

SEACOAST BANKING CORP OF FLORIDA

Form 424B3

February 15, 2006

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**Filed pursuant to Rule 424(b)(3)  
Registration No. 333-131169**

**PROSPECTUS OF  
SEACOAST BANKING  
CORPORATION OF FLORIDA**

**PROXY STATEMENT  
OF  
BIG LAKE FINANCIAL CORPORATION**

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

The boards of directors of Seacoast Banking Corporation of Florida and Big Lake Financial Corporation have each unanimously agreed to the acquisition of Big Lake by Seacoast pursuant to the merger of Big Lake with and into Seacoast. Seacoast will be the surviving bank holding company following the merger.

If the merger is completed, each of your shares of Big Lake common stock (including the Big Lake Series A preferred stock which, according to its terms, will automatically convert on a one-for-one basis into Big Lake common stock upon a change in control) will be automatically converted into the right to receive an estimated 2.95427 shares of Seacoast common stock as described in this proxy statement-prospectus. Herein, shares of Big Lake common stock and Big Lake Series A preferred stock are collectively referred to as **Big Lake Stock** and shares of Seacoast common stock are referred to as **Seacoast Stock**. The closing price of Seacoast Stock on February 10, 2006, the last practicable trading date prior to mailing this proxy-statement prospectus, was \$25.38. The implied value of the merger consideration is \$74.98 per share of Big Lake Stock. The market price of Seacoast and Big Lake Stock will fluctuate. You should obtain current stock price quotations for common stock. Seacoast Stock is traded on The Nasdaq National Market under the symbol **SBCF**. Big Lake Stock is not traded on any organized market.

A special meeting of Big Lake shareholders will be held at 1409 S. Parrott Avenue, Okeechobee, Florida on March 16, 2006 at 4:15 P.M. Eastern Standard Time. At the meeting or any adjournments and postponements, you will be asked to approve the merger provided by the Agreement and Plan of Merger, dated as of November 22, 2005, by and between Seacoast and Big Lake, which we refer to in this proxy statement-prospectus as the **merger agreement**. Approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Big Lake common stock and Big Lake Series A preferred stock, voting together as a single class, and approval by the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency. Big Lake's board of directors unanimously recommends that you vote **FOR** approval of the merger and urges you to sign and date the enclosed proxy and return it promptly in the enclosed envelope to make sure that your vote is counted. If you attend the meeting, you may vote in person, even if you have already returned your proxy. Seacoast shareholders are not required to approve the merger.

You should read this entire proxy statement-prospectus carefully because it contains important information about the merger. **In particular, you should read carefully the information under the section entitled **Risk Factors**, beginning on page 9.**

**Neither the Securities and Exchange Commission nor any state securities regulators have approved or disapproved of the securities to be issued in the merger or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.**

**The shares of Seacoast Stock to be issued in the merger are not deposits or savings accounts or other obligations of any bank or savings association, and are not insured by the Federal Deposit Insurance**

**Corporation or any other government agency.**

This proxy statement-prospectus is dated February 14, 2006, and is first being mailed to Big Lake shareholders on or about February 15, 2006.

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**PLEASE NOTE**

As used in this proxy statement-prospectus, the terms Seacoast and Big Lake refer to Seacoast Banking Corporation of Florida and Big Lake Financial Corporation, respectively, and, where the context requires, to their respective subsidiaries, including First National Bank & Trust Company of the Treasure Coast, which we refer to in this proxy statement-prospectus as First National and Big Lake National Bank, which we refer to as Big Lake Bank.

We have not authorized anyone to provide you with any information other than the information included in this proxy statement-prospectus and the documents we refer you to herein. If someone provides you with different or additional information, you should not rely on it.

The information in this proxy statement-prospectus regarding Big Lake was provided by Big Lake and the information in this proxy statement-prospectus regarding Seacoast was provided by Seacoast.

This document contains a description of the representations, warranties and covenants made in the merger agreement, and in agreements that are attached or filed as exhibits to this document or are incorporated by reference into this document. These representations, warranties and agreements have been made solely for the benefit of the other party to such agreements, may be subject to important qualifications, exceptions and limitations agreed to by the contracting parties, and may not be complete, and such representations, warranties and agreements therefore should not be relied on by any other person. Any such covenants, representations or warranties may have been qualified or superseded by disclosures contained in separate schedules or exhibits not filed with or incorporated by reference in this report, may reflect the parties negotiated risk allocation in the particular transaction rather than facts, may be qualified by materiality standards that differ from those that you may consider material, may not be true as of the date of this document or any other date, and are subject to amendments, changes or waivers by the parties.

Although not required under SEC Rules, Big Lake's financial statements have been included in this proxy statement-prospectus to assist Big Lake shareholders in considering the proposed merger pursuant to the merger agreement. Big Lake currently does not file reports with the Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934, as amended (the Exchange Act), and it does not prepare Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and other information required of companies reporting under the Exchange Act. Since Big Lake is not considered a significant acquisition by Seacoast, MD&A and other information for Big Lake has been excluded from this proxy statement-prospectus, as permitted by SEC Rules.

This proxy statement-prospectus has been prepared as of the date on the cover page. There may have been changes in the affairs of Seacoast and/or Big Lake since that date, or other dates referred to herein, that are not reflected in this document. Neither Seacoast nor Big Lake has, or undertakes, any obligation to update such information.

**HOW TO OBTAIN ADDITIONAL INFORMATION**

This proxy statement-prospectus incorporates important business and financial information about Seacoast that is not included in, or delivered with, this document. This information is described on page 51 under the section entitled

Where You Can Find Additional Information and may be obtained through the SEC's website at <http://www.sec.gov>. This information is also available to you without charge upon your written or verbal request to:

Ms. Sharon Mehl  
Investor Relations  
Seacoast Banking Corporation of Florida  
815 Colorado Avenue  
Stuart, Florida 34994

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Telephone: (772) 288-6085  
Email: [Sharon.Mehl@fnbtc.net](mailto:Sharon.Mehl@fnbtc.net)

**In order to obtain timely copies of such information free of charge, you must request the information by no later than March 1, 2006.**

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**BIG LAKE FINANCIAL CORPORATION  
1409 S. Parrott Avenue  
Okeechobee, Florida 34974**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MARCH 16, 2006**

To the Shareholders of Big Lake Financial Corporation:

Big Lake Financial Corporation will hold a special meeting of shareholders at 1409 S. Parrott Avenue, Okeechobee, Florida, on March 16, 2006 at 4:15 P.M. Eastern Standard Time, for the following purposes:

1. *Merger.* To approve and adopt the Agreement and Plan of Merger, dated as of November 22, 2005, by and between Seacoast Banking Corporation of Florida and Big Lake Financial Corporation, pursuant to which Seacoast will acquire Big Lake through the merger of Big Lake with and into Seacoast. A copy of the merger agreement is attached to the accompanying proxy statement-prospectus as Appendix A.
2. *Other Business.* To consider such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

Only shareholders of record at the close of business on January 18, 2006, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting or any adjournments or postponements of the special meeting, which we collectively refer to as the meeting. The approval of the merger agreement requires the affirmative vote of holders of the majority of the outstanding shares of Big Lake common stock and Big Lake Series A preferred stock, voting together as a single class.

**After careful consideration, your board of directors has unanimously adopted the merger agreement; they recommend that you vote FOR approval of the merger agreement and the transactions contemplated therein.**

Your vote is very important. Whether or not you plan to attend the meeting, please complete and sign the enclosed proxy card and return it in the accompanying postage-paid envelope. You may revoke your proxy at any time before it is voted by giving written notice of revocation to Big Lake's secretary, or by filing a properly executed proxy of a later date with Big Lake's secretary, at or before the meeting. You may also revoke your proxy by attending the meeting and voting your shares in person.

If the merger is completed, those shareholders of Big Lake who do not vote for the merger and who follow certain procedures as required by Florida law and described in this proxy statement-prospectus will be entitled to exercise appraisal rights and receive the fair value of their shares in cash under Florida law. Appendix B to this proxy statement-prospectus includes the relevant provisions of Florida law regarding these rights.

We presently do not know of any other matters to be presented at the meeting, but if other matters are properly presented, then the persons named as proxies will vote on such matters at their discretion.

By Order of the Board of Directors  
Edwin E. Walpole, III  
Chairman, President and Chief  
Executive Officer

Okeechobee, Florida

February 14, 2006

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**QUESTIONS AND ANSWERS**

**Q: What am I being asked to vote on?**

A: You are being asked to approve the merger agreement, which provides for the merger of Big Lake with and into Seacoast, with Seacoast as the surviving corporation in the merger. Subsequently, Big Lake Bank will be merged with and into First National.

**Q: When and where is the special meeting?**

A: The Big Lake special meeting will be held at 1409 S. Parrott Avenue, Okeechobee, Florida, on March 16, 2006 at 4:15 P.M. Eastern Standard Time.

**Q: How does my board of directors recommend I vote on the merger?**

A: The board of directors of Big Lake unanimously recommends that you vote **FOR** approval of the merger agreement.

**Q: Why is my board of directors recommending that I vote for approval of the merger agreement?**

A: Our board of directors believes the merger is a unique strategic opportunity to combine with Seacoast, which is expected to create greater value for our shareholders, expand the range of products and services available to our customers while maintaining our service culture, and expand the career opportunities for our employees. Our financial advisor also has opined that the consideration to be received by our shareholders in the merger is fair from a financial point of view.

**Q: Why is this proxy statement-prospectus being sent to Big Lake shareholders?**

A: This document is being provided by Big Lake and Seacoast to provide you with information regarding the proposed merger, the Big Lake special meeting, the respective companies and the Seacoast Stock you will receive in the merger. The enclosed proxy is solicited by and on behalf of the board of directors of Big Lake for use at the special meeting of Big Lake shareholders.

**Q: What will I receive in the merger?**

A: If the merger is completed, each share of Big Lake common stock issued and outstanding that you hold immediately prior to the merger's effective time (including the Big Lake Series A preferred stock which, according to its terms, will automatically convert to common stock on a one-for-one basis upon effectiveness of the merger), other than shares with respect to which appraisal rights are properly exercised, will be automatically converted, at the effective time, into the right to receive shares of Seacoast Stock at an exchange ratio of 2.95427 shares of Seacoast Stock for each share of Big Lake common stock. This exchange ratio assumes that all 3,832 outstanding Big Lake stock options are exercised at the closing of the merger. The total number of shares of Seacoast Stock issuable in the merger to all holders of Big Lake common stock is 1,775,000 shares.

You will not receive any fractional shares of Seacoast Stock that would be issuable as a result of the merger. Instead, you will be paid cash (without interest) in an amount equal to the fraction of a share of Seacoast Stock otherwise issuable upon conversion, multiplied by the closing price of Seacoast's common stock on The Nasdaq

National Market on the last trading day preceding the effective time of the merger.

The holders of all outstanding options on Big Lake common stock have agreed to exercise such options prior to the closing of the merger.

**Q: What if I own Big Lake preferred stock?**

A: Pursuant to its terms, each share of Big Lake Series A preferred stock will automatically convert into one share of Big Lake common stock immediately prior to the merger. Such shares, other than shares with respect to which appraisal rights are properly exercised, will be automatically converted into shares of Seacoast Stock at the effective time, as described above.

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**Q: Who is entitled to vote at the Big Lake special meeting?**

A: Big Lake shareholders of record at the close of business on January 18, 2006, the record date for the special meeting, are entitled to receive notice of and to vote on the approval of the merger agreement at the special meeting and any adjournments or postponements of the special meeting. However, a Big Lake shareholder may only vote his or her shares if he or she is either present in person or represented by proxy at the special meeting.

**Q: How many votes do I have?**

A: Each share of Big Lake Stock that you own as of the record date entitles you to one vote. On January 18, 2006, there were 576,709 outstanding shares of Big Lake common stock and 20,283 outstanding shares of Series A preferred stock.

**Q: How many votes are needed to approve the merger?**

A: A majority of the outstanding shares of Big Lake's common stock and preferred stock, voting together as a class, must vote in favor of the merger agreement in order for it to be approved.

Each of the directors and executive officers of Big Lake individually have entered into an agreement with Seacoast to vote their shares of Big Lake Stock in favor of the merger agreement and against any competing proposal. As of January 18, 2006, Big Lake directors and executive officers and their affiliates owned approximately 42% of the shares of Big Lake's outstanding common stock and none of the outstanding shares of Series A preferred stock, which constitutes approximately 41% of the aggregate number of shares of Big Lake Stock entitled to vote on the merger agreement.

**Q: What should I do now?**

A: After carefully reading and considering the information in this proxy statement-prospectus, including materials incorporated by reference, indicate on your proxy card how you want to vote, sign and date the card and mail it in the enclosed postage-paid envelope as soon as possible, so that your shares will be represented at the special meeting and your election will be recorded.

If you sign and return your proxy card and do not indicate how you want to vote, your proxy will be voted in favor of the proposal to approve the merger agreement and otherwise in the discretion of the proxies.

**Q: What if I do not vote?**

A: If you do not vote, by either signing and sending in your proxy card or attending and voting your shares in person at the special meeting, your shares will not be voted at the special meeting. This will have the same effect as voting your shares against the merger, although this will not perfect your appraisal rights.

**Q: If my shares are held in street name by my broker, will my broker automatically vote my shares for me?**

A: No. Your broker will vote your shares of stock on the merger agreement only if you provide instructions on how to vote. You should instruct your broker on how to vote your shares, following the directions your broker provides. If you do not provide instructions to your broker, and your broker submits an unvoted proxy, your shares will not be voted at the special meeting, which will have the same effect as voting your shares against the merger, although this will not perfect your appraisal rights.

**Q: Can I change my vote after I deliver my proxy?**

A: Yes. You can change your vote at any time before your proxy is voted at the special meeting. You can do this in three ways:

you can revoke your proxy by giving written notice of revocation to Big Lake's secretary;

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you can submit a new properly executed proxy with a later date to Big Lake's secretary at or before the special meeting; the latest proxy actually received before the special meeting will be counted, and any earlier votes will be revoked; or

you can attend the special meeting and vote your shares in person in writing. Any earlier proxy will be thereby revoked; however, simply attending the special meeting without voting will not revoke your proxy.

**Q: Should I send in my Big Lake stock certificates now?**

A: No. Seacoast will cause the exchange agent to separately send to all Big Lake shareholders a letter of transmittal together with written instructions for exchanging Big Lake stock certificates for the merger consideration.

**Q: When will I receive my Seacoast stock certificates and cash, in lieu of fractional shares?**

A: Following the completion of the merger, Seacoast will cause the exchange agent to deliver a letter of transmittal to each Big Lake shareholder. You should carefully review and follow the instructions set forth in the letter of transmittal. You will be asked to complete the letter of transmittal and return it, together with your Big Lake stock certificates (or properly completed notice of guaranteed delivery, which will be included as part of the letters of transmittal you will receive), to the exchange agent. The Seacoast Stock that you are to receive in connection with the merger will be mailed to you by the exchange agent promptly after the exchange agent receives your properly executed letter of transmittal and stock certificates.

**Q: Am I entitled to appraisal rights in connection with the merger?**

A: Yes. If you wish, you may exercise appraisal rights arising out of the transactions contemplated by the merger agreement and obtain a cash payment for the fair value of your shares as determined under the Sections 607.1301 through 607.1333 of the Florida Business Corporation Act, which we refer to in this proxy statement-prospectus as the FBCA. To exercise appraisal rights, you must not vote any of your shares for approval of the merger and also must deliver written notice to Big Lake before the vote on the merger agreement that you are exercising your appraisal rights and intend to demand payment if the proposed merger is completed, and you must strictly comply with all of the applicable requirements provided under the Sections 607.1301 through 607.1333 of the FBCA as described in this proxy statement-prospectus under the section entitled Appraisal Rights. The value of your shares may be more or less than the consideration to be paid in the merger. We have reproduced, in full, the applicable appraisal rights provisions of the FBCA as Appendix B to this proxy statement-prospectus.

**Q: When do you expect the merger to be completed?**

A: Assuming timely satisfaction of the necessary merger closing conditions, we currently expect to complete the merger in the second quarter of 2006.

**Q: Who can help answer my questions?**

A: If you would like additional copies of this document, or if you would like to ask any questions about the merger and related matters, you should contact:

Mr. Joe G. Mullins  
Big Lake Financial Corporation  
1409 S. Parrott Avenue  
Okeechobee, Florida 34974





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**SUMMARY**

*We have prepared this summary to assist you in your review of this proxy statement-prospectus. It is not intended to be and is not a complete explanation of all of the matters covered in this proxy statement-prospectus. To understand the merger and the issuance of Seacoast Stock in the merger, please see the more complete and detailed information in the sections that follow this summary, as well as the related appendices, and the documents incorporated by reference into this proxy statement-prospectus. You may obtain information about Seacoast that is incorporated by reference in this document, without charge, by following the instructions in the section entitled *Where You Can Find Additional Information*. We urge you to read all of these documents in their entirety prior to voting at the special meeting of Big Lake's shareholders.*

*Each item in this summary refers to the page of this proxy statement-prospectus on which that subject is discussed in more detail.*

**The Companies (See page 44 for Seacoast and page 46 for Big Lake)**

**Seacoast Banking Corporation of Florida**

815 Colorado Avenue  
Stuart, Florida 34994  
Telephone: (772) 287-4000

Seacoast is a Florida corporation and a registered bank holding company. Seacoast's principal banking subsidiary is First National Bank & Trust Company of the Treasure Coast, a national banking association. Seacoast provides banking services through 35 offices from West Palm Beach to Melbourne on Florida's east coast and in the Orlando market area. Seacoast's primary service area is the Treasure Coast, which is comprised of Martin, St. Lucie and Indian River Counties, and includes some of the fastest growing and wealthiest communities in Florida. According to the Federal Deposit Insurance Corporation (the FDIC), Seacoast ranks first in number of offices and first in deposit market share among community banks and third in deposit market share among all other financial institutions doing business in the Treasure Coast.

As of September 30, 2005, Seacoast had total consolidated assets of approximately \$2.1 billion, deposits of approximately \$1.8 billion and shareholders' equity of approximately \$149.5 million.

**Big Lake Financial Corporation**

1409 S. Parrott Avenue  
Okeechobee, Florida 34974  
Telephone: (863) 467-4663

Big Lake is a Florida corporation and a registered bank holding company. Big Lake's national banking subsidiary, Big Lake National Bank, is headquartered in Okeechobee, Florida. Big Lake, through Big Lake Bank, currently provides banking services through nine banking offices located in Okeechobee, Highlands, Glades, Hardee, Hendry, St. Lucie and DeSoto Counties, Florida.

As of September 30, 2005, Big Lake had total consolidated assets of approximately \$306.6 million, deposits of approximately \$281.4 million and shareholders' equity of approximately \$21.4 million.

**The Merger (See page 18)**

Under the merger agreement, Seacoast will acquire Big Lake pursuant to the merger of Big Lake with and into Seacoast. After the merger, Seacoast will be the surviving corporation and will continue its corporate existence under Florida law and Big Lake will cease to exist. A copy of the merger agreement is attached to this document as Appendix A and is incorporated by reference into this proxy statement-prospectus. We encourage you to read the entire merger agreement carefully, as it is the legal document that governs the merger.

Seacoast presently intends to merge Big Lake Bank with and into First National, but may continue to operate in the Okeechobee market under the name Big Lake National Bank or another trade name.

