

# ODYSSEY MARINE EXPLORATION INC

## FORM 10KSB (Annual Report (Small Business Issuers))

Filed 05/25/01 for the Period Ending 02/28/01

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|-------------|--|
| Address     | 5215 WEST LAUREL STREET<br>TAMPA, FL 33607 |
| Telephone   | (813) 876-1776                             |
| CIK         | 0000798528                                 |
| Symbol      | OMEX                                       |
| SIC Code    | 4400 - Water transportation                |
| Industry    | Business Services                          |
| Sector      | Services                                   |
| Fiscal Year | 12/31                                      |

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

**FORM 10-KSB**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**For the Fiscal Year ended February 28, 2001**

*Commission File Number 0-26136*

**ODYSSEY MARINE EXPLORATION, INC.**

(Exact name of small business issuer as specified in its charter)

Nevada

84-1018684

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
identification No.)

3604 Swann Avenue, Tampa, Florida 33609  
(Address of principal executive offices)

(813) 876-1776  
(Registrant's telephone number including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

As of April 30, 2001, the Registrant had 17,865,537 shares of Common Stock, \$.0001 Par Value, outstanding, and the aggregate market value of the shares held by non-affiliates on that date was approximately \$4,502,422.

Transitional Small Business Disclosure format: Yes  No

## PART I

This Annual Report on Form 10-KSB contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The statements regarding Odyssey Marine Exploration, Inc. and its subsidiaries contained in this report that are not historical in nature, particularly those that utilize terminology such as "may," "will," "should," "likely," "expects," "anticipates," "estimates," "believes" or "plans," or comparable terminology, are forward-looking statements based on current expectations and assumptions, and entail various risks and uncertainties that could cause actual results to differ materially from those expressed in such forward-looking statements. Important factors known to us that could cause such material differences are identified in this report and in our "RISK FACTORS" in Item 1. We undertake no obligation to correct or update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any future disclosures we make on related subjects in future reports to the SEC.

### ITEM 1. DESCRIPTION OF BUSINESS

#### GENERAL

Odyssey Marine Exploration, Inc (the "Company" or "Odyssey"), is a Nevada corporation formed March 5, 1986. Our principal office is located at 3604 Swann Ave., Tampa, Florida 33609 and our phone number is (813) 876-1776.

The Company has one wholly owned subsidiary, Odyssey Marine, Inc., a Florida corporation, that was incorporated on November 2, 1998.

The Company maintains a web site at [www.shipwreck.net](http://www.shipwreck.net).

#### DESCRIPTION OF BUSINESS

Odyssey is engaged in the business of conducting archaeologically sensitive recoveries of cargo and artifacts from various shipwrecks. The Company plans to produce revenue by exhibiting the artifacts and selling merchandise consisting of certain cargoes, replicas of the artifacts and general merchandise relating to the specific shipwrecks or the shipwreck business in general. In addition, the Company plans to produce revenue in the form of project sponsorships and through the sale of intellectual property rights.

The shipwreck business consists of six major component areas.

A. Project Development: Research and Government Liaison  
B. Offshore Search and Inspections  
C. Offshore Recovery Operations  
D. Conservation and Documentation of Artifacts  
E. Sharing the Knowledge and the Artifacts with the Public  
F. Marketing the Cargoes, Artifact Replicas and Ancillary Products

#### A. PROJECT DEVELOPMENT: RESEARCH AND GOVERNMENT LIAISON

The foundation for any shipwreck search and recovery expedition is the research behind the project. Not only is the research critical to evaluate the potential value, location and viability of a shipwreck project, but also to establish the historical significance and the archaeological approach to the excavation that may be required.

The Company uses several outside shipwreck researchers to identify potentially viable projects. Data from these researchers is brought in and checked against the Company's own database and resources, compared against information from other experts in the industry, then reviewed by a review board comprised of one or more outside directors and one executive officer, before further money is spent on the project.

Once a project looks promising, the next step is to develop a working relationship with the government or company that holds the rights to that shipwreck. Development of these relationships is often time-consuming and requires tremendous patience. Many foreign governments have had bad experiences with "treasure hunters" in the past and are wary and skeptical of any mention of shipwrecks.

In the case of shipwrecks that lie beyond any government's jurisdiction, how and where the artifacts or cargo from the shipwreck are brought ashore could determine whether the Company could even legally claim the cargo.

Once the Company is satisfied with the historical research and its legal rights to a specific shipwreck, the project will enter the next phase.

## **B. OFFSHORE SEARCH AND INSPECTIONS**

Most offshore search operations are conducted by first utilizing a side scan sonar to detect anomalies on the seabed. After one or more promising anomalies are located, a remotely operated vehicle ("ROV") is deployed to inspect and make a video record of the anomaly.

ROV's can be equipped with a wide variety of tools enabling the operator to pick up samples, dredge or remove sand and/or overburden, take video footage or still photos and to acquire approximate measurements of the visible wreck site. There are several companies that lease the vessels, equipment and personnel necessary to conduct offshore search operations. The Company intends to lease the necessary vessels and equipment until such time as the Company's utilization of vessels and equipment justifies ownership and the financing for such vessels and equipment is available. The Company retains its own project manager to ensure quality control.

## **C. OFFSHORE RECOVERY OPERATIONS**

Since all of the Company's projects are currently located in deep water, recovery operations will most likely be conducted utilizing remote operated vehicles.

How a recovery operation will be conducted depends on a number of factors including the depth of the water, the age, condition, historical and archaeological importance of the wreckage, local weather and tidal conditions.

Once the decision has been made to recover a shipwreck, the Company will work with vessel and equipment contractors, archeologists and other interested parties to determine the most appropriate method of recovery.

#### **D. CONSERVATION AND DOCUMENTATION OF ARTIFACTS.**

Conservation of artifacts has, in recent years, become a well-documented and organized function that can be undertaken efficiently by any number of professional organizations. The Company may contract these services or elect to establish its own conservation facilities if recovery operations are successful.

#### **E. SHARING THE KNOWLEDGE AND THE ARTIFACTS WITH THE PUBLIC**

The recent success of the movie Titanic, and the associated success of the sale of coal pieces from the shipwreck, books about the tragedy, sale of media rights and Discovery Channel coverage, as well as the popularity of the artifact exhibit underscore the importance of the public's exposure to the excitement of shipwrecks.

The Company plans to use documentaries, movies, books and major Internet communication facilities to provide the media with the technical and historical stories that the public finds so interesting. The Company plans to partner with major media outlets and publishers that should provide self-liquidating promotional opportunities that should provide income as well as exposure.

The heightened public awareness translates into brand equity in the shipwreck cargoes and artifacts that management believes will significantly enhance their value and collectibility.

#### **F. MARKETING THE CARGOS, ARTIFACT REPLICAS AND ANCILLARY PRODUCTS**

As the shipwreck industry moves from "treasure hunters" to businesses specializing in shipwreck exploration, a new business model is being developed. This model reflects the unique archaeological nature of the shipwreck industry while developing multiple revenue streams.

Odyssey plans to capitalize on the public's fascination with shipwrecks by developing opportunities for the public to share in the excitement. These plans include: joining the expedition as "adventure tourists", following the expedition on the Internet, watching television specials that bring together the history, search and recovery of shipwrecks, viewing video of recovery operations, owning coins or artifact replicas, and viewing shipwreck artifacts at both traveling and permanent exhibitions and tourist attractions.

Each shipwreck project is different, and Odyssey expects to generate different combinations of revenue from each project. The Company believes its five primary sources of revenue will be cargo and trade goods sales, merchandise sales, exhibit income, sponsorships and intellectual property (IP) rights.

#### **CARGO AND TRADE GOODS SALES**

Cargo and trade goods sales refers to items or "cargo" found on a ship that are not considered culturally significant. For example, from a shipwreck found with a large cargo of coins, Odyssey might market and sell those coins, after significant study of the collection and setting aside a representative sample for future study. Another project may recover gold bullion, which could quickly be sold. Other shipwrecks may never produce revenue from cargo sales. An example of this would be the "Melkarth" shipwreck, the ancient Punic or

Phoenician shipwreck discovered by Odyssey in September 1998. The artifacts recovered from this shipwreck may be too culturally and archaeologically significant to split-up the collection by selling the artifacts piecemeal. For shipwrecks such as the "Melkarth", the other identified revenue streams should allow Odyssey to recover, conserve and publish these archaeologically significant finds.

### **MERCHANDISE SALES**

Merchandise sales will comprise any items sold that were not recovered from a particular shipwreck. This merchandise can include artifact replicas (including jewelry), logo merchandise, videotapes, books and other products. Merchandise may be sold through retail outlets, over the Internet (e-commerce), in conjunction with exhibits, and through direct marketing, including home shopping or documericals.

### **EXHIBIT INCOME**

The Company believes that it can generate income by exhibiting recovered artifacts and selling merchandise to the attendees. Several types of exhibits under consideration are: (i) Permanent exhibits, which would be located in high traffic tourist areas and feature artifacts and exhibits from several shipwrecks, perhaps on a rotating basis; (ii) Large market exhibits, which could travel to larger cities and stay in place for 4 to 6 months featuring artifacts and exhibits from very important shipwrecks; and (iii) Short term traveling exhibits, which could consist of weeklong stops in secondary and tertiary markets which may be held in conjunction with one or more project sponsors. In addition to income from exhibit admission fees, all of the exhibit plans include opportunities for sponsorship income and merchandising through the sale of cargo, artifact replicas and/or other related merchandise.

### **SPONSORSHIPS**

Sponsorships will be available for some of Odyssey's projects. These corporate or institutional sponsorships will allow appropriate companies or products to share the media exposure and promotional opportunities associated with specific Odyssey expeditions, from search and recovery through exhibit of artifacts.

### **INTELLECTUAL PROPERTY**

Intellectual Property (IP) rights include media rights (television, film, book, video, and photos), and licensing fees. "Rights" fees to shipwreck projects will be weighed against the PR value of the exposure (which drives merchandise sales), and what future rights the company may retain to promote sales.

The current increase in the number of digital television channels should drive a major increase in the need for content (programming). Retaining some or all rights to the television specials produced for each project could generate additional revenue stream from licensing fees to the domestic and international television markets long into the future.

## **ACTIVE PROJECTS**

The Company currently has several projects in various stages of development and has plans to conduct operations on at least one of its sites during 2001. All of the shipwrecks that Odyssey seeks to locate and recover are given "project names". These names are not the actual names of the shipwrecks.

### **CAMBRIDGE PROJECT**

The "Cambridge Project" is an expedition to locate, recover and market the artifacts and cargo of a large colonial-period warship, lost in a severe storm in the 1600's. Based on research conducted by the Company and its researchers, management believes that there is a high probability that the ship was carrying a cargo of coins with a bullion value of between \$20 and \$75 million and a potential numismatic value of between \$200 million to over \$1 billion. This will depend on whether the specie referenced in research documents is gold or silver, its denomination and condition, and the method chosen for marketing.

During 1998, the Company conducted search operations over an area of approximately 100 square miles. Several anomalies were located and several shipwrecks, including a Phoenician wreck dubbed "Melkarth" were identified. The Cambridge was not located within the original search area. This led the Company to conclude the Cambridge is most likely located in the territorial waters of a country with strict underwater exploration laws. During April 1999, the Company was issued a Permit from this country to expand the search for the Cambridge into their territorial waters.

During the summer of 1999, a side scan sonar survey was conducted over an area of approximately 65 square miles. During this operation, 210 anomalies were located. After post processing of the data, all but 132 were eliminated. Of the remaining 132 targets, only 20 were considered to be of a size and shape consistent with the target sought after by the Company.

The Company returned to the work area in July 2000, and inspected 20 anomalies with a remotely operated vehicle. These inspections identified eight shipwrecks, eight areas of geology and four areas of debris jettisoned from passing ships.

The Company is currently conducting an expedition to the Cambridge work area. Additional areas are being side scanned and all promising anomalies will be visually inspected with a remotely operated vehicle. Depending on the outcome of the expedition, the Company will determine what future work will be conducted on the project.

### **REPUBLIC PROJECT**

The "Republic Project" is an attempt to locate, identify, recover, conserve and market the cargo of a steam ship that sank after the Civil War. According to the Company's research, the "Republic's" cargo is believed to include approximately 48,000 troy ounces of gold. While the bullion value (at \$280 per ounce) is approximately \$13,000,000, much of the gold may have been shipped as dust, nuggets, and privately minted coins and bars from the gold fields, potentially increasing the value of the cargo.

