SEACOAST BANKING CORP OF FLORIDA
Form 424B4
August 17, 2009

Table of Contents

Filed Pursuant to Rule 424(b)(4)
Registration Nos. 333-160133
333-161353

PROSPECTUS

29,300,000 Shares

Common Stock

We are offering shares of our common stock, par value $0.10 per share. Our common stock is listed on The Nasdaq Global Select Market under the symbol SBCF. On August 14, 2009, the last reported sale price of our common stock on The Nasdaq Global Select Market was $2.55 per share.

You should read this prospectus carefully before you invest. Investing in our common stock involves a high degree of risk. See the section entitled Risk Factors, beginning on page 7 of this prospectus for certain risks and uncertainties you should consider.

	Per Share	Total
Public offering price	$ 2.250	$ 65,925,000
Underwriting discounts and commissions	$ 0.135	$ 3,955,500
Proceeds to Seacoast Banking Corporation of Florida (before expenses)	$ 2.115	$ 61,969,500

We have granted the underwriters an option to purchase up to an additional 4,375,000 shares of our common stock at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus to cover over-allotments, if any.

Our shares of common stock are unsecured and are not deposits and are not insured or guaranteed by the FDIC or any other governmental agency.

None of the Securities and Exchange Commission, any state securities commission, nor any other governmental agency has approved or disapproved of these securities or determined that this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock through the facilities of The Depository Trust Company, against payment on or about August 19, 2009.

Sandler O neill + partners, l.p. Fox-Pitt Kelton Cochran Caronia Waller

The date of this prospectus is August 14, 2009

TABLE OF CONTENTS

	Page
Special Cautionary Note Regarding Forward-Looking Statements	ii
About This Prospectus	iii
Where You Can Find More Information	iii
Prospectus Summary	1
Risk Factors	7
Use of Proceeds	20
Price Range of Common Stock	21
Dividend Policy	21
Capitalization	23
Description of Capital Stock	24
Anti-Takeover Effects of Certain Articles of Incorporation Provisions	30
Certain United States Federal Income Tax Considerations Applicable To Non-U.S. Holders	32
Underwriting	36
Legal Matters	40
Experts	41

SPECIAL CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made herein or incorporated by reference under the captions Management s Discussion and Analysis of Financial Condition and Results of Operations, 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, or 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 Banking Corporation of Florida to be materially different from future results, performance or achievements expressed or implied by such 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, sho indicate, would, believe, contemplate, expect, estimate, continue, plan, point to, project, could, 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 coverages;
- 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 borrowers 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, including hurricanes, that may affect general economic conditions generally and in our markets;

the failure of assumptions and estimates, differences in and changes to, economic, business market and credit conditions, including changes in borrowers credit risks and payment behaviors from those used in our loan portfolio stress tests;

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 in this offering and/or other 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.

other factors and risks described under Risk Factors herein.

All written or oral forward-looking statements that are made by 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 prospectus, or after the respective dates on which such statements otherwise are made.

ABOUT THIS PROSPECTUS

You should rely only on the information contained in this prospectus and in the documents incorporated by reference herein. We have not, and the underwriters have not, authorized any other person to provide you with different information. We are not, and the underwriters are not, making an offer to sell our common stock in any jurisdiction in which the offer or sale is not permitted.

Neither we, the underwriters, nor any of our officers, directors, agents or representatives make any representation to you about the legality of an investment in our common stock. You should not interpret the contents of this prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

This prospectus does not offer to sell, or ask for offers to buy, any shares of our common stock in any state or jurisdiction where it would not be lawful or where the person making the offer is not qualified to do so.

No action is being taken in any jurisdictions outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in those jurisdictions. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions that apply in those jurisdictions to this offering or the distribution of this prospectus.

Unless the context indicates otherwise, all references in this prospectus to Seacoast, we, us, our company and our to Seacoast Banking Corporation of Florida and its combined subsidiaries. References to Seacoast National are to Seacoast National Bank, our principal bank subsidiary.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly, and current reports, proxy statements and other information with the SEC. Our SEC filings are available to the public over the Internet at the SEC s web site at www.sec.gov and on the investor relations page of our website at www.seacoastbanking.net. Information on our web site is not part of this prospectus. You may also read and copy any document we file with the SEC at the SEC s Public Reference Room at 100 F Street N.E., Washington, D.C. 20549. You can also obtain copies of the documents upon the payment of a duplicating fee to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC like us. Our SEC filings are also available to the public from the SEC s website at http://www.sec.gov.