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### **What You Will Receive in the Merger (See page 29)**

If the merger is completed, each share of Big Lake Stock issued and outstanding that you hold immediately prior to the merger's effective time, other than shares with respect to which appraisal rights are properly exercised, will be automatically converted, at the effective time, into the right to receive shares of Seacoast Stock at an exchange ratio of 2.95427 shares of Seacoast Stock for each share of Big Lake common stock. This exchange ratio assumes that all 3,832 outstanding Big Lake Stock options are exercised at the closing of the merger. The total number of shares of Seacoast Stock issuable in the merger to all holders of Big Lake Stock is 1,775,000 shares.

You will not receive any fractional shares of Seacoast Stock that would be issuable as a result of the merger. Instead, you will be paid cash (without interest) in an amount equal to the fraction of a share of Seacoast Stock otherwise issuable upon conversion, multiplied by the closing price of Seacoast's common stock on The Nasdaq National Market on the last trading day preceding the effective time of the merger.

### **Effect of the Merger on Big Lake Series A Preferred Stock**

Pursuant to its terms, each share of Big Lake Series A preferred stock will automatically convert into one share of Big Lake common stock immediately prior to the closing of the merger. Such shares, other than shares with respect to which appraisal rights are properly exercised, will be automatically converted into shares of Seacoast Stock at the effective time of the merger, as described above.

### **Timing and Manner of Election; Surrender and Exchange of Stock Certificates (See page 26)**

Holders of Big Lake Stock should carefully review and follow the instructions set forth in the proxy card. Seacoast will cause the exchange agent to deliver a letter of transmittal to each Big Lake shareholder. You should carefully review and follow the instructions set forth in the letter of transmittal. You will be asked to complete the letter of transmittal and return it, together with your Big Lake stock certificates (or properly completed notice of guaranteed delivery, which will be included as part of the letter of transmittal you receive), to the exchange agent. The Seacoast Stock that you are to receive in connection with the merger will be mailed to you by the exchange agent promptly after the exchange agent receives your properly executed letter of transmittal and stock certificates.

### **Effect of the Merger on Big Lake Options**

There are options outstanding to purchase 3,832 shares of Big Lake's common stock, with a weighted average exercise price of \$36.52 per share. It is anticipated that all outstanding stock options will be exercised at the closing of the merger pursuant to agreements with the holders of these options. Pursuant to the terms of the merger agreement, any option not so exercised will be cancelled and will have no further force and effect.

### **Your Expected Federal Income Tax Treatment as a Result of the Merger (See page 36)**

The completion of the merger is conditioned on receipt of a federal tax opinion from Alston & Bird LLP, counsel to Seacoast, to the effect that the merger will be treated as a reorganization within the meaning of the Internal Revenue Code of 1986, as amended, or the Code, and that holders of Big Lake Stock will not recognize any gain or loss upon the receipt of solely Seacoast Stock for their Big Lake Stock, other than with respect to cash received in lieu of fractional shares of Seacoast Stock.

Tax laws are complex, and your individual circumstances may affect the tax consequences of the merger to you. We urge you to consult your own tax advisor regarding the U.S. federal income tax consequences of the merger in light of your individual circumstances, as well as the consequences of the merger to you under state, local and foreign tax laws. See [Material Federal Income Tax Consequences of the Merger](#) for a more detailed discussion of the tax consequences of the merger.

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### **Your Appraisal Rights (See page 42)**

If the merger is completed, those shareholders who do not vote for the approval of the merger agreement and who comply with the procedural requirements of Sections 607.1301 through 607.1333 of the FBCA will be entitled to receive payment of the fair value of their shares in cash in accordance with Florida law. If you assert and perfect your appraisal rights, you will not receive the merger consideration. For more information regarding the exercise of these rights, see Appraisal Rights.

### **Comparative Stock Prices**

On November 22, 2005, the last trading day prior to the public announcement of the merger agreement, the last sales price of Seacoast Stock on The Nasdaq National Market was \$24.25, and on February 10, 2006, the last practicable day before mailing this proxy statement-prospectus, the last sales price of Seacoast Stock was \$25.38. Shares of Big Lake common stock are not listed or traded on any securities exchange or organized market. On September 19, 2005, the date of the last known sale of shares of Big Lake common stock, the last known sales price of Big Lake common stock was \$50.00 per share. On December 5, 2005, the date of the last known sale of shares of Big Lake Series A preferred stock, the sales price was \$60.00 per share.

### **Reasons for the Merger (See page 19)**

Big Lake's board of directors considered a number of factors in approving the terms of the merger, including:

the value of the consideration to be received by Big Lake shareholders in the merger;

the fact that Seacoast Stock has a liquid trading market and that Seacoast has historically paid cash dividends on its shares; whereas, Big Lake Stock is not traded on any organized market or exchange and has not paid any cash dividends over the last five years;

financial and other information concerning Seacoast and its market area;

the financial terms of recent acquisitions in the financial services industry and a comparison of the multiples of selected combinations with the terms of the proposed merger with Seacoast; and

the opinion of Hovde Financial LLC ( Hovde ), Big Lake's financial advisor, that the consideration to be received by Big Lake shareholders in the merger is fair from a financial point of view.

### **Opinion of Big Lake's Financial Advisor (See page 21)**

The board of directors of Big Lake considered, among other things, the opinion of its financial advisor, Hovde, in determining whether to approve the merger. Hovde is an investment banking and financial advisory firm with experience in transactions between financial institutions similar to the merger. Big Lake's board of directors received a fairness opinion from Hovde indicating that the terms of the merger are fair, from a financial point of view, to the shareholders of Big Lake. The fairness opinion is based on and subject to the procedures, matters and limitations described in the opinion, and other matters that Hovde considered relevant. The fairness opinion is attached to this proxy statement-prospectus as [Appendix C](#). We urge all Big Lake shareholders to read the entire fairness opinion, which describes the assumptions, procedures followed, matters considered and limitations on the review undertaken by Hovde in providing its opinion, as well as the information under The Merger Opinion of Hovde Financial LLC

included elsewhere in this proxy statement-prospectus.

**Big Lake s Board of Directors Recommends that Big Lake Shareholders Approve the Merger Agreement (See page 17)**

Big Lake s board of directors unanimously approved the merger agreement and believes that the merger is in the best interests of Big Lake s shareholders. The board of directors unanimously recommends that you vote **FOR** approval of the merger agreement.

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### **Information About the Special Meeting (See page 16)**

Big Lake will hold its special meeting of shareholders to consider and vote on the merger agreement on March 16, 2006, at 4:15 P.M. Eastern Standard Time. The meeting will be held at 1409 S. Parrott Avenue, Okeechobee, Florida. At the meeting, Big Lake shareholders will vote on the merger agreement described in this proxy statement-prospectus and attached as Appendix A. If the merger agreement is approved at the meeting, and the other conditions to completing the merger are satisfied, we expect to complete the merger in the second quarter of 2006.

### **Quorum and Vote Required at the Meeting (See page 16)**

At least a majority of the outstanding shares of Big Lake's Stock as of the record date for the meeting must be present in person or by proxy at the meeting, and must vote in favor of approving the merger agreement in order for the merger to be approved. Shareholders who own Big Lake Stock at the close of business on January 18, 2006 will be entitled to vote at the meeting.

### **Share Ownership of Management (See page 49)**

As of the record date for the meeting, directors and executive officers of Big Lake have or share voting or dispositive power (beneficially own) over approximately 247,622 shares or 41% of the issued and outstanding shares of Big Lake Stock. These individuals have agreed with Seacoast that they will vote all the shares of Big Lake Stock over which they have voting power in favor of the merger agreement.

As of the record date for the meeting, Seacoast's directors and executive officers do not beneficially own any of the issued and outstanding Big Lake Stock.

### **Management and Operations After the Merger**

Big Lake will cease to exist after the merger. Following the merger, Big Lake Bank will be merged with and into First National, which will be the resulting bank from the bank merger. First National will carry on the business of Big Lake Bank. First National may initially continue to use the Big Lake National Bank trade name in select markets following the completion of the bank merger. Two members of Big Lake's board of directors will be appointed as directors of First National following the bank merger and Mr. Joe G. Mullins will be appointed as an Executive Vice President and a regional president of First National.

### **Regulatory Approvals (See page 27)**

The merger is subject to the prior approval of the Board of Governors of the Federal Reserve System, (the Federal Reserve) and the subsequent bank merger is subject to the prior approval of the Office of the Comptroller of the Currency (the OCC). Seacoast has filed an application with the Federal Reserve to acquire Big Lake pursuant to Section 3 of the Bank Holding Company Act of 1956, as amended, or the BHC Act, and First National and has filed an application with the OCC to acquire Big Lake Bank pursuant to the federal Bank Merger Act. Although we do not know of any reason why we could not obtain these regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them.

### **Several Conditions Must be Met to Complete the Merger**

In addition to the required regulatory approvals, the merger will only be completed if certain conditions, including the following, are met:

approval of the merger agreement by Big Lake's shareholders;

the merger must qualify as a tax-free reorganization under the Code;

the merger cannot be a taxable event for either Seacoast or Big Lake;

approval by Nasdaq for the listing of the shares of Seacoast Stock issuable in the merger on The Nasdaq National Market;



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the representations and warranties of Seacoast and Big Lake in the merger agreement must be true and correct as of the effective time of the merger, except as to any inaccuracies that would not, in the aggregate, be reasonably likely to have a material adverse effect, and the other party to the merger agreement must have performed in all material respects all of its obligations under the merger agreement, subject in each case to the parties' rights to amend or waive any such conditions to the extent permitted by law;

holders of no more than 5% of Big Lake shares exercise appraisal rights; and

the satisfaction of additional conditions customary in transactions of this type.

If the conditions to completion are satisfied or waived, Seacoast and Big Lake presently contemplate that they will complete the merger in the second quarter of 2006.

### **Waiver and Amendment of the Merger Agreement (See page 33)**

Nearly all of the conditions to completing the merger may be waived at any time prior to the effective time of the merger by the party for whose benefit they were intended. Any condition, however, which, if waived and not satisfied, would result in the violation of any law or regulation may not be waived by either party. No waiver is effective unless it is in writing and signed by the waiving party.

In addition, the parties may amend or supplement the merger agreement at any time by written agreement signed by each party. No amendment that reduces or modifies in any material way the merger consideration to be received is permitted after the merger agreement is approved by Big Lake's shareholders. The merger agreement may only be amended to the extent permitted by law.

### **Termination and Termination Fee Under the Merger Agreement (See page 34)**

The merger agreement may be terminated by either Seacoast or Big Lake, either before or after shareholder approval, under certain circumstances described in detail later in this proxy statement-prospectus under "The Merger Agreement - Termination of the Merger Agreement; Termination Fee." Big Lake must pay Seacoast a termination fee of \$2.15 million if:

Seacoast terminates the merger agreement because Big Lake's board of directors withdraws or changes its recommendation of the merger agreement;

Seacoast terminates the merger agreement because Big Lake's board of directors recommends or approves an acquisition transaction other than the Seacoast merger or negotiates or authorizes the negotiation with a third party of an acquisition proposal other than the Seacoast merger; or

if Big Lake terminates the merger agreement because Big Lake's board of directors has withdrawn or modified its recommendation of the Seacoast merger in favor of another acquisition proposal, and within 12 months of the termination of the merger agreement the other acquisition agreement is entered into or another acquisition proposal is announced, provided in either case that the acquisition transaction is subsequently consummated.

### **Big Lake's Directors and Executive Officers Have Interests in the Merger that Differ from Your Interests (See page 26)**

The executive officers and directors of Big Lake have interests in the merger that are in addition to their interests as shareholders of Big Lake. The members of Big Lake's board of directors knew about these additional interests and considered them when they adopted the merger agreement. These interests include, among others:

the expected continued employment of Big Lake's officers and employees by Seacoast after the merger, including Mr. Joe G. Mullin's employment with First National, as described in the employment agreement between Mr. Mullins and First National;

the provision of employee benefits to Big Lake employees; and

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provisions in the merger agreement relating to director and officer liability insurance and the indemnification of officers and directors of Big Lake for certain liabilities.

These interests are more fully described in this proxy statement-prospectus under the heading **Interests of Certain Persons in the Merger**.

**Employee Benefits of Big Lake Officers and Employees After the Merger**

Seacoast has agreed to provide former Big Lake officers and employees with generally the same employee health and welfare benefits as those currently offered by Seacoast to its similarly situated officers and employees. With respect to benefit plans, Seacoast also will give Big Lake's officers and employees full credit for their years of service with Big Lake, for both eligibility and vesting, except that prior service credit will not be considered in determining future benefits under Seacoast's retirement plans. Seacoast also will honor certain other existing employment, severance, consulting or other compensation contracts and plans disclosed by Big Lake to Seacoast in connection with the merger agreement.

**Differences in the Rights of Big Lake Shareholders After the Merger (See page 37)**

Big Lake shareholders that receive Seacoast shares will become Seacoast shareholders, and their rights as shareholders after the merger will be governed by Florida law and by Seacoast's articles of incorporation and bylaws. The rights of Seacoast shareholders are different in certain respects from the rights of Big Lake shareholders. Some of the principal differences are described later in this proxy statement-prospectus under **Certain Differences in Rights of Shareholders**.

**Accounting Treatment (See page 28)**

Seacoast intends to account for the merger as a purchase transaction for accounting and financial reporting purposes under accounting principles generally accepted in the United States of America, or GAAP.

**Table of Contents****Selected Financial Information of Seacoast**

The following table sets forth selected historical consolidated financial information of Seacoast. This information is based on, and should be read in conjunction with, the consolidated financial statements and related notes of Seacoast contained in its annual report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference in this proxy statement-prospectus, as well as with the information included under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report. The financial information as of and for the nine months ended September 30, 2005 and 2004 is derived from Seacoast's unaudited consolidated financial statements contained in the quarterly report filed with the Commission on Form 10-Q and is not necessarily indicative of the results of operations, financial condition or cash flows for any other period.

Seacoast's consolidated financial statements for the year ended December 31, 2004 were audited by KPMG LLP, an independent registered certified public accounting firm. Seacoast's consolidated financial statements for the years ended December 31, 2003 and 2002 were audited by PricewaterhouseCoopers LLP, an independent registered certified public accounting firm.

	Nine Months Ended		Years Ended December 31,				
	2005	2004	2004	2003	2002	2001	2000
	(Dollars in thousands, except per share data)						
<b>PERIOD END</b>							
<b>BALANCE SHEET</b>							
<b>ASSETS</b>							
Investment assets	\$ 2,086,073	\$ 1,398,056	\$ 1,615,876	\$ 1,353,823	\$ 1,281,297	\$ 1,225,964	\$ 1,151,377
Other assets	1,912,857	1,327,428	1,538,063	1,274,136	1,186,871	1,136,389	1,088,211
Loans	1,209,276	852,676	892,949	702,672	681,335	777,993	837,321
Investment securities	569,169	467,997	593,758	565,089	498,459	306,352	204,666
Deposits	1,778,574	1,180,957	1,372,466	1,129,642	1,030,540	1,015,154	957,081
Shareholders' equity	149,526	107,467	108,212	104,084	100,747	93,519	84,266
<b>LIABILITIES AND EQUITY</b>							
<b>INCOME STATEMENT</b>							
<b>PERIOD END</b>							
<b>INCOME STATEMENT</b>							
<b>PERIOD END</b>							
<b>INCOME STATEMENT</b>							
Investment income	\$ 69,808	\$ 48,944	\$ 67,052	\$ 60,602	\$ 68,995	\$ 79,417	\$ 78,431
Investment expense	17,660	10,297	14,278	16,437	23,035	35,402	37,631
Interest income	52,148	38,647	52,774	44,165	45,960	44,015	40,791
Interest expense	52,235	38,749	52,907	44,320	46,161	44,235	41,071
Provision for loan losses	987	550	1,000				600
Interest income on securities	15,428	14,445	18,506	19,725	18,793	17,501	14,431
Securities gains (losses) in noninterest income	78	26	44	(1,172)	457	915	(1,172)
Interest expense	43,362	35,174	47,821	42,463	39,790	38,060	34,871
Net income	14,926	11,222	14,922	14,016	15,286	14,130	12,081

**KEY RATIOS**

Return on average assets	1.06%	1.08%	1.05%	1.07%	1.26%	1.22%	1.00%
Return on average shareholders equity	14.94	13.87	13.75	13.73	15.75	15.62	14.00
Net interest margin	3.94	3.90	3.89	3.69	4.13	4.12	4.00
Average loans to average deposits	68.7	69.8	65.5	62.7	66.8	77.3	88.0
Provision for loan losses to loans	0.71	0.76	0.73	0.87	0.99	0.90	0.80
Nonperforming assets to loans plus closed and surplus assets	0.03	0.05	0.16	0.43	0.33	0.32	0.20
Average shareholders equity to average assets	7.10	7.78	7.63	7.82	7.99	7.78	7.70
Shareholders equity to assets	7.17	7.68	6.70	7.69	7.86	7.63	7.30
<b>COMMON SHARE DATA</b>							
Earnings per share							
Continuing operations	\$ 0.92	\$ 0.73	\$ 0.97	\$ 0.91	\$ 1.00	\$ 0.91	\$ 0.70
Discontinued operations	0.90	0.71	0.95	0.89	0.97	0.90	0.70
Dividends per share							
Common	\$ 0.43	\$ 0.40	\$ 0.54	\$ 0.46	\$ 0.37	\$ 0.35	\$ 0.30
Dividend payout ratio	47.8%	56.3%	56.8%	51.7%	38.1%	38.9%	42.0%
Book value per share	\$ 8.76	\$ 6.96	\$ 7.03	\$ 6.71	\$ 6.59	\$ 6.09	\$ 5.40

Tax-equivalent (TE) amounts are calculated using a marginal federal income tax rate of 35%.

The net interest margin (TE) is annualized net interest income (TE) as a percent of average earning assets.

**Table of Contents****Selected Financial Information of Big Lake**

The following table sets forth selected historical consolidated financial information of Big Lake. Big Lake derived portions of its selected consolidated data as of and for the years ended December 31, 2004 and 2003 from its audited consolidated financial statements included elsewhere in this proxy statement-prospectus. Portions of the selected consolidated financial data as of and for the years ended December 31, 2002, 2001 and 2000 have been derived from Big Lake's audited consolidated financial statements which are not included in this proxy statement-prospectus. Portions of the financial information as of and for the nine months ended September 30, 2005 and 2004 are derived from Big Lake's unaudited consolidated financial statements which are not included in this proxy statement-prospectus. The operating data for the nine months ended September 30, 2005 are not necessarily indicative of the results that might be expected for the entire year.

Big Lake's consolidated financial statements for the year ended December 31, 2004, 2003, 2002, 2001 and 2000 were audited by Hacker, Johnson & Smith, PA.

