paid in full all deferred distributions on our trust preferred securities, which will require prior approval of the Federal Reserve.

Nonperforming assets take significant time and adversely affect our results of operations and financial condition.

At March 31, 2010 and 2009, our nonperforming loans (which consist of nonaccrual loans) totaled $96.3 million and $109.4 million, or 7.0 percent and 6.7 percent of the loan portfolio, respectively. At March 31, 2010 and 2009, our nonperforming assets (which include foreclosed real estate) were $115.4 million and $122.1 million, or 5.4 percent and 5.3 percent of assets, respectively. In addition, we had approximately $163,000 and $4.5 million in accruing loans that were 90 days or more delinquent at March 31, 2010 and 2009, respectively. Our nonperforming assets adversely affect our net income in various ways. Until economic and market conditions improve, we may incur additional losses relating to an increase in nonperforming loans. We do not record interest income on nonaccrual loans or other real estate owned, thereby adversely affecting our income, and increasing our loan administration costs. When we take collateral in foreclosures and similar proceedings, we are required to mark the related loan to the then fair market value of the collateral, which may result in a loss. These loans and other real estate owned also increase our risk profile and the capital our regulators believe is appropriate in light of such risks.

Seacoast National has adopted and implemented a written program to ensure Bank adherence to a process designed to eliminate the basis of criticism of criticized assets as required by the OCC pursuant to the formal agreement that Seacoast National entered into with the OCC. While we have reduced our problem assets through loan sales, workouts, restructurings and otherwise, decreases in the value of these remaining assets, or the underlying collateral, or in these borrowers performance or financial conditions, whether or not due to economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and our directors, which can be detrimental to the performance of their other responsibilities. There can be no assurance that we will not experience further increases in nonperforming loans in the future, or that nonperforming assets will not result in further losses in the future.

Our allowance for loan losses may prove inadequate or we may be adversely affected by credit risk exposures.

Our business depends on the creditworthiness of our customers. We periodically review our allowance for loan losses for adequacy considering economic conditions and trends, collateral values and credit quality indicators, including past charge-off experience and levels of past due loans and nonperforming assets. We cannot be certain that our allowance for loan losses will be adequate over time to cover credit losses in our portfolio because of unanticipated adverse changes in the economy, market conditions or events adversely affecting specific customers, industries or markets, or borrower behaviors towards repaying their loans. The credit quality of our borrowers has deteriorated as a result of the economic downturn in our markets. If the credit quality of our customer base or their debt service behavior materially decreases further, if the risk profile of a market, industry or group of customers declines further or weaknesses in the real estate markets and other economics persist or worsen, or if our allowance for loan losses is not adequate, our business, financial condition, including our liquidity and capital, and results of operations could be materially adversely affected.

All of our loan portfolios have been affected by the sustained economic weakness of our markets and the effects of higher unemployment rates. Our commercial and residential real estate and real estate-related portfolios have been especially affected by adverse market conditions, including reduced real estate prices and sales levels.

Our commercial and residential real estate and real estate-related loans, especially construction and development loans, have been affected adversely by the on-going correction in real estate prices, reduced levels of sales during the recessions, and the economic weakness of our Florida markets and the effects of higher unemployment rates. We may have to increase our allowance for loan losses through additional provisions for loan losses because of continued adverse changes in the economy, market conditions, and events that adversely affect our customers or markets. Our business, financial condition, liquidity, capital (especially tangible common equity), and results of operations could be materially adversely affected by additional provisions for loan losses.

Weaknesses in the real estate markets, including the secondary market for residential mortgage loans, have adversely affected us and may continue to adversely affect us.

The effects of ongoing mortgage market challenges, combined with the correction in residential real estate market prices and reduced levels of home sales, could result in further price reductions in single family home values, further adversely affecting the liquidity and value of collateral securing commercial loans for residential land acquisition, construction and development, as well as residential mortgage loans and residential property collateral securing loans that we hold, mortgage loan originations and gains on sale of mortgage loans. Declining real estate prices have caused higher delinquencies and losses on certain mortgage loans, generally, particularly second lien mortgages and home equity lines of credit. Significant ongoing disruptions in the secondary market for residential mortgage loans have limited the market for and liquidity of most residential mortgage loans other than conforming Fannie Mae and Freddie Mac loans. These trends could continue, notwithstanding various government programs to boost the residential mortgage markets and stabilize the housing markets. Declines in real estate values, home sales volumes and financial stress on borrowers as a result of job losses, interest rate resets on adjustable rate mortgage loans or other factors could have further adverse effects on borrowers that result in higher delinquencies and greater charge-offs in future periods, which would adversely affect our financial condition, including capital and liquidity, or results of operations. In the event our allowance for loan losses is insufficient to cover such losses, our earnings, capital and liquidity could be adversely affected.