This prospectus omits some information contained in the registration statement in accordance with SEC rules and regulations. You should review the information and exhibits included in the registration statement for further information about us and the securities we are offering. Statements in this prospectus concerning any document we filed as an exhibit to the registration statement or that we otherwise filed with the SEC are not intended to be comprehensive and are qualified by reference to these filings. You should review the complete document to evaluate these statements.

Table of Contents

The SEC allows us to incorporate by reference information we file with it, which means that we can disclose important information to you by referring you to other documents. The information incorporated by reference is considered to be a part of this prospectus. Information contained in this prospectus supersedes information incorporated by reference that we have filed with the SEC prior to the date of this prospectus.

We incorporate by reference the following documents listed below, except to the extent that any information contained in such filings is deemed furnished in accordance with SEC rules:

Our Annual Report on Form 10-K/A, as amended, for the year ended December 31, 2008;

Our Definitive Proxy Statement on Schedule 14A, filed with the SEC on April 27, 2009;

Our Quarterly Reports on Form 10-Q, as amended, for the quarters ended March 31, 2009 and June 30, 2009, as amended; and

Our Current Reports on Form 8-K filed with the SEC on January 5, 2009, May 22, 2009, June 23, 2009, July 6, 2009, July 20, 2009, August 7, 2009, August 10, 2009 and August 12, 2009.

These documents contain important information about us, our business and our financial condition. You may request a copy of these filings, at no cost, by writing or telephoning us at:

Seacoast Banking Corporation of Florida
P.O. Box 9012
Stuart, Florida 34995
Telephone: (772) 287-4000
Facsimile: (772) 288-6012

We maintain an Internet website at www.seacoastbanking.com where the incorporated reports listed above can be accessed. Neither this website nor the information on this website is included or incorporated in, or is a part of, this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus and may not contain all of the information that may be important to you. You should read this entire prospectus carefully, including the information set forth in Risk Factors before making an investment decision.

Seacoast Banking Corporation of Florida

We are the second largest publicly traded Florida domiciled bank measured by total deposits. At June 30, 2009, Seacoast National had 40 banking offices in 14 counties in Florida. Our core markets, which consist of Martin, Palm Beach, St. Lucie and Indian River counties have projected population growth of 13.3% versus 6.3% nationwide.

As of June 30, 2009, we had total consolidated assets of approximately $2.1 billion, total deposits of approximately $1.8 billion, total consolidated liabilities, including deposits, of approximately $2.0 billion and consolidated shareholders equity of approximately $148.6 million. We have a history of strong performance and returns having realized a return on average assets of greater than 1% and a return on average equity of greater than 12% in 8 of the last 10 years.

We offer a full array of deposit accounts and retail banking services, engage in consumer and commercial lending and provide a wide variety of trust and asset management services. We have built our franchise upon relationship banking and a strong core deposit base. Our strategy has focused on transaction accounts and certificates of deposit with customers who maintain transaction accounts with us. During the quarter ended June 30, 2009, we had $281.7 million of average non-interest bearing demand deposits, and $808.4 million of lower cost interest bearing savings, NOW and money market deposit accounts. Our cost of deposits is lower than many of our peers, and we have a strong net interest margin relative to our peers.

We have expanded from Martin County, Florida into 13 other counties by establishing new branches, acquiring branches, acquisitions from the receiver of failed banks, and whole bank acquisitions. We have grown internally in nearby markets from Palm Beach County north to Brevard County. Our last two acquisitions, in 2005 and 2006, added 12 branches and over $600 million of deposits. These acquisitions also brought us low cost deposits and diversified our loan and deposit sources away from coastal Florida, and into the Orlando and central Florida markets. We continuously evaluate our branch network to determine how to best serve our customers efficiently and to improve our profitability.