Another Company offered the "Republic Project" to the Company in 1999. After conducting research and due diligence on the project, the Company signed an Agreement to take over the project. The Agreement provides for the Company to assume all financial and management responsibilities for the Project. The Company is obligated to pay twenty percent of the Adjusted Gross Profit to the researchers and approximately five percent of the gross recovery to insurance interests. In addition, the Company sold Revenue Participation Certificates to individuals in order to finance the project. These individuals will receive approximately five percent of the Adjusted Gross Revenue.

During 1999, the Company conducted ROV inspections of the anomalies identified during a previous side scan survey of the area. Although certain anomalies were found, it was determined that the positioning data was generally unreliable, so plans were made to continue the operation in 2000.

During June 2000, the Company conducted side scan and ROV operations over an area of approximately 65 square miles and during September 2000, the company side scanned an additional 80 square miles. The Company is reviewing the data from the 2000 expeditions and making plans for ROV inspections and, potentially, additional side scan operations.

If the Republic is located, recovery operations will begin as soon as the archaeological excavation plan is complete.

### **CONCEPCION PROJECT**

The "Concepcion Project" is a project attempting to locate, identify, recover, conserve and market the cargo of an early 18th century shipwreck that sank while carrying a large cargo of gold. Value estimates by Management for the Concepcion Project range from a gold bullion value of approximately \$35 million to a potential numismatic and collector's value of well over \$100 million.

*Pesquisas Arqueologicas Maritimas, S.A. (Pesqamar), a Brazilian S/A, was formed to conduct the Concepcion Project. The Company owns 24.5% of the Common Voting Stock and 55% of the Preferred Non-Voting Stock of Pesqamar.*

In August of 1995, Pesqamar and Salvanav LTDA., a Brazilian salvage company competing for the same shipwreck, entered into an agreement forming a Brazilian consortium known as Consorcio Para Pesquisas Arqueologicas Submarinas (CONPAS). CONPAS conducted all operations on the shipwreck project until April of 1999 when a bifurcation agreement between the parties ended the operation of CONPAS. The sought after shipwreck has not yet been identified and the Company plans to continue searching for the shipwreck through Pesqamar.

In addition to its ownership in Pesqamar, the Company has signed a Finance Agreement with Pesqamar whereby it will receive 30% of the gross recovery for providing the search financing and, optionally, an additional 20% of the gross for providing the recovery financing. Assuming the shipwreck is located and the recovery financing option is taken, the combination of its ownership in Pesqamar and the Financing Agreement would entitle the Company to approximately 72.18% of any post government revenue that may be generated from this project.



The offshore search phase of this project was commenced during October 1996. To date over 400 square miles have been surveyed with side scan sonar, and ROV inspections have been conducted on approximately 20 sites. Due to the conditions observed with the ROV, a magnetometer survey was conducted on these sites during January and February 1998.

During 2000, Brazil changed certain laws relating to shipwreck recovery in its territorial waters. The Company is currently analyzing the new laws and exploring its options for continued operations.

## **DEEP-WATER VS SHALLOW WATER OPERATIONS**

The shipwreck business is broken into two primary areas: deep-water projects and shallow water projects. Traditionally shallow water projects, those easily accessed by divers with scuba gear, have comprised nearly 100% of the industry, primarily because the cost of entry is relatively low.

Some of the world's most famous shipwreck discoveries were made with minimal investment. As a result, the lack of archaeological professionalism associated with these projects brought a tremendous amount of criticism from the archaeological community. While this didn't dampen the public's enthusiasm for these ventures, the resulting conflict with the archaeological and scientific community caused a great deal of wariness in government and bureaucratic circles. The net result was a burgeoning body of law designed to limit or prevent access to shipwrecks. Many of the countries that are richest in potential shipwreck projects have enacted legislation that prevents salvors or divers from even touching these sites.

In addition to these problems of working in shallow water, there are several other factors that make shallow water shipwreck projects more risky. They include:

- \* Many competitors can afford to engage in shallow water projects.
- \* Ease of pirates stealing artifacts from shallow water sites.
- \* Possibility that the shipwrecks were already salvaged.
- \* Probability that the site is scattered over a large area by waves and currents.
- \* Difficulty of security when working with divers.
- \* Problems extracting encrusted and coral-covered artifacts.

Deep-water shipwrecks, on the other hand, exhibit characteristics that make them much more suitable for legitimate commercial operations. They include:

- \* It is usually easier to gain title to shipwrecks in international waters.
- \* Depth is a barrier to all but well-funded commercial operations.
- \* Deep shipwrecks tend to be in one capsule, perfect for archaeological excavation.
- \* In water greater than 200 meters, there is typically little coral or encrustation.
- \* Difficulty of access provides good site security.
- \* Expense dictates that archaeologists can't reach sites without commercial help.
- \* There is a high probability that shipwrecks have not been previously salvaged.

- \* High cost creates need for professionalism in all commercial operations.
- \* High tech nature of operation increases public interest.

For these reasons the Company has decided to concentrate on deep-water shipwreck projects.

## **COMPETITION**

The Company is aware of the following companies that are currently engaged in the deep-water shipwreck business:

- \* Nauticos
- \* Columbus America Group
- \* RMS Titanic, Inc.
- \* Comex

While each of these companies could be considered competitors, management does not believe that any of them are interested in any of the Company's current or planned projects.

There are also several companies engaged in deep-water oil exploration and seismic research. While these companies may own and operate the type of equipment necessary to locate and recover shipwrecks, the Company does not consider them to be competitors but rather potential suppliers.

On the marketing side, there is a cottage industry of a few shops and small museums around the country that market shipwreck artifacts.

In addition, SFX Entertainment has been promoting large public showings of Titanic artifacts that have been profitable for RMS Titanic, Inc., the company that owns those artifacts. The success of their first exhibition has spawned multiple shows, which are now traveling throughout the world. The profits from these shows are derived from entry fees and sale of gift items and souvenirs in the gift shop. They sell no actual artifacts from the Titanic, other than small bits of coal.

While this group might be considered competition, they are currently viewed more as pioneers that have proven the public's interest in shipwrecks.

## **EFFECT OF EXISTING OR PROBABLE GOVERNMENTAL REGULATIONS ON THE BUSINESS**

To the extent that the Company engages in shipwreck search and recovery activities in the territorial, contiguous or exclusive economic zones of countries, the Company must comply with applicable regulations and treaties. Prior to engaging in any project, the Company seeks legal advice to ascertain what effect this may have on the financial returns of the operation. This factor is taken into account in determining whether to proceed with a project as planned. In addition, there is currently an initiative being considered in the United Nations Educational, Scientific & Cultural Organization ("UNESCO") known as the Convention on the Protection of Underwater Cultural Heritage. If adopted, it could restrict access to historical shipwrecks throughout the world to the extent that it would require compliance with certain guidelines. These guidelines require adherence to strict archaeological practices, and the Company intends to follow these guidelines in all projects to which they are

applicable. The rules are still in a draft form, but the rule which may be problematic to the Company is the requirement that underwater cultural heritage not be sold. The current draft states that this may not prohibit the provision of archaeological services, and Odyssey intends to provide such services in its contracts with Governments. The Company believes that the primary value of the cargoes it seeks is trade goods (such as coins, bullion and gems), and therefore the Company does not believe that these items constitute artifacts of cultural significance. Nevertheless, the Company believes that the proposed convention, if adopted, could increase regulation of shipwreck recovery operations and may result in higher costs.

Management does not believe that the Convention will be adopted as presented, however, because the United States, Great Britain and several other critical countries have voiced their opposition to any Convention, which would prevent legitimate Private Sector access to shipwrecks. In addition, several organizations, including the Maritime Law Association, Historic Shipwreck Salvors Professional Association (HSSPAC) and the Professional Shipwreck Explorer's Association (ProSEA) are actively engaged in promoting the role of legitimate commercial access to shipwrecks. The Company's management has been involved in a leadership role in these initiatives, and Greg Stemm is presently a director, and past president of ProSEA, as well as a member of the United States delegation chosen to negotiate this Convention.

## **COST OF ENVIRONMENTAL COMPLIANCE**

While offshore operations and the operation of vessels require compliance with numerous environmental regulations, the Company intends to lease or charter the necessary vessel and equipment thereby transferring the responsibility of environmental compliance to the equipment and vessel owners.

## **EMPLOYEES**

The Company has five full time employees. In addition, the Company hires subcontractors and consultants from time to time to perform specific services.

## **RISK FACTORS**

Investors in shares of the Company's Common Stock should consider the following risk factors, in addition to other information in this Report:

1. **SPECIAL RISKS OF THE BUSINESS.** An investment in a business such as that of the Company should be considered extremely speculative and of exceptionally high risk. Although the Company has access to a substantial amount of research and data, which has been compiled regarding its various projects, the quality and reliability of such research and data, like all research and data of its nature, is unknown. Even if the Company is able to plan and obtain permits for its various projects, there is a possibility that the shipwrecks may have been salvaged, or may not have had anything of value on board at the time of the sinking. Furthermore, even if objects of believed value are located and recovered, there is the possibility that others, including both private parties and governmental entities, asserting conflicting claims, may challenge the Company's rights to the recovered objects. Finally, even if the Company is successful in locating and retrieving objects from a shipwreck and establishing good title thereto, there can be no assurance as to the value that such objects will bring at their sale, as the market for such objects is very uncertain.

2. **UNCERTAIN RELIABILITY OF RESEARCH AND DATA.** The success of a shipwreck project will be dependent to a substantial degree upon the research and data assimilated by the Company. By its very nature, however, all such research and data regarding shipwrecks, such as those sought by the Company, is imprecise, incomplete and unreliable as it is often composed of or effected by numerous assumptions, rumors, "legends", historical and scientific inaccuracies and inaccurate interpretations which have become a part of such research and data over time.

3. **DEPENDENCE ON OTHERS FOR LOCATION AND RECOVERY OF WRECKSITES.** While the Company currently owns certain search equipment, including side scan sonar, navigation equipment and an ROV capable of operations to approximately 1,000 feet, it will be necessary to contract with third parties for any additional equipment and/or labor necessary for the location and recovery of wrecksites. There can be no assurance that financing or third party contracts will be available to the Company. The availability of specialized recovery equipment may present a problem, and the cost of obtaining the use of such equipment to conduct recovery operations is uncertain and will depend on, in part, the location and condition of the wreckage to be recovered.

4. **NATURAL HAZARDS.** Underwater recovery operations are inherently difficult and dangerous and may be delayed or suspended by weather, sea conditions or other natural hazards. Further, such operations may be undertaken more safely during certain months of the year than during others. There can be no assurances that the Company and/or entities it is affiliated with will be able to conduct their search and/or recovery operations only during such favorable periods. In addition, even though sea conditions in a particular search location may be somewhat predictable, the possibility exists that unexpected conditions in a search area may occur and that such unexpected conditions might adversely affect the Company's operations. Further, it is possible that natural hazards may prevent or significantly delay search and/or recovery operations and therefore any distributions.

5. **UNCERTAIN TITLE TO OBJECTS LOCATED.** Persons and entities other than the Company and entities it is affiliated with (both private and governmental) may claim title to the shipwrecks. Even if the Company is successful in locating and recovering shipwrecks, there is no assurance that the Company will be able to establish its right to property recovered as against governmental entities, prior owners, or other attempted salvors claiming an interest therein.

6. **UNCERTAIN MARKET FOR AND VALUE OF RECOVERED OBJECTS.** Even if valuable items can be located and recovered, it is difficult to predict the price that might be realized for these items. The value of the recovered items will fluctuate with a precious metals market that has been highly volatile in recent years. Moreover, the entrance on the market of a large supply of similar items from shipwrecks located and recovered by others could itself depress the market for these items.

7. **DELAY IN DISTRIBUTION OR SALE OF RECOVERED OBJECTS.** The methods and channels which may be used in the disposition of the recovered items are uncertain at present and may include one or a combination of several alternatives. Ready access to buyers for disposition of any artifacts or other valuable items recovered, however, cannot be assured and delays in the disposition of such items are very possible.