	<b>Nine Months Ended</b>		<b>Years Ended December 31,</b>				
	<b>September 30,</b>		<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
	<b>2005</b>	<b>2004</b>					
	<b>(Dollars in thousands, except per share data)</b>						
<b>PERIOD END</b>							
<b>BALANCE SHEET</b>							
<b>DATA</b>							
Total assets	\$ 306,561	\$ 258,244	\$ 295,698	\$ 235,614	\$ 213,441	\$ 191,196	\$ 183,154
Net Loans	194,305	173,470	180,466	162,726	153,968	133,140	110,261
Investment securities	74,445	47,549	75,188	32,758	27,801	30,512	56,877
Deposits	281,409	235,801	273,314	215,383	194,174	173,303	158,260
Shareholders' equity	21,350	19,107	19,561	17,879	16,437	14,649	12,466
<b>INCOME</b>							
<b>STATEMENT</b>							
<b>DATA</b>							
Interest income	\$ 11,135	\$ 8,218	\$ 11,373	\$ 10,786	\$ 11,810	\$ 13,312	\$ 12,814
Interest expense	2,807	1,843	2,564	2,764	3,412	5,060	5,620
Net interest income	8,328	6,375	8,809	8,022	8,398	8,252	7,194
Provision for loan losses	197	190	270	60	375	440	330
Noninterest income	2,080	1,887	2,529	2,500	1,978	1,604	1,522
Noninterest expense	7,062	6,187	8,414	7,815	7,280	6,813	6,755
Net income	2,150	1,314	1,830	1,715	1,779	1,636	1,063
<b>CERTAIN RATIOS</b>							
Return on average assets	0.96%	0.72%	0.71%	0.77%	0.86%	0.87%	0.60%
Return on average shareholders' equity	14.12	9.94	9.80	10.01	11.43	11.39	9.30
Allowance for loan losses to loans	1.22	1.22	1.23	1.23	1.27	1.27	1.21

Average shareholders equity to average assets	6.78	7.23	7.22	7.73	7.50	7.66	6.50
Shareholders equity to total assets	6.96	7.40	6.62	7.59	7.70	7.66	6.81
<b>COMMON SHARE DATA<sup>(1)</sup></b>							
Earnings per share							
Basic	\$ 3.70	\$ 2.20	\$ 3.08	\$ 2.95	\$ 3.04	\$ 2.81	\$ 1.83
Diluted	3.70	2.20	3.08	2.95	3.04	2.81	1.81
Dividends							
Cash dividends per share	\$	\$	\$	\$	\$	\$	\$
Dividend payout ratio							
Book value per share	\$ 36.60	\$ 32.11	\$ 32.73	\$ 30.78	\$ 28.06	\$ 25.01	\$ 21.54

<sup>(1)</sup> Adjusted for the stock dividends in shares of Big Lake s common stock

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**RISK FACTORS**

*In addition to the other information included in this proxy statement-prospectus, you should carefully consider the risks described below in determining whether to adopt and approve the merger agreement.*

**Risks Related to the Merger**

***Because the market price of Seacoast Stock may fluctuate, you cannot be sure of the market value of the Seacoast Stock that you will receive as stock consideration in the merger.***

Upon completion of the merger, the issued and outstanding shares of Big Lake common stock (including the Big Lake Series A preferred stock which automatically converts according to its terms on a one-for-one basis into Big Lake common stock upon a change in control) will be converted into the right to receive shares of Seacoast Stock pursuant to the terms of the merger agreement. The value of Seacoast Stock that will be paid to Big Lake shareholders upon completion of the merger may differ from the price of Seacoast Stock on the date that this document is mailed to Big Lake shareholders and on the date of the meeting of Big Lake shareholders. Any change in the price of Seacoast Stock prior to completion of the merger may affect the value of the total consideration that a Big Lake shareholder will receive upon completion of the merger.

Stock price changes may result from a variety of factors, including, without limitation, general market and economic conditions, changes in the values and perceptions of financial services stocks generally, changes in Seacoast's business, operations and prospects, and regulatory considerations. The value of the shares of Seacoast Stock received by a Big Lake shareholder may decline immediately after, including as a result of, the completion of the merger.

***We may not realize the anticipated benefits of the merger.***

Combining our two companies may be more difficult, costly or time-consuming than we presently expect. Seacoast and Big Lake have operated, and, until completion of the merger, will continue to operate, independently.

It is possible that the integration process could result in the loss of key employees or disruption of each company's ongoing business and inconsistencies in standards, controls, procedures and policies may adversely affect our ability to maintain relationships with our clients and employees or to achieve the anticipated benefits of the merger. As with any merger of banking institutions, there may be business disruptions that cause us to lose customers or employees. There can be no assurance that we will realize the anticipated benefits of the merger, or that our future combined operations will not be harmed as the result of the merger.

***The loss of key personnel may adversely affect Seacoast.***

After the closing of the merger, Seacoast expects to integrate Big Lake's business into its own. The integration process and Seacoast's ability to successfully conduct Big Lake's business after the merger will require the experience and expertise of key employees of Big Lake. Therefore the success of Big Lake's operations as well as the future success of the combined company's operations, will depend, in part, on Seacoast's ability to retain key employees of Big Lake following the merger. Although Seacoast has entered into an employment agreement with Mr. Joe G. Mullins, President of Big Lake Bank, containing certain restrictive covenants, Seacoast may not be able to retain Mr. Mullins or other key employees for the time period necessary to complete the integration process or beyond. If any of these employees were to cease to be employed by Seacoast, Seacoast's ability to successfully conduct its business in the markets in which Big Lake now operates could be adversely affected, which could have an adverse effect on



Seacoast's financial results.

***Your tax consequences of the merger will be dependent on the type of merger consideration received.***

Your tax consequences of the merger will be dependent on the type of merger consideration that you receive. You generally will not recognize any gain or loss on the exchange of shares of Big Lake Stock solely for shares of Seacoast Stock. However, you generally will be taxed to the extent you receive cash in exchange

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for any fractional share of Seacoast Stock that you would otherwise be entitled to receive or as a result of exercising appraisal rights in the merger. See [Material Federal Income Tax Consequences of the Merger](#).

***The market price of Seacoast Stock after the merger may be affected by factors different from those currently affecting Big Lake Stock or Seacoast Stock.***

The businesses and market areas of Seacoast and Big Lake differ in various respects and, accordingly, the results of operations of the combined company following the merger, as well as the market price of the combined company's shares of common stock, may be affected by factors different from those currently affecting the independent results of operations of each of Seacoast and Big Lake. For a discussion of the business of Seacoast, and of certain factors to consider in connection with Seacoast's business, see [Information About Seacoast](#) and the documents that Seacoast has filed with the SEC that are incorporated by reference in this proxy statement-prospectus and referred to under [Where You Can Find More Information](#). For a discussion of the business of Big Lake, and of certain factors to consider in connection with Big Lake's business, see [Information About Big Lake](#).

***The merger agreement limits Big Lake's ability to pursue alternatives to the merger.***

The merger agreement contains provisions that limit Big Lake from discussing competing third-party proposals to acquire all or a significant part of Big Lake and subject to their fiduciary duties, each Big Lake director and executive officer has agreed to vote his or her shares of Big Lake Stock in favor of the merger. In addition, Big Lake has agreed to pay Seacoast a termination fee of \$2.15 million if the transaction is terminated because Big Lake decides to pursue another acquisition transaction, or as the result of certain other factors. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Big Lake from considering or proposing that acquisition to Big Lake, even if it were prepared to pay consideration with a higher per share market price than that proposed in this merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Big Lake than it might otherwise have proposed to pay. See [The Merger Agreement - General](#) and [The Merger Agreement - Termination of the Merger; Termination Fee](#).

***Certain Big Lake directors and executive officers have interests in the merger other than their interests as shareholders.***

Certain Big Lake directors and executive officers have interests in the merger other than their interests as shareholders. The board of directors of Big Lake was aware of these interests at the time it approved the merger. These interests may cause Big Lake's directors and executive officers to view the merger proposal differently than you may view it. You should consider these interests among the other information in this proxy statement-prospectus that you consider. See [The Merger - Interests of Certain Persons in the Merger](#).

## **Risks Related to Owning Seacoast Stock**

***Future acquisitions and expansion activities by Seacoast may disrupt Seacoast's business, dilute shareholder value and adversely affect its results of operations.***

Seacoast regularly evaluates possible mergers, acquisitions and other expansion opportunities. To the extent that Seacoast grows through acquisitions, Seacoast cannot assure you that it 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, involves various risks, including:

risks of unknown or contingent liabilities;

unanticipated costs and delays of integrating businesses;

risks that acquired new businesses do not perform consistent with Seacoast's growth and profitability expectations, including the risks of failure to achieve expected returns, loans and deposit growth, revenue growth and/or expense savings from such transactions;

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risks of entering new markets or product areas where Seacoast has limited experience;

risks that growth will strain Seacoast's 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 Seacoast's business;

possible loss of key employees and customers of acquired institutions;

potential short-term decreases in profitability; and

diversion of Seacoast's management's time and attention from its existing operations and business.

***Seacoast is required to maintain capital to meet regulatory requirements, and if it fails to maintain sufficient capital, its financial condition, liquidity and results of operations would be adversely affected.***

Seacoast and its subsidiaries must meet regulatory capital requirements. If Seacoast fails to meet these capital and other regulatory requirements, Seacoast's financial condition, liquidity and results of operations would be materially and adversely affected. The failure of Seacoast to remain well capitalized for regulatory purposes and maintain its capital requirements could affect customer confidence, its growth, its costs of funds and FDIC insurance, and its ability to raise brokered deposits, to pay dividends on common stock and to make further acquisitions.

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

Seacoast may continue to consider the acquisition of other businesses. However, it may not have the opportunity to make suitable acquisitions on favorable terms in the future, which could adversely affect Seacoast's growth. Seacoast expects that other banking and financial companies, some of which have significantly greater resources, will compete with Seacoast to acquire financial services businesses, increasing prices for potential acquisitions that Seacoast believes are attractive. Also, acquisitions are subject to various regulatory approvals. If Seacoast fails to receive the appropriate regulatory approvals, it will not be able to consummate an acquisition that it believes is in its best interests. Among other things, Seacoast's regulators consider its capital, liquidity, profitability, asset quality, management, regulatory compliance and levels of goodwill and intangibles when considering acquisition and expansion proposals.

***Seacoast's profitability and liquidity may be affected by changes in interest rates and economic conditions.***

Seacoast's 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 Seacoast pays on deposits and borrowings increases faster than the interest earned on loans and investments. Interest rates, and consequently Seacoast's results of operations, are affected by general economic conditions (domestic and foreign) and fiscal and monetary policies. Monetary and fiscal policies may materially affect the level and direction of interest rates. Beginning in June 2004, the Federal Reserve has raised the federal funds rate 14 times from 1.0% to 4.50%. 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 therefore may adversely affect Seacoast's liquidity and earnings.

*Seacoast's future success is dependent on its ability to compete effectively in highly competitive markets.*

Seacoast and its subsidiaries operate in the highly competitive markets of Martin, St. Lucie, Brevard, Indian River, and Palm Beach Counties, located in southeastern Florida. A bank subsidiary also operates three

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offices in Orange and Seminole Counties, in the Orlando, Florida metropolitan statistical area. Seacoast's future growth and success will depend on its ability to compete effectively in these markets, as well as the markets served by Big Lake. Seacoast competes for loans, deposits and other financial services in its geographic markets with other local, regional and national commercial banks, thrifts, credit unions, mortgage lenders, and securities and insurance brokerage firms. Many of Seacoast's competitors offer products and services different from Seacoast, and have substantially greater resources, name recognition and market presence than Seacoast does, which benefits them in attracting business. In addition, larger competitors may be able to price loans and deposits more aggressively than Seacoast and have broader customer and geographic bases to draw upon.

### ***Seacoast operates in a heavily regulated environment.***

Seacoast and its subsidiaries are regulated by several regulators, including the Federal Reserve, the OCC, the SEC and the FDIC. The success of Seacoast is affected by state and federal regulations affecting banks, bank holding companies and the securities markets. 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.

### ***Seacoast is subject to internal control reporting requirements that increase its compliance costs and failure to comply timely could adversely affect Seacoast's reputation and the value of its securities.***

Seacoast is 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, Seacoast is required to include management and independent auditor reports on internal controls as part of its annual report on Form 10-K pursuant to Section 404 of the Sarbanes-Oxley Act. Seacoast has evaluated its controls, including compliance with the SEC rules on internal controls, and has and expects to continue to spend significant amounts of time and money on compliance with these rules. Seacoast's failure to comply with these internal control rules may materially adversely affect its reputation, ability to obtain the necessary certifications to financial statements, and the value of its securities. At December 31, 2004, Seacoast had identified one material weakness in its financial reporting controls related to the documentation of an interest rate swap as a hedge. Specifically, the deficiency resulted from the absence of controls designed to ensure that the documentation required by generally accepted accounting principles at the inception of a derivative transaction is properly maintained for the term of the respective derivative financial instrument. As a result of this deficiency and the resulting errors in accounting for derivative financial instruments, previously reported 2004 interim financial information was restated. These restatements were required to properly reflect changes in the estimated fair value of certain derivative financial instruments as a component of earnings in the period of change in estimated fair value.

### ***Technological changes affect Seacoast's business, and Seacoast 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. Seacoast's future success will depend, in part, upon its ability to use technology to provide products and services that provide convenience to customers and to create additional efficiencies in operations. Seacoast may need to make significant additional capital investments in technology in the future, and it may not be able to effectively implement new technology-driven products and services. Many competitors have substantially greater resources to invest in technological improvements.



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***Seacoast's ability to continue to pay dividends to shareholders in the future is subject to profitability, capital, liquidity and regulatory requirements.***

Cash available to pay dividends to Seacoast's shareholders is derived primarily from dividends paid to Seacoast by its subsidiaries. The ability of Seacoast's subsidiaries to pay dividends, as well as Seacoast's ability to pay dividends to its shareholders, will continue to be subject to and limited by the results of operations of Seacoast's subsidiaries and its need to maintain appropriate liquidity and capital consistent with regulatory requirements and the needs of its businesses.

***Seacoast may issue additional securities, which could affect the market price of its common stock and dilute your ownership.***

Seacoast may issue additional securities to raise capital to support growth or make acquisitions. Seacoast has made and expects to continue to make grants of stock options and restricted stock to retain and motivate employees. As a result of securities sales and the exercise or conversion of outstanding options and the vesting of restricted stock, the ownership interests of existing Seacoast shareholders could be diluted. Sales of a substantial number of shares of Seacoast Stock after the merger, or the perception by the market that those sales could occur, could cause the market price of Seacoast Stock to decline or could make it more difficult for Seacoast to raise capital through the sale of common stock or to the use of common stock as currency in future acquisitions.

***Future potential debt incurred by Seacoast or future debt or preferred stock issues by Seacoast may negatively affect holders of common stock.***

Any existing or future debt or preferred securities of Seacoast will require payment of interest or dividends prior to the payment of dividends on Seacoast Stock. Debt and preferred securities also will have a senior claim on Seacoast's assets relative to its common shareholders. Therefore, in the event of Seacoast's bankruptcy, liquidation or dissolution, its assets must be used to pay off its debt and preferred obligations in full before making any distributions to its common shareholders.

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

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

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

Seacoast's and Big Lake's market areas in Florida are susceptible to hurricanes and tropical storms. Such weather events can disrupt operations, result in damage to properties and negatively affect the local economies in the markets where they operate. Seacoast cannot predict whether or to what extent damage that may be caused by future hurricanes will affect its operations or the economies in Seacoast's 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 its loans and an increase in the delinquencies, foreclosures or loan losses. Seacoast's business or result of operations may



be adversely affected by these and other negative effects of future hurricanes or tropical storms.

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**A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

This proxy statement-prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Exchange Act, including, without limitation, statements about the benefits of the merger between Seacoast and Big Lake, future financial and operating results, cost savings, enhanced revenues and accretion to reported earnings that may be realized from the merger, as well as statements with respect to Seacoast's and Big Lake's plans, objectives, expectations and intentions and other statements that are not historical facts. Actual results may differ from those set forth in the forward-looking statements.

Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, estimates and intentions, 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 or Big Lake 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.

You can identify these forward-looking statements through our use of words such as may, will, anticipate, assume, should, indicate, would, believe, contemplate, expect, estimate, continue, point to, project, predict, could, intend or 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, those described under Risk Factors in this proxy statement-prospectus and the following:

the effects of future economic or business conditions;

governmental monetary and fiscal policies, as well as legislative and regulatory changes, especially as they relate to financial institutions and public companies;

the risks of changes in interest rates on the level and composition of deposits and loans, and the values of loan collateral, securities and interest sensitive assets and liabilities;

credit risks of borrowers;

the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, money managers, insurance companies, money market and other mutual funds and other financial institutions, including institutions operating regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the Internet;

the failure of assumptions underlying the establishment of reserves for possible loan losses;

the risks of mergers and acquisitions, including, without limitation, transaction costs, the risks that the acquired businesses (including the acquisition of Big Lake) will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected, the risk that expected revenue or cost synergies may or may not be timely or fully realized, and the risk that revenues following the merger may be lower than expected, and that past acquisition costs are higher than expected;

Seacoast may experience deposit attrition in Big Lake s market following the merger, and changes in the deposit mix and costs and other operating costs with respect to Big Lake s market operations may differ or change from expectations;

increased competitive pressures including solicitations of Big Lake s customers by its competitors, as well as the difficulties and risks inherent in increasing the volume of loans in the Okeechobee market;

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the possible risks of customer and employee loss and business disruption resulting from the merger, including, without limitation, difficulties in maintaining relationships with employees, and these risks being greater than presently expected;

the risk of obtaining necessary regulatory approvals of the merger on the proposed terms and schedule; and

the failure of Big Lake's shareholders to approve the merger.

All written or oral forward-looking statements attributable to Seacoast or Big Lake are expressly qualified in their entirety by this Warning, including, without limitation, those risks and uncertainties described in Seacoast's annual report on Form 10-K for the year ended December 31, 2004 under "Special Cautionary Notice Regarding Forward Looking Statements," and otherwise in Seacoast's reports and filings with the Securities and Exchange Commission.

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**THE BIG LAKE FINANCIAL CORPORATION SPECIAL MEETING**

**Purpose of the Special Meeting**

You have received this proxy statement-prospectus because the board of directors of Big Lake is soliciting your proxy for the special meeting of Big Lake shareholders to be held on March 16, 2006 at 1409 S. Parrott Avenue, Okeechobee, Florida at 4:15 P.M. Eastern Standard Time and at any adjournments or postponements thereof (the meeting). Each copy of this proxy statement-prospectus mailed to holders of Big Lake Stock is accompanied by a proxy card for use at the meeting.

The purpose of the meeting is to consider and vote upon:

the merger agreement; and

any other matters that are properly brought before the meeting, or any adjournments or postponements of the meeting.

**If you have not already done so, please complete, date and sign the accompanying proxy card and return it promptly in the enclosed, postage paid envelope. If you do not vote, by either signing and returning your proxy card or attending and voting at the meeting, your shares will not be voted at the meeting. This will have the same effect as voting your shares against the merger, although this will not perfect your appraisal rights.**

**Record Date; Quorum and Vote Required**

The record date for the meeting is January 18, 2006. Big Lake shareholders of record as of the close of business on that day will receive notice of, and are entitled to vote at, the meeting. As of January 18, 2006, there were 576,709 shares of Big Lake common stock and 20,283 shares of Big Lake Series A preferred stock issued and outstanding and entitled to vote at the meeting. Big Lake common stock was held on that date by 263 shareholders of record and Big Lake Series A preferred stock was held on that date by 234 shareholders of record.

The presence, in person or by proxy, of a majority (298,497 shares) of the aggregate number of outstanding shares of Big Lake Stock is necessary to constitute a quorum at the meeting. For determining whether a quorum exists at the meeting, Big Lake will count as present at the meeting the shares of Big Lake Stock present in person but not voting, and the shares of Big Lake Stock for which Big Lake has received proxies, but with respect to which the holders of such shares have abstained from voting.

The merger agreement must be approved by the affirmative vote of the holders of a majority of the outstanding shares of Big Lake common stock and Big Lake Series A preferred stock, voting together as a single class. Therefore, the favorable vote of at least 298,497 shares of Big Lake Stock is necessary to approve the merger agreement. Each individual share of Big Lake Stock outstanding on January 18, 2006 entitles its holder to one vote on the merger agreement and any other proposal that may properly come before the meeting.