We have expanded our management team in recent years and have focused on credit quality and identification and resolution of assets that are or are expected to become problems. Our efforts to identify potential problems and reduce loan concentrations and risks began in 2006, and we have sold $143.3 million of troubled loans since then at prices of 100% of their aggregate balance in 2007, at prices ranging from 30% to 100% of their aggregate balance in 2008 and at prices of 24% of their aggregate balance in 2009. We believe we began addressing these risks early and have made continuous progress in managing our credit quality. We may sell additional assets in the future, and take advantage of market opportunities to dispose of problem assets. Recently, we have emphasized cost controls, which have been increasingly important as economic growth has slowed.

We are a bank holding company registered under the Bank Holding Company Act of 1956, as amended, and our principal subsidiary is Seacoast National Bank. Seacoast National commenced its operations in 1933, and operated prior to 2006 as First National Bank & Trust Company of the Treasure Coast. In addition, Seacoast Marine Finance Division, a division of Seacoast National, has offices located in Florida and California. Our subsidiary, FNB

Brokerage Services, Inc., is a securities broker-dealer engaged in securities brokerage and annuity sales.

Our principal executive offices are located at 815 Colorado Avenue, Stuart, Florida 34994, and our telephone number at that address is (772) 287-4000. We maintain an Internet website at www.seacoastbanking.com. Neither this website nor the information on this website is included or incorporated in, or is a part of, this prospectus.

Recent Developments

On May 19, 2009, we announced that our board of directors had suspended regular quarterly cash dividends on our outstanding common stock and preferred stock as a result of recently adopted Federal Reserve policies related to dividends and other distributions. Our board of directors also determined to defer distributions on $52 million of outstanding trust preferred securities.

On June 18, 2009, at our annual meeting of shareholders, our shareholders approved certain amendments to our amended and restated articles of incorporation, which we refer to as our Articles of Incorporation. However, at the time of our annual meeting, the proposal to amend Article VII of our Articles of Incorporation, which required the approval of 662/3% of all outstanding shares of our common stock, had not received the requisite votes. We adjourned the annual meeting with respect to this proposal to solicit the remaining votes needed for approval. On July 17, 2009, we received the necessary vote of our shareholders, and amended Article VII of our Articles of Incorporation.

In conjunction with an outside consulting firm, we performed a stress test of our loan portfolio and the potential effects on our capital of increased losses and nonperforming assets. The analysis was designed to approximate the Supervisory Capital Assessment Program, or SCAP, required of the largest banks by the Federal Reserve, with specific adjustments to reflect the more highly stressed economic conditions in Florida. As provided in the SCAP methodology, a baseline scenario assumed a path for the economy that followed a consensus forecast for certain economic variables, and a more adverse scenario was utilized to project a more significant downturn. Based on the results of the stress test, and the assumptions and estimates utilized in the analysis, we believe that following the completion of this offering, our capital should be sufficient to withstand the economic challenges facing the Company if the Florida economy weakens further or is weaker than is expected currently.

Management tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate there may be impairment. Management engages external valuation firms to assist in its goodwill assessments. We completed an annual test of goodwill impairment for the year ended December 31, 2008, which was updated as of March 31, 2009 due to the decline in the price of our common stock and the net loss realized in the first quarter of 2009. These tests indicated that none of our goodwill was impaired. At June 30, 2009, due to the decline in the price of our common stock and our net loss in the second quarter of 2009, we again tested for impairment of goodwill in connection with our preparation of our quarterly financial report. Our fair value of the Company was determined using the discounted cash flow and change in control valuation methods. These two methods provided a range of valuations of $2.43 to $7.00 per share that we used in evaluating goodwill for possible impairment. As of June 30, 2009, we determined that our carrying amount exceeds our fair value. We were unable to complete the second step analysis required to estimate the implied fair value of our goodwill by the time of filing our quarterly report. Accordingly, we have preliminarily determined that the goodwill impairment loss is equal to the full amount of our goodwill $49.8 million. This is an estimate and we will disclose in the third quarter any adjustments to goodwill after completing the second step analysis.