8. **THEFT.** If the Company locates a shipwreck and asserts a valid claim to items of value, there is a risk of theft of such items at sea, both before and after their recovery, by "pirates" or poachers and while in transit to a safe destination.

9. **COMPETITION.** There are a number of competing entities engaged in various aspects of the shipwreck business. One or more of these competing entities may locate and recover the shipwreck that the Company is planning to locate and recover. In addition, these competing entities may be better capitalized and may have greater resources to devote to their pursuit of the shipwreck.

10. **FAILURE TO OBTAIN PERMITS.** It is possible that the Company will not be successful in obtaining title to, or permission to excavate the wrecks. In addition, permits for the projects may never be issued, and if issued, may not be legal or honored by the entities that issued them.

11. **NEED FOR ADDITIONAL CAPITAL.** Until the Company begins to generate revenue from the sale of recovered items, it will need additional capital in order to continue the search, recovery and marketing phases of its projects.

12. **PUBLIC MARKET FOR THE COMPANY'S COMMON STOCK.** Although there is a limited market for the Company's Common Stock, there can be no assurance that such a market can be sustained. The investment community could show little or no interest in the Company in the future. As a result, purchasers of the Company's securities may have difficulty in selling such securities should they desire to do so. The Common Stock currently trades on the OTC Bulletin Board.

13. **CONTROL BY EXISTING MANAGEMENT.** The current executive officers and directors of the Company control approximately 50.0% of the Company's outstanding voting power. Accordingly, the current executive officers and directors will continue to have the ability to significantly influence the outcome of elections of the Company's directors and other matters presented to a vote of shareholders.

14. **DIFFICULTY IN TRADING "PENNY-STOCKS".** The Company's securities may be subject to a rule that imposes additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers (as defined in the rule) and accredited investors (generally, institutions and, for individuals, an investor with assets in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with such investor's spouse). For transactions covered by this rule, the broker-dealer must make a special suitability determination for the purchaser and must have received the purchaser's written consent to the transaction prior to the purchase. Consequently, many brokers may be unwilling to engage in transactions in the Company's securities because of the added disclosure requirements, thereby making it more difficult for shareholders to resell Common Stock in the secondary market.

15. **GENERIC PREFERRED STOCK AUTHORIZED.** The Company's Articles of Incorporation authorize the issuance of up to 10,000,000 shares of Preferred stock. The Board of Directors has the right to establish the terms, preference, rights and restrictions of the Preferred stock. Other companies on occasion have issued series of such preferred stock with terms, rights, preferences and restrictions that could be considered to discourage other

persons from attempting to acquire control of such companies and thereby insulate incumbent management. It is possible the Company could issue shares of its Preferred stock for such a purpose. In certain circumstances, the existence of corporate devices that would inhibit or discourage takeover attempts could have a depressant effect on the market value of the Company's Common Stock.

## **ITEM 2. DESCRIPTION OF PROPERTY**

The Company maintains its offices at 3604 Swann Avenue, Tampa, Florida 33609. The offices consist of approximately 2,900 square feet of office space that the Company sub-leases from a non-affiliated company. The agreement began February 1, 2001 and expires January 31, 2003. The approximate yearly rental for the years ending February 28, 2001 and February 29, 2002 are \$44,800 and \$41,100 respectively.

## **ITEM 3. LEGAL PROCEEDINGS**

On February 18, 2000 two complaints were filed against the Company in the Circuit Court for the Thirteenth Judicial Circuit in and for Hillsborough County Florida, Civil Division, on behalf of plaintiff, Seahawk Deep Ocean Technology, Inc. ("Seahawk"), seeking approximately \$43,400, plus attorney fees, in payment for certain services rendered. In May of 2000, the Company paid Seahawk \$37,000 in full settlement of the cases.

On October 14, 1999, a judgement was entered in favor of the Company against Treasure & Exhibits International, Inc. ("VNSR") in the principal amount of \$341,500.08 plus prejudgment interest of \$16,361.78. The suit stemmed from certain "put" options granted to the Company by VNSR. The Company was able to offset the judgement through the sale of shares of VNSR stock that it held, and in November 1999, the parties entered into a settlement agreement that was personally guaranteed by Mr. Larry Schwartz, the then president of VNSR.

On December 28, 1999, the Company filed suit in the Circuit Court for the Thirteenth Judicial Circuit in and for Hillsborough County Florida, Civil Division against Larry Schwartz, seeking performance pursuant to his personal guarantee of the remaining VNSR debt. On March 7 2001, Odyssey was awarded a judgment in the amount of \$102,515.76 against Larry Schwartz. The Company is pursuing collection of this judgement from both parties.

## **ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS**

None.

## **PART II**

## **ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

### **(a) PRINCIPAL MARKET OR MARKETS.**

The Company's Common Stock is traded on the OTC Bulletin Board under the symbol "OMEX." The following table sets forth the range for the high and low bid quotations for the Company's securities as reported by the OTC Bulletin Board. These prices are believed to be representative inter-dealer quotations, without retail markup, markdown or commissions, and may not represent actual transactions.

| Quarter Ended     | Bid    |        |
|-------------------|--------|--------|
|                   | High   | Low    |
| February 28, 1999 | \$2.37 | \$0.81 |
| May 31, 1999      | \$1.69 | \$1.00 |
| August 31, 1999   | \$1.44 | \$0.81 |
| November 30, 1999 | \$0.81 | \$0.15 |
| February 29, 2000 | \$0.31 | \$0.13 |
| May 31, 2000      | \$1.22 | \$0.19 |
| August 31, 2000   | \$0.84 | \$0.31 |
| November 30, 2000 | \$0.34 | \$0.07 |
| February 28, 2001 | \$0.62 | \$0.08 |

(b) APPROXIMATE NUMBER OF HOLDERS OF COMMON STOCK.

The number of record holders of the Company's \$.0001 par value Common Stock at April 30, 2001, was 180. This does not include shareholders that hold their stock in accounts in street name with broker/dealers.

(c) DIVIDENDS.

Holders of the Common Stock and Series B Preferred stock are entitled to receive such dividends as may be declared by the Company's Board of Directors. No dividends have been paid with respect to the Company's Common or Preferred Stock and none are anticipated in the foreseeable future.

(d) RECENT SALES OF UNREGISTERED SECURITIES.

**COMMON STOCK**

During the three months ending February 28, 2001, the Company issued 75,606 shares of Common Stock to two individuals for accounts payable of \$20,000 and services valued at \$7,500. The Company issued 984,412 shares to four individuals for notes payable of \$187,487 and \$21,400 of accrued interest thereon. Five stockholders, who in total held 70,000 shares of Convertible Series A Preferred stock, surrendered the preferred stock for conversion into 262,500 shares of Common Stock.

The securities were issued pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933. The persons to whom these securities were issued were consultants to the Company, noteholders, or stockholders who made an informed investment decision and had access to material information regarding the Company. The certificates representing such common shares bear an appropriate legend restricting the transfer of such securities, and stop transfer instructions have been provided to the Company's transfer agent in accordance therewith.

Three officers of the Company were issued 1,250,000 shares of Common Stock for \$143,750 of notes receivable that were repaid by the officers during February 2001. A director of the Company was issued 864,008 shares of Common Stock pursuant to the Series B Convertible Preferred Stock Purchase Agreement detailed below.

## SERIES B CONVERTIBLE PREFERRED STOCK PURCHASE AGREEMENT

On February 28, 2001, the Company closed the Series B Convertible Preferred Stock Purchase Agreement, in which it sold, for \$3,000,000, a combination of 864,008 shares of the Company's Restricted Common Stock, 850,000 shares of Series B Convertible Preferred stock, and Warrants to purchase up to 1,889,000 shares of Restricted Common Stock. Each share of Series B Convertible Preferred stock is convertible into 10 shares of the Company's Common Stock at any time. The holder of the shares of Series B Convertible Preferred stock is entitled to vote such shares together with the holders of the Company's Common Stock on an "as converted" basis. In addition, the holder of the Series B Convertible Preferred stock is entitled to elect three members of the Board of Directors, and has special voting rights in connection with specified corporate actions. In the event of a liquidation or dissolution of the Company, the holder of the Series B Convertible Preferred stock is entitled to an amount equal to \$3.50 per share prior to any payments to holders of any other class of stock. Although the Series B Convertible Preferred stock has no separate dividend provisions, holders are entitled to receive any dividends paid to holders of Common Stock on an "as converted" basis. Under the terms of the Stock Purchase Agreement, the Series B Preferred stock purchaser received certain rights to require the Company to register the shares of Common Stock issuable on the conversion or exercise of the Preferred stock for resale under the Securities Act of 1933.

The Warrants issued pursuant to the Series B Preferred Stock Purchase Agreement have terms as follows:

| Exercise Price | Expiration Date | Number of Shares |
|----------------|-----------------|------------------|
| \$ 3.00        | 2/28/2003       | 722,000          |
| 2.50           | 3/31/2002       | 120,000          |
| 2.00           | 2/28/2003       | 817,000          |
| 0.30           | 2/28/2004       | 230,000          |
|                |                 | -----            |
|                |                 | 1,889,000        |
|                |                 | =====            |

The securities issued in these transactions were issued pursuant to the exemption provided by Section 4(2) of the Securities Act of 1933. The persons to whom these securities were issued are accredited investors who made an informed investment decision and had access to material information regarding the Company. The certificates representing the common shares and Series B preferred shares bear an appropriate legend restricting the transfer of such securities, and stop transfer instructions have been provided to the Company's transfer agent in accordance therewith.

### ITEM 6. MANAGEMENT'S PLAN OF OPERATION

In the long term, the Company expects to derive substantially all of its revenue through the sale and/or display of shipwreck cargoes and artifacts, including replicas. Therefore, until the Company is successful in acquiring and marketing artifacts and/or cargoes, it will be dependent upon investment capital to meet its cash flow requirements. To date, the Company has conducted private placements of debt, equity and project specific revenue participation to meet its financial obligations.



For the next twelve months, the Company anticipates spending approximately \$60,000 per month to pay salaries and general office expense and an additional \$1,000,000 to continue search operations on its various projects.

During February 2001, the company raised \$3,000,000 in cash through the sale of securities. These funds are available to pay overhead and fund project operations. The Company may also offer to sell revenue participation in one or more of its projects to offset operational expenses.

Operationally, the Company plans to continue the search operations for one or more of its projects. Additionally, if any of the search operations are successful and financing can be obtained, the Company plans to begin recovery operations on one or more of these projects.

#### **ITEM 7. FINANCIAL STATEMENTS**

Please see pages F-1 through F-20.

#### **ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **PART III**

#### **ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT**

The following table sets forth the names and positions of the officers and directors.

| NAME                | AGE | POSITION                           |
|---------------------|-----|------------------------------------|
| James E. MacDougald | 57  | Chairman of the Board of Directors |
| John C. Morris      | 52  | President and Director             |
| Gregory P. Stemm    | 44  | Vice-President and Director        |
| David A. Morris     | 50  | Secretary and Treasurer            |

There is no family relation between any of the Directors or the Executive Officers of the Company except John Morris and David Morris who are brothers.

All directors will hold office until the next annual meeting of the Shareholders.

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

JAMES E. MACDOUGALD joined Odyssey as Chairman of the Board of Directors in February 2001. He is also President of Westshore Ventures, Inc., a St. Petersburg, Florida based company, which handles personal investments for Mr. MacDougald. Prior to that, from 1982 to 1999, Mr. MacDougald served as Chairman, President and CEO of ABR Information Services, Inc. (NASDAQ: ABRX). During his tenure as CEO, ABR was named "One of the Best 200 Small Companies in America" by Forbes Magazine three years in a row as well as "One of the 100 Fastest Growing Public Companies in America" in 1998 by Fortune Magazine. ABR became a public company in 1984 and was sold to Ceridian Corporation in 1999. He then served as the Executive Vice President of Ceridian Corporation (NYSE: CEN) and President of Ceridian Benefits Services from 1999 to 2000.

Mr. MacDougald actively serves as trustee of St. Petersburg Area Chamber of Commerce, the Salvador Dali Museum, the St. Petersburg Museum of Fine Arts, the USF Foundation, Eckerd College and Academy Prep.