Our real estate portfolios are exposed to weakness in the Florida housing market and the overall state of the economy.

The declines in home prices and the volume of home sales in Florida, along with the reduced availability of certain types of mortgage credit, have resulted in increases in delinquencies and losses in our portfolios of home equity lines and loans, and commercial loans related to residential real estate acquisition, construction and development. Further declines in home prices coupled with the continued economic recession in our markets and continued high or increased unemployment levels could cause additional losses which could adversely affect our earnings and financial condition, including our capital and liquidity.

Our concentration of commercial real estate loans could result in further increased loan losses.

CRE is cyclical and poses risks of loss to us due to concentration levels and similar risks of the asset, especially since we had 49.9 percent and 53.0 percent of our portfolio in CRE loans at March 31, 2010 and 2009, respectively. The banking regulators continue to give CRE lending greater scrutiny, and banks with higher levels of CRE loans are expected to implement improved underwriting, internal controls, risk management policies and portfolio stress testing, as well as higher levels of allowances for possible losses and capital levels as a result of CRE lending growth and exposures. During the first quarter of 2010, we added $2.1 million of provisioning for loan losses, in addition to provisioning of $124.8 million for the entire year in 2009, $88.6 million in 2008 and $12.7 million in 2007, in part reflecting collateral evaluations in response to changes in the market values of land collateralizing acquisition and development loans.

Pursuant to the formal agreement that Seacoast National entered into with the OCC, Seacoast National adopted and implemented a written commercial real estate concentration risk management program. However, there is no guarantee that the program will effectively reduce our concentration of commercial real estate.

Higher FDIC deposit insurance premiums and assessments could adversely affect our financial condition.

FDIC insurance premiums increased substantially in 2009 and we expect to pay significantly higher FDIC premiums in the future. Market developments have significantly depleted the insurance fund of the FDIC and reduced the ratio of reserves to insured deposits. The FDIC adopted a revised risk-based deposit insurance assessment schedule on February 27, 2009, which raised deposit insurance premiums. On May 22, 2009, the FDIC implemented a five basis point special assessment of each insured depository institution s assets minus Tier 1 capital as of June 30, 2009, but no more than 10 basis points times the institution s assessment base for the second quarter of 2009, collected on September 30, 2009. The FDIC also required all FDIC-insured institutions to prepay their estimated quarterly risk-based assessments for the fourth quarter of 2009 and for all of 2010, 2011 and 2012, which was paid on December 30, 2009.

We also participate in the FDIC s TLG for noninterest-bearing transaction deposit accounts. Banks that participate in the TLG s noninterest-bearing transaction account guarantee paid the FDIC an annual assessment of 10 basis points on the amounts in such accounts above the amounts covered by FDIC deposit insurance. TLG s noninterest-bearing transaction deposit account guarantee program was scheduled to expire on December 31, 2009, but has been extended to December 31, 2010. Our management has decided that we will participate in the extended program. Institutions that participate in the extended program are required to pay an annualized fee of 15 to 25 basis points in accordance with their risk category rating assigned by the FDIC. To the extent that these TLG assessments are insufficient to cover any loss or expenses arising from the TLG program, the FDIC is authorized to impose an emergency special assessment on all FDIC-insured depository institutions. The FDIC has authority to impose charges for the TLG program upon depository institution holding companies, as well. The increased premiums and TLG assessments charged by the FDIC increased our noninterest expense for the first quarter of 2010 and may continue to increase our noninterest expense prospectively.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than two years. In some cases, the markets have produced downward pressure on stock prices and credit availability for certain issuers without regard to those issuers underlying financial condition or performance. If current levels of market disruption and volatility continue or worsen, we may experience adverse effects, which may be material, on our ability to maintain or access capital and on our business, financial condition and results of operations.