CapGen Offering

On August 10, 2009, we executed a letter of intent with CapGen Financial Partners, or CapGen, following confidential discussions and diligence about possible alternatives to a public offering, pursuant to which we agreed to sell to CapGen, or a designated affiliate of CapGen, six million shares of our common stock, at the same price at which shares are offered to the public in the previously announced offering, or the Underwritten Offering, at a price up to $2.50 per share, or the CapGen Offering. CapGen has completed its due diligence, and the letter of intent with CapGen is subject to the execution and delivery of a definitive stock purchase agreement and was subject to the registration statement covering the shares offered in the Underwritten Offering and the CapGen Offering becoming effective. The closing of the CapGen Offering is contingent upon the receipt of necessary regulatory approvals, closing of the Underwritten Offering and shareholder (if any) approvals. CapGen has agreed to promptly submit all required regulatory applications and notices, which will also seek approval for CapGen to increase its ownership in our company over time. Upon the closing of the CapGen Offering, CapGen will be entitled to appoint one director to our board of directors. We have also agreed to grant preemptive rights with respect to future offerings of our common stock to purchase its pro rata share for a period of 24 months. The board seat and preemptive rights are subject to CapGen retaining ownership of all shares purchased in the CapGen Offering. CapGen has indicated that its affiliate that will purchase and hold shares of our common stock will not control any other depository institution.

On August 12, 2009, we orally agreed with CapGen to consummate the CapGen Offering as a private placement rather than registered offering and in connection therewith, we also granted CapGen registration rights with respect to the six million shares. The terms of the letter of intent relating to the CapGen Offering remain otherwise unchanged.

Table of Contents

The Offering

Common stock offered by us	29,300,000 shares of common stock, par value $0.10 per share.
Common stock outstanding after the offering(1)	48,470,788 shares
Net proceeds	The net proceeds of this offering will be approximately $61.3 million (after deducting the underwriting discount and estimated offering expenses payable by us).
Use of proceeds	We expect to use the net proceeds we receive from this offering to add capital to Seacoast National and for general corporate purposes.
Nasdaq Global Select Market Symbol	SBCF

(1) The number of shares of common stock outstanding after this offering includes 19,170,788 shares outstanding as of June 30, 2009, but does not include:

4,375,000 shares of common stock issuable pursuant to the underwriters option to purchase additional shares;

565,529 shares reserved for issuance upon exercise of stock options with a weighted-average exercise price of $21.24, which have been granted and remained outstanding as of June 30, 2009;

1,179,245 shares of common stock that may be issued upon exercise of the Warrant (as defined below); and

6,000,000 shares of common stock to be sold in the CapGen Offering.

We have issued $50 million of our Series A Preferred Stock to the United States Department of the Treasury (the Treasury) pursuant to the Troubled Asset Relief Program (TARP) Capital Purchase Program (CPP), together with the Warrant to purchase 1,179,245 shares of our common stock at an initial purchase price of $6.36 per share. If this offering and any other qualified equity offerings that we may make prior to December 31, 2009 result in aggregate gross proceeds of at least $50.0 million, we expect that we would request that the Treasury reduce the Warrant it holds to purchase our common stock by 50% to 589,622.5 shares.

Risk Factors

Before investing, you should carefully consider the information set forth under Risk Factors, beginning on page 7, for a discussion of the risks related to an investment in our common stock.

Table of Contents

SUMMARY SELECTED CONSOLIDATED FINANCIAL DATA

You should read the summary selected consolidated financial information presented below in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our financial statements and the notes to those financial statements appearing in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2008 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, which are incorporated by reference in this prospectus.

The following tables set forth selected consolidated financial data for us at and for each of the years in the five-year period ended December 31, 2008 and at and for the six-month periods ended June 30, 2009 and 2008.

The selected statement of income data for the years ended December 31, 2008, 2007 and 2006, and the selected statement of financial condition data as of December 31, 2008 and 2007, have been derived from our audited financial statements included in our Annual Report on Form 10-K/A for the year ended December 31, 2008, which is incorporated by reference in this prospectus. The selected statement of income data for the years ended December 31, 2005 and 2004 and the summary statement of financial condition data as of December 31, 2006, 2005 and 2004 have been derived from our audited financial statements that are not included in this prospectus.

The summary financial data at and for the six months ended June 30, 2009 and 2008 have been derived from our unaudited interim financial statements included in our Quarterly Reports on Form 10-Q for the quarter ended June 30, 2009, and are incorporated by reference in this prospectus. These unaudited interim financial statements include all adjustments (consisting only of normal recurring adjustments) that we consider necessary for a fair presentation of our financial condition and results of operations as of the dates and for the periods indicated. Historical results are not necessarily indicative of future results and the results for the six months ended June 30, 2009 are not necessarily indicative of our expected results for the full year ending December 31, 2009 or any other period.