JOHN C. MORRIS has served as an Officer and Director of the Company since August 1994. Prior to that, Mr. Morris was an officer and director of Seahawk Deep Ocean Technology, Inc. ("SDOT") from March 1989, until January 1994. As President of SDOT, Mr. Morris was in charge of the Company that completed the first archaeologically sound recovery of a deep-water shipwreck, salvaging a Spanish shipwreck from approximately 1,500 feet of water near the Dry Tortugas. The recovery yielded nearly 17,000 artifacts consisting of gold, silver coins, pottery, pearls, jewelry, and numerous other artifacts. From 1992 until 1997, Mr. Morris served on the Board of Directors of the Florida Aquarium, a not for profit corporation engaged in the operation of a large aquarium facility in Tampa, Florida.

GREGORY P. STEMM has served as Vice President, Research and Operations and as a member of the Board of Directors since December 1995 and is responsible for research and operations on all shipwreck projects. Prior to that, he served as an officer and director of Seahawk Deep Ocean Technology from the time he co- founded the company in 1989 until January 1994.

Stemm is a member of the United States delegation to the United Nations, Educational, Scientific and Cultural Organization (UNESCO) expert meeting to consider the "Draft Convention for the Protection of Underwater Cultural Heritage". This group will determine future international deep-ocean shipwreck guidelines

As a principal of Seahawk, Stemm was involved in directing research and technology for the company, which resulted in locating two Spanish Colonial shipwrecks in depths greater than 1,000 feet. He was also responsible for directing the archaeological team and operations that accomplished the world's first remote archaeological excavation, in a depth of 1,500 feet southwest of the Florida Keys.

DAVID MORRIS has served as Secretary and Treasurer of the Company since August 1997. Prior to that, Mr. Morris was employed by Seahawk Deep Ocean Technology where he was an Administrative Assistant to the Chief Financial Officer from 1994 through 1997, and manager of the Conservation and Archaeology departments from 1990 through 1994. Mr. Morris graduated with a Bachelor of Science degree in Mechanical Engineering from Michigan State University in 1974.

## COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Based solely on a review of Forms 3 and 4 and amendments thereto furnished to the Company during its most recent fiscal year, and Form 5 and amendments thereto furnished to the Company with respect to its most recent fiscal year and certain written representations, no persons who were either a Director, Officer or beneficial owner of more than 10% of the Company's Common Stock, failed to file on a timely basis reports required by Section 16(a) of the Exchange Act during the most recent fiscal year except as follows: (1) Will Callari reported two transactions in a Form 5 that was filed one day late (2) E. Eugene Cooke reported one transaction in a Form 5 that was filed one day late; (3) John Morris reported two transactions late in a Form 5.

## ITEM 10. EXECUTIVE COMPENSATION

The following table sets forth information regarding the executive compensation for the Company's President for the years ended February 28, 2001, February 29, 2000, and February 28, 1999, and each other executive officer who had total annual salary and bonus in excess of \$100,000 during such years.

SUMMARY COMPENSATION TABLE

| Name and<br>Principal<br>Position   | Year | Annual Compensation |          | Long-Term Compensation             |   |                        |                                   |
|-------------------------------------|------|---------------------|----------|------------------------------------|---|------------------------|-----------------------------------|
|                                     |      | Salary(1)           | Bonus(1) | Awards                             |   | Payouts                |                                   |
|                                     |      |                     |          | Re-<br>stricted<br>Stock<br>Awards | Securi-<br>ties<br>Under-<br>lying<br>Options/<br>SARs(#) | LTIP<br>Payout<br>(\$) | All<br>Other<br>Compen-<br>sation |
| John C. Morris,<br>President        | 2001 | \$150,000           | \$89,456 | -0-                                | 50,000  | -0-                    | -0-                               |
|                                     | 2000 | \$150,000           | 25,000   | -0-                                | 220,000   | -0-                    | -0-                               |
|                                     | 1999 | \$100,000           | -0-      | -0-                                | 75,000  | -0-                    | -0-                               |
| Gregory P. Stemm,<br>Vice-President | 2001 | \$150,000           | \$89,456 | -0-                                | 50,000  | -0-                    | -0-                               |
|                                     | 2000 | \$150,000           | 25,000   | -0-                                | 195,000   | -0-                    | -0-                               |
|                                     | 1999 | \$100,000           | -0-      | -0-                                | 75,000  | -0-                    | -0-                               |
| David A. Morris,<br>Secr/Treas      | 2001 | \$125,000           | \$46,110 | -0-                                | 50,000  | -0-                    | -0-                               |
|                                     | 2000 | \$125,000           | 15,000   | -0-                                | 195,000   | -0-                    | -0-                               |
|                                     | 1999 | \$ 75,000           | -0-      | -0-                                | 75,000  | -0-                    | -0-                               |

(1) Included in the amounts shown as salary and bonus for the named persons are amounts that were deferred and subsequently forgiven. In January 2001, John C. Morris forgave \$284,470 in unpaid compensation; Gregory P. Stemm forgave \$288,236 in unpaid compensation; and David A. Morris forgave \$150,775 in unpaid compensation. See Item 12 Certain Relationships and Related Party Transactions.

## OPTION GRANTS IN LAST FISCAL YEAR

| Individual Grants |  |  |                                   |                 |
|-------------------|--|--|-----------------------------------|-----------------|
| Name              | Number of Securities Underlying Options Granted(#) | % of Total Options Granted to Employees in Fiscal Year | Exercise or Base Price (\$/Share) | Expiration Date |
| John C. Morris    | 50,000   | 14.5%  | \$ 0.30                           | 2/28/2004       |
| Greg P. Stemm     | 50,000   | 14.5%  | \$ 0.30                           | 2/28/2004       |
| David A. Morris   | 50,000   | 14.5%  | \$ 0.30                           | 2/28/2004       |

### AGGREGATE OPTION EXERCISES IN YEAR ENDED FEBRUARY 28, 2001 AND FEBRUARY 28, 2001 OPTION VALUES

| Name            | Shares Acquired on Exercise (Number) | Value Realized | Securities Underlying Unexercised Options at February 28, 2001 Exercisable/Unexercisable | Value of Unexercised In-The-Money Options at February 28, 2001 Exercisable/Unexercisable |
|-----------------|--------------------------------------|----------------|--|--|
| John C. Morris  | -0-                                  | -0-            | 345,000 / -0-  | \$ 7,500 / -0-   |
| Greg P. Stemm   | -0-                                  | -0-            | 320,000 / -0-  | 7,500 / -0-  |
| David A. Morris | -0-                                  | -0-            | 320,000 / -0-  | 7,500 / -0-  |

#### EMPLOYMENT AGREEMENTS

The Employment Agreements for John Morris, Greg Stemm and David Morris expired on February 28, 2001. The Company intends to enter into new agreements in the near future. The terms and condition of those agreement have not been finalized, but the current base salaries for John Morris and Greg Stemm have been set at \$125,000 per year. The Company anticipates that in addition to their base salary each of these individuals will receive stock options and certain other benefits.

#### EMPLOYEE STOCK OPTION PLAN

During the Special Shareholder Meeting held September 8, 1997, the Shareholders approved an Employee Stock Option Plan (the "Plan"). The Plan authorizes the issuance of options to purchase up to two million shares of the Company's Common Stock. On January 11, 2001, the Board of Directors approved an amendment to the Plan to increase the number of shares subject to the Plan to three million shares. This amendment is subject to shareholder approval prior to January 11, 2002.

The Plan allows the Board of Directors to grant stock options from time to time to employees, officers and directors of the Company. The Board has the power to determine at the time the option is granted whether the option will be an Incentive Stock Option (an option which qualifies under Section 422 of the Internal Revenue Code of 1986) or an option which is not an Incentive Stock Option. The board determines vesting provisions at the time options are granted. The option price for any option will be no less than the fair market value of the Common Stock on the date the option is granted.

During the fiscal year ended February 28, 2001, the Company issued the following options to officers and former directors, in addition to those itemized in the Summary Compensation Table above, from the Plan:

| Grantee            | Position        | Date Of Grant | Number of Options Granted | Option Exercise Price | Date Of Expiration |
|--------------------|-----------------|---------------|---------------------------|-----------------------|--------------------|
| William C. Callari | Former Director | 3/1/2000      | 5,000                     | \$0.30                | 2/28/2004          |
| E. Eugene Cooke    | Former Director | 3/1/2000      | 5,000                     | \$0.30                | 2/28/2004          |
| Brad Baker         | Former Director | 3/1/2000      | 5,000                     | \$0.30                | 2/28/2004          |
| Gerald Goodman     | Former Director | 3/1/2000      | 5,000                     | \$0.30                | 2/28/2004          |

#### ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table set forth, as of April 30, 2001, the stock ownership of each person known by the Company to be the beneficial owner of five percent or more of the Company's Common Stock, each Officer and Director individually and all Officers and Directors of the Company as a Group.

| Name of Beneficial Owner  | Amount of Beneficial Ownership | Percentage of Class |
|---|--------------------------------|---------------------|
| James E. MacDougald<br>1721 Brightwaters Blvd. N.E.<br>St. Petersburg, FL 33704                         | 11,253,008 (1)                 | 39.8%               |
| Gregory P. Stemm<br>3604 Swann Ave<br>Tampa, FL 33609   | 2,291,741 (2)                  | 12.6%               |
| John C. Morris<br>3604 Swann Ave<br>Tampa, FL 33609   | 1,862,895 (3)                  | 10.2%               |
| William C. Callari<br>Wedgewood Professional Bldg.<br>1725 Route 35, Suite B<br>Wall Township, NJ 07719 | 1,378,595 (4)                  | 7.6%                |
| E. Eugene Cooke<br>3901 Old Gun Road West<br>Midlothian, VA 23113                                       | 1,309,221 (5)                  | 7.3%                |
| James E. Cooke<br>991 Somerset Drive<br>Atlanta, GA 30327   | 954,776 (6)                    | 5.3%                |
| David A. Morris<br>6522 Bimini Court<br>Apollo Beach, FL 33572  | 657,253 (7)                    | 3.6%                |

All Officers and Directors  
as a group (4 persons) 16,064,897 54.9%

(1) Includes 864,008 shares, 8,500,000 shares underlying the conversion rights of Series B Preferred Stock, and 1,889,000 shares underlying currently exercisable stock options, all held by MacDougald Family Limited Partnership, a partnership for which James MacDougald is a beneficial owner.

(2) Includes 626,182 shares held of record by Greg and Laurie Stemm, 1,345,559 shares held by Adanic Capital, Ltd., a limited partnership for which Greg Stemm serves as general partner, and 320,000 shares underlying currently exercisable stock options.

(3) Includes 1,501,229 shares held of record by John Morris, 345,000 shares underlying currently exercisable stock options, and 16,666 shares underlying the option to convert revenue participation certificates into Common Stock.

(4) Includes 1,148,595 shares held of record by William Callari and 230,000 shares underlying currently exercisable stock options.

(5) Includes 1,165,887 shares held of record by Eugene Cooke, 97,500 shares underlying currently exercisable stock options, and 45,834 shares underlying the option to convert revenue participation certificates into Common Stock.

(6) Includes 350,633 shares held of record by James E. Cooke, 30,902 shares held as custodian for Ian and Tyler Cooke, his minor sons, 60,000 shares underlying warrants issued in connection with a note, 4,167 shares underlying the option to convert revenue participation certificates into Common Stock; Mr. Cooke also is beneficial owner of 489,907 shares of record, 15,000 shares underlying warrants issued in connection with a note, 4,167 shares underlying the option to convert revenue participation certificates into Common Stock all by virtue of his interest in Canyon Group, LLC, a Limited Liability Company.

(7) Includes 307,253 shares held of record by David A. Morris, 30,000 shares held by Andrew P. Morris and Chad E. Morris his sons who live in the same household, and 320,000 shares underlying currently exercisable stock options.

## **ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

During the last two years certain officers, directors, and beneficial owners entered into transactions with the Company as follows:

On April 2, 1999 John Morris, exchanged \$50,000 of a note, which originated in October 1997 in the amount of \$76,000, and which accrued interest at 15% compounded annually, for one Cambridge Revenue Participation Certificate. The remaining balance on the note, \$20,036, became due on September 1, 1999 and was renewed under the same terms. The note was paid off in December 1999.