Liquidity risks could affect operations and jeopardize our financial condition.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our funding sources include federal funds purchases, securities sold under repurchase agreements, non-core deposits, and short- and long-term debt. We are also members of the Federal Home Loan Bank of Atlanta and the Federal Reserve Bank of Atlanta, where we can obtain advances collateralized with eligible assets. We maintain a portfolio of securities that can be used as a secondary source of liquidity. There are other sources of liquidity available to us or Seacoast National should they be needed, including our ability to acquire additional non-core deposits, the issuance and sale of debt securities, and the issuance and sale of preferred or common securities in public or private transactions. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Our liquidity, on a parent only basis, is adversely affected by our current inability to receive dividends from Seacoast National without prior regulatory approval. However, we held approximately $10 million of cash and short-term investments at March 31, 2010, largely due to the receipt of proceeds from our common stock offering, which was consummated in the third quarter of 2009 and a private placement of common stock completed in the fourth quarter of 2009. We expect an additional $46.9 million in proceeds from a convertible preferred stock offering in the second quarter of 2010. We invested all of the $50.0 million of the TARP CPP proceeds and an additional $73.0 million of proceeds from our offerings in Seacoast National to meet the OCC capital requirements. Our ability to borrow could also be impaired by factors that are not specific to us, such as further disruption in the financial markets or negative views and expectations about the prospects for the financial services industry in light of recent turmoil faced by banking organizations and the continued deterioration in credit markets.

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We could encounter difficulties as a result of our growth.

Our loans, deposits, fee businesses and employees have increased as a result of our organic growth and acquisitions. Our failure to successfully manage and support this growth with sufficient human resources, training and operational, financial and technology resources in challenging markets and economic conditions could have a material adverse effect on our operating results and financial condition. We may not be able to sustain our historical growth rates.

We are required to maintain capital to meet regulatory requirements, and if we fail to maintain sufficient capital, whether due to losses, an inability to raise additional capital or otherwise, our financial condition, liquidity and results of operations, as well as our regulatory requirements, would be adversely affected.

Both we and Seacoast National must meet regulatory capital requirements and maintain sufficient liquidity and our regulators may modify and adjust such requirements in the future. Seacoast National agreed to an informal letter agreement with the OCC to maintain a Tier 1 leverage capital ratio of 8.50 percent and a total risk-based capital ratio of 12.00 percent at Seacoast National, which are higher than the regulatory minimum capital ratios. We also face significant regulatory and other governmental risk as a financial institution and a participant in the TARP CPP.

Our ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, we cannot assure you that we will be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected.

Although we currently comply with all capital requirements, we may be subject to more stringent regulatory capital ratio requirements in the future and we may need additional capital in order to meet those requirements. Our failure to remain well capitalized for bank regulatory purposes could affect customer confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common and preferred stock, make distributions on our trust preferred securities, our ability to make acquisitions, and our business, results of operation and financial conditions, generally. Under FDIC rules, if Seacoast National ceases to be a well capitalized institution for bank regulatory purposes, its ability to accept brokered deposits may be restricted and the interest rates that it pays may be restricted.

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Our ability to realize our deferred tax assets may be reduced in the future if our estimates of future taxable income from our operations and tax planning strategies do not support our deferred tax amount, and the amount of net operating loss carry-forwards and certain other tax attributes realizable for income tax purposes may be reduced under Section 382 of the Internal Revenue Code by sales of our capital securities.

As of March 31, 2010, we had net deferred tax assets of $18.4 million after we recorded a $35.8 million of valuation allowance based on management s estimation of the likelihood of those deferred tax assets being realized. These and future deferred tax assets may be further reduced in the future if our estimates of future taxable income from our operations and tax planning strategies do not support the amount of our deferred tax asset.