	At or for the Six Months Ended June 30,		At or for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Dollars in thousands, except per share data)						
Selected Financial Data:							
Assets	$ 2,136,735	$ 2,296,999	$ 2,314,436	$ 2,419,874	$ 2,389,435	$ 2,132,174	$ 1,615,876
Loans, net(1)	1,540,722	1,777,090	1,647,340	1,876,487	1,718,196	1,280,989	892,949
Securities	22,299	29,913	345,901	300,729	443,941	543,024	588,017
Investment Securities Available for Sale	337,746	255,798	318,030	254,916	313,983	392,952	395,207
Goodwill and Intangibles	4,751	55,823	55,193	56,452	57,299	33,901	2,639
Deposits	1,756,422	1,890,401	1,810,441	1,987,333	1,891,018	1,784,219	1,372,466
Borrowings and Junior Subordinated Debentures	118,782	118,693	118,912	118,640	67,760	86,723	39,912
Total Shareholders Equity	148,555	190,182	216,001	214,381	212,425	152,720	108,212
Total Preferred Shareholders Equity	44,412	0	43,787				

Total Common Shareholders Equity	104,143	190,182	172,214	214,381	212,425	152,720	108,212
Selected Operating Data:							
Interest Income	$ 53,434	$ 67,428	$ 127,084	$ 150,106	$ 139,827	$ 98,400	$ 67,052
Interest Expense	16,340	26,781	49,853	65,637	50,787	26,215	14,278
Net Interest Income	37,094	40,647	77,231	84,469	89,040	72,185	52,774
Provision for Loan Losses	37,879	47,737	88,634	12,745	3,285	1,317	1,000
Non-interest Income (Loss)	10,470	12,359	21,920	19,862	24,103	20,645	18,506
Securities Gains (Losses)	1,786	355	355	(5,048)	(157)	128	44
Other	8,684	12,004	21,565	24,910	24,260	20,517	18,462
Non-interest Expenses	89,270	37,924	78,214	77,423	73,045	59,100	47,281
Earnings (Losses) Before Income Taxes	(79,585)	(32,655)	(67,697)	14,163	36,813	32,413	22,999
Provision (Benefit) for Income Taxes	(11,825)	(13,102)	(22,100)	4,398	12,959	11,654	8,077
Net Income (Loss)	(67,760)	(19,553)	(45,597)	9,765	23,854	20,759	14,922
Net Earnings:							

	At or for the Six Months Ended June 30,		At or for the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2(
	(Dollars in thousands, except per share data)						
ulative tock nd Accretion	$ 1,874	$ 0	$ 115				
e (Loss) o Common rs	(69,634)	(19,553)	(45,712)	9,765	23,854	20,759	
ings Per hare	(3.65)	(1.03)	(2.41)	0.52	1.30	1.27	
rnings Per hare	(3.65)	(1.03)	(2.41)	0.51	1.28	1.24	
lends er Common	0.01	0.32	0.34	0.64	0.61	0.58	
Average hares:							
	19,079,151	18,957,269	18,997,757	18,936,541	18,305,258	16,361,196	15,
	19,079,151	18,957,269	18,997,757	19,157,597	18,671,752	16,749,386	15,
e Per hare	$ 5.43	$ 9.90	$ 8.98	$ 11.22	$ 11.20	$ 8.94	$
ce Per hare at	2.43	7.76	6.60	10.28	24.80	22.95	
perating l Other							
e (Loss) to quity (ROE)	(63.62)%	(18.22)%	(22.25)%	4.46%	12.06%	14.95%	
e (Loss) to ssets (ROA)	5.98	(1.67)	(1.97)	0.42	1.03	1.07	
t Margin	3.54	3.71	3.58	3.92	4.15	3.97	
st Income to Revenue (TE)	18.91	22.73	21.76	22.71	21.36	22.11	
Ratio(3)	84.57	70.63	77.67	69.44	63.39	63.10	
ayout	n/m(5)	n/m(5)	n/m(5)	124.80%	47.10%	46.30%	
ality:							
ming Loans oans	8.00%	4.21%	5.19%	3.57%	0.72%	0.03%	
ming Assets sets	7.02	3.52	3.98	2.83	0.52	0.02	
e-offs s)/Average	2.89	4.07	4.45	0.31	(0.01)	0.01	