On September 1, 1999, accrued and unpaid executive compensation in the amount of \$375,000 was reclassified to notes payable to related parties bearing interest at 15% per annum. Notes to the officers were as follows: John Morris and Gregory Stemm \$150,000 each, and David Morris, \$75,000. In January 2001, the notes were again reclassified to accrued wages and the officers forgave the balance of accrued unpaid compensation from the Company as follows:

| Officer          | Note Balance | Accrued Wages | Total Accrued Wages |
|------------------|--------------|---------------|---------------------|
| John C. Morris   | \$ 150,740   | \$ 133,730    | \$ 284,470          |
| Gregory P. Stemm | 150,740      | 137,496       | 288,236             |
| David A. Morris  | 75,370       | 75,405        | 150,775             |

Total accrued wages forgiven by officers \$ 723,481

Also, in January 2001, John Morris and Gregory Stemm each purchased 500,000 shares of restricted Common Stock for \$57,500, and David Morris purchased 250,000 shares of restricted Common Stock for \$28,750 from the Company. The stock was purchased at the market price, and paid for by notes from the officers. In February 2001, the officers paid the notes.

On January 1, 2001, the Company renewed loan agreements with Gregory Stemm and John Morris authorizing each to borrow a maximum of \$120,000 from the Company at 8% annual interest compounded quarterly. The loan balances as of February 28, 2001, were \$83,652 and \$97,847 respectively, including interest. These loans become due on December 31, 2003.

Eugene Cooke, a former director, loaned the Company \$35,000 in June 1999, and an additional \$60,000 during September and October 1999. These loans carried an interest rate of 15% per annum. During January 2001, Mr. Cooke converted the principal and accumulated interest in the amount of \$115,533 from these notes, into 424,405 shares of Common Stock.

During May, 2000, William Callari, a former officer and former director, who was owed \$105,000 of accrued fees and compensation from prior to 1998, \$140,387 of principal and interest on notes which originated in May 1998 and accrued interest at 15% per annum, assigned the entire amount owed to an unrelated third party who was issued 490,774 shares of Common Stock in exchange for the cancellation of this indebtedness pursuant to a Debt Conversion Agreement with the third party.

On November 2, 1999, James E. Cooke, a principal shareholder, loaned \$30,000 to the Company until December 1, 1999 at 15% interest. The loan was renewed July 31, 2000, and interest accrued at 15% per annum until the note was to become due on December 31, 2000. On November 9, 2000, Mr. Cooke agreed to increase the loan amount by \$25,000, and the Company pledged certain marine equipment as security for the loan that now had a balance, of \$58,478. The terms of the new loan provided an option to the lender to convert the entire loan balance into stock at the lower of \$.50 per share or 110% of the lowest closing bid price for the stock over the 60 calendar days preceding conversion. In addition, Mr. Cooke was issue a warrant entitling him to purchase 60,000 shares of the Company's Common Stock at the purchase price of \$0.30 per share. During January and February 2001, Mr. Cooke elected to convert the entire balance of principal and interest, \$60,356, into 460,007 shares of Common Stock.

On April 1, 1999 the Company entered into a loan extension agreement with Robert Stemm, Gregory Stemm's father, wherein Mr. Robert Stemm extended the due date on his loan to the Company until March 31, 2000. The principal amount of \$32,926 accrued interest at 15% per annum and was secured by an inventory of raw emeralds. On October 17, 1999 the principal amount was increased by \$10,000 for equipment sold to the Company by Mr. Stemm. As an incentive to extend the due date of the loan, Mr. Stemm was granted an option to purchase up to 11,000 shares of the Company's restricted Common Stock at a purchase price of \$3.00 per share. On April 1, 2000 the loan due date was again extended until March 31, 2001. As an incentive to again extend the due date of the loan Mr. Stemm was granted an option to purchase up to 21,500 shares of the Company's restricted Common Stock at a purchase price of \$2.00 per share. On April 1, 2001, the Company entered into a loan extension agreement with Robert Stemm, wherein Mr. Stemm extended the due date on his loan to the Company until March 31, 2003. The principal amount of \$56,144 bears interest at 10% per annum and is secured by an inventory of raw emeralds. This loan is convertible into shares of Common Stock at the rate of \$.50 per share.

On August 31, 1999 the Company entered into a loan extension agreement with Robert Stemm on a loan, which originated October 16, 1996 in the principal amount of \$50,000, extending the due date on the note for one year. The loan bore interest at the rate of 15% per annum and was to become due August 31, 2000. As an incentive to extend the due date of the loan Mr. Stemm was granted an option to purchase up to 35,000 shares of the Company's restricted Common Stock at a purchase price of \$2.00 per share. This loan was convertible into shares of Common Stock at the rate of \$.50 per share, and in May 2000, Mr. Stemm elected to convert the entire principal and interest due under the note, \$75,744 into 151,548 shares of restricted Common Stock.

On January 8, 2000 the Company entered into a loan extension agreement with Olive Morris, the mother of both John and David Morris. Mrs. Morris's loan was extended for a one-year term until January 8, 2001 and bore interest at 15% per annum. The loan was convertible into shares of the Company's Common Stock at \$.50 per share at Mrs. Morris' option. The original loan granted Mrs. Morris warrants entitling her to purchase up to 10,000 shares of the Company's restricted Common Stock at a purchase price of \$3.00 per share. As an incentive to extend the due date of the loan, which became due on January 8, 2000, Mrs. Morris was granted an additional option to purchase up to 15,000 shares of the Company's restricted Common Stock at a purchase price of \$2.00 per share. On February 28, 2000, Mrs. Morris exercised her option to convert the principal balance under the loan into 60,000 shares of the Company's Common Stock.

**ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K**

(a) Exhibits.

| Exhibit<br>Number<br>----- | Description<br>-----                  | Location<br>-----             |
|----------------------------|---------------------------------------|-------------------------------|
| 3.1                        | Articles of Incorporation, as amended | Filed herewith electronically |
| 3.2                        | Bylaws                                | Filed herewith electronically |



|      |  |  |
|------|--|--|
| 3.3  | Designation of Series B Convertible Preferred Stock                        | Incorporated by reference to Exhibit 3.3 to the Company's Report on Form 8-K dated February 28, 2001                         |
| 10.1 | Employment Agreement dated March 1, 2000, with David A. Morris             | Incorporated by reference to Exhibit 10.1 to the Company's Annual Report on Form 10-KSB for the year ended February 29, 2000 |
| 10.2 | Employment Agreement dated March 1, 2000, with Greg Stemm                  | Incorporated by reference to Exhibit 10.2 to the Company's Annual Report on Form 10-KSB for the year ended February 29, 2000 |
| 10.3 | Employment Agreement dated March 1, 2000, with John C. Morris              | Incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-KSB for the year ended February 29, 2000 |
| 10.4 | Series B Convertible Preferred Stock Purchase Agreement                    | Incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-KSB for the year ended February 29, 2000 |
| 10.5 | 1997 Stock Option Plan   | Filed herewith electronically  |
| 10.6 | Commercial Lease with Corinthian Custom Homes, Inc. dated January 24, 2001 | Filed herewith electronically  |
| 23   | Consent of Independent Public Accountants                                  | Filed herewith electronically  |

(b) Reports on Form 8-K. For the quarter ended February 28, 2001, the Company filed one Report on Form 8-K dated February 28, 2001, reporting information under Items 1 and 7.

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ODYSSEY MARINE EXPLORATION, INC.**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Odyssey Marine Exploration, Inc.  
Tampa, Florida

We have audited the accompanying consolidated balance sheet of Odyssey Marine Exploration, Inc. and subsidiary as of February 28, 2001, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years ended February 28, 2001 and February 29, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Odyssey Marine Exploration, Inc. and subsidiary as of February 28, 2001, and the results of their operations and their cash flows for the years ended February 28, 2001 and February 29, 2000, in conformity with generally accepted accounting principles.

*/s/ Giunta, Ferlita & Walsh, P.A.*

*GIUNTA, FERLITA & WALSH, P.A.  
Certified Public Accountants*

*May 3, 2001*

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEET**  
 FEBRUARY 28, 2001

**ASSETS**  
**CURRENT ASSETS**

|   |              |
|---|--------------|
| Cash  | \$ 2,433,187 |
| Marketable securities   | 10,754       |
| Advances  | 8,600        |
|   | -----        |
| Total current assets  | 2,452,541    |
| PROPERTY AND EQUIPMENT  |              |
| Equipment and office fixtures   | 287,837      |
| Accumulated depreciation  | (83,722)     |
|   | -----        |
|   | 204,115      |
| OTHER ASSETS  |              |
| Inventory   | 20,000       |
| Loans receivable from related parties   | 181,499      |
| Deposits  | 13,207       |
|   | -----        |
|   | 214,706      |
|   | -----        |
|   | \$ 2,871,362 |
|   | =====        |
| LIABILITIES AND STOCKHOLDERS' DEFICIENCY  |              |
| CURRENT LIABILITIES   |              |
| Accounts payable  | \$ 60,899    |
| Accrued expenses  | 123,502      |
|   | -----        |
| Total current liabilities   | 184,401      |
|   | -----        |
| NOTES PAYABLE TO RELATED PARTIES  | 48,821       |
| DEFERRED INCOME FROM REVENUE PARTICIPATION CERTIFICATES   | 887,500      |
| STOCKHOLDERS' EQUITY  |              |
| Preferred stock - \$.0001 par value; 8,450,000<br>shares authorized; none outstanding   | -            |
| Preferred stock Series A Convertible - \$.0001 par value;<br>700,000 shares authorized; 190,000 shares issued<br>and none outstanding | -            |
| Preferred stock Series B Convertible - \$.0001 par value;<br>850,000 shares authorized; 850,000 shares issued<br>and outstanding      | 85           |
| Common Stock - \$.0001 par value; 100,000,000 shares<br>authorized; 17,865,536 issued and outstanding                                 | 1,786        |
| Additional paid-in capital  | 7,447,680    |
| Accumulated unrealized loss in investments  | (18,460)     |
| Accumulated deficit   | (5,680,451)  |
|   | -----        |
| Total Stockholders' equity  | 1,750,640    |
|   | -----        |
|   | \$ 2,871,362 |
|   | =====        |

The accompanying notes are an integral part of these financial statements.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS**

|  | Year Ended<br>February 28,<br>2001 | Year Ended<br>February 29,<br>2000 |
|--|------------------------------------|------------------------------------|
|  | -----                              | -----                              |
| REVENUES   | \$ -                               | \$ 250                             |
| OPERATING EXPENSES   |                                    |                                    |
| Project Development  | 171,373                            | 229,611                            |
| Project Operations   | 640,743                            | 380,513                            |
| Marketing and Promotion  | 52,520                             | 52,042                             |
|  | -----                              | -----                              |
| Total Operating Expenses   | 864,636                            | 662,166                            |
| GENERAL AND ADMINISTRATIVE EXPENSES  | 752,330                            | 486,068                            |
|  | -----                              | -----                              |
| (LOSS) FROM OPERATIONS   | (1,616,966)                        | (1,147,984)                        |
| OTHER INCOME OR (EXPENSE)  |                                    |                                    |
| Income from debt forgiveness   | 723,481                            | -                                  |
| Gain(Loss) on sale of marketable securities  | 189,479                            | (2,033)                            |
| Interest income  | 23,456                             | 30,115                             |
| Interest expense   | (93,656)                           | (101,904)                          |
| Other income(expense)  | (11,436)                           | (7,013)                            |
|  | -----                              | -----                              |
| Total other income<br>or (expense)   | 831,324                            | (80,835)                           |
|  | -----                              | -----                              |
| NET(LOSS)  | ( 785,642)                         | (1,228,819)                        |
|  | =====                              | =====                              |
| (BASIC AND DILUTED LOSS PER SHARE)   | \$ (0.06)                          | \$ (0.12)                          |
| Weighted average number of common<br>shares and potential common shares,<br>basic and diluted, outstanding | 13,353,009                         | 10,583,246                         |