As January 18, 2006, there were 247,622 shares of Big Lake Stock, or approximately 41% of the total shares of Big Lake Stock outstanding, beneficially owned by Big Lake's directors and executive officers. Big Lake's directors and executive officers have entered into shareholder agreements with Seacoast whereby they have agreed to vote in favor of the merger agreement, subject to the directors exercising their fiduciary duties.

**Solicitation and Revocation of Proxies**

If you have delivered a proxy for the meeting, you may revoke it any time before it is voted by:

providing Big Lake's secretary written notice revoking your proxy prior to the date of the meeting;

providing Big Lake's secretary, a signed proxy card dated later than your initial proxy; prior to the date of the meeting; or

attending the meeting and voting in person.

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Attendance at the meeting will not, by itself, revoke a proxy.

The proxy holders will vote as directed all proxy cards that are received at or prior to the meeting and that have not been effectively revoked. If you complete, date and sign your proxy card but do not provide instructions as to your vote, then the proxy holders will vote your shares **FOR** approval of the merger agreement. If any other matters are properly presented at the meeting for consideration, the persons named in the proxy card will have discretionary authority to vote on those matters. Big Lake's board of directors is not aware of any matter to be presented at the meeting other than the proposal to approve the merger agreement.

If a shareholder holds shares of Big Lake Stock in a broker's name (sometimes referred to as ownership in street name or nominee name), then the shareholder must provide voting instructions to the broker. If the shareholder does not provide instructions to his or her broker, then the shares will not be voted on any matter on which the broker does not have discretionary authority to vote, which includes the vote on the merger agreement. A vote that is not cast for this reason is called a broker non-vote. For purposes of the vote on the merger agreement, a broker non-vote is the same as a vote against the merger agreement, although this will not permit you to seek appraisal rights. For purposes of the vote on other matters properly brought at the meeting, broker non-votes will not be counted as votes for or against such matter, or as abstentions on such matters.

Big Lake will bear the cost of soliciting proxies from its shareholders, except that Big Lake and Seacoast will each bear and pay one-half of the filing fees and printing costs payable in connection with this proxy statement-prospectus. Big Lake will solicit shareholder votes by mail, and possibly by telephone or other means of telecommunication. Directors, officers and employees of Big Lake may also solicit shareholder votes in person. If these individuals solicit your vote in person, they will receive no additional compensation for doing so, but their reasonable expenses of solicitation may be reimbursed. Big Lake will reimburse brokerage firms and other persons representing beneficial owners of shares for their reasonable expenses in forwarding solicitation materials to those beneficial owners.

**Big Lake shareholders should not send any stock certificates with their proxy cards. If the merger agreement is approved, Big Lake shareholders will receive instructions for exchanging their stock certificates after the merger has been completed.**

## **Appraisal Rights**

Holders of shares of Big Lake Stock who properly elect to exercise the appraisal rights provided for in Sections 607.1301 through 607.1333 of the FBCA will not have their shares converted into the right to receive merger consideration. If a holder's appraisal rights are lost or withdrawn, such holder will receive the same consideration as all other holders of Big Lake Stock. For more information, see Appraisal Rights.

## **Recommendations of the Board of Directors of Big Lake**

The Big Lake board of directors unanimously recommends that its shareholders vote **FOR** approval of the merger agreement.

The Big Lake board of directors has unanimously adopted the merger agreement and believes that the merger is fair to, and in the best interests of, Big Lake and its shareholders. In making their recommendation to shareholders, Big Lake's board of directors considered, among other things, (i) the value of the consideration to be received by Big Lake shareholders in the merger, (ii) that Seacoast Stock has a liquid trading market and that Seacoast historically has paid cash dividends on its shares, (iii) certain financial and other information concerning Seacoast and its market area, (iv) the financial terms of recent acquisitions in the financial services industry and a comparison of the multiples of

selected combinations with the terms of the proposed merger with Seacoast, and (v) Hovde's fairness opinion, which concludes that the consideration to be received by Big Lake shareholders in the merger is fair to Big Lake's shareholders from a financial point of view. See [The Merger - Background of the Merger](#) and [The Merger - Opinion of Hovde Financial LLC](#).



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**THE MERGER**

*This section of the proxy statement-prospectus summarizes certain aspects of the merger. The following description is not intended to include every aspect of the merger, but rather contains only what we presently believe to be the most significant terms of the merger. This discussion is qualified in its entirety by reference to the merger agreement and the opinion of Hovde, Big Lake's financial advisor, which are attached as Appendices A and C to this proxy statement-prospectus, respectively, and are incorporated herein by reference. We urge you to read these documents as well as the related discussions in this proxy statement-prospectus carefully.*

**General**

If the shareholders of Big Lake approve the merger agreement and the other conditions to the consummation of the merger are satisfied, Seacoast will acquire Big Lake pursuant to the merger of Big Lake with and into Seacoast. Seacoast will exchange shares of Seacoast Stock, plus cash instead of any fractional Seacoast share issuable in the merger, for the outstanding shares of Big Lake Stock as to which appraisal rights have not been exercised and perfected (other than treasury shares and shares held by Seacoast and its subsidiaries or Big Lake, all of which shares will be cancelled in the merger). Each share of Seacoast Stock issued and outstanding immediately prior to the effective date of the merger will remain issued and outstanding and unchanged as a result of the merger.

**Background of the Merger**

From time to time over the past several years, the directors of Big Lake discussed the business and prospects of Big Lake, conditions in the business and community banking market in Florida, and the merger activity among financial institutions in the state. In addition, during this time, Big Lake was approached on an unsolicited basis by several parties who expressed moderate to serious interest in acquiring Big Lake. Big Lake did not enter into any agreements with the parties as it did not believe that the transactions would afford Big Lake shareholders the opportunity to receive publicly traded securities or receive any meaningful return on their investment.

In November 2004, representatives of the Big Lake board met with representatives of two investment banking firms. The meetings included a presentation and discussion of Big Lake's strategic options. In December 2004, the Big Lake board met for a general discussion of Big Lake's strategic alternatives, including whether to expand its operations or to explore a business combination transaction. A decision was made by the Big Lake board to authorize the executive committee to continue to interview two investment banking firms to assist the board in its decision-making process.

On January 14, 2005 the Big Lake board decided to retain Hovde to assist it in its process and on January 26, 2005, Hovde and Big Lake signed an engagement letter. As a part of its engagement, Hovde met with Big Lake's executive committee and discussed with it a process for the marketing of Big Lake and additional information regarding the banking industry and market conditions in general. Hovde also discussed bank holding companies that, in its opinion, could have an interest in acquiring Big Lake and had the necessary financial resources to carry out the transaction and to obtain regulatory approvals. While not making a final decision whether to pursue any business combination transaction, Big Lake did authorize Hovde to solicit indications of interest that might warrant serious consideration and potentially result in an agreement to merge or Big Lake otherwise being acquired. In the latter part of February and in March 2005, Hovde, with the assistance of Big Lake's management, completed its due diligence review of Big Lake. Based on Big Lake's increasing earnings run rate and certain discussions Hovde had with several parties that had approached Big Lake in the past, it was decided that any further discussions with interested parties be based on Big Lake's June 30, 2005 financials.

After a close review of potential buyers, Hovde and Big Lake decided to approach Seacoast in early August 2005. Due to Seacoast's excellent reputation and the strong relationship between principals of the two companies, Big Lake felt Seacoast would be the best fit for its shareholders, customers and employees. On August 12, 2005, Mr. Edwin E. Walpole, III, Big Lake's Chairman, contacted Mr. Doug Gilbert, Seacoast's

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Vice Chairman, to discuss a potential merger. Seacoast subsequently entered into a confidentiality agreement with Big Lake on August 23, 2005. On August 26, 2005, Seacoast had certain members of Big Lake's board of directors and a Hovde representative to its headquarters for an introductory meeting regarding a potential merger. It was decided after this meeting that further information would be exchanged.

From September 2005 through October 2005, Big Lake representatives and Seacoast representatives had several meetings and telephone conversations to discuss the background, philosophies and corporate culture of the two companies, their strategic directions, their possible interest in pursuing a strategic combination of Seacoast and Big Lake, and other issues. The parties also discussed the parameters relating to a possible transaction between the two parties, including the form of consideration, the range of value, and the desire for a tax free transaction to the extent the merger consideration would consist of Seacoast stock.

On October 21, 2005, the Big Lake board received a non-binding letter of intent from Seacoast to acquire all of the outstanding shares of Big Lake Stock for \$44 million, subject to completion of a due diligence review by Seacoast. The Big Lake board subsequently approved the letter of intent and authorized Seacoast to conduct a due diligence review of Big Lake. Seacoast conducted its due diligence review from November 11, 2005 to November 13, 2005 and, based on its assessments of risk at Big Lake, reduced the value of the offer by approximately 5% to \$42 million. During the week of November 14, 2005 representatives of Big Lake and Seacoast negotiated the terms of a merger agreement.

On November 22, 2005, the Big Lake board met to consider the terms of the proposed transaction with Seacoast and the form of merger agreement. In addition, the board of directors of Big Lake heard a financial presentation from a representative of Hovde. Hovde advised the board that it was of the opinion, which opinion was subsequently confirmed in writing, that as of that date and based on and subject to the procedures followed, assumptions made, matters considered and limitations on review described in its opinion, that the consideration to be received by Big Lake's shareholders under the merger agreement is fair from a financial point of view. During this meeting, Big Lake's legal counsel, Smith Mackinnon, PA, reviewed generally for the Big Lake board of directors the fiduciary obligations of directors in sales of financial institutions and commented on the form of the merger agreement, the agreements to be entered into between the Big Lake directors and Seacoast, the employment agreement to be entered into between Mr. Joe Mullins and First National, and related issues. Following a thorough discussion and review by Big Lake's board of directors of the terms and conditions of the merger agreement, and related information and issues, the Big Lake board of directors unanimously determined that the proposed transaction was fair and in the best interest of Big Lake's shareholders, approved the merger agreement and the transactions contemplated by the merger agreement, and resolved to recommend that the Big Lake shareholders vote for the approval of the merger agreement. The merger agreement was signed by Big Lake and Seacoast on November 22, 2005.

## **Reasons for the Merger**

### ***General***

The financial and other terms of the merger agreement resulted from arm's-length negotiations between Seacoast and Big Lake representatives. The Seacoast and Big Lake boards of directors considered many factors in determining the amount and form of consideration Big Lake shareholders would receive in the merger, as discussed below.

### ***Seacoast's Reasons for the Merger***

Seacoast's business strategy has focused for many years on building market share in the Treasure Coast region of Florida. The Treasure Coast includes Martin, St. Lucie and Indian River Counties, Florida and has a population of approximately 500,000 people, according to the U.S. Census Bureau. The region's population is growing at a rate

faster than the population of Florida as a whole and includes some of Florida's wealthiest communities. Seacoast offers a full range of banking products, including brokerage and trust services to individuals and businesses in its markets and today has more offices than any other financial institution in the Treasure Coast and a deposit market share that ranks first among community banks and third among all other financial institutions doing business in the Treasure Coast according to the FDIC.

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In recent years, Seacoast has expanded into larger markets outside of the Treasure Coast in order to continue to produce superior growth and in particular, to diversify and improve its growth rates for commercial, professional and small business deposits and loans. Seacoast now operates offices in Palm Beach County, Florida, south of the Treasure Coast, Brevard, Orange and Seminole Counties, Florida, north of the Treasure Coast. Each of these market areas has a larger population than the Treasure Coast and is home to significant numbers of small- and medium-sized businesses. Seacoast has found that its relationship approach to building its commercial business and its lending capacity, which is greater than that found in most community banks, have been competitive advantages in these larger markets.

In deciding to pursue an acquisition of Big Lake, Seacoast's management and board of directors considered, among other things, the following:

Big Lake's deposit base and branch network;

Big Lake's asset quality and strong core deposit base;

the desirability of the merger over expansion through *de novo* branching;

Big Lake's success in building its business banking customer base in the Okeechobee market and its compatible relationship banking philosophy;

the potential for strategic synergies and additional growth given, among other things, the larger lending capacity when combined with Seacoast;

expanding into Big Lake's market further increases Seacoast's opportunity to capture business in the Central Florida market area where population growth is beginning to accelerate;

the acquisition will allow Seacoast to further its own lending capacity and continue to enlarge its relationships, as the acquisition of Big Lake will add approximately \$200 million in loans, as well as nine offices in six Central Florida counties where it is the region's largest community bank; and

Florida's coastal communities are rapidly growing, prompting business and industry to look inland for nearby manufacturing and distribution locations, as well as more affordable housing for their employees. The resulting increase in growth in population and business activity, as well as the proximity of Big Lake's markets to Seacoast's existing markets, make the merger a natural extension of Seacoast's existing operations in the Palm Beach, Treasure Coast and Orlando market areas.

### ***Big Lake's Reasons for the Merger***

On November 22, 2005, Big Lake's board of directors voted unanimously to approve and adopt the merger agreement. The Big Lake board believes that the merger and the terms of the merger agreement are fair and in the best interests of Big Lake and its shareholders and unanimously recommends that each shareholder vote to approve the merger agreement.

In reaching its decision to adopt and recommend the approval of the merger agreement, Big Lake's board of directors considered a number of factors, including, but not limited to, the following:

the value of the consideration to be received by Big Lake shareholders relative to the book value and earnings per share of Big Lake common stock;

information concerning Seacoast's financial condition, results of operations and business prospects;

the financial terms of recent business combinations in the financial services industry and a comparison of the multiples of selected combinations with the terms of the proposed merger with Seacoast;

the opinion of Hovde that the consideration to be received by Big Lake shareholders in the merger is fair from a financial point of view;

the likelihood that the merger could be consummated, including the timing of and conditions to the merger;

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the fact that the merger will enable Big Lake shareholders to exchange their relatively illiquid shares of Big Lake Stock for the publicly traded stock of Seacoast, and the fact that the acquisition of Seacoast Stock will be tax-free to shareholders;

that Seacoast historically has paid cash dividends on its common stock;

the alternatives to the merger, including remaining an independent institution;

the strategic synergies of the merger, including expanded range of banking services that the merger will allow Big Lake to provide its customers; and

the competitive and regulatory environment for financial institutions, generally.

The foregoing discussion of the information and factors considered is not intended to be exhaustive, but includes some of the most material factors considered. In view of the variety of factors considered in connection with its evaluation of the transaction, the board did not find it practicable to, and did not, quantify or otherwise assign relative weights to the specific factors considered in reaching its determinations and recommendations. Individual directors may have given different weights to the specific factors considered in reaching the foregoing determinations and recommendations, and individual directors may have given different weights to different factors.

Each member of Big Lake's board of directors has agreed that he or she will vote his or her shares of Big Lake Stock in favor of the merger agreement.

**Big Lake's board of directors unanimously recommends that Big Lake shareholders vote FOR the proposal to approve the merger agreement.**

### **Opinion of Hovde Financial LLC**

Hovde has delivered to the board of directors of Big Lake its opinion that, based upon and subject to the various considerations set forth in its written opinion dated November 22, 2005, the total transaction consideration to be paid to the shareholders of Big Lake is fair from a financial point of view as of such date. In requesting Hovde's advice and opinion, no limitations were imposed by Big Lake upon Hovde with respect to the investigations made or procedures followed by it in rendering its opinion. The full text of the opinion of Hovde, dated November 22, 2005, which describes the procedures followed, assumptions made, matters considered and limitations on the review undertaken, is attached hereto as Appendix C. The shareholders of Big Lake should read this opinion in its entirety.

Hovde is a nationally recognized investment banking firm and, as part of its investment banking business, is continually engaged in the valuation of financial institutions in connection with mergers and acquisitions, private placements and valuations for other purposes. As a specialist in securities of financial institutions, Hovde has experience in, and knowledge of, banks, thrifts and bank and thrift holding companies. The board of directors of Big Lake selected Hovde to act as its financial advisor in connection with the merger on the basis of the firm's reputation and expertise in transactions such as the merger.

Hovde is entitled to receive a fee from Big Lake for performing a financial analysis of the merger and rendering a written opinion to the board of directors of Big Lake as to the fairness, from a financial point of view, of the merger to the shareholders of Big Lake. Big Lake has also agreed to indemnify Hovde against any claims, losses and expenses arising out of the merger or Hovde's engagement that did not arise from Hovde's gross negligence or willful misconduct.

**Hovde's opinion is directed only to the fairness, from a financial point of view, of the total transaction consideration, and, as such, does not constitute a recommendation to any shareholder of Big Lake as to how the shareholder should vote at the Big Lake shareholder meeting. The summary of the opinion of Hovde set forth in this joint statement/prospectus is qualified in its entirety by reference to the full text of the opinion.**

The following is a summary of the analyses performed by Hovde in connection with its fairness opinion. Certain of these analyses were confirmed in a presentation to the board of directors of Big Lake by Hovde.



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The summary set forth below does not purport to be a complete description of either the analyses performed by Hovde in rendering its opinion or the presentation delivered by Hovde to the board of directors of Big Lake, but it does summarize all of the material analyses performed and presented by Hovde.

The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analyses and the application of those methods to the particular circumstances. In arriving at its opinion, Hovde did not attribute any particular weight to any analysis or factor considered by it, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Hovde believes that its analyses and the following summary must be considered as a whole and that selecting portions of its analyses, without considering all factors and analyses, could create an incomplete view of the process underlying the analyses set forth in its report to the board of directors of Big Lake and its fairness opinion.

In performing its analyses, Hovde made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Big Lake and Seacoast. The analyses performed by Hovde are not necessarily indicative of actual value or actual future results, which may be significantly more or less favorable than suggested by such analyses. Such analyses were prepared solely as part of Hovde's analysis of the fairness of the transaction consideration, from a financial point of view, to the shareholders of Big Lake. The analyses do not purport to be an appraisal or to reflect the prices at which a company might actually be sold or the prices at which any securities may trade at the present time or at any time in the future. Hovde's opinion does not address the relative merits of the merger as compared to any other business combination in which Big Lake might engage. In addition, as described above, Hovde's opinion to the board of directors of Big Lake was one of many factors taken into consideration by the board of directors of Big Lake in making its determination to approve the merger agreement.

During the course of its engagement, and as a basis for arriving at its opinion, Hovde reviewed and analyzed materials bearing upon the financial and operating condition of Big Lake and Seacoast and materials prepared in connection with the merger, including, among other things, the following:

the merger agreement;

certain historical publicly available information concerning Big Lake and Seacoast;

certain internal financial statements and other financial and operating data concerning Big Lake and Seacoast;

certain financial projections prepared by the managements of Big Lake and Seacoast;

certain other information provided to Hovde by members of the senior management of Big Lake and Seacoast for the purpose of reviewing the future prospects of Big Lake and Seacoast, including financial forecasts related to the respective businesses, earnings, assets, liabilities and the amount and timing of cost savings expected to be achieved as a result of the merger;

historical market prices and trading volumes for Seacoast Stock;

the nature and terms of recent merger and acquisition transactions to the extent publicly available, involving banks, thrifts and bank and thrift holding companies that Hovde considered relevant;

the pro forma percentage ownership of Seacoast's common stock by the shareholders of Big Lake relative to the pro forma contribution of Big Lake's total assets, total net loans, total deposits, total equity and earnings to the combined company;

the pro forma impact of the merger on the combined company's earnings per share, consolidated capitalization and financial ratios; and

such other information and factors as Hovde deemed appropriate.