/Total Loans	2.75	1.75	1.75	1.15	0.86	0.70	
/Total ming Loans 90 days or due but still	34.04	41.41	33.09	32.28	119.04	1,075.99	
veries) s	$ 23,649	$ 37,942	$ 81,148	$ 5,758	$ (106)	$ 134	$
y Capital mpany:							
Ratio	8.29%	7.64%	9.58%	9.10%	8.53%	7.86%	
-based	11.83	9.72%	12.75	10.99	10.87	11.13	
-based	13.41	11.42%	14.00	12.17	11.70	11.76	
Ratio	8.16%	7.89%	7.80%	9.01%	8.86%	7.70%	
-based	11.63	10.04	10.38	10.89	11.30	10.57	
-based	12.90	11.29	11.64	12.06	12.12	11.16	

(1) Net of deferred fees and allowance for credit losses.

(2) Net interest income on a taxable equivalent basis (TE) divided by total average earning assets.

(3) Noninterest expense (less amortization of intangibles and goodwill write off) divided by total revenue (net interest income (TE) and other operating income, securities gains and losses).

(4) Cash dividends divided by net earnings.

(5) Not meaningful.

Fully taxable equivalent net interest income is a common term and measure used in the banking industry but is not a term used under U.S. generally accepted accounting principles (GAAP). We believe that these presentations of tax-equivalent net interest income and net interest margin on a tax equivalent basis aid in the comparability of net interest income arising from both taxable and tax-exempt sources over the periods presented. We further believe these non-GAAP measures enhance investors understanding of the Company s business and performance, and facilitate an understanding of performance trends and comparisons with the performance of other financial institutions. The limitations associated with these measures are the risk that persons might disagree as to the appropriateness of items comprising these measures and that different companies might calculate these measures differently, including as a result of using different assumed tax rates. These disclosures should not be considered an alternative to GAAP. The following information is provided to reconcile GAAP measures and tax equivalent net interest income and net interest margin on a tax equivalent basis.

	At or for the Six Months Ended June 30,		At or For the Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Dollars in thousands, except per share data)						
Non-taxable interest income	$ 274	$ 314	$ 600	$ 639	$ 525	$ 221	$ 258
Tax Rate	35%	35%	35%	35%	35%	35%	35%
Net interest income (TE)	$ 37,228	$ 40,796	$ 77,517	$ 84,771	$ 89,294	$ 72,297	$ 52,907
Total net interest income (not TE)	37,094	40,647	77,231	84,469	89,040	72,185	52,774
Net interest margin (not TE)	3.53%	3.70%	3.57%	3.90%	4.14%	3.96%	3.88%

RISK FACTORS

You should carefully consider the following risks before investing in our common stock. These risks could materially affect our business, results of operations or financial condition and cause the trading price of our common stock to decline. You could lose part or all of your investment.

Risks Related to Our Business

There can be no assurance that recent 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.

The Emergency Economic Stabilization Act of 2008, or EESA, was enacted on October 3, 2008. Under EESA, the Treasury has the authority to, among other things, invest in financial institutions and purchase up to $700 billion of troubled assets and mortgages from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. Under Treasury s Capital Purchase Program, or CPP, it committed to purchase up to $250 billion of preferred stock and warrants in eligible institutions. The EESA also temporarily increased FDIC deposit insurance coverage to $250,000 per depositor through December 31, 2009, which was recently extended to December 31, 2013 under the Helping Families Save Their Homes Act of 2009.

On February 10, 2009, the Treasury announced the Financial Stability Plan which, among other things, provides a forward-looking supervisory capital assessment program, or SCAP that is mandatory for banking institutions with over $100 billion of assets and makes capital available to financial institutions qualifying under a process and criteria similar to the CPP. In addition, the American Recovery and Reinvestment Act of 2009, or ARRA, was signed into law on February 17, 2009, and includes, among other things, extensive new restrictions on the compensation and governance arrangements of financial institutions.