The accompanying notes are an integral part of these financial statements.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME**

|   | Preferred<br>Shares | Stock<br>Amount | Common<br>Shares | Stock<br>Amount | Addi-<br>tional<br>Paid-In<br>Capital | Accumul-<br>ated Un-<br>realized<br>Loss in<br>Investment | Accumulated<br>(Deficit) | Comprehen-<br>sive<br>Income |
|---|---------------------|-----------------|------------------|-----------------|---------------------------------------|---|--------------------------|------------------------------|
| Balance at<br>February 28, 1999   | -                   | \$ -            | 10,555,614       | \$1,055         | \$2,606,862                           | \$ (97,663)   | \$(3,665,990)            | \$( 849,692)                 |
| Preferred Stock Issued  |                     |                 |                  |                 |                                       |   |                          |                              |
| For cash  | 180,000             | 18              |                  |                 | 269,982                               |   |                          |                              |
| For accounts payable  | 10,000              | 1               |                  |                 | 14,999                                |   |                          |                              |
| Common Stock Issued   |                     |                 |                  |                 |                                       |   |                          |                              |
| For services  |                     |                 | 10,000           | 1               | 2,499                                 |   |                          |                              |
| For accrued expenses  |                     |                 | 16,800           | 2               | 4,198                                 |   |                          |                              |
| For conversion of debt  |                     |                 | 302,363          | 30              | 149,103                               |   |                          |                              |
| For marketable<br>Securities  |                     |                 | 250,000          | 25              | 49,975                                |   |                          |                              |
| Net change in<br>unrealized loss on<br>securities available<br>for sale |                     |                 |                  |                 |                                       | 93,463  |                          | 93,463                       |
| Net loss for the year<br>ended February 29, 2000                        |                     |                 |                  |                 |                                       |   | (1,228,819)              | (1,228,819)                  |
| Balance at<br>February 29, 2000   | 190,000             | 19              | 11,134,777       | \$1,113         | \$3,097,618                           | \$ (4,200)  | \$(4,894,809)            | \$(1,135,356)                |
| Preferred Stock<br>Issued For cash                                      | 850,000             | 85              |                  |                 | 2,723,104                             |   |                          |                              |
| Preferred Stock<br>Converted to Common                                  | (190,000)           | (19)            | 712,500          | 71              | (52)                                  |   |                          |                              |
| Common Stock Issued   |                     |                 |                  |                 |                                       |   |                          |                              |
| For cash  |                     |                 | 2,801,919        | 280             | 794,031                               |   |                          |                              |
| For services  |                     |                 | 1,514,000        | 151             | 275,600                               |   |                          |                              |
| For accrued expenses  |                     |                 | 285,606          | 29              | 132,471                               |   |                          |                              |
| For conversion of debt  |                     |                 | 1,416,734        | 142             | 424,908                               |   |                          |                              |
| Net change in unrealized<br>Loss on securities<br>Available for sale    |                     |                 |                  |                 |                                       | (14,260)  |                          | (14,260)                     |
| Net loss for the year<br>ended February 28, 2001                        |                     |                 |                  |                 |                                       | (785,642)   | (785,642)                |                              |
| Balance at<br>February 28, 2001   | 850,000             | \$ 85           | 17,865,536       | \$1,786         | \$7,447,680                           | \$ (18,460)   | \$(5,680,451)            | \$ (799,902)                 |

The accompanying notes are an integral part of these financial statements.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | Year ended<br>February 28,<br>2001 | Year Ended<br>February 29,<br>2000 |
|--|------------------------------------|------------------------------------|
|  | -----                              | -----                              |
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                                    |                                    |
| Net (Loss)   | \$ (785,642)                       | \$(1,228,819)                      |
| Adjustments to reconcile net loss to net<br>cash used by operating activity: |                                    |                                    |
| Depreciation   | 34,877                             | 28,059                             |
| Amortization   | -                                  | 204                                |
| Common Stock issued for services   | 283,250                            | 2,500                              |
| Finance charge added to note   | 7,500                              | 4,500                              |
| Loss(gain)on marketable securities   | (189,479)                          | 2,033                              |
| Loss of disposal of equipment  | 4,057                              | 2,513                              |
| Income from debt forgiveness   | (723,481)                          | -                                  |
| (Increase)decrease in:   |                                    |                                    |
| Advances   | (11,561)                           | (6,316)                            |
| Interest receivable  | (23,872)                           | (22,702)                           |
| Increase (decrease) in:  |                                    |                                    |
| Accounts payable   | (123,714)                          | 172,869                            |
| Accrued expenses   | 185,445                            | 412,136                            |
| NET CASH USED IN OPERATING ACTIVITIES  | (1,342,620)                        | (633,023)                          |
|  | -----                              | -----                              |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                                    |                                    |
| Purchase of property and equipment   | (162,315)                          | (2,845)                            |
| NET CASH USED IN INVESTING ACTIVITIES  | (162,315)                          | (2,845)                            |
|  | -----                              | -----                              |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                                    |                                    |
| Proceeds from:   |                                    |                                    |
| Related party loans  | 5,000                              | 100,000                            |
| Loans from others  | 75,000                             | 62,000                             |
| Issuance of Common Stock   | 794,311                            | -                                  |
| Issuance of Preferred Stock  | 2,723,189                          | 270,000                            |
| Issuance of Revenue Participation Certificates                               | 62,500                             | 15,000                             |
| Sale of Marketable securities  | 348,048                            | 163,484                            |
| Repayment of notes   | (117,101)                          | (33,881)                           |
| NET CASH PROVIDED BY FINANCING ACTIVITIES                                    | 3,890,947                          | 576,603                            |
|  | -----                              | -----                              |
| NET INCREASE(DECREASE)IN CASH  | 2,386,012                          | (59,265)                           |
|  | -----                              | -----                              |
| CASH AT BEGINNING OF YEAR  | 47,175                             | 106,440                            |
|  | -----                              | -----                              |
| CASH AT END OF YEAR  | \$ 2,433,187                       | \$ 47,175                          |
|  | =====                              | =====                              |

The accompanying notes are an integral part of these financial statements.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS - (Continued)**

|                            | Year ended<br>February 28,<br>2001 | Year ended<br>February 29,<br>2000 |
|----------------------------|------------------------------------|------------------------------------|
|                            | -----                              | -----                              |
| SUPPLEMENTARY INFORMATION: |                                    |                                    |
| Interest paid              | \$ 88,418                          | \$ 6,665                           |
| Income taxes paid          | -                                  | -                                  |

**SUMMARY OF SIGNIFICANT NON CASH TRANSACTIONS**

During February 2001, two noteholders elected to convert \$67,966 of principal, \$388 of accrued interest, and \$7,500 of accrued expense into 225,357 shares of Common Stock.

In January 2001, two noteholders elected to convert \$119,521 of principal and \$21,012 of accrued interest into 774,055 shares of Common Stock. Three officers were issued 1,250,000 shares of Common Stock for notes receivable in the amount of \$143,750, and a consultant was issued 60,606 shares of Common Stock for \$20,000 of accounts payable.

Also, during January, three officers who were owed a total of \$723,481 of previously accrued but unpaid compensation, agreed to forgive the indebtedness from the Company(See Note N).

During December 2000, five holders of the Company's Series A Preferred stock elected to convert into 262,500 shares of Common Stock valued at \$105,000.

During the quarter ended November 30, 2000, five unrelated accredited investors who purchased shares through the private placement which was closed in July 2000, were issued 757,911 additional shares pursuant to the terms of the private placement. Additionally, 120,000 shares of Series A Preferred stock were surrendered and converted into 450,000 shares of Common Stock, and two subcontractors who provided services valued at \$47,000 on the Republic project were issued 94,000 shares of Common Stock for services.

During August 31, 2000, two subcontractors who provided services valued at \$80,000 on the Republic project, were compensated by the issuance of 160,000 shares of Common Stock.

During May, 2000, a director who was owed \$105,000 of accrued expenses, \$132,131 of notes, and \$8,256 of accrued interest assigned the entire amount owed to an unrelated third party who was issued 490,774 shares of Common Stock for converting the entire amount due.

During May, 2000, a related party who was owed \$68,894 of principal and \$6,880 of accrued interest on a note converted the entire amount into 151,548 shares of Common Stock. A consultant owed \$5,000 for services received 10,000 shares of Common Stock as payment for the services.

The accompanying notes are an integral part of these financial statements.



During February, 2000, three debt holders converted \$132,000 of notes payable and \$17,135 of accrued interest thereon into 302,363 shares of Common Stock. In February, 2000 the Company issued 250,000 shares of restricted Common Stock valued at \$50,000 to three individuals in an even exchange for 250,000 free trading shares of Chronicle Communications, Inc. Common Stock. The Company also issued 16,800 shares of Common Stock to an individual for accrued expenses valued at \$4,200 and an additional 10,000 shares to one individual for services valued at \$2,500.

During October 1999, the Company acquired side scan sonar equipment through a non-cash transaction wherein the principal balance on a note payable was increased by \$10,000.

On September 1, 1999, accrued and unpaid executive compensation in the amount of \$375,000 was reclassified to notes payable to related parties bearing interest at 15% per annum and payable to three officers of the Company.

During June 1999, the Company issued 10,000 shares of Series A Convertible Preferred stock in satisfaction of accounts payable in the amount of \$15,000.

During April 1999, an officer and a director converted \$122,375 of notes payable and \$12,625 of accrued interest thereon into deferred income in the form of Cambridge Project Revenue Participation Certificates (See Note K).

The accompanying notes are an integral part of these financial statements.

# **ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **NOTE A - ORGANIZATION AND BUSINESS**

#### **ORGANIZATION**

Odyssey Marine Exploration, Inc. was incorporated March 5, 1986, as a Colorado corporation named Universal Capital Corporation, Inc. On August 8, 1997 Odyssey Marine Exploration, Inc.(the "Company"), completed the acquisition of 100% of the outstanding Common Stock of Remarc International, Inc.("Remarc") in exchange for the Company's Common Stock in a reverse acquisition. On September 7, 1997, the Company's domicile was changed to Nevada and the name was changed to Odyssey Marine Exploration, Inc.

Remarc International, Inc. was organized as a Colorado corporation on May 20, 1994. On April 9, 1996 Remarc International, Inc., a Colorado Corporation and Remarc International, Inc., a Delaware Corporation merged. Remarc International, Inc., the Delaware corporation was the surviving corporation. Effective with the reverse acquisition of Odyssey as discussed in Note B, Remarc International, Inc. adopted February as its fiscal year end.

Subsequently, on February 25, 1999, Remarc International, Inc. and Odyssey Marine Exploration, Inc. were merged with Odyssey Marine Exploration, Inc. being the surviving corporation.

Odyssey Marine, Inc., a Florida corporation, was incorporated on November 2, 1998, as a wholly owned subsidiary of Odyssey Marine Exploration, Inc. for the purpose of administering the Company's payroll and health plan.

#### **BUSINESS ACTIVITY**

Odyssey Marine Exploration, Inc., is engaged in the business of researching, developing, financing and marketing of shipwreck projects on a worldwide basis. The corporate headquarters are located in Tampa, Florida.

### **NOTE B - REVERSE ACQUISITION**

On August 8, 1997 Odyssey Marine Exploration, Inc. completed the acquisition of 100% of the outstanding Common Stock of Remarc International, Inc. in exchange for the Company's Common Stock. The Company issued approximately 7,500,000 shares of its Common Stock to the shareholders of Remarc at closing, pursuant to a Share Exchange Agreement between the Company and Remarc.

For accounting purposes the acquisition has been treated as a re- capitalization of Remarc, with Remarc as the acquirer(reverse acquisition). The historical financial statements prior to August 8, 1997 are those of Remarc.

### **NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Company is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity and have prepared them in accordance with the Company's customary accounting practices.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Odyssey Marine, Inc. All significant inter- company transactions and balances have been eliminated.

**Use of Estimates**

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**Revenue Recognition**

Although the Company has generated minimal revenues to date, marketing of the artifacts, replicas and ancillary products will be recognized on the point of sale method.

**Cash Equivalents**

Cash equivalents include cash on hand and cash in banks. The Company also considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Fair Value of Financial Instruments**

The carrying value of cash, accounts payable, and accrued expenses approximate fair value. The carrying value of notes payable(except those to related parties) approximate fair value which is estimated based on quoted market prices for the same or similar issues. Notes receivable and payable to related parties are discussed in Notes H and J, respectively.

Considerable judgement is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

**Marketable Securities**

The securities owned by the company are deemed available-for-sale and carried at fair value. Unrealized gains and losses on these securities are excluded from earnings and reported, net of any income tax effect, as a separate component of stockholders' equity. Restricted shares of securities are carried at estimated fair market values (50% of quoted price).

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**Depreciation**

Property and equipment is stated at historical cost. Depreciation is provided using the straight-line method at rates based on the assets' estimated useful lives.