The amount of net operating loss carry-forwards and certain other tax attributes realizable annually for income tax purposes may be reduced by an offering and/or other sales of our capital securities, including transactions in the open market by 5% or greater sharesholders, if an ownership change is deemed to occur under Section 382 of the Internal Revenue Code. The determination of whether an ownership change has occurred under Section 382 is highly fact specific and can occur through one or more acquisitions of capital stock (including open market trading) if the result of such acquisitions is that the percentage of our outstanding common stock held by shareholders or groups of shareholders owning at least 5% of our common stock at the time of such acquisition, as determined under Section 382, is more than 50 percentage points higher than the lowest percentage of our outstanding common stock owned by such shareholders or groups of shareholders within the prior three-year period. Our sales of common stock in April 2010 increase the risk of a possible future change in control under Section 382.

Our cost of funds may increase as a result of general economic conditions, FDIC insurance assessments, interest rates and competitive pressures.

Our cost of funds may increase as a result of general economic conditions, FDIC insurance assessments, interest rates and competitive pressures. We have traditionally obtained funds principally through local deposits and we have a base of lower cost transaction deposits. Generally, we believe local deposits are a cheaper and more stable source of funds than other borrowings because interest rates paid for local deposits are typically lower than interest rates charged for borrowings from other institutional lenders and reflect a mix of transaction and time deposits, whereas brokered deposits typically are higher cost time deposits. Our costs of funds and our profitability and liquidity are likely to be adversely affected if, and to the extent, we have to rely upon higher cost borrowings from other institutional lenders or brokers to fund loan demand or liquidity needs, and changes in our deposit mix and growth could adversely affect our profitability and the ability to expand our loan portfolio.

Our profitability and liquidity may be affected by changes in interest rates and economic conditions.

Our profitability depends upon net interest income, which is the difference between interest earned on assets, and interest expense on interest-bearing liabilities, such as deposits and borrowings. Net interest income will be adversely affected if market interest rates change such that the interest we pay on deposits and borrowings and our FDIC deposit insurance assessments increase faster than the interest earned on loans and investments. Interest rates, and consequently our results of operations, are affected by general economic conditions (domestic and foreign) and fiscal and monetary policies may materially affect the level and direction of interest rates. From June 2004 to mid-2006, the Federal Reserve raised the federal funds rate from 1.0 percent to

5.25 percent. Since then, beginning in September 2007, the Federal Reserve decreased the federal funds rates by 100 basis points to 4.25 percent over the remainder of 2007, and has since reduced the target federal funds rate by an additional 400 basis points to a range between zero and 25 basis points beginning in December 2008. Decreases in interest rates generally increase the market values of fixed-rate, interest-bearing investments and loans held, and increase the values of loan sales and mortgage loan activities. However, the production of mortgages and other loans and the value of collateral securing our loans, are dependent on demand within the markets we serve, as well as interest rates. The levels of sales, as well as the values of real estate in our markets, have declined. Declining rates reflect efforts by the Federal Reserve to stimulate the economy, but may not be effective, and thus may negatively affect our results of operations and financial condition, liquidity and earnings.

On February 18, 2010, the Federal Reserve raised the discount rate from 0.5 percent to 0.75%. Increases in interest rates generally decrease the market values of fixed-rate, interest-bearing investments and loans held and the production of mortgage and other loans and the value of collateral securing our loans, and therefore may adversely affect our liquidity and earnings.

The TARP CPP and the ARRA impose, and other proposed rules may impose additional, executive compensation and corporate governance requirements that may adversely affect us and our business, including our ability to recruit and retain qualified employees.

The purchase agreement we entered into in connection with our participation in the TARP CPP required us to adopt the Treasury s standards for executive compensation and corporate governance while the Treasury holds the equity issued pursuant to the TARP CPP, including the common stock which may be issued pursuant to the warrant to purchase 589,623 shares of common stock (or the Warrant) which we refer to as the TARP Assistance Period. These standards generally apply to our chief executive officer, chief financial officer and the three next most highly compensated senior executive officers. The standards include:

- ensuring that incentive compensation for senior executives does not encourage unnecessary and excessive risks that threaten the value of the financial institution;
- required clawback of any bonus or incentive compensation paid to a senior executive based on statements of earnings, gains or other criteria that are later proven to be materially inaccurate;
- prohibition on making golden parachute payments to senior executives; and
- agreement not to deduct for tax purposes executive compensation in excess of $500,000 for each senior executive.

In particular, the change to the deductibility limit on executive compensation may increase the overall cost of our compensation programs in future periods.