Numerous actions have been taken by the U.S. Congress, the Federal Reserve, the Treasury, the FDIC, the SEC and others to address the current liquidity and credit crisis that has followed the sub-prime mortgage crisis that commenced in 2007, including the Financial Stability Program adopted by the Treasury. These measures include fiscal and monetary policy actions described under Business Fiscal and Monetary Policy and Business Recent Legislative and Regulatory Changes in our Annual Report on Form 10-K/A for the year ended December 31, 2008, which is incorporated by reference herein. In addition, the Secretary of the Treasury proposed fundamental changes to the regulation of financial institutions, markets and products on June 17, 2009.

We cannot predict the actual effects of EESA, the ARRA, the proposed regulatory reform measures and various governmental, regulatory, monetary and fiscal initiatives which have been and may be enacted on the economy, the financial markets, on us and on Seacoast National. The terms and costs of these activities, 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.

Difficult market conditions have adversely affected our industry and us.

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 year and a half, 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 EESA, the ARRA and related initiatives by the U.S. government. Compliance with such regulations may increase our costs and limit our ability to pursue business opportunities.

Market developments and 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, deteriorating investor expectations.

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 distributions 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. The Federal Reserve, as a matter of policy, has indicated that bank holding companies should not pay dividends or make distributions on trust preferred securities using funds from the TARP CPP. We intend, following completion of this offering, to seek Federal Reserve approval to pay all outstanding but unpaid dividends and distributions on our Series A Preferred Stock and trust preferred securities. 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 23, 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. See Dividend Policy.

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.

We have incurred net losses for 2008 and in the first two quarters of 2009 and cannot make any assurances that we will not incur further losses.

We incurred a net loss of $45.7 million for the year ended December 31, 2008, and a net loss of $69.6 million (including a write-off of all $49.8 million of our goodwill) for the six months ended June 30, 2009. We cannot provide any assurances that we will not incur future losses, especially in light of economic conditions that continue to adversely affect our borrowers and us.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

At December 31, 2008 and June 30, 2009, our nonperforming loans (which consist of non-accrual loans) totaled $86.9 million and $126.8 million, or 5.19% and 8.00% of the loan portfolio, respectively. At December 31, 2008 and June 30, 2009, our nonperforming assets (which include foreclosed real estate) were $92.0 million and $150.0 million, or 3.97% and 7.02% of assets, respectively. In addition, we had approximately $13.9 million and $10.1 million in accruing loans that were 30-89 days delinquent at December 31, 2008 and June 30, 2009, respectively. Our non-performing assets adversely affect our net income in various ways. Until economic and market conditions improve, we expect to continue to incur additional losses relating to an increase in non-performing loans. We do not record interest income on non-accrual 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. While we have reduced our problem assets through loan sales, workouts, restructurings and otherwise, decreases in the value of these 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 our 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.

During 2009, our commercial and residential real estate and real estate-related portfolios have continued to be affected by adverse market conditions, including reduced real estate prices and sales levels and, more generally, all of our loan portfolios have been affected by the sustained economic weakness of our markets and the impact of higher unemployment rates.

Our commercial and residential real estate and real estate-related loans have continued to be affected adversely by the on-going correction in real estate prices and reduced levels of sales. More generally, all of our commercial real estate loan portfolios, especially construction and development loans, have been affected adversely by 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 ongoing 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. Continued 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 economic recession and associated rises in 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 increased loan losses.

Commercial real estate, or CRE, is cyclical and poses risks of loss to us due to concentration levels and similar risks of the asset, especially since we had 53.5% of our portfolio in CRE loans at year-end 2008 and 52.8% as of June 30, 2009. 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 2008, we added $88.6 million of provisions for loan losses compared to $12.7 million in 2007 and $3.3 million in 2006, in part reflecting collateral evaluations in response to recent changes in the market values of land collateralizing acquisition and

Table of Contents

development loans. An additional $37.9 million in provisions for loan losses have been taken in 2009 through June 30.

Our recent loan portfolio stress test is not a forecast or prediction of future results, performance or future capital adequacy, and the results of this stress test may or may not be realized.

The stress test we conducted recently with an outside consultant on our loan portfolio is not a forecast and does not reflect our outlook or our expected results, and should not be viewed as a prediction of future results, performance or future capital adequacy. The test was based upon numerous complex assumptions, estimates and judgments, which may or may not be realized.

Our goodwill impairment has adversely affected our earnings and will affect Seacoast National s ability to pay dividends to the Company.