**Investment in Affiliate**

The Company owns 24.5% of the Common Voting Stock and 55% of the Preferred Non-Voting Stock of Pesquisas Arqueologicas Maritimas, S.A. (Pesqamar).

*Pesqamar, a Brazilian S/A, was formed to research, locate and salvage a shipwreck. In August of 1995, Pesqamar and Salvanav S.A., a Brazilian salvage company competing for the same shipwreck, entered into an agreement forming a Brazilian consortium known as Consorcio Para Pesquisas Arqueologicas Submarinas (CONPAS). CONPAS conducted all operations on the shipwreck project until April of 1999 when a bifurcation agreement between the parties ended the operation of CONPAS. The sought after shipwreck has not been identified to date and the Company has received a permit to continue searching for the shipwreck through Pesqamar.*

The Company is responsible for 100% of all search phase expenses. These expenses have been charged to operations as project expenses, therefore no investment in Pesqamar is reflected in these financial statements.

**Organization Costs**

Organization costs have been amortized, using the straight line method, over a period of 60 months.

**Loss Per Share**

Basic earnings per share (EPS) is computed by dividing income available to common shareholders by the weighted-average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that would occur if dilutive securities and other contracts to issue Common Stock were exercised or converted into Common Stock or resulted in the issuance of Common Stock that then shared in the earnings of Odyssey.

At February 28, 2001, and February 29, 2000, potential common shares were excluded from the computation of diluted EPS because their inclusion would have had an antidilutive effect on EPS. At February 28, 2001, there were options for 354,500 shares and warrants for 290,000 shares that were exercisable between \$0.30 and \$0.40 per share which were thus excluded from the computation of diluted EPS. On February 28, 2001, and February 29, 2000, all of the other exercisable stock options and stock warrants were excluded from the computation of diluted EPS because the options exercise prices were greater than the average market price of the common shares.

**Income Taxes**

Deferred income taxes are provided for the temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purposes.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE D - CONCENTRATION OF CREDIT RISK**

The Company maintains its cash in one financial institution. The Federal Deposit Insurance Corporation insures up to \$100,000. At February 28, 2001 and February 29, 2000, the Company's uninsured cash balance was approximately \$2,400,000 and \$0, respectively.

**NOTE E - MARKETABLE SECURITIES**

At February 28, 2001, the Company held shares of two unrelated companies. The Company owned 160,000 shares of Seahawk Deep Ocean Technology, Inc. ("Seahawk") common stock which it has held in excess of two years. The Seahawk shares were fully written off, in the year ended February 29, 2000, as it is unlikely that the Company will realize any future value from the shares.

Other marketable securities held by the Company as of February 28, 2001, consist of 228,824 shares of common stock of Affinity International Marketing, Inc. (formerly Treasure & Exhibits International, Inc.) ("AIMI") common stock which are deemed available for sale. The Company received the AIMI shares as partial payment of a commission earned on the sale of an artifact collection and in settlement of an account receivable in the first quarter of the year ended February 28, 1999. The AIMI shares are carried on the books at the closing open market price, which is lower than the cost basis of the shares.

The total annual unrealized loss for the year ending February 28, 2001, of \$14,260 is reflected as an adjustment to stockholders' equity and included in the comprehensive loss shown on the Company's financial statements.

The costs basis for each security held by the Company is derived by dividing the total cost of acquiring each block of stock by the total number of shares acquired by the Company for each class of security. A detail of the fair market value and unrealized loss of the marketable securities held by the Company at February 28, 2001, is set out in the table below:

| Issuer                                    | Shares  | Basis     | Unrealized<br>Loss | Fair<br>Market<br>Value |
|---|---------|-----------|--------------------|-------------------------|
| -----                                     | -----   | -----     | -----              | -----                   |
| American International<br>Marketing, Inc. | 228,824 | \$ 29,214 | \$ 18,460<br>===== | \$ 10,754<br>=====      |

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE F - PROPERTY AND EQUIPMENT**

At February 28, 2001 Property and Equipment consist of:

| Class                          | Original<br>Cost | Accumulated<br>Depreciation/<br>Amortization | Book<br>Value |
|--------------------------------|------------------|--|---------------|
| Computers and Peripherals      | \$ 32,630        | 7,724  | \$ 24,906     |
| Furniture and Office equipment | 26,155           | 11,264                                       | 14,891        |
| Marine survey equipment        | 229,052          | 64,734                                       | 164,318       |
|                                | \$ 287,837       | 83,722                                       | \$ 204,115    |

**NOTE G - INVENTORY**

The Company's inventory consists of a collection of 748 raw emeralds recovered from the 1656 shipwreck of the Nuestra Senora de al Maravilla salvaged by Seafinders, Inc. in 1972. The emeralds range in size from 0.5 to 17.5 carat weight and each is accompanied by a "Treasure Certificate" explaining the origin and a brief history of the item. The Company received these items as partial compensation for services rendered during the year ended February 28, 1999, in a transaction wherein the inventory was assigned a value of \$20,000. Due to the uncommon nature of the items, and the difficulty an appraiser would have in finding comparable sales, the Company does not believe that it can obtain a meaningful third party appraisal, and therefore, has not sought an independent appraisal of the goods.

**NOTE H - LOANS RECEIVABLE FROM RELATED PARTIES**

On January 1, 2001, the Company renewed loan agreements with two of its officers authorizing each to borrow a maximum of \$120,000 from the Company at 8% annual interest compounded quarterly. The loan balances, which become due on December 31, 2003, were \$83,652 and \$97,847 respectively. Accrued interest in the amount of \$20,186 and \$21,726 are reflected in this caption.

**NOTE I - ACCRUED EXPENSES**

Accrued expenses at February 28, 2001, consist of:

|                           |            |
|---------------------------|------------|
| Employee wages            | 732        |
| Payroll tax               | 108,565    |
| Research and consulting   | 7,504      |
| Interest on notes payable | 6,701      |
|                           | -----      |
|                           | \$ 123,502 |
|                           | =====      |

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE J - NOTES PAYABLE TO RELATED PARTIES**

Notes payable to related parties at February 28, 2001, consist of:

Unsecured 10% note payable to the family member of an officer due April 1, 2003. The note can be converted to Common Stock for \$0.50 per share. \$ 48,821

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**NOTE K - SALE OF REVENUE PARTICIPATION CERTIFICATES**

The Company has sold through private placements of Revenue Participation Certificates("RPC's")the right to share in future revenues of the Company derived from the Cambridge or Republic projects.

Each convertible Cambridge RPC entitles the holder to receive a percentage of the gross revenue received by the Company from the "Cambridge Project", which are defined as all cash proceeds payable to the Company as a result of the Cambridge Project, less any amounts paid to the British Government or their designee(s); provided, however, that all funds received by the Company to finance the project are excluded from gross revenue.

As of April 30, 1999, when the offering was closed, the Company sold \$825,000 of a maximum of \$900,000 of the Cambridge RPC's. As a group, the holders are entitled to 100% of the first \$825,000 of gross revenue, 24.75% of gross revenue from \$4 - 35 million, and 12.375% of gross revenue above \$35 million generated by the Cambridge project.

Distributions will be made to each certificate holder within 15 days from the end of each quarterly reporting period in which the Issuer receives any cash proceeds from, or as a result of, the Cambridge Project.

Additionally each \$50,000 Cambridge RPC unit may be converted into 16,666 shares of the Company's Common Stock at any time prior to December 31, 2001, or within 10 days of receipt of the "Notice of First Distribution", whichever occurs first. The RPC's and any stock which it may be converted for constitute restricted securities.

In a private placement which closed in September 2000, the Company sold "units" comprised of Republic Revenue Participation Certificates, and Common Stock. Each \$50,000 "unit" entitled the holder to 1% of the gross revenue generated by the Republic project, and 100,000 shares of Common Stock. Gross revenue is defined as all cash proceeds payable to the Issuer as a result of the Republic project, excluding funds received by the Issuer to finance the project.

When the offering was closed, in September, 2000, a total of five \$50,000 units consisting of one Republic RPC and 100,000 shares of Common Stock had been sold, and the cost of each unit was allocated as \$37,500 for the stock and \$12,500 for the RPC. Therefore, a total of \$62,500 was reflected on the books as deferred income from the sale of republic revenue participation certificates.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE K - SALE OF REVENUE PARTICIPATION CERTIFICATES - continued**

As of February 28, 2001, the Company had sold, in total, \$887,500 of RPC's which are reflected on the books as Deferred RPC Income to be amortized under the units of revenue method.

**NOTE L - PREFERRED STOCK**

The Company is authorized to issue 10,000,000 shares of Preferred stock. The Preferred stock may be issued in series from time to time with such rights, designations, preferences and limitation as the Board of Directors of the Company may determine by resolution.

**Series A Preferred stock**

On April 23, 1999 the Company established a series of Preferred stock known as "Series A Convertible Preferred Stock" ("series A Preferred stock"), having a par value of \$.0001 per share and an authorization of 700,000 shares.

Commencing June 1, 2000, the series A Preferred stock was convertible, all or in part, into shares of the Corporation's Common Stock. Each share of Preferred stock could be converted into a number of shares of Common Stock determined by dividing \$1.50 by the conversion price. The conversion price will be the lesser of (a) \$1.50 or (b) 85% of the average closing bid price for the ten(10) consecutive trading days prior to the date of conversion provided, however, that the maximum number of shares of Common Stock issued for each share of preferred shall not exceed 3.75 shares.

In total, 190,000 shares of series A Preferred stock had been issued. As of February 28, 2001, the holders of the series A Preferred stock had elected to convert the entire 190,000 shares into 712,500 shares of Common Stock.

As of February 28, 2001 the Company had authorized 700,000 shares of \$.0001 par value series A convertible Preferred stock. There were 190,000 shares of series A convertible Preferred stock issued and none outstanding.

**Series B Preferred stock**

On December 27, 2000, the Company established a series of Preferred stock known as "Series B Convertible Preferred Stock" ("series B Preferred stock"), having a par value of \$.0001 per share and an authorization of 850,000 shares.

Each share of Series B Convertible Preferred stock is convertible into 10 shares of the Company's Common Stock at any time. The holder of the shares of Series B Convertible Preferred stock is entitled to vote such shares together with the holders of the Company's Common Stock on an "as converted" basis. In addition, the holder of the Series B Convertible Preferred stock is entitled to elect three members of the Board of Directors, and has special voting rights in connection with specified corporate actions. In the event of a liquidation or dissolution of the Company, the holder of the Series B Convertible Preferred stock is entitled to an amount equal to \$3.50 per share prior to any payments to holders of any other class of stock. Although the Series B Convertible



**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE L - PREFERRED STOCK - continued**

Preferred stock has no separate dividend provisions, holders are entitled to receive any dividends paid to holders of Common Stock on an "as converted" basis. Under the terms of the Stock Purchase Agreement, the Series B Preferred stock purchaser received certain rights to require the Company to register the shares of Common Stock issuable on the conversion or exercise of the Preferred stock for resale under the Securities Act of 1933.

As of February 28, 2001, the Company had authorized 850,000 shares of \$.0001 par value series B Convertible Preferred stock. There were 850,000 shares of series B Convertible Preferred stock issued and, 850,000 shares outstanding.

**NOTE M - COMMON STOCK OPTIONS AND WARRANTS**

The Company adopted the 1997 Stock Option Plan on September 8, 1997. Under the terms to the plan, options to purchase Common Stock are granted at not less than 100% of the fair market value of the shares on the date of grant or the par value thereof whichever is greater. Notwithstanding the preceding sentence, in the case of a grant of an incentive stock option to an employee who, as of the date of the grant, owns more than ten percent of the stock of the Company, the option price shall not be less than 110% of the fair market value of the shares on the date of grant or the par value thereof, whichever is greater. The cumulative number of shares which may be subject to options issued and outstanding pursuant to the plan is limited to 2,000,000 shares. On January 11, 2001, the Board of Directors of the Company approved increasing the number of shares in the plan to 3,000,000, subject to shareholder approval.