The ARRA imposed further limitations on compensation during the TARP Assistance Period including:

- a prohibition on making any golden parachute payment to a senior executive officer or any of our next five most highly compensated employees;
- a prohibition on any compensation plan that would encourage manipulation of the reported earnings to enhance the compensation of any of its employees; and
- a prohibition of the five highest paid executives from receiving or accruing any bonus, retention award or incentive compensation, or bonus except for long-term restricted stock with a value not greater than one-third of the total amount of annual compensation of the employee receiving the stock.

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The Treasury released an interim final rule on TARP standards for compensation and corporate governance on June 10, 2009, which implemented and further expanded the limitations and restrictions imposed on executive compensation and corporate governance by the TARP CPP and ARRA. The new Treasury interim final rules also prohibit any tax gross-up payments to senior executive officers and the next 20 highest paid executives; require a say on pay vote in annual shareholders meetings; and restrict stock or units that may vest or become transferable granted to executives.

The Federal Reserve has proposed guidelines on executive compensation. The FDIC also has proposed a rule to incorporate employee compensation factors into the risk assessment system which would adjust risk-based deposit insurance assessment rates if the design of certain compensation programs does not satisfy certain FDIC goals to prevent executive compensation from encouraging undue risk-taking.

These provisions and any future rules issued by the Treasury, the Federal Reserve and the FDIC or any other regulatory agencies could adversely affect our ability to attract and retain management capable and motivated sufficiently to manage and operate our business through difficult economic and market conditions. If we are unable to attract and retain qualified employees to manage and operate our business, we may not be able to successfully execute our business strategy.

Changes in accounting and tax rules applicable to banks could adversely affect our financial conditions and results of operations.

From time to time, the FASB and SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in us restating prior period financial statements.

TARP lending goals may not be attainable.

Congress and the bank regulators have encouraged recipients of TARP capital to use such capital to make loans and it may not be possible to safely, soundly and profitably make sufficient loans to creditworthy persons in the current economy to satisfy such goals. Congressional demands for additional lending by recipients of TARP capital, and regulatory demands for demonstrating and reporting such lending, are increasing. On November 12, 2008, the bank regulatory agencies issued a statement encouraging banks to, among other things, lend prudently and responsibly to creditworthy borrowers and to work with borrowers to preserve homeownership and avoid preventable foreclosures. We continue to lend and have expanded our mortgage loan originations, and to report our lending to the Treasury. The future demands for additional lending are unclear and uncertain, and we could be forced to make loans that involve risks or terms that we would not otherwise find acceptable or in our shareholders best interest. Such loans could adversely affect our results of operation and financial condition, and may be in conflict with bank regulations and requirements as to liquidity and capital. The profitability of funding such loans using deposits may be adversely affected by increased FDIC insurance premiums.

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Changes of TARP program and future rules applicable to banks generally or to TARP recipients could adversely affect our operations, financial condition, and results of operations.

The rules and policies applicable to recipients of capital under the TARP CPP continue to evolve and their scope, timing and effect cannot be predicted. Any redemption of the securities sold to the Treasury to avoid these restrictions would require prior Federal Reserve and Treasury approval. Based on recently issued Federal Reserve guidelines, institutions seeking to redeem TARP CPP preferred stock must demonstrate an ability to access the long-term debt markets without reliance on the FDIC s TLG, successfully demonstrate access to public equity markets and meet a number of additional requirements and considerations before we can redeem any securities sold to the Treasury. Therefore, it is uncertain if we will be able to redeem such securities even if we have sufficient financial resources to do so.

In addition, the government is contemplating potential new programs under TARP, including programs to promote small business lending, among other initiatives. It is uncertain whether we will qualify for those new programs and whether those new programs may impose additional restrictions on our operation and affect our financial condition in the future.

Our future success is dependent on our ability to compete effectively in highly competitive markets.

We operate in the highly competitive markets of Martin, St. Lucie, Brevard, Indian River and Palm Beach Counties in southeastern Florida, the Orlando, Florida metropolitan statistical area, as well as in more rural competitive counties in the Lake Okeechobee, Florida region. Our future growth and success will depend on our ability to compete effectively in these markets. We compete for loans, deposits and other financial services in geographic markets with other local, regional and national commercial banks, thrifts, credit unions, mortgage lenders, and securities and insurance brokerage firms. Many of our competitors offer products and services different from us, and have substantially greater resources, name recognition and market presence than we do, which benefits them in attracting business. Larger competitors may be able to price loans and deposits more aggressively than we can, and have broader customer and geographic bases to draw upon.