Our impairment charge of all our goodwill ($49.8 million) is a non-cash charge that has reduced our earnings for the three months ended June 30, 2009, and will reduce Seacoast National s earnings from which Seacoast National may pay dividends to the Company. We can give no assurance that the completion of our testing of goodwill as of June 30, 2009 will result in any restoration of goodwill that would increase future earnings.

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

FDIC insurance premiums have increased substantially in 2009 already 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 also 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, to be collected on September 30, 2009. Additional special assessments may be imposed by the FDIC for future periods. We participate in the FDIC s Temporary Liquidity Guarantee Program, or TLG, for noninterest-bearing transaction deposit accounts. Banks that participate in the TLG s noninterest-bearing transaction account guarantee will pay the FDIC an annual assessment of 10 basis points on the amounts in such accounts above the amounts covered by FDIC deposit insurance. 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 TLG is scheduled to end December 31, 2009, but the FDIC has proposed extending TLG to June 30, 2010, but charging a higher guarantee fee to banks that elect to participate in the extension. These changes, along with the full utilization of our FDIC insurance assessment credit in early 2009, will cause the premiums and TLG assessments charged by the FDIC to increase. These actions could significantly increase our noninterest expense in 2009 and for the foreseeable future.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for more than a year. 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 purchased, 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, offset by approximately $8.0 million of cash and short-term investments currently held by us at June 30, 2009, largely due to the receipt of TARP CPP proceeds. We invested $42 million of the TARP CPP proceeds in Seacoast National to meet the Office of the Comptroller of the Currency s, or the OCC s, 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 the recent turmoil faced by banking organizations and the continued deterioration in credit markets.

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. We have an informal letter agreement with the OCC to maintain a Tier 1 leverage capital ratio of 7.50% and a total risk-based capital ratio of 12.0% at Seacoast National, which are higher than the stated 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.

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.

Sales of additional capital could dilute existing shareholders.

Issuances of our common stock or securities convertible into or exchangeable for our common stock could dilute the interests of our existing common shareholders or require shareholders to approve an increase in the number of shares of common stock we are authorized to issue and could increase the number of shares of common stock we are required to issue under the warrant we issued to the Treasury under the TARP CPP. Among the securities we may issue are shares of preferred stock which likely will have dividend and liquidation rights senior in priority to the rights of holders of our common stock.

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 this amount, and the amount of net operating loss carryforwards realizable for income tax purposes may be reduced under Section 382 of the Internal Revenue Code by sales of our capital securities.

As of June 30, 2009, we had deferred tax assets of $17.2 million. These and future 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 the amount of the deferred tax asset. The amount of net operating loss carryforwards realizable for income tax purposes may be reduced under Section 382 of the Internal Revenue Code by this offering and/or other sales of our capital securities.

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% to 5.25%. Since then, beginning in September 2007, the Federal Reserve decreased the federal funds rates by 100 basis points to 4.25% 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 to 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.

The TARP CPP and the ARRA impose certain 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

Table of Contents

holds the equity issued pursuant to the TARP CPP, including the common stock which may be issued pursuant to the warrant to purchase 1,179,245 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.

The prohibition may expand to other employees based on increases in the aggregate value of financial assistance that we receive in the future. For example, if we receive at least $250 million but less than $500 million in TARP financial assistance, the senior executive officers and at least the next 10 most highly compensated employees will be prohibited from receiving or accruing any such bonus.

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, which became effective on June 15, 2009, also prohibit any tax gross-up payments to senior executive officers and the next 20 highest paid executives. The rule further authorizes the Treasury to establish the Office of the Special Master for TARP Executive Compensation with broad powers to review compensation plans and corporate governance matters of TARP recipients.

These provisions and any future rules issued by the Treasury 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.

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 TARP capital recipients, 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.

Changes in 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. We are not using proceeds from this offering to redeem our Series A Preferred Stock issued to the Treasury under the TARP CPP. 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.

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, Palm Beach and Broward 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.

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 auditor reports on internal controls as part of our annual report on Form 10-K pursuant to Section 404 of the Sarbanes-Oxley Act. We expect to continue to spend significant amounts of time and money on compliance with these rules. The SEC also has proposed a number of new rules or regulations requiring additional disclosure, such as lower-level employee compensation. 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 your best interests as a holder 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 its 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.

Table of Contents

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.

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 bu