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Hovde also took into account its assessment of general economic, market and financial conditions and its experience in other transactions, as well as its knowledge of the commercial banking industry and its general experience in securities valuations, including Florida-based financial institutions.

In rendering its opinion, Hovde assumed and relied upon the accuracy and completeness of the publicly available and other non-public financial information provided to it by Big Lake and Seacoast, relied upon the representations and warranties of Big Lake and Seacoast made pursuant to the merger agreement, and did not independently attempt to verify any such information. Hovde also assumed that the financial forecasts furnished to or discussed with Hovde by Big Lake and Seacoast were reasonably prepared and reflected the best currently available estimates and judgments of senior management of Big Lake and Seacoast as to the future financial performance of Big Lake, Seacoast, or the combined company, as the case may be. Hovde has not made any independent evaluation or appraisal of any properties, assets or liabilities of Big Lake or Seacoast.

*Analysis of Selected Mergers.* As part of its analysis, Hovde reviewed a group of comparable merger transactions. The peer group included transactions, which have occurred since January 1, 2000, that involved target banks and thrifts in non-major MSAs within the state of Florida (the Merger Group). This Merger Group consisted of the following 19 transactions:

<b>Buyer</b>	<b>Seller</b>
Capital City Bank Group Inc. (FL)	First Alachua Banking Corp. (FL)
Home Bancshares, Inc. (AR)	Marine Bancorp, Inc. (FL)
Colonial BancGroup, Inc. (AL)	FFLC Bancorp, Inc. (FL)
Fidelity Bankshares, Inc. (FL)	First Community Bancorp, Inc. (FL)
ABC Bancorp (GA)	Citizens Bancshares, Inc. (FL)
Alabama National BanCorp. (AL)	Coquina Bank (FL)
Vision Bancshares Inc. (AL)	Banktrust of Florida (FL)
SouthTrust Corporation (AL)	FloridaFirst Bancorp Inc. (FL)
Citizens Bank of Frostproof (FL)	American Banking Corp. (FL)
Capital City Bank Group Inc. (FL)	Quincy State Bank (FL)
Alabama National BanCorp. (AL)	Cypress Bankshares, Inc. (FL)
Centerstate Banks of Florida (FL)	CenterState Bank (FL)
R & G Financial Corporation (PR)	Crown Group, Inc. (FL)
South Alabama Bancorp. (AL)	Gulf Coast Community Bancshares (FL)
Banc Corporation (AL)	CF Bancshares, Inc. (FL)
ABC Bancorp (GA)	Tri-County Bank (FL)
Alabama National BanCorp. (AL)	Peoples State Bank of Groveland (FL)
PAB Bankshares, Inc. (GA)	Friendship Community Bank (FL)
Regions Financial Corporation (AL)	East Coast Bank Corporation (FL)

Hovde calculated the averages of the following relevant transaction ratios in the Merger Group: the percentage of the offer value to the acquired company's tangible book value; the multiple of the offer value to the acquired company's earnings for the 12 months preceding the announcement date of the transaction; and the percentage of the offer value to the acquired company's total assets. Hovde compared these multiples with the corresponding multiples for the merger, valuing the total consideration that would be received pursuant to the merger agreement at approximately \$43 million, or \$71.57 per Big Lake diluted share. In calculating the



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multiples for the merger, Hovde used Big Lake's earnings for the twelve months ended June 30, 2005, and Big Lake's tangible book value and total assets as of June 30, 2005. The results of this analysis are as follows:

	<b>Tangible Book Value</b>	<b>Offer Value to Last 12 Months Earnings</b>	<b>Total Assets</b>
Big Lake	215.4%	18.5x	13.8%
Merger Group average	208.3	22.5	18.4

Hovde also calculated the averages of the relevant performance ratios for the Merger Group and compared them to that of Big Lake's performance ratios. The results of this analysis are as follows:

	<b>Tangible Equity/ Assets</b>	<b>Non-Performing Assets/ Total Assets</b>	<b>Loan Loss Reserves/ Non-Performing Loans</b>	<b>Non-Interest Income/ Assets</b>	<b>Non-Interest Expense/ Assets</b>	<b>Last 12 Months Efficiency Ratio</b>	<b>Last 12 Months Return On Average Assets</b>	<b>Last 12 Months Return On Average Equity</b>
Big Lake	6.40%	0.21%	354.2%	0.82%	3.03%	67.9%	0.79%	11.79%
Merger Group average	8.90	0.63	281.3	0.77	2.74	71.4	0.92	10.45

*Contribution Analysis.* Hovde prepared a contribution analysis showing percentages of total assets, total net loans, total deposits, total equity and tangible equity at June 30, 2005 for Big Lake and for Seacoast, as well as for the last 12 months' earnings, estimated 2005 earnings and estimated 2006 earnings that would be contributed to the combined company on a pro-forma basis by Big Lake and Seacoast. This analysis indicated that holders of Big Lake common stock would own approximately 9.4% of the pro forma common shares outstanding of Seacoast, while contributing an average of 12.3% of the most relevant financial components listed and boxed in below.

	<b>Big Lake Contribution To Seacoast</b>
Total assets	13.2%
Total net loans	14.2%
Total deposits	14.1%
Total equity	12.4%
Total tangible equity	15.2%
Net income Last 12 Months	12.1%
Net income estimated 2005	11.5%
Net income estimated 2006	10.4%

Average Big Lake Contribution Percentage	12.9%
Average of Boxed Factors	12.3%
Actual Big Lake Pro Forma Ownership	9.4%

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*Comparable Company Analysis.* Using publicly available information, Hovde compared the stock market valuation of Seacoast with the following publicly traded banking institutions in the United States with assets as of June 30, 2005 between \$1 billion and \$8 billion located in high growth MSAs:

<b>Company Name (Ticker)</b>	<b>Assets (In thousands)</b>
East West Bancorp, Inc. (EWBC)	\$ 7,938
Wintrust Financial Corporation (WTFC)	\$ 7,894
CVB Financial Corp. (CVBF)	\$ 5,020
Boston Private Financial Holdings, Inc. (BPFH)	\$ 3,790
PrivateBancorp, Inc. (PVTB)	\$ 3,326
Capital City Bank Group, Inc. (CCBG)	\$ 2,584
CoBiz Inc. (COBZ)	\$ 1,865
Mercantile Bank Corporation (MBWM)	\$ 1,797
Virginia Commerce Bancorp, Inc. (VCBI)	\$ 1,449

Indications of such stock market valuation included closing stock market information as of November 18, 2005. Selected market information for Seacoast and the group of comparable companies that was analyzed is provided below.

	<b>Market Capitalization (In millions)</b>	<b>Dividend Yield</b>	<b>Last 12 Months Dividend Ratio</b>	<b>Price/ Book</b>	<b>Price/ Tangible Book Value</b>	<b>Price/ Last 12 Months Earnings Per Share</b>
Seacoast	\$ 412	2.49%	50.88%	275.57%	358.10%	21.18%
Comparable Company Average	858	0.83	16.57	293.38	381.90	22.28
	<b>Price /06 Earnings Per Share</b>	<b>Price to Earnings Growth Ratio</b>	<b>Earnings Per Share Growth 2004-2005</b>	<b>Year-to- Date Change</b>	<b>Inside Ownership</b>	<b>Institutional Ownership</b>
Seacoast	16.42%	0.72%	\$ 29.47	8.49%	25.48%	35.39%
Comparable Company Average	17.60	1.02	21.14	6.02	19.35	44.60

	<b>Return on Average Assets</b>	<b>Return on Average Equity</b>	<b>Equity/ Assets</b>	<b>Efficiency Ratio</b>	<b>Non- Performing Assets/ Assets</b>	<b>Reserves/ Non- Performing Assets</b>
Seacoast Comparable Company Average	1.04%	14.55%	7.17%	64.14%	0.02%	NM
	1.25	15.24	8.36	54.17	0.11	474.55

*Financial Impact Analysis.* Hovde performed pro forma merger analyses that projected balance sheet and income statement information regarding the combination of Big Lake with Seacoast. Assumptions regarding cost savings and acquisition adjustments were used to calculate the financial impact that the merger would have on certain projected financial results of the combined company. This analysis indicated that the merger is expected to be accretive to Seacoast's estimated 2006 and 2007 GAAP earnings per share and estimated 2006 and 2007 cash earnings per share. Big Lake's 2006 earnings projections were provided by Big Lake's management. Hovde assumed 7% earnings growth over Big Lake's 2005 projected income to estimate Big Lake's 2006 earnings. For all of the above analyses, the actual results achieved by the pro forma company following the merger may vary from the projected results and the variations may be material.

**Based upon the foregoing analyses and other investigations and assumptions set forth in its opinion, without giving specific weightings to any one factor or comparison, Hovde determined that the transaction consideration was fair from a financial point of view to the shareholders of Big Lake.**



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### **Interests of Certain Persons in the Merger**

Some of Big Lake's directors and executive officers have interests in the transaction in addition to their interests generally as shareholders of Big Lake. Big Lake's board of directors was aware of these interests and considered them, in addition to other matters, in approving the merger agreement.

### **Surrender and Exchange of Stock Certificates**

If the merger agreement is approved by Big Lake's shareholders, at the effective time of the merger, Big Lake shareholders other than those exercising their appraisal rights will be entitled to receive shares of Seacoast Stock. However, the actual physical exchange of Big Lake stock certificates for certificates representing shares of Seacoast Stock (and cash in lieu of fractional shares) will occur after the merger. Each Big Lake stock certificate issued and outstanding immediately prior to the effective time of the merger that will be exchanged for shares of Seacoast Stock in the merger will be deemed for all purposes to evidence ownership of shares of Seacoast Stock, regardless of when they are actually exchanged.

Continental Stock Transfer & Trust Company will serve as the exchange agent for the merger. Following the completion of the merger, Seacoast will cause the exchange agent to deliver a letter of transmittal to each Big Lake shareholder. You should carefully review and follow the instructions set forth in the letter of transmittal. You will be asked to complete the letter of transmittal and return it, together with your Big Lake stock certificates (or properly completed notice of guaranteed delivery), to the exchange agent.

**Big Lake shareholders should not send in their Big Lake stock certificates until they have received the transmittal materials and further written instructions after the effective date of the merger. Please do NOT send any stock certificates with your proxy.**

When the exchange agent receives your certificates of Big Lake Stock, together with the properly completed transmittal materials, it will deliver to you the merger consideration, consisting of Seacoast stock certificates, together with all withheld dividends or other distributions, but without interest thereon, and any cash payment for a fractional share, without interest.

Seacoast will not pay former shareholders of Big Lake who become holders of Seacoast Stock pursuant to the merger any dividends or other distributions that may become payable to holders of record of Seacoast Stock following the effective time of the merger until they have surrendered their certificates evidencing their Big Lake Stock, at which time Seacoast will pay any cash owed in lieu of fractional shares issuable in the merger, and such dividends or other distributions, in all cases without interest.

Big Lake shareholders who cannot locate their stock certificates are urged to contact promptly:

Mr. Joe G. Mullins  
Big Lake Financial Corporation  
1409 S. Parrott Avenue  
Okeechobee, FL 34974  
(863) 467-4663

A new stock certificate will be issued to replace the lost certificate(s) only if the Big Lake shareholder signs an affidavit certifying that his or her certificate(s) cannot be located and containing an agreement to indemnify Seacoast

and the exchange agent as they may reasonably require against any claim that may be made against them by the owner of the certificate(s) alleged to have been lost or destroyed. This affidavit should be sent to Mr. Joe G. Mullins at the above address. Seacoast, Big Lake or the exchange agent may also establish other reasonable and customary procedures in connection with its duties, including the delivery of an indemnity bond.

**Resales of Seacoast Stock**

Seacoast is registering under the Securities Act the issuance of the shares of its common stock that will be exchanged in the merger. The shares will be freely transferable under the Securities Act, except for any shares received by Big Lake shareholders who are affiliates of Big Lake at the time of the special meeting of

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Big Lake's shareholders, and except for affiliates of Seacoast following the merger. Affiliates generally include, without limitation, directors, certain executive officers and beneficial holders of 10% or more of Big Lake Stock. The Big Lake shareholders who are affiliates of Big Lake as of the date of the special meeting may only resell their shares pursuant to an effective registration statement under the Securities Act covering the shares, or in compliance with Securities Act Rule 145 or under another exemption from the Securities Act's registration requirements. Shareholders who become affiliates of Seacoast following the merger may rely on the provisions of Rule 144 for the resale of their shares, or another exemption from the requirements of the Securities Act. This proxy statement-prospectus does not cover any resales of Seacoast's common stock by Seacoast or Big Lake affiliates.

If you are or may be an affiliate as identified above, you should carefully consider the resale restrictions imposed by Rules 144 and 145, as applicable, before you attempt to transfer any shares of Seacoast Stock after the merger. Persons known to be affiliates of Big Lake have entered into affiliate agreements with Seacoast where they have agreed not to sell shares of Seacoast Stock they receive in the merger in violation of the Securities Act or in any manner that would disqualify the merger from treatment as a tax-free reorganization.

## **Regulatory and Other Required Approvals**

### ***Federal Reserve and OCC Approvals***

The Federal Reserve must approve the merger under the BHC Act before it can be completed. Seacoast and Big Lake must then wait at least 15 days after the Federal Reserve approval before they may complete the merger. During this waiting period, the United States Department of Justice may object to the merger on antitrust grounds. In reviewing the application, the Federal Reserve is required to consider the following:

competitive factors, such as whether the merger will result in a monopoly or whether the benefits of the merger to the public in meeting the needs of and convenience of the community clearly outweigh the merger's anticompetitive effects or restraints on trade; and

banking and community factors, which includes an evaluation of:

the financial and managerial resources of Seacoast, including its subsidiaries, and of Big Lake, and the effect of the proposed transaction on these resources;

management expertise;

internal control and risk management systems;

the capital of Seacoast;

the convenience and needs of the communities to be served; and

the effectiveness of Seacoast and Big Lake in combating money laundering activities.

Seacoast presently intends to merge Big Lake Bank into First National, and the merger, pursuant to the merger agreement, is conditioned upon OCC approval of the bank merger, unless Seacoast waives such condition in its sole discretion. The bank merger will require the approval of the OCC under the Bank Merger Act. The OCC considers many factors similar to those reviewed by the Federal Reserve under the BHC Act.

The application processes for the merger and the bank merger include newspaper publication and opportunity for public comment. The Federal Reserve may receive, and must consider, properly filed comments and protests from community groups and others regarding (among other issues) each institution's performance under the Community Reinvestment Act of 1977, as amended. Big Lake Bank has a formal agreement with the OCC requiring Big Lake Bank to comply with various compliance rules, including the Bank Secrecy Act and the rules and regulations of the Office of Foreign Assets Control. Although Seacoast and Big Lake do not anticipate that the formal agreement will prevent the merger or the bank merger, it may extend the time needed to obtain approval from the Federal Reserve and the OCC.

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***Other Regulatory Approvals***

In connection with or as a result of the merger, Seacoast or Big Lake may be required, pursuant to other laws and regulations, either to notify or obtain the consent of other regulatory authorities and organizations to which such companies or subsidiaries of either or both of them may be subject. The Seacoast Stock to be issued in exchange for Big Lake common stock in the merger has been registered with the SEC and will be listed on the Nasdaq National Market.

***Status and Effect of Approvals***

Seacoast has filed an application with the Federal Reserve to acquire Big Lake pursuant to Section 3 of the BHC Act and First National has filed an application with the OCC to acquire Big Lake Bank pursuant to the federal Bank Merger Act. As a result, Seacoast and Big Lake presently estimate that they will complete the merger in the second quarter of 2006. However, we cannot assure you that the merger will have been approved or closed by then.

We are not aware of any other regulatory approvals that would be required for completion of the transactions contemplated by the merger agreement. Should any other approvals be required, those approvals will be sought, but we cannot assure you that they will be obtained.

**Accounting Treatment of the Merger**

Seacoast will account for the merger as a purchase transaction under GAAP. Under the purchase method of accounting, the assets (including identifiable intangible assets) and liabilities (including executory contracts and other commitments) of Big Lake will be recorded, as of completion of the merger, at their respective fair values and added to those of Seacoast. Any excess of purchase price over the net fair value of Big Lake's assets and liabilities is recorded as goodwill (excess purchase price). Financial statements and reported results of operations of Seacoast issued after completion of the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Big Lake.

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**THE MERGER AGREEMENT**

**General**

In the event that Big Lake's shareholders approve the merger agreement and all of the other conditions to the merger are satisfied, then, at the effective time of the merger, Big Lake will merge into Seacoast and the separate existence of Big Lake will cease and Big Lake Bank will become a wholly-owned subsidiary of Seacoast. Thereafter, Big Lake Bank will be merged with and into First National, and the separate existence of Big Lake Bank will cease. See Conditions to the Merger for a discussion of conditions to completing the merger.

**What You Will Receive in the Merger**

At the effective time of the merger, each share of Big Lake Stock, except for treasury shares, shares held by Seacoast or any of the subsidiaries of Seacoast (other than in a fiduciary capacity), and any shares as to which appraisal rights are asserted, automatically will be converted into the right to receive 2.95427 shares of Seacoast Stock. This ratio assumes that all 3,832 outstanding Big Lake stock options are exercised at the closing of the merger. In no event will Seacoast be required to issue more than 1,775,000 shares of Seacoast Stock to Big Lake shareholders in exchange for all of the issued and outstanding shares of Big Lake Stock at the effective time of the merger.

At the effective time of the merger, each outstanding and unexercised option for Big Lake common stock will be cancelled. Option holders have until the merger's effective time to exercise any options and have agreed to exercise all their options prior to the effective time. Options exercised prior to the effective time will receive the same merger consideration given in exchange for shares of Big Lake common stock.

Each share of Big Lake Stock held by Big Lake or Seacoast or any of their subsidiaries, other than shares held in a fiduciary capacity or as a result of debts previously contracted, will be cancelled and extinguished. No payment or other consideration will be made with respect to those shares.

Holders of shares of Big Lake Stock who elect to exercise the appraisal rights provided for by the FBCA by strictly complying with such provisions will not have their shares converted into the right to receive any Seacoast Stock as described above, but will be entitled to the fair value of their shares in cash as provided by such statute, which may be more or less than the merger consideration. If a holder's appraisal rights are lost or withdrawn, that holder will receive the same consideration as all other holders of Big Lake Stock. Seacoast will separately make any payments due to holders of shares that properly perfect their appraisal rights.

For information regarding restrictions on the transfer of Seacoast Stock applicable to certain Big Lake shareholders who are affiliates, see The Merger Resales of Seacoast Common Stock.

**Treatment of Fractional Shares**

Each Big Lake shareholder who would otherwise have been entitled to receive a fraction of a share of Seacoast Stock, after taking into account all Big Lake stock certificates delivered by such holder, shall receive, in lieu of fractional shares, cash, without interest, in an amount equal to the product of:

the fractional part of a share of Seacoast Stock otherwise due to that shareholder, multiplied by

the last sale price of Seacoast Stock on The Nasdaq National Market at the close of regular trading on the last trading day preceding the effective time of the merger.

No Big Lake shareholder otherwise entitled to receive fractional shares of Seacoast Stock will be entitled to any dividends, voting rights, or any other rights as a shareholder in respect of those fractional shares, and no interest will be paid on cash payable by Seacoast instead of fractional shares.