As of February 28, 2001 the following non-statutory stock options had been granted:

|            | Date<br>Of Grant | Option<br>Price per<br>Share | Expiration<br>of Option | Shares<br>Granted |
|------------|------------------|------------------------------|-------------------------|-------------------|
| Officers   | 4/24/98          | \$3.00                       | 2/28/2003               | 225,000           |
|            | 4/23/99          | \$1.50                       | 2/28/2003               | 135,000           |
|            | 4/23/99          | \$2.00                       | 2/28/2003               | 287,500           |
|            | 4/23/99          | \$3.00                       | 2/28/2003               | 187,500           |
|            | 3/01/00          | \$0.30                       | 2/28/2004               | 150,000           |
| Directors  | 4/24/98          | \$3.00                       | 2/28/2003               | 170,000           |
|            | 4/23/99          | \$1.50                       | 2/28/2003               | 82,500            |
|            | 4/23/99          | \$2.00                       | 2/28/2003               | 132,500           |
|            | 4/23/99          | \$3.00                       | 2/28/2003               | 82,500            |
|            | 3/01/00          | \$0.30                       | 2/28/2004               | 20,000            |
| Employees  | 4/23/99          | \$1.00                       | 2/28/2003               | 45,000            |
|            | 4/23/99          | \$2.00                       | 2/28/2003               | 45,000            |
|            | 4/23/99          | \$3.00                       | 2/28/2003               | 45,000            |
|            | 1/01/00          | \$0.30                       | 2/28/2004               | 60,000            |
|            | 1/16/01          | \$0.33                       | 1/16/2005               | 49,500            |
| Consultant | 6/05/98          | \$4.00                       | 2/28/2003               | 8,000             |
|            | 4/23/99          | \$1.00                       | 2/28/2003               | 25,000            |
|            | 4/23/99          | \$2.00                       | 2/28/2003               | 50,000            |
|            | 4/23/99          | \$3.00                       | 2/28/2003               | 25,000            |

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE M - COMMON STOCK OPTIONS AND WARRANTS - continued**

| Date<br>Of Grant | Option<br>Price per<br>Share | Expiration<br>of Option | Shares<br>Granted           |
|------------------|------------------------------|-------------------------|-----------------------------|
| 1/01/00          | \$0.30                       | 2/28/2004               | 50,000                      |
| 3/01/00          | \$0.30                       | 2/28/2004               | 25,000                      |
| 4/21/00          | \$0.50                       | 4/30/2004               | 25,000                      |
| 10/12/00         | \$0.50                       | 9/30/2004               | 25,000                      |
| 1/22/01          | \$0.40                       | 1/22/2003               | 50,000                      |
|                  |                              |                         | -----<br>2,000,000<br>===== |

Since the inception of the stock option plan, 50,000 option to purchase stock for \$0.30 have been exercised, therefore, 1,950,000 options are exercisable at a weighted average exercise price of \$1.95 per share.

The Company has adopted the disclosure only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation". Accordingly, no compensation has been recognized for the stock options awarded during the years ended February 28, 2001, or February 29, 2000. However, using the Black-Scholes method of option valuation, the options granted during the years ending February 28, 2001 and February 29, 2000 are determined to have a fair market value of \$50,895 and \$522,240 respectively. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for the year 2001; risk-free interest rates of 5.0 percent; a dividend yield of zero; volatility factors of the expected market price of the Company's Common Stock based on historical trends; and a weighted-average expected life of the options of three years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options's vesting period. The Company's pro forma information is as follows:

|  | 2001<br>----- | 2000<br>-----  |
|--|---------------|----------------|
| Proforma net income (loss)<br>attributable to stockholders | \$ (836,537)  | \$ (1,751,059) |
| Proforma basic and diluted (loss)<br>per share             | \$ (0.06)     | \$ (.17)       |

The Company has issued warrants to six individuals in connection with loans made to the Company and has issued warrants to fourteen individuals who purchased the Company's series A preferred stock, and one limited liability

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE M - COMMON STOCK OPTIONS AND WARRANTS - continued**

company that purchased the Company's series B preferred stock. Warrants issued are as follows:

| Warrants                    | Price<br>per Share | Expiration Date                                     |
|-----------------------------|--------------------|---|
| 190,000                     | \$ 3.50            | 7/31/01   |
| 10,000                      | 3.00               | 2/28/02   |
| 20,000                      | 3.00               | 4/30/02   |
| 722,000                     | 3.00               | 2/28/03   |
| 11,000                      | 3.00               | Two years from the date the loan<br>is paid in full |
| 640,000                     | 2.50               | 3/31/02   |
| 110,000                     | 2.50               | 6/30/02   |
| 95,000                      | 2.00               | 7/31/01   |
| 80,000                      | 2.00               | 2/28/02   |
| 35,000                      | 2.00               | 4/30/02   |
| 862,500                     | 2.00               | 2/28/03   |
| 21,500                      | 2.00               | Two years from the date the loan<br>is paid in full |
| 25,000                      | 0.68               | 5/01/03   |
| 60,000                      | 0.30               | 2/28/03   |
| 230,000                     | 0.30               | 2/28/04   |
| -----<br>3,112,000<br>===== |                    |   |

**NOTE N - INCOME FROM DEBT CANCELLATION**

During January, 2001, the Company entered into an agreement for additional capitalization which provided for unpaid compensation to be forgiven by three officers of the Company.

The debt forgiven was as follows:

| Class of debt                  | Amount              |
|--------------------------------|---------------------|
| Notes payable related          | \$ 375,000          |
| Accrued interest payable       | 1,849               |
| Accrued executive compensation | 346,632             |
|                                | -----               |
|                                | \$ 723,481<br>===== |

**NOTE O - COMPREHENSIVE LOSS**

During Fiscal 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (SFAS No. 130) The company has included Comprehensive Loss in the financial statements for the year ended February 28, 2001, and Comprehensive Income for the year ended February 29, 2001. The comprehensive income and losses resulted entirely from the unrecognized gains and losses on the value of marketable securities held by the Company as detailed in Note E.

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE P - INCOME TAXES**

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The temporary differences that give rise to the deferred tax asset are the Company's net operating loss carryforward and accounts payable and accrued expenses due to using modified cash basis for tax reporting purposes.

The Company has a net operating loss carry forward of approximately \$5,300,000 that is available to offset future regular taxable income. The carry forward will expire in various years ending through the year 2021. Because of the Company's net cumulative losses and the uncertainty of being able to utilize the deferred tax asset, the Company recorded a valuation allowance of 100% of the deferred tax asset.

**NOTE Q - COMMITMENTS AND CONTINGENCIES**

**Offices**

On January 24, 2001, the Company entered into a lease agreement for approximately 3,000 square feet of office space for the period beginning February 1, 2001, and ending January 31, 2003. Rent payments for this office were \$3,732 for the fiscal year ending February 29, 2000. Approximate future rent payments are \$44,790 for the year ending February 28, 2002, and \$41,057 from then until the expiration of the lease on January 31, 2003.

**Industry Related Risks**

Although the Company has access to a substantial amount of research and data which has been compiled regarding the shipwreck business, the quality and reliability of such research and data, like all research and data of its nature, is unknown. Even if the Company is able to plan and obtain permits for its projects, there is a possibility that the shipwreck may have been salvaged, or may not have had anything of value on board at the time of the sinking. Furthermore, even if objects of believed value are located and recovered, there is the possibility that the Company's rights to the recovered objects will be challenged by others, including both private parties and governmental entities, asserting conflicting claims. Finally, even if the Company is successful in locating and retrieving objects from a shipwreck and establishing good title thereto, there can be no assurance as to the value that such objects will bring at their sale as the market for such objects is very uncertain.

**NOTE R - GOING CONCERN CONSIDERATION**

The Company has incurred net losses of \$5,680,451 since inception, and will not generate revenue until it is successful at locating one or more of its target shipwrecks and bringing the find to sale or otherwise generating revenue. These factors caused the Company's auditors to consider whether the Company could continue as a going concern.

In order to fund its overhead and projects, the Company conducted a private placement of series B preferred stock, Common Stock and warrants that raised

**ODYSSEY MARINE EXPLORATION, INC. AND SUBSIDIARY  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE R - GOING CONCERN CONSIDERATION - continued**

\$3,000,000 for operational and administrative purposes in February, 2001. Also, a number of debt holders converted \$236,387 of debt to Common Stock, and \$723,481 of accrued debt was forgiven by officers. The Company also brought its accounts payable current and paid off the balance of certain notes. The result of these actions were that at February 28, 2001, the Company had working capital as indicated by current assets exceeding current liabilities by \$2,268,140.

Depending on the results of the Cambridge operations to be conducted during April through June of 2001, the Company will make a determination as to whether it will use any more of its working capital, or conduct private placements of debt or equity to finance future operations.

Operationally, the Company plans to continue search operations on the Cambridge project, and depending upon financing, may also conduct operations on the Republic and Concepcion Projects. Additionally, if any of the search operations are successful, and subject to financing, the Company plans to begin recovery operations on one or more of these projects. The Company intends to finance these operations through the sale of equity, revenue participation or debt. There can be no assurance of the Company's ability to secure financing and this could cause a delay or cancellation of one or more projects.

The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunder duly authorized.

### ODYSSEY MARINE EXPLORATION, INC.

Dated: May 25, 2001

By: /s/ John C. Morris  
John C. Morris, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| SIGNATURE                                      | TITLE   | DATE         |
|--|---|--------------|
| /s/ John C. Morris<br>John C. Morris           | President and Director                                    | May 25, 2001 |
| /s/ Gregory P. Stemm<br>Gregory P. Stemm       | Vice President and Director                               | May 25, 2001 |
| /s/ David A. Morris<br>David A. Morris         | Secretary and Treasurer<br>(Principal Accounting Officer) | May 24, 2001 |
| /s/ James E. MacDougald<br>James E. MacDougald | Chairman of the Board of Directors                        | May 25, 2001 |

**EXHIBIT 3.1**

**ARTICLES OF INCORPORATION  
OF  
ODYSSEY MARINE EXPLORATION, INC.**

KNOW ALL MEN BY THESE PRESENTS: That the undersigned incorporator being a natural person of the age of twenty-one years or more and desiring to form a body corporate under the laws of the State of Nevada does hereby sign, verify and deliver in duplicate to the Secretary of State of the State of Nevada, these Articles of Incorporation:

**ARTICLE I  
NAME**

The name of the Corporation shall be: ODYSSEY MARINE EXPLORATION, INC.

**ARTICLE II  
PERIOD OF DURATION**

The Corporation shall exist in perpetuity, from and after the date of filing these Articles of Incorporation with the Secretary of State of the State of Nevada unless dissolved according to law.

**ARTICLE III  
PURPOSES AND POWERS**

1. Purposes. Except as restricted by these Articles of Incorporation, the Corporation is organized for the purpose of transacting all lawful business for which corporations may be incorporated pursuant to the Nevada Business Corporation Act.
2. General Powers. Except as restricted by these Articles of Incorporation, the Corporation shall have and may exercise all powers and rights which a corporation may exercise legally pursuant to the Nevada Business Corporation Act.
3. Issuance of Shares. The board of directors of the Corporation may divide and issue any class of stock of the Corporation in series pursuant to a resolution properly filed with the Secretary of State of the State of Nevada.

**ARTICLE IV  
CAPITAL STOCK**

The aggregate number of shares which this Corporation shall have authority to issue is: One Hundred Million (100,000,000) shares of \$.0001 par value each, which shares shall be designated "Common Stock"; and Ten Million (10,000,000) shares of \$.0001 par value each, which shares shall be designated "Preferred Stock" and which may be issued in one or more series at the discretion of the Board of Directors. The Board of Directors is hereby vested with authority to fix by resolution or resolutions the designations and the powers, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, including without limitation the dividend rate, conversion or exchange rights,

redemption price and liquidation preference, of any series of shares of Preferred Stock, and to fix the number of shares constituting any such series, and to increase or decrease the number of shares of any such series (but not below the number of shares thereof then outstanding). In case the number of shares of any such series shall be so decreased, the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution or resolutions originally fixing the number of shares of such series. All shares of any one series shall be alike in every particular except as otherwise provided by these Articles of Incorporation or the Nevada Business Corporation Act.

No holder of any shares of the Corporation, whether now or hereafter authorized, shall have any preemptive or preferential right to acquire any shares or securities of the Corporation, including shares or securities held in the treasury of the Corporation.

#### **ARTICLE V CUMULATIVE VOTING**

Each outstanding share of Common Stock shall be entitled to one vote and each fractional share of Common Stock shall be entitled to a corresponding fractional vote on each matter submitted to a vote of shareholders. A majority of the shares of Common Stock entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