The soundness of other financial institutions could adversely affect us.

Our ability to engage in routine funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems, losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. We could experience increases in deposits and assets as a result of other banks difficulties or failure, which would increase the capital we need to support such growth.

We operate in a heavily regulated environment.

We and our subsidiaries are regulated by several regulators, including the Federal Reserve, the OCC, the SEC, the FDIC and FINRA, and since December 2008, the Treasury. Our success is affected by state and federal regulations affecting banks and bank holding companies, and the securities markets and securities and insurance regulators. Banking regulations are primarily intended to protect depositors, not shareholders. The financial services industry also is subject to frequent legislative and regulatory changes and proposed changes, the effects of which cannot be predicted. Federal bank regulatory agencies and the Treasury, as well as the Congress and the President, are evaluating and have proposed numerous significant changes in the regulation of banks, other financial services providers and the financial markets. These changes, if adopted, could require us to maintain more capital, liquidity and risk controls which could adversely affect our growth, profitability and financial condition.

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We are subject to internal control reporting requirements that increase compliance costs and failure to comply timely could adversely affect our reputation and the value of our securities.

We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board and Nasdaq. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our annual report on Form 10-K pursuant to Section 404 of the Sarbanes-Oxley Act. We are also subject to a number of disclosure and reporting requirements as a result of our participation in TARP CPP. The SEC also has proposed a number of new rules or regulations requiring additional disclosure, such as lower-level employee compensation. We expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to track and comply with the various rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the value of our securities.

Technological changes affect our business, and we may have fewer resources than many competitors to invest in technological improvements.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to serving clients better, the effective use of technology may increase efficiency and may enable financial institutions to reduce costs. Our future success will depend, in part, upon our ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in operations. We may need to make significant additional capital investments in technology in the future, and we may not be able to effectively implement new technology-driven products and services. Many competitors have substantially greater resources to invest in technological improvements.

The anti-takeover provisions in our Articles of Incorporation and under Florida law may make it more difficult for takeover attempts that have not been approved by our board of directors.

Florida law and our Articles of Incorporation include anti-takeover provisions, such as provisions that encourage persons seeking to acquire control of us to consult with our board, and which enable the board to negotiate and give consideration on behalf of us and our shareholders and other constituencies to the merits of any offer made. Such provisions, as well as supermajority voting and quorum requirements and a staggered board of directors, may make any takeover attempts and other acquisitions of interests in us, by means of a tender offer, open market purchase, a proxy fight or otherwise, that have not been approved by our board of directors more difficult and more expensive. These provisions may discourage possible business combinations that a majority of our shareholders may believe to be desirable and beneficial. As a result, our board of directors may decide not to pursue transactions that would otherwise be in the best interests of holders of our common stock.

Hurricanes or other adverse weather events would negatively affect our local economies or disrupt our operations, which would have an adverse effect on our business or results of operations.

Our market areas in Florida are susceptible to hurricanes and tropical storms and related flooding and wind damage. Such weather events can disrupt operations, result in damage to properties and negatively affect the local economies in the markets where they operate. We cannot predict whether or to what extent damage that may be caused by future hurricanes will affect our operations or the economies in our current or future market areas, but such weather events could result in a decline in loan originations, a decline in the value or destruction of properties securing our loans and an increase in the delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of future hurricanes or tropical storms, including flooding and wind damage. Many of our customers have incurred significantly higher property and casualty insurance premiums on their properties located in our markets, which may adversely affect real estate sales and values in our markets.

Future acquisitions and expansion activities may disrupt our business, dilute existing shareholders and adversely affect our operating results.