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**Representations and Warranties in the Merger Agreement**

Seacoast and Big Lake have made representations and warranties to each other as part of the merger agreement. These representations and warranties are made for the sole benefit of Seacoast, Big Lake and the other parties to the merger agreement and not for the benefit of anyone else including shareholders of Seacoast or Big Lake. Accordingly, since the parties to the merger agreement may amend, waive or change these representations and warranties, no shareholder of Big Lake or Seacoast is entitled to rely on these representations or warranties. See **Please Note** on the inside cover of this proxy statement-prospectus.

Big Lake's representations and warranties relate to, among other things:

- its organization and authority to enter into the merger agreement;
- its capitalization, subsidiaries, financial statements and filings;
- its loans and reserves;
- tax and regulatory matters;
- its assets, intellectual property, legal and environmental matters and employee benefits;
- privacy of customer information and the status of technology systems;
- its contractual obligations and contingent liabilities; and
- pending and threatened litigation.

Big Lake's representations and warranties are generally contained in Article 5 of the merger agreement.

Seacoast's representations and warranties relate to, among other things:

- its organization and authority to enter into the merger agreement;
- its capitalization, subsidiaries, financial statements and filings;
- its loans and reserves;
- tax and regulatory matters;
- its assets, intellectual property, legal and environmental matters and employee benefits;
- privacy of customer information and the status of technology systems;
- its contractual obligations and contingent liabilities; and
- pending and threatened litigation.



Seacoast's representations and warranties are generally contained in Article 6 of the merger agreement.

Seacoast's representations and warranties are for the benefit of Big Lake; they are not for the benefit of and may not be relied upon by Big Lake shareholders. The representations and warranties of the parties will not survive the effective time of the merger. See "Please Note" on the inside cover of this proxy statement-prospectus.

***Big Lake Stock Options***

Big Lake has options outstanding to acquire 3,832 shares of Big Lake common stock. Big Lake's executive officers hold all of these options at an average exercise price equal to \$36.52 per share. The holders of these options have agreed to exercise their options prior to the merger's effective time.

At the effective time of the merger, all of the outstanding stock options, to the extent not previously exercised and whether or not then exercisable, will be cancelled. Shares of Big Lake common stock received when exercising an option will be exchanged for the same merger consideration as all other outstanding shares of Big Lake common stock.

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***Employee Benefits***

Following the effective time of the merger, Seacoast will provide generally to officers and employees of Big Lake, employee health and welfare benefits substantially similar to those currently provided by Seacoast to its similarly situated officers and employees. For purposes of participation, vesting and benefit accrual under Seacoast's benefit plans, the length of service of Big Lake employees prior to the effective time will be treated as service with Seacoast. Seacoast also will honor the terms of certain employment, severance, consulting and other compensation contracts between Big Lake and current or former directors, officers or employees, and all provisions for vested benefits or amounts earned through the effective time under the Big Lake benefit plans.

***Employment Contracts***

As a condition to the merger agreement, Mr. Joe G. Mullins and First National entered into an employment agreement, dated as of November 22, 2005, that becomes effective at the merger's effective time. At the merger's effective time, any existing employment or change in control or similar agreements, arrangements or understandings between Mr. Mullins and Big Lake shall terminate and have no further force or effect. A cash payment of two times Mr. Mullin's then base salary, required by such agreements as a result of the merger, shall be made and delivered to Mr. Mullins, together with the assignment of the title to the Big Lake company car used by Mr. Mullins and any life insurance policy deliverable in accordance with and subject to the terms and conditions of Mr. Mullins' employment agreements with Big Lake, subject to any required regulatory approvals.

The employment agreement includes non-competition, non-solicitation and non-disclosure covenants which are summarized below.

Mr. Mullins agreed that, during the term of the employment agreement and for two years following the termination of his employment for any reason, he will not, within Okeechobee, Highlands, Glades, Hardee, Hendry, St. Lucie or De Soto Counties, Florida, or any other county wherein he has contact with customers of, or otherwise conducts the business of, First National (the "Restricted Area"):

(i) provide services similar to or the same as the services that he provided for Big Lake Bank for his own benefit or for the benefit of any person or entity engaged in the business of banking, fiduciary services, securities brokerage, investment management or services, lending or deposit taking (individually and collectively, the "Business");

(ii) control or own beneficially (directly or indirectly) 1% or more of the outstanding capital stock or other ownership interest of any corporation or person engaged in or controlling any such Business other than Seacoast or First National; or

(iii) serve as an officer, director, trustee, agent, consultant or employee of any corporation, or as a member, employee, consultant or agent of any partnership, or as an owner, trustee, employee or agent of any other business or entity, which directly or indirectly conducts such Business within the Restricted Area at the date his employment is terminated.

Mr. Mullins has agreed further that, during the term of the employment agreement and for two years following the termination of his employment for any reason, he will not:

(i) solicit any employee to leave his or her employment with Seacoast, First National or any of their respective affiliates for any reason, or otherwise interfere with any employment relationship of Seacoast, First National or their respective affiliates; or

(ii) directly or indirectly, on behalf of himself or of any other person or entity, solicit or attempt to solicit, for the purpose of providing any business activities or products similar to those conducted or offered by First National or its affiliates, any customer of First National or its affiliates whom he actively solicited or with whom he worked, or otherwise had material contact.

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For three years following the merger's effective time, Mr. Mullins will not, within the Restricted Area:

(i) provide services similar to or the same as the services that he provided for Big Lake Bank for his own benefit or for the benefit of any person or entity engaged in the Business;

(ii) control or own beneficially (directly or indirectly) 1% or more of the outstanding capital stock or other ownership interest of any corporation or person engaged in or controlling any such Business other than Seacoast or First National; or

(iii) serve as an officer, director, trustee, agent, consultant or employee of any corporation, or as a member, consultant, employee or agent of any partnership, or as an owner, trustee, employee or agent of any other business or entity, which directly or indirectly conducts such Business within the Restricted Area as of the effective time of the Merger.

Mr. Mullins also agrees that he will not directly or indirectly disclose or directly or indirectly utilize, in any manner, any trade secrets for his own benefit or for the benefit of anyone other than Seacoast, First National and their respective affiliates during the term of the employment agreement, and, following any termination of Mr. Mullins, for as long as such information remains a trade secret.

### ***Director's Agreements***

Each of Big Lake's directors has delivered agreements not to compete with Big Lake or Seacoast, or any of Seacoast's subsidiaries, within Okeechobee, Highlands, Glades, Hardee, Hendry, St. Lucie and DeSoto Counties, Florida for two years after the merger's effective time.

### ***Indemnification and Insurance***

For six years after the effective time, Seacoast will indemnify, defend and hold harmless, to the fullest extent permitted by the FBCA, Section 402 of the Sarbanes-Oxley Act of 2002, and Big Lake's articles of incorporation and bylaws, the present and former directors, officers, employees and agents against any liability arising out of actions related to their service as a director, officer, employee or agent of Big Lake occurring at or prior to the merger's effective time. Seacoast must, or cause First National, to use its reasonable efforts to maintain for three years after the merger's effective time the existing directors' and officers' liability insurance policy of Big Lake, subject to certain conditions.

### **Conditions to the Merger**

The merger agreement contains a number of conditions that must be satisfied or waived (if they are waivable) to complete the merger. The conditions include, among other things:

approval of the merger agreement by Big Lake's shareholders;

approvals of the merger and the bank merger by the Federal Reserve and the OCC, respectively, and other regulatory agencies without imposing conditions Seacoast would view as having a material adverse effect on its assumptions underlying the economics of the acquisition, (see *The Merger Regulatory and Other Required Approvals* );

the receipt of all necessary consents from other persons, such as landlords, required for the consummation of the merger which if not obtained are reasonably likely to have a material adverse effect, provided no such consents shall contain conditions unacceptable to Seacoast;

the absence of any law or order, or other action taken by a governmental authority to prohibit or restrict the completion of the transactions contemplated by the merger agreement;

the absence of stop orders suspending the effectiveness of Seacoast's registration statement under the Securities Act;

approval by Nasdaq for the listing of the shares of Seacoast Stock issuable pursuant to the merger on The Nasdaq National Market;

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issuance of a tax opinion that the merger qualifies as a tax-free reorganization;

issuance of a tax opinion that the merger is not a taxable event for either Seacoast or Big Lake;

the representations and warranties of the parties to the merger agreement must be true and correct as of the effective time of the merger, except as to such inaccuracies as would not be reasonably likely to have a material adverse effect (as defined in the merger agreement) in the aggregate, and the other party to the merger agreement must have performed in all material respects all its obligations under the merger agreement;

receipt by Seacoast from Big Lake's affiliates, directors and officers, as applicable, of the claims letters, director agreements and affiliate agreements called for by the merger agreement;

holders of no more than 5% of outstanding shares of Big Lake Stock have given notice of their intent to exercise appraisal rights;

receipt by Big Lake from its financial advisor of an opinion regarding the fairness of the consideration to be received by Big Lake's shareholders in the merger, from a financial point of view, which opinion shall not be withdrawn prior to Big Lake's meeting;

no additional regulatory enforcement actions or consents or additional compliance or reporting obligations shall have been imposed on either Seacoast or Big Lake that were not in effect as of the signing of the merger agreement; and

Big Lake Bank shall, at the end of each fiscal year and fiscal quarter prior to the merger, have consolidated shareholders' equity of not less than \$21,849,000 on a consolidated basis or Big Lake shall have a shareholders' equity of not less than \$21,350,000; excluding the effects of any expenses of actions taken at Seacoast's written request (other than costs of compliance with Big Lake's formal agreement with the OCC), reasonable legal, accounting and investment banking and shareholder communication expenses incurred in connection with the merger agreement and the transactions contemplated herein, unrealized gains and losses on securities held by any seller entity, and any payments to be made to Mr. Joe G. Mullins pursuant to the merger agreement and his employment agreement.

The conditions to the merger are generally set forth in Article 9 of the merger agreement. The parties intend to complete the merger as soon as practicable after all conditions have been satisfied or waived; however, we cannot assure you that all conditions will be satisfied or waived.

**Waiver and Amendment**

Nearly all of the conditions to completing the merger may be waived at any time prior to the effective time of the merger by the party for whose benefit they were created. Furthermore, any extension in time for compliance of any term or obligation under the merger agreement, or any conditions precedent to obligations under the merger agreement, may be waived by the party for whose benefit they were intended. Any condition, however, which, if waived and not satisfied, would result in the violation of any law or regulation may not be waived by either party. No waiver is effective unless it is in writing signed by the waiving party.

In addition, the parties may amend or supplement at any time the merger agreement by written agreement signed by each party. No amendment that reduces or modifies in any material way the merger consideration to be received is permitted after the approval of the merger agreement by Big Lake's shareholders. The merger agreement may only be

amended to the extent permitted by law.

**Business of Big Lake Pending the Merger**

Pending the merger, the merger agreement requires Big Lake to continue to operate its business only in the usual, regular and ordinary course. Big Lake agrees to preserve intact its business organization and assets and maintain its rights and franchises. Big Lake will also refrain from taking any action that would adversely affect the ability or timing of Big Lake, Seacoast or its subsidiaries from obtaining any required approvals or

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consents, including those from regulatory or governmental authorities, for the merger transaction without the imposition of any restriction that would materially and adversely effect the financial or economic benefits of the merger to Seacoast.

Furthermore, Big Lake may not, without Seacoast's prior written consent, take or agree to or commit to take any of the following actions:

amend its articles of incorporation or bylaws;

incur any additional debt or other borrowings in excess of an aggregate of \$50,000, except in the ordinary course of its business;

impose, or suffer the imposition, of a lien or encumbrance on any Big Lake asset, with certain exceptions;

redeem, repurchase, or otherwise acquire or exchange shares of its capital stock, or declare or pay any dividend with respect to its capital stock;

issue or encumber, or contract to issue or encumber, any shares of its capital stock or issue any rights to purchase shares of its capital stock, except as permitted by the merger agreement;

adjust, split, combine or reclassify its capital stock, or authorize substitutions for its capital stock, or sell or mortgage any asset other than in the ordinary course of business for reasonable and adequate consideration;

make any material investments, other than for purchases of U.S. government and agency securities with maturities of one year or less;

make any new loans or extensions of credit or renew, extend or renegotiate any existing loans or extensions of credit that are located outside the counties where Big Lake has offices, or that exceed \$250,000 unsecured or \$500,000 secured, or that are classified on any watch list, among other things;

allow any increase in compensation or benefits to its employees or officers, make severance, termination or bonus payments or enter into or amend any severance agreement, allow any increase in fees to its directors, or accelerate the exercisability or amend the terms of any equity right or restricted stock, in each case except in accordance with past practice as previously disclosed or as required by law;

enter into or amend any employment or similar agreement that Big Lake does not have the unconditional right to terminate without liability;

adopt any new employee benefit plans, or terminate or materially change any existing employee benefit plan, except as may be necessary to maintain the tax qualified status of such plan, or make any distributions from such plans except as required by law;

change any tax or accounting methods, except as may be necessary to conform to laws or accounting requirements;

commence any litigation other than in accordance with past practice or settle any litigation resulting in material damages or restrictions on operations; or

enter into, amend or terminate any material contracts or waive or assign material rights or claims.



The restrictions on Big Lake's business activities are generally set forth in Article 7.2 of the merger agreement.

**Termination of the Merger Agreement; Termination Fee**

The merger agreement specifies the circumstances under which the parties may terminate the agreement and abandon the merger. Those circumstances are:

1. by mutual written agreement of Seacoast and Big Lake;

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2. by either party if the other party breaches any representation or warranty in the merger agreement, the breach cannot be or has not been cured within 30 days after written notice, and the breach is reasonably likely to permit the non-breaching party to refuse to consummate the transactions contemplated under the merger agreement;

3. by either party if the other party materially breaches any covenant or other agreement in the merger agreement, and the breach cannot be or has not been cured within 30 days after written notice;

4. by either party if:

the consent of any regulatory authority required to complete the merger has been denied by final nonappealable action;

any law or order permanently restraining, enjoining or prohibiting the merger becomes final and nonappealable; or

Big Lake's shareholders fail to vote their approval of the merger at a meeting where such matters were presented and voted upon;

5. by either party in the event the merger is not consummated by June 30, 2006;

6. by Seacoast if:

Big Lake's board of directors fails to reaffirm its approval of the merger upon Seacoast's request for such reaffirmation;

Big Lake's board of directors withdraws, qualifies or modifies, or proposes publicly to withdraw, qualify or modify, its recommendation that Big Lake's shareholders approve the merger; or

Big Lake's board of directors affirms, recommends or authorizes entering into any merger, sale of Big Lake stock or assets, or other business combination or substantial investment by a third party (other than the Seacoast merger), or negotiates or authorizes the negotiations with a third party regarding an acquisition proposal of Big Lake (other than the Seacoast merger); or

7. by Big Lake, if Big Lake's board of directors has withdrawn or modified or changed its recommendation or approval of the merger agreement in order to approve an acquisition proposal that Big Lake's board of directors determines in its good faith judgment to be more favorable to Big Lake's shareholders than the Seacoast merger, and following the determination, upon the advice of legal counsel, that the failure to take such action would result in a breach of Big Lake's board of directors' fiduciary duties, provided that at least two business days prior to the termination, Big Lake negotiates with Seacoast to make adjustments to the terms of the merger agreement to enable the transactions to proceed on adjusted terms.

If Seacoast terminates the merger agreement pursuant to paragraph number 6 immediately above, or if Big Lake terminates the merger agreement pursuant to paragraph number 7 immediately above, and within 12 months of the termination another acquisition proposal or business combination has been announced or entered into with respect to Big Lake (provided in either case that the acquisition transaction is subsequently consummated in the event of a termination by Big Lake), then Big Lake must pay Seacoast a termination fee of \$2.15 million.

The rights of the parties to terminate the merger agreement and the results of such a termination are addressed in Article 10 of the merger agreement. Provisions of the merger agreement regarding certain employee contracts and

agreements and indemnification of Big Lake and its controlling persons will survive any termination of the merger agreement.

**Payment of Expenses Relating to the Merger**

Each of Seacoast and Big Lake will bear and pay all direct costs and expenses incurred by it or on its behalf in connection with the merger agreement and the transactions contemplated therein. However, each

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party will bear and pay one-half of the filing fees and printing costs incurred in connection with this proxy statement-prospectus.

**MATERIAL FEDERAL INCOME TAX CONSEQUENCES OF THE MERGER**

The following discussion summarizes the material United States federal income tax consequences of the merger that are expected to apply generally to holders of Big Lake Stock upon an exchange of their Big Lake Stock for Seacoast Stock in the merger. This summary assumes that you hold your shares of Big Lake Stock as capital assets but does not attempt to comment on all U.S. federal income tax consequences of the merger that may be relevant to particular holders, including holders:

who are subject to special rules such as traders in securities who elect mark-to-market, dealers in securities or foreign currencies, foreign persons, persons who have a functional currency other than the U.S. dollar, financial institutions, mutual funds, regulated investment companies, real estate investment trusts, insurance companies or tax-exempt entities;

who are subject to alternative minimum tax;

who acquired their shares in connection with stock option or stock purchase plans or in other compensatory transactions; or

who hold their shares as part of a straddle, hedging, integrated, conversion or constructive sale transaction.

This summary is based upon current provisions of the Code, existing regulations under the Code and current administrative rulings and court decisions, all of which are subject to change. This discussion also does not address the tax consequences of the merger under the laws of any state, locality or foreign jurisdiction.

Neither Seacoast nor Big Lake will be obligated to complete the merger unless it has received an opinion of Alston & Bird LLP, rendered on the basis of facts, representations of facts, covenants and assumptions set forth or referred to in the opinion, to the effect that:

the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code;

holders of Big Lake Stock will not recognize any gain or loss upon the receipt of solely Seacoast Stock for their Big Lake Stock, other than with respect to cash received in lieu of fractional shares of Seacoast Stock;

the aggregate tax basis of the Seacoast Stock received by a holder of Big Lake Stock in the merger (including any fractional share deemed received) will be the same as the aggregate basis of the shares of Big Lake Stock surrendered in exchange therefore;

the holding period of the shares of Seacoast Stock received by a holder of Big Lake Stock in the merger will include the holding period of the shares of Big Lake Stock surrendered in exchange therefore; and

neither Big Lake nor Seacoast will recognize any gain or loss solely as a result of the Merger (except for amounts resulting from any required change in accounting methods and any income and deferred gain or loss recognized pursuant to Treasury regulations issued under Section 1502 of the Code).

*Cash Received in Lieu of Fractional Shares.* Cash payments received by holders of Big Lake Stock in lieu of fractional shares will be treated as if such fractional shares of Seacoast Stock were issued in the merger and then sold.

If you receive cash in lieu of a fractional share of Seacoast Stock, you will recognize gain or loss equal to the difference between the amount of cash you receive and the portion of your tax basis allocable to the fractional share. Such gain or loss will be long-term capital gain or loss if your holding period for your shares of Big Lake Stock is greater than one year.

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*Reporting Requirements.* If you receive Seacoast Stock in the merger, you will be required to attach to your U.S. federal income tax return for the year of the merger a statement setting forth certain facts relating to the merger, including your tax basis in your Big Lake Stock and a description of the Seacoast Stock received.

*Tax Opinion.* An opinion of counsel is not binding on the Internal Revenue Service or the courts. Neither Seacoast nor Big Lake has requested, nor do they intend to request, an advance ruling from the Internal Revenue Service as to the tax consequences of the merger. Accordingly, there can be no assurance that the Internal Revenue Service will not challenge the conclusions reflected in such opinion or that a court will not sustain such a challenge.

**Tax laws are complex, and your individual circumstances may affect the tax consequences of the merger to you. We urge you to consult your own tax advisor regarding the U.S. federal income tax consequences of the merger in light of your individual circumstances, as well as the consequences of the merger under state, local and foreign tax laws.**

### **CERTAIN DIFFERENCES IN RIGHTS OF SHAREHOLDERS**

As a result of the merger, holders of Big Lake Stock will be exchanging their shares of a Florida corporation governed by the FBCA and Big Lake's articles of incorporation, which we refer to as the Big Lake Articles, and bylaws, which we refer to as the Big Lake Bylaws, for shares of common stock of Seacoast, a Florida corporation governed by the FBCA and Seacoast's amended and restated articles of incorporation, which we refer to as the Seacoast Articles, and bylaws, which we refer to as the Seacoast Bylaws. Certain significant differences exist between the rights of Big Lake shareholders and the rights of Seacoast shareholders. The following discussion and comparison of these differences is necessarily general, and it is not intended to be a complete statement of all differences affecting the rights of shareholders, and their respective entities, and it is qualified in its entirety by reference to the FBCA as well as the Big Lake Articles, the Big Lake Bylaws, the Seacoast Articles and the Seacoast Bylaws.

#### **Authorized Capital Stock**

*Seacoast.* The Seacoast Articles authorize the issuance of 22,000,000 shares of common stock, \$0.10 par value per share, and 4,000,000 shares of preferred stock, \$0.10 par value per share. Shares of preferred stock may be issued in one or more series with rights, preferences, liquidation values, dividend rates, conversion rights and other terms to be designated by the Seacoast board of directors at the time of such issuance. As of December 31, 2005, there were 17,084,315 shares of Seacoast common stock issued and outstanding. No shares of Seacoast preferred stock are issued and outstanding. Dividends upon common and preferred stock shall be payable only when, as and if declared by Seacoast's board of directors from lawfully available funds.

Seacoast's board of directors may authorize the issuance of authorized but unissued shares of Seacoast Stock without further action by Seacoast's shareholders, unless such action is required in a particular case by applicable laws or regulations or by any stock exchange or automated quotation system upon which Seacoast's Stock may be listed. Seacoast's shareholders do not have the preemptive right to purchase or subscribe to any unissued authorized shares of Seacoast common stock or preferred stock or any option or warrant for the purchase of these shares. The authority to issue additional shares of Seacoast common or preferred stock provides Seacoast with the flexibility necessary to meet its needs without the delay resulting from needing to seek shareholder approval. The authorized but unissued shares of Seacoast common and preferred stock will be issuable from time to time for any corporate purpose, including, without limitation, stock splits, stock dividends, employee benefits and compensation plans, acquisitions, and public or private sales as a means of raising capital. Such shares could be used to dilute the stock ownership of, or otherwise impede, persons seeking to obtain control of Seacoast. In addition, the sale of a substantial number of shares of Seacoast common stock to persons who have an understanding with Seacoast concerning the voting of such shares, or the distribution or declaration of a dividend of shares of Seacoast common stock (or the right to receive shares of Seacoast

common stock) to Seacoast shareholders may have the effect of discouraging or increasing the cost of unsolicited attempts to acquire control of Seacoast.

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*Big Lake.* The Big Lake Articles authorize Big Lake to issue up to 1,000,000 shares of common stock, \$0.01 par value per share and up to 500,000 shares of preferred stock, \$1.00 par value per share. As of January 18, 2006, there were 576,709 shares of Big Lake common stock and 20,283 shares of Big Lake Series A preferred stock issued and outstanding. Big Lake's shareholders do not have the preemptive right to purchase or subscribe to any unissued authorized shares of Big Lake common stock or any option or warrant for the purchase thereof.

## **Amendment to Articles of Incorporation and Bylaws**

*Seacoast.* The Seacoast Articles may be amended as provided by law. The FBCA generally provides that, unless a corporation's articles of incorporation specify a greater voting requirement, the articles of incorporation may not be amended unless (i) the board of directors recommends the amendment to the shareholders (unless the board of directors elects to make no recommendation and communicates the basis for its election to the shareholders), and (ii) the amendment is adopted by a majority of the votes entitled to be cast on the amendment by each voting group entitled to vote thereon. The Seacoast Articles also provide that the provisions of the articles related to the composition of the board of directors, business combinations, anti-takeover provisions and shareholder proposals may only be changed by the affirmative vote of holders of (i) at least two-thirds of all shares entitled to vote, and (ii) a majority of the outstanding shares that are not beneficially owned or controlled, directly or indirectly, by a Related Person. A Related Person is any person which is the beneficial owner of 5% or more of Seacoast's voting shares or any person who is an affiliate of Seacoast and at any time within the five years preceding the board of director's determination of such person's status as a Related Person beneficially owned 5% or more of Seacoast's voting shares.

The Seacoast Articles and Seacoast Bylaws provide that the Seacoast Bylaws may be amended and new bylaws may be adopted by (i) the affirmative vote of two-thirds of the entire board of directors, and (ii) a majority of the members of the board of directors that are considered Continuing Directors. Continuing Directors are members of the board of directors who either (i) were first elected as a director of Seacoast prior to February 28, 2003, or (ii) prior to any person becoming a Related Person, was designated as a Continuing Director by a majority vote of the then Continuing Directors. Seacoast's shareholders may also amend the Seacoast Bylaws by the affirmative vote of holders of (i) two-thirds of all shares entitled to vote on such amendment, and (ii) a majority of the outstanding shares that are not beneficially owned or controlled, directly or indirectly, by a Related Person.

*Big Lake.* The Big Lake Articles may be amended as provided by Florida law. The Big Lake Bylaws may be amended by the board of directors.

The effect of Seacoast's more stringent voting requirements with respect to amendments of articles compared to Big Lake's is that Seacoast shareholders possess less ability to amend Seacoast's Articles than do the shareholders of Big Lake, who, conversely, have greater legal flexibility to amend the Big Lake Articles.

## **Board of Directors**

*Seacoast.* The Seacoast Articles provide for a board of directors consisting of not less than three nor more than 14 members divided into three classes. Each class of directors serves a three-year term. The effect of Seacoast having a classified board of directors is that only approximately one-third of the members of the board of directors are elected each year, which effectively requires two annual meetings for Seacoast's shareholders to change a majority of the members of the board of directors. Directors of each class are elected by plurality vote at successive annual meetings of shareholders. Seacoast shareholders do not have cumulative voting rights with respect to the election of directors. Currently, there are 14 members of Seacoast's board of directors.

*Big Lake.* The Big Lake Bylaws provide that its board of directors shall consist of not less than six nor more than 35 members, each serving a three-year term. Like the Seacoast board of directors, the Big Lake board of directors is



classified. The Big Lake Bylaws do not allow for cumulative voting for directors. Currently, there are 10 members of Big Lake s board of directors.

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### **Nomination of Directors**

*Seacoast.* The Seacoast Articles permit shareholders to nominate directors for election at an annual or special meeting of shareholders, provided that such shareholder complies with certain requirements set forth in the Seacoast Articles. A shareholder wishing to recommend a candidate for consideration by the nominating committee of Seacoast's board must submit to Seacoast's corporate secretary a timely written notice including the candidate's name and address, along with adequate information as to the candidate's qualifications. To be considered timely, the notice must be received by Seacoast's corporate secretary by the date that is either (i) not less than 60 days nor more than 90 days prior to the anniversary of the previous year's annual meeting if the elections are to be held at the annual meeting of shareholders, or (ii) not later than the close of the tenth day following the date in which notice of a meeting of shareholders was first mailed to shareholders if the elections are to be held at a meeting of shareholders.

*Big Lake.* The Big Lake Bylaws do not impose requirements similar to those of Seacoast Articles for shareholders wishing to nominate candidates for the Big Lake board of directors. Candidates for the board of directors may be nominated by the board of directors or by any shareholder of any outstanding class of capital stock entitled to vote for the election of directors. Big Lake's more permissive requirements for nominating candidates to the board of directors gives shareholders a greater potential opportunity to influence which individuals serve on Big Lake's board of directors.

### **Removal of Directors**

*Seacoast.* A Seacoast director may be removed from office only for cause at a meeting duly called and held for that purpose upon not less than 30 days' prior written notice by the affirmative vote of the holders of (i) not less than two-thirds of Seacoast's shares entitled to vote, and (ii) a majority of the then outstanding shares entitled to vote that are not beneficially owned or controlled, directly or indirectly, by a Related Person. Seacoast directors may not be removed without cause.

*Big Lake.* A Big Lake director may be removed from office for cause, by the affirmative vote at a meeting called as provided in the Big Lake Bylaws for the purpose of removal, of at least two-thirds of the holders of the issued and outstanding voting stock that are not beneficially owned or controlled, directly or indirectly, by an Interested Shareholder, as originally defined to include a beneficial owner of more than 15% of the shares entitled to vote. Big Lake directors may not be removed without cause.

### **Filling Vacancies on the Board of Directors**

*Seacoast.* Seacoast's board of directors may fill any vacancies on the board of directors by the affirmative vote of (i) two-thirds of the entire board of directors, and (ii) a majority of the Continuing Directors.

*Big Lake.* Any vacancy on Big Lake's board of directors may be filled by a majority vote of the board of directors remaining in office.

Seacoast's stricter standard for filling vacancies on the board of directors may prevent or delay one or more directors from filling a vacancy on the board of directors that is favored by the requisite votes of the other directors.

### **Meetings of Shareholders**

*Seacoast.* Meetings of Seacoast shareholders may be called by:

the chairman of the board of directors;

the board of directors; or

the president, either (i) on behalf of Seacoast or (ii) on behalf of the shareholders of Seacoast upon receipt of dated written demands from shareholders holding not less than 50% of the votes entitled to be cast on the proposed issue or issues set forth in the demand.

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*Big Lake.* Meetings of Big Lake shareholders may be called by:

the board of directors; or

by written request of one or more shareholders owning, in the aggregate, not less than one-tenth of the outstanding shares of Big Lake entitled to vote.

The greater percentage of Seacoast shareholders required to demand a meeting of Seacoast shareholders reflects Seacoast's status as a public company, its greater number of shareholders, the greater cost of holding meetings, and a desire to eliminate frivolous requests for meetings except where favored by a meaningful number of shareholders.

## **Anti-takeover Provisions**

*Seacoast.* The Seacoast Articles require the affirmative vote of the holders of (i) not less than two-thirds of all the shares of Seacoast stock outstanding and entitled to vote, and (ii) a majority of the shares of Seacoast stock outstanding and entitled to vote that are not beneficially owned or controlled, directly or indirectly, by a Related Person, to approve: (a) any sale, lease or other disposition of all or substantially all of Seacoast's assets, (b) any merger, consolidation or purchase and/or assumption of assets and/or liabilities, (c) any reclassification of securities, recapitalization or similar transaction, or (d) any acquisition by a person of 5% or more of the voting shares or securities convertible into voting shares of Seacoast. Any business combination described above may be approved only by the affirmative vote of a majority of the voting shares of Seacoast if such business combination is approved and recommended to the shareholders by (x) the affirmative vote of two-thirds of the board of directors of Seacoast, and (y) a majority of the Continuing Directors.

The Seacoast Articles also contain additional provisions that may make takeover attempts and other acquisitions of interests in Seacoast more difficult where the takeover attempt or other acquisition has not been approved by Seacoast's board of directors. These provisions include:

A requirement that any change to the Seacoast Articles relating to the structure of the board of directors, certain anti-takeover provisions and shareholder proposals must be approved by the affirmative vote of holders of (i) two-thirds of the shares outstanding and entitled to vote, and (ii) a majority of the outstanding shares entitled to vote that are not beneficially owned by a Related Person.

A requirement that any change to the Seacoast Bylaws, including any change relating to the number of directors, must be approved by the affirmative vote of (i) two-thirds of Seacoast's board of directors or shareholders, and (ii) a majority of the continuing directors.

A requirement that shareholders may call a meeting of shareholders on a proposed issue or issues only upon the receipt by Seacoast from the holders of 50% of all shares entitled to vote on the proposed issue or issues of signed and dated written demands for the meeting describing the purpose for which it is to be held.

A requirement that a shareholder wishing to submit proposals for a shareholder vote comply with certain procedures, including advanced notice requirements, in order for the proposal to be submitted to shareholders for their consideration.

Seacoast also is subject to the Florida control share acquisitions statute. This statute is designed to afford shareholders of public corporations in Florida protection against acquisitions in which a person, entity or group seeks to gain voting control. With enumerated exceptions, the statute provides that shares acquired within certain specific acquisition

ranges will not possess voting rights in the election of directors unless the voting rights are approved by a majority vote of the holders of the corporation's Disinterested Shares. Disinterested Shares are shares other than those owned by the acquiring person or by a member of a group with respect to a control share acquisition, or by any officer of the corporation or any employee of the corporation who is also a director. The specific acquisition ranges that trigger the statute are:

acquisitions of shares possessing one-fifth or more, but less than one-third, of all voting power;

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acquisitions of shares possessing one-third or more, but less than a majority, of all voting power; or

acquisitions of shares possessing a majority or more of all voting power.

Under certain circumstances, the statute permits the acquiring person to call a special shareholders meeting for the purpose of considering the grant of voting rights to the holder of the control shares. The statute also enables a corporation to provide for the redemption of control shares with no voting rights under certain circumstances.

*Big Lake.* The Big Lake Articles and Bylaws do not contain any provisions, other than the provision providing for a staggered board of directors as described above, that may make takeover attempts and other acquisitions of interests in Big Lake more difficult where the takeover attempt or other acquisition has not been approved by Big Lake's board of directors. Business combinations, as with other actions requiring shareholder approval, must be approved by the holders of a majority of shares entitled to vote, subject to any greater voting requirements required by law. The foregoing provision of Seacoast's Articles and Bylaws may make it more difficult for a third party opposed by the board of directors to effect a change in control of Seacoast.

**Indemnification of Directors and Officers**

*Seacoast.* The Seacoast Bylaws generally require that any director or officer elected by the board of directors be indemnified, and permit any employee or agent to be indemnified, against liability and other expenses incurred in a proceeding by reason of the fact he is a director, officer, employee or agent of Seacoast or is or was serving at the request of Seacoast as a director, officer, employee or agent of another business entity, provided that such individual acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of Seacoast and, with respect to any criminal proceedings, did not know the conduct was unlawful. The Seacoast Bylaws provide for the advancement of expenses to its directors or officers in advance of the final disposition of such proceeding, the purchase of insurance by Seacoast against any liability of directors, officers, employees or agents, and the survival of such indemnification to any indemnified person's heirs. The indemnification provisions are non-exclusive, and do not impair any other rights to which those seeking indemnification or advancement of expenses may be entitled.

*Big Lake.* The provisions in the Big Lake Bylaws related to indemnification are substantially similar to those contained in the Seacoast Bylaws. The Big Lake Bylaws permit Big Lake to indemnify and to reimburse reasonable expenses actually incurred by any director, officer, employee or agent of Big Lake against liabilities of such person arising by reason of the fact that such person is or was a director, officer, employee or agent of Big Lake or is or was serving at the request of Big Lake as a director, officer, employee or agent of another business entity, provided that such person acted in good faith and in a manner he reasonably believed to be in the best interest of Big Lake and, with respect to any criminal proceedings, did not know the conduct was unlawful. In the event that any such director, officer, employee or agent is successful on the merits or otherwise in the defense of any proceeding to be indemnified, Big Lake is required to indemnify such person. The Big Lake Bylaws provide for the advancement of expenses to its directors or officers in advance of the final disposition of such proceeding and the survival of such indemnification to any indemnified person's heirs, and the Big Lake Bylaws allow the board of director to purchase insurance for the indemnification of its directors, officers, employees or agents for certain losses and expenses.

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**APPRAISAL RIGHTS**

*The following discussion is a summary of the law relating to appraisal rights available under Florida law. This description is qualified in its entirety by the full text of the relevant provisions of the FBCA, which are reprinted in their entirety as Appendix B to this proxy statement-prospectus. If you desire to exercise appraisal rights, you should review carefully the FBCA and are urged to consult a legal advisor before electing or attempting to exercise these rights.*

Under Florida law, each shareholder of Big Lake entitled to vote on the merger who strictly complies with the procedures set forth in Sections 607.1301 through 607.1333 of the FBCA relating to appraisal rights is entitled to receive in cash the fair value of his or her shares of Big Lake Stock. Fair value means the value of the corporation's shares as determined immediately before the merger is effective, but excluding any appreciation or depreciation in anticipation of the merger (unless such exclusion would be inequitable to Big Lake and its shareholders). **To perfect appraisal rights, a shareholder of Big Lake must comply strictly with the procedures set forth in Sections 607.1301 through 607.1333 of the FBCA. Failure to follow these procedures will result in a termination or waiver of the shareholder's appraisal rights.**

To assert appraisal rights, a holder of record of Big Lake Stock must not vote in favor of the merger agreement and must provide written notice to Big Lake before the vote on the merger agreement is taken at the special meeting indicating that such shareholder intends to demand payment if the merger is effectuated. Simply not voting for the merger, abstaining, or voting against the merger agreement does not satisfy the requirement to give notice. Such written notification should be delivered either in person or by mail (certified mail, return receipt requested, being the recommended form of transmittal) to:

Big Lake Financial Corporation  
1409 S. Parrott Avenue  
Okeechobee, FL 34974  
(863) 467-4663

All such notices must be signed in the same manner as the shares are registered on the books of Big Lake. If a shareholder has not provided written notice of intent to demand fair value before the vote is taken at the special meeting, the shareholder will be deemed to have waived his or her appraisal rights.

A shareholder must demand appraisal rights with respect to all of the shares registered in his or her name, except that a record shareholder may assert appraisal rights as to fewer than all of the shares registered in the record shareholder's name but that are owned by one or more beneficial shareholders, if the record shareholder objects with respect to all shares owned by the beneficial shareholder. A record shareholder must notify Big Lake in writing of the name and address of each beneficial shareholder on whose behalf appraisal rights are being asserted. A beneficial shareholder may assert appraisal rights as to any shares held on behalf of the shareholder only if the shareholder submits to Big Lake the record shareholder's written consent to the assertion of such rights before the date specified in the appraisal notice as the due date to execute and return the form, and does so with respect to all shares that are beneficially owned by the beneficial shareholder.

Within 10 days after the merger's effective time, Seacoast, as successor to Big Lake in the merger, will provide each former shareholder of Big Lake who has voted against the merger and properly provided a notice of intent to demand payment of fair value a written appraisal notice and form, which will indicate Seacoast's estimate of the fair value of Big Lake common stock, contain an offer by Seacoast to pay the shareholder this estimate of fair value, and be

accompanied by a copy of Big Lake's financial statements and a copy of Sections 607.1301 through 607.1333 of the FBCA. The appraisal notice will provide that a shareholder may obtain information on the number of shareholders who return the appraisal form and the number of shares owned by those shareholders. It will also indicate the date by which Seacoast must be notified if a shareholder wishes to withdraw from the appraisal process.

A shareholder asserting appraisal rights must execute and return the form to Seacoast, as successor to Big Lake, and deposit the shareholder's certificates in accordance with the terms of the notice, before the date specified in the appraisal notice, which will not be fewer than 40 or more than 60 days after the appraisal



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notice and form were sent to the shareholder. A shareholder who timely returns the form and deposits shares in accordance with the appraisal notice has no further rights as a shareholder, but only has the right to receive fair value for the shares in accordance with the appraisal procedures, unless the appraisal demand is withdrawn.