We regularly evaluate potential acquisitions and expansion opportunities. To the extent that we grow through acquisitions, we cannot assure you that we will be able to adequately or profitably manage this growth. Acquiring other banks, branches or businesses, as well as other geographic and product expansion activities, involve various risks including:

- risks of unknown or contingent liabilities;
- unanticipated costs and delays;
- risks that acquired new businesses do not perform consistent with our growth and profitability expectations;
- risks of entering new markets or product areas where we have limited experience;
- risks that growth will strain our infrastructure, staff, internal controls and management, which may require additional personnel, time and expenditures;
- exposure to potential asset quality issues with acquired institutions;
- difficulties, expenses and delays of integrating the operations and personnel of acquired institutions, and start-up delays and costs of other expansion activities;
- potential disruptions to our business;
- possible loss of key employees and customers of acquired institutions;
- potential short-term decreases in profitability; and
- diversion of our management s time and attention from our existing operations and business.

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We may engage in FDIC-assisted transactions, which could present additional risks to our business.

We may have opportunities to acquire the assets and liabilities of failed banks in FDIC-assisted transactions, which present the risks of acquisitions, although generally, as well as some risks specific to these transactions. Although these FDIC-assisted transactions typically provide for FDIC assistance to an acquirer to mitigate certain risks, which may include loss-sharing, where the FDIC absorbs most losses on covered assets and provides some indemnity, we would be subject to many of the same risks we would face in acquiring another bank in a negotiated transaction, without FDIC assistance, including risks associated with pricing such transactions, the risks of loss of deposits and maintaining customer relationships and failure to realize the anticipated acquisition benefits in the amounts and within the timeframes we expect. In addition, because these acquisitions provide for limited diligence and negotiation of terms, these transactions may require additional resources and time, servicing acquired problem loans and costs related to integration of personnel and operating systems, the establishment of processes to service acquired assets, require us to raise additional capital, which may be dilutive to our existing shareholders. If we are unable to manage these risks, FDIC-assisted acquisitions could have a material adverse effect on our business, financial condition and results of operations.

Attractive acquisition opportunities may not be available to us in the future.

While we seek continued organic growth, as our earnings and capital position improve, we may consider the acquisition of other businesses. We expect that other banking and financial companies, many of which have significantly greater resources, will compete with us to acquire financial services businesses. This competition could increase prices for potential acquisitions that we believe are attractive. Also, acquisitions are subject to various regulatory approvals. If we fail to receive the appropriate regulatory approvals, we will not be able to consummate an acquisition that we believe is in our best interests. Among other things, our regulators consider our capital, liquidity, profitability, regulatory compliance and levels of goodwill and intangibles when considering acquisition and expansion proposals. Any acquisition could be dilutive to our earnings and shareholders equity per share of our common stock.

Risks Related to our Common Stock

We may issue additional shares of common or preferred stock securities, which may dilute the interests of our shareholders and may adversely affect the market price of our common stock.

We are currently authorized to issue up to 130 million shares of common stock, of which 58,913,722 shares were outstanding as of March 31, 2010, and up to 4 million shares of preferred stock, of which 2,000 shares are outstanding. Since March 31, 2010, the Company issued Series B convertible preferred stock raising $46.9 million in capital, with additional common stock of 34,465,517 shares expected at conversion. Our board of directors has authority, without action or vote of the shareholders, to issue all or part of the remaining authorized but unissued shares and to establish the terms of any series of preferred stock. These authorized but unissued shares could be issued on terms or in circumstances that could dilute the interests of other shareholders.

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The Series A Preferred Stock diminishes the net income available to our common shareholders and earnings per common share, and the Warrant we issued to Treasury may be dilutive to holders of our common stock.

The dividends accrued and the accretion on discount on the Series A Preferred Stock reduce the net income available to common shareholders and our earnings per common share. The Series A Preferred Stock is cumulative, which means that any dividends not declared or paid will accumulate and will be payable when we resume paying dividends. Shares of Series A Preferred Stock will also receive preferential treatment in the event of liquidation, dissolution or winding up of Seacoast. Additionally, the ownership interest of the existing holders of our common stock will be diluted to the extent the Warrant is exercised. The shares of common stock underlying the Warrant represent approximately 1.0 percent of the shares of our common stock outstanding as of March 31, 2010 (including the shares issuable upon exercise of the Warrant in our total outstanding shares). Although Treasury has agreed not to vote any of the shares of common stock it receives upon exercise of the Warrant, a transferee of any portion of the Warrant or of any shares of common stock acquired upon exercise of the Warrant is not bound by this restriction.