A shareholder who does not execute and return the form and deposit his or her certificates by the date set forth in the appraisal notice will no longer be entitled to appraisal rights, will be bound by the terms of the merger agreement, and will receive the merger consideration consisting of Seacoast Stock. A shareholder who complies with the terms of the notice but wishes to withdraw from the appraisal process may do so by notifying Seacoast in writing no more than 20 days after the date set forth in the appraisal notice as the due date to execute and return the form. A shareholder who fails to withdraw from the appraisal process in a timely manner may not thereafter withdraw without Seacoast's written consent.

If a shareholder timely accepts the offer to pay the fair value of the shares as set forth in the appraisal notice, payment will be made within 90 days after Seacoast receives the form from the shareholder. A shareholder who is dissatisfied with the offer must include in his or her returned form a demand for payment of that shareholder's estimate of the fair value of the shares plus interest; otherwise the shareholder will be entitled to payment of only the amount offered. Interest is to be calculated at the interest rate on judgments in Florida in effect at the merger's effective time. Once Seacoast has made payment of an agreed value as described above, the shareholder will cease to have any further appraisal rights in the shares.

If Seacoast and the shareholder asserting appraisal rights are unable to agree on the fair value of the shares, under Section 1330 of the FBCA, Seacoast will be required to file within 60 days after receipt of the shareholder's demand, an appraisal action in the appropriate court in Okeechobee County. The court would be required to determine the fair value of the shares of Big Lake common stock. If Seacoast fails to file such proceeding within 60 days, any shareholder asserting appraisal rights may do so in the name of Seacoast. All shareholders asserting appraisal rights, except for those that have agreed upon a value with Seacoast, are deemed to be parties to the proceeding. In such a proceeding, the court may, if it so elects, appoint one or more persons as appraisers to receive evidence and recommend a decision on the question of fair value. Seacoast would be required to pay each shareholder asserting appraisal rights the amount found to be due within ten days after final determination of the proceedings. At the court's discretion, the judgment may include interest at a rate determined by the court. Upon payment of this judgment, the shareholder would cease to have any further appraisal rights with respect to his or her Big Lake shares.

The court in any appraisal proceeding will determine the costs and expenses (including attorneys' and experts' fees) of any appraisal proceeding and such costs and expenses will be assessed against Seacoast. However, all or any part of such costs and expenses (including attorneys' and experts' fees) may be apportioned and assessed against all or some of the shareholders that request an appraisal, in such amount as the court deems equitable, if the court determines that the shareholders acted arbitrarily or not in good faith with respect to the shareholders' appraisal rights. If the court finds that counsel for one shareholder substantially benefited other shareholders, and attorneys' fees should not be assessed against the corporation, the court may award counsel fees to be paid out of the amounts awarded to benefited shareholders.

**You must do all of the things described in this section and as set forth in Sections 607.1301 through 607.1333 of the FBCA in order to preserve your appraisal rights and to receive the fair value of your shares in cash (as determined in accordance with those provisions). If you do not follow each of the steps as described above, you will have no right to receive cash for your shares as provided for appraisal rights by the FBCA. In view of the complexity of these provisions of Florida law, shareholders of Big Lake who are considering exercising their appraisal rights should consult their legal advisors.**



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**INFORMATION ABOUT SEACOAST**

**General**

Seacoast is a bank holding company registered with the Federal Reserve under the BHC Act. On December 30, 1983, Seacoast acquired 100% of First National in exchange for Seacoast Stock.

First National commenced operations in 1933 under the name Citizens Bank of Stuart pursuant to a charter originally granted by the State of Florida in 1926. First National converted to a national bank on August 29, 1958.

Through First National and its broker-dealer subsidiary, Seacoast offers a full array of deposit accounts and retail banking services, engages in consumer and commercial lending and provides a wide variety of trust and asset management services, as well as securities and annuity products. Seacoast's primary service area is the Treasure Coast, which consists of Martin, St. Lucie and Indian River Counties, Florida. First National operates banking offices in the following cities: five in Stuart, two in Palm City, two in Jensen Beach, one on Hutchinson Island, one in Hobe Sound, five in Vero Beach, two in Sebastian, six in Port St. Lucie, and two in Ft. Pierce. First National has expanded into northern Palm Beach County where it currently operates five full service banking offices. Additionally, through Century National Bank, Seacoast operates three banking offices in Orlando, Florida.

As of September 30, 2005, Seacoast had total consolidated assets of approximately \$2.1 billion, deposits of approximately \$1.8 billion and shareholders' equity of approximately \$149.5 million.

The principal executive offices of Seacoast and First National are located at 815 Colorado Avenue, Stuart, Florida 34994, and the telephone number at that address is (772) 287-4000. Seacoast and First National maintain Internet websites at [www.seacoastbanking.net](http://www.seacoastbanking.net) and [www.fnbt.net](http://www.fnbt.net), respectively. We are not incorporating the information on these websites into this proxy statement-prospectus.

Seacoast continues to explore opportunities to acquire financial institutions as part of its expansion strategy. Thus, at any particular point in time, including the date of this proxy statement-prospectus, discussions and, in some cases, negotiations and due diligence activities looking toward or culminating in the execution of preliminary or definitive agreements with respect to potential acquisitions may occur or be in progress. These transactions may involve Seacoast acquiring such financial institutions in exchange for cash or Seacoast Stock or a combination of cash and common stock. Depending on their terms, these transactions may have a dilutive effect upon the Seacoast Stock to be issued in the merger to shareholders of Big Lake.

**Market Price and Dividends Declared on Seacoast Common Stock**

Seacoast Stock is traded on The Nasdaq National Market under the symbol SBCF. The following table sets forth, for the periods indicated, the high and low sale prices per share of Seacoast Stock as reported on The Nasdaq National Market and the quarterly dividends declared and paid for each such period.

**Price Range of Common Stock and Quarterly Dividends**

<b>2006</b>	<b>High</b>	<b>Low</b>	<b>Dividend</b>
First Quarter (through February 10, 2006)	\$ 25.90	\$ 22.57	

<b>2005</b>	<b>High</b>	<b>Low</b>	<b>Dividend</b>
Fourth Quarter	\$ 25.38	\$ 21.02	\$ 0.15
Third Quarter	25.74	19.40	0.15
Second Quarter	20.82	18.03	0.14
First Quarter	22.74	19.30	0.14

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Fourth Quarter	\$ 24.01	\$ 19.95	\$ 0.14
Third Quarter	22.35	18.85	0.14
Second Quarter	21.50	18.08	0.13
First Quarter	21.65	17.40	0.13

The holders of Seacoast Stock receive dividends if and when declared by the Seacoast board of directors out of legally available funds. Following the completion of the merger, Seacoast expects to continue paying quarterly cash dividends on a basis consistent with past practice. However, the declaration and payment of dividends will depend upon business conditions, operating results, capital and reserve requirements and consideration by the Seacoast board of directors of other relevant factors.

**Recent Developments**

Seacoast issued \$20,619,000 in junior subordinated debentures on December 16, 2005. These junior subordinated debentures were issued in conjunction with the formation of a Connecticut statutory trust subsidiary, SBCF Capital Trust II, which completed a private sale of \$20.0 million of Floating Rate Preferred Securities ( trust preferred securities ) on the same date. The rate on the trust preferred securities is the 3-month LIBOR rate plus 133 basis points. The rate, which adjusts every three months, is currently 5.83 percent per annum. The trust preferred securities mature on March 15, 2036, and can be called without penalty on or after March 15, 2011.

The proceeds from the sale of these trust preferred securities were used to pay down \$5 million in Seacoast debt bearing interest at a rate of LIBOR plus 1.75% and to provide capital to support its growth and capital adequacy, for possible acquisitions and for general corporate purposes.

**Additional Information**

Additional financial and other information relating to Seacoast, and information relating to Seacoast's directors and executive officers, is incorporated into this proxy statement-prospectus by reference. See the section entitled "Where You Can Find Additional Information."

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**INFORMATION ABOUT BIG LAKE**

**General**

Big Lake is a bank holding company registered with the Federal Reserve under the BHC Act. Big Lake owns all of the outstanding shares of capital stock of Big Lake Bank. Big Lake Bank is a national bank headquartered in Okeechobee, Florida. Big Lake Bank began operations on July 14, 1986 and conducts its operations through nine full service locations throughout central Florida.

Big Lake Bank provides a range of consumer and commercial banking services, including demand interest bearing and non-interest bearing accounts, money market deposit accounts, NOW accounts, time deposits, safe deposit services and cash management. Big Lake Bank also makes real estate, commercial and consumer loans to individuals and small businesses in the St. Lucie metropolitan statistical area.

As of September 30, 2005, Big Lake had total assets of \$306.6 million, total deposits of \$281.4 million, total net loans of \$194.3 million and shareholders' equity of \$21.4 million.

**Business and Properties**

*Lending Activities.* Big Lake Bank offers a range of lending services, including real estate, consumer and commercial loans to individuals and small businesses and other organizations that are located in, or conduct a substantial portion of their business in, Big Lake Bank's markets. The interest rates charged on loans vary with the degree of risk, maturity, and amount of the loan, and are further subject to competitive pressures, money-market rates, availability of funds, and government regulations. Big Lake Bank has no foreign loans or loans for highly leveraged transactions.

Big Lake Bank's loans are concentrated in three major areas: commercial loans, real estate loans and consumer loans. A majority of Big Lake Bank's loans are made on a secured basis. As of September 30, 2005, approximately 89.4% of Big Lake Bank's loan portfolio consisted of loans secured by mortgages on residential and commercial properties.

Big Lake Bank's commercial loan portfolio includes loans to individuals and small-to-medium-sized businesses located primarily in Okeechobee, Highlands, Hardee, DeSoto, Glades, Hendry and St. Lucie Counties for working capital, equipment purchases, and various other business purposes. A majority of commercial loans are secured by real estate, equipment, or similar assets, but these loans may also be made on an unsecured basis. Commercial loans may be made at variable or fixed rates of interest. Commercial lines of credit are typically granted for one year. Other commercial loans with terms or amortization schedules of longer than one year will normally carry interest rates which vary with the prime lending rate and will become payable in full and are generally refinanced in three to five years. Commercial and agricultural loans not secured by real estate amounted to approximately 5.3% of Big Lake Bank's total loan portfolio as of September 30, 2005.

Big Lake Bank's real estate loans are secured by mortgages and consist primarily of loans to individuals and businesses for the purchase, improvement of or investment in real estate and for the construction of single-family residential units or the development of single-family residential building lots. These real estate loans may be made at fixed or variable interest rates. Big Lake Bank's residential real estate loans generally are repayable in monthly payments based on up to a 30-year amortization schedule with variable interest rates.

Big Lake Bank's consumer loan portfolio consists primarily of loans to individuals for various consumer purposes, but includes some business purpose loans which are payable on an installment basis. The majority of these loans are for

terms of less than five years and are secured by liens on various personal assets of the borrowers, but consumer loans may also be made on an unsecured basis. Consumer loans are made at fixed and variable interest rates, and are often based on up to a five-year amortization schedule.

Loan originations are derived from a number of sources. Loan originations can be attributed to direct solicitation by our loan officers, existing customers and borrowers, advertising, walk-in customers and, in some instances, referrals from brokers.

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Certain credit risks are inherent in making loans. These include prepayment risks, risks resulting from uncertainties in the future value of collateral, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual borrowers. In particular, longer maturities increase the risk that economic conditions will change and adversely affect collectibility. Big Lake Bank attempts to reduce credit losses through various means. In particular, on larger credits, Big Lake Bank will generally rely on cash flow of a debtor as the source of repayment and secondarily on the value of the underlying collateral. In addition, Big Lake Bank attempts to utilize shorter loan terms in order to reduce the risk of a decline in the value of such collateral.

### ***Investments.***

Big Lake Bank invests a portion of its assets in U.S. Treasury and U.S. Government agency obligations and mortgage-backed securities ( MBS ) and federal funds sold. These investments are managed in relation to loan demand and deposit growth, and are generally used to provide for the investment of excess funds at low risk while providing liquidity to fund future increases in loan demand or to offset fluctuations in deposits.

With respect to the investment portfolio, Big Lake Bank s total portfolio may be invested in U.S. Treasury and general obligations of agencies, municipal securities and mutual funds because such securities generally represent a low investment risk. Occasionally, Big Lake Bank will purchase certificates of deposits of national and state banks. These investments may not exceed \$100,000 in any single institution (the limit of FDIC insurance for deposit accounts). MBS are backed by U.S. Government agencies, such as Ginnie Mae, and U.S. Government sponsored enterprises, such as Fannie Mae and Freddie Mac, and are secured by residential mortgage loans and generally have a shorter life than the stated maturity. Big Lake Bank will sell Federal funds to approved correspondent banks to the extent it has excess cash available over and above daily cash needs. This money is invested on an overnight basis.

Big Lake Bank s Asset Liability Committee monitors changes in financial markets. In addition to investments for the Bank s portfolio, the daily cash position is monitored in an effort to make all available funds earn interest at the earliest possible date. A portion of the investment account is designated as secondary reserves and invested in liquid securities that can be readily converted to cash with minimum risk of market loss. These investments usually consist of U.S. Treasury obligations, U.S. Government agencies and federal funds sold. The remainder of the investment account may be placed in investment securities of different type and longer maturity. Investment maturities are staggered so as to produce a steady cash flow in the event cash is needed or economic conditions change to a more favorable rate environment.

### ***Deposits.***

Deposits are the major source of funds for lending and other investment activities. Big Lake Bank considers the majority of regular savings, demand, NOW and money market deposit accounts to be core deposits. At September 30, 2005, these core deposits comprised approximately 80.5% of consolidated total deposits, while certificates of deposits made up approximately 18% of deposit balances. Time deposits of \$100,000 and more represented approximately 5.1% of the total deposit base at September 30, 2005. Geographically, the majority of the deposits are generated from Okeechobee, DeSoto, Glades, Hardee, Highlands, Hendry and St. Lucie Counties. Big Lake Bank does not accept brokered deposits.

### ***Properties.***

Big Lake Bank s corporate office is located at 1409 South Parrott Avenue, Okeechobee, Florida 34974. Business is conducted through nine banking offices and three support facilities located in Okeechobee, DeSoto, Glades, Hardee, Highlands, Hendry Counties and St. Lucie Counties. The following table sets forth the





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location of each of the offices, the year the office was opened and the net book value (in thousands) of each office and related equipment.

<b>Location</b>	<b>Date Acquired</b>	<b>Leased or Owned</b>	<b>Net Book Value of Land, Buildings and Equipment at September 30, 2005 (In thousands)</b>
Main Office 1409 South Parrott Avenue Okeechobee, Florida 34974	1986	Owned	\$ 1,435
Branch 199 North US Highway 27 Lake Placid, Florida 33852	1995	Owned	290
Branch 300 South Berner Road Clewiston, Florida 33440	1998	Owned	513
Branch 6th Street and Highway 27 Moore Haven, Florida 33471	1998	Leased(1)	25
Branch 17 North Lee Street LaBelle, Florida 33935	1998	Owned	435
Branch 1601 East Oak Street Arcadia, Florida 34266	1998	Owned	409
Branch 202 North 6th Avenue Wauchula, Florida 33874	1998	Leased(2)	32
Operations Center Annex 3180 Highway 441 S.E. Okeechobee, Florida 34974	1999	Leased(3)	39
Operations Center 1832 Highway 441 S.E. Okeechobee, Florida 34974	1992	Owned	926
Human Resources and Training Facility 107 S.W. 17th Street, Suite B Okeechobee, Florida 34974	1999	Leased(4)	25
Branch 500 North Parrott Avenue Okeechobee, Florida 34972	2004	Owned	1,772
Branch 1352 SW St. Lucie West Blvd Port St. Lucie, Florida 34987	2003	Owned	1,572

- (1) Lease expires January 1, 2007.
- (2) Lease expires in 2008 and has one renewal option of five years.
- (3) Lease expired in 2004 and was renewed for five years.
- (4) Lease is on a month-to-month basis.

### **Competition**

The banking industry in general, and the central Florida market in particular, is characterized by significant competition for both deposits and lending opportunities. In this market area, Big Lake Bank competes with other commercial banks, savings and loan associations, credit unions, finance companies,

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mutual funds, insurance companies, brokerage and investment banking firms, and various other nonbank competitors. Competition for deposits may have the effect of increasing the rates of interest paid on deposits, which would increase the cost of money and possibly reduce net earnings. Competition for loans may have the effect of lowering the rate of interest that can be charged on new loans, which would lower the return on invested assets and possibly reduce net earnings.

Many of the competitors in Big Lake Bank's markets have been in existence for a significantly longer period of time, are larger and have greater financial and other resources and lending limits, and may offer certain services that Big Lake Bank does not provide at this time. However, the central Florida market presents an opportunity to provide tailor-made custom banking products and high-quality personal services through local offices which are not generally offered in Big Lake's market area by the money center, super-regional and regional bank competitors. Big Lake Bank has used this strategy to capture a significant share of the professional market, entrepreneurs, and small to medium size commercial businesses in its markets by continuing to provide exceptional banking services to all customers.

**Employees**

As of September 30, 2005, Big Lake Bank had 114 full-time employees (including executive officers) and 5 part-time employees. The employees are not represented by a collective bargaining unit.

**Legal Proceedings**

Big Lake is periodically a party to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, claims involving the making and servicing of real property loans, and other issues incident to their respective businesses. Management does not believe that there is any pending or threatened proceeding against us which, if determined adversely, would have a material adverse effect on Big Lake's consolidated financial position.

**Stock Ownership of Principal Shareholders, Management and Directors**

The following table sets forth, as of September 30, 2005, the stock ownership by each of Big Lake's directors and executive officers, by all directors and executive officers as a group and by other owners of more than 5% of the outstanding shares of Big Lake Stock.

<b>Shareholder</b>	<b>Number of Shares Held</b>	<b>Percent Owned</b>
Edwin E. Walpole, III Director & Chairman of the Board(1)	83,210	13.9382%
H. Gilbert Culbreth, Jr. Director & Vice-Chairman of the Board(1)	67,290	11.2715%
Curtis S. Fry Director(1)	44,015	7.3727%
Joe G. Mullins Officer & Director(1)	21,217(2)	3.5539%
John W. Abney, Sr. Director(1)	12,302	2.0606%
Mary Beth Cooper Director(1)	5,371	.8997%
Randall A. Jones Director(1)	5,430	.9096%
John Boy, Jr. Director(1)	3,601	.6032%
Bobby H. Tucker Director(1)	2,919	.4890%
Robert E. Coker Director(1)	2,267	.3797%
All Directors and Executive Officers as a group (13 persons)	247,622	41.4783%
Other Shareholders owning over 5%		

Betty Kelly(3)	34,743	5.8196%
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(1) The address of the beneficial owner is 1409 S. Parrott Avenue, Okeechobee, Florida 34974.

(2) Excludes options exercisable for 512 shares of Big Lake common stock.

(3) The address of the beneficial owner is P.O. Box 176, Okeechobee, Florida 34973-0176.

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**Related Party Transactions**

Certain directors and executive officers of Big Lake Financial Corporation, and their related interests, had loans outstanding in the aggregate amount of \$7,254,000 at September 30, 2005. These loans were made in the ordinary course of business on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other person not affiliated with Big Lake Bank and did not involve more than normal risks of collectability or present other unfavorable features. The prohibitions on certain extensions of credit to directors and executive officers contained in the Sarbanes-Oxley Act do not apply to any of these loans.