Holders of the Series A Preferred Stock have certain voting rights that may adversely affect our common shareholders, and the holders of shares of our Series A Preferred Stock may have different interests from, and vote their shares in a manner deemed adverse to, our common shareholders.

In the event that we fail to pay dividends on the Series A Preferred Stock for an aggregate of at least six quarterly dividend periods (whether or not consecutive) the Treasury will have the right to appoint two directors to our board of directors until all accrued but unpaid dividends have been paid; otherwise, except as required by law, holders of the Series A Preferred Stock have limited voting rights. So long as shares of the Series A Preferred Stock are outstanding, in addition to any other vote or consent of shareholders required by law or our amended and restated charter, the vote or consent of holders owning at least 66 2/3 percent of the shares of Series A Preferred Stock outstanding is required for:

- any authorization or issuance of shares ranking senior to the Series A Preferred Stock;
- any amendment to the rights of the Series A Preferred Stock so as to adversely affect the rights, preferences, privileges or voting power of the Series A Preferred Stock; or
- consummation of any merger, share exchange or similar transaction unless the shares of Series A Preferred Stock remain outstanding, or if we are not the surviving entity in such transaction, are converted into or exchanged for preference securities of the surviving entity and the shares of Series A Preferred Stock remaining outstanding or such preference securities have such rights, preferences, privileges and voting power as are not materially less favorable to the holders than the rights, preferences, privileges and voting power of the shares of Series A Preferred Stock. Holders of Series A Preferred Stock could block the foregoing transitions, even where considered desirable by, or in the best interests of, holders of our common stock.

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The holders of Series A Preferred Stock, including the Treasury, may have different interests from the holders of our common stock, and could vote to disapprove transactions that are favored by, or are in the best interests of, our common shareholders.

The anti-takeover provisions in our articles of incorporation and under Florida law may make it more difficult for takeover attempts that have not been approved by our board of directors.

Florida law and our articles of incorporation include anti-takeover provisions, such as provisions that encourage persons seeking to acquire control of us to consult with our board, and which enable the board to negotiate and give consideration on behalf of us and our shareholders and other constituencies to the merits of any offer made. Such provisions, as well as supermajority voting and quorum requirements and a staggered board of directors, may make any takeover attempts and other acquisitions of interests in us that have not been approved by our board of directors more difficult and more expensive. These provisions may discourage possible business combinations that a majority of our shareholders may believe to be desirable and beneficial.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer purchases of equity securities during the first quarter of 2010 were as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Public Announced Plan*	Maximum Number of Shares that May yet be Purchased Under the Plan
1/1/10 to 1/31/10	0	$ 0	668,657	156,343
2/1/10 to 2/28/10	0	0	668,657	156,343
3/1/10 to 3/31/10	0	0	668,657	156,343
Total 1st Quarter	0	0	668,657	156,343

* The plan to purchase equity securities totaling 825,000 was approved on September 18, 2001, with no expiration date.

Item 3. Defaults upon Senior Securities

On May 19, 2009, the Company s Board of Directors voted to suspend quarterly dividends on the Company s common and preferred stock and interest payments on subordinated debt associated with trust preferred securities. Therefore, the Company is currently in arrears with the dividend payments on Series A Preferred Stock and interest payments on subordinated debt. As of the date of filing this Report, the amount of the arrearage on the dividend payments of Series A Preferred Stock is $2,883,000 and the amount of the arrearage on the payments on the subordinated debt associated with trust preferred securities is $1,183,000. The total arrearage on both securities is $4,066,000 as of March 31, 2010.

Item 4. Submission of Matters to a Vote of Security Holders

None.

Item 5. Other Information

During the period covered by this report, there was no information required to be disclosed by us in a Current Report on Form 8-K that was not so reported, nor were there any material changes to the procedures by which our security holders may recommend nominees to our Board of Directors.

Item 6. Exhibits

Exhibit 31.1	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 31.2	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.1	Statement of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
Exhibit 32.2	Statement of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	SEACOAST BANKING CORPORATION OF FLORIDA
May 13, 2010	/s/ Dennis S. Hudson, III DENNIS S. HUDSON, III Chairman & Chief Executive Officer
May 13, 2010	/s/ William R. Hahl WILLIAM R. HAHL Executive Vice President & Chief Financial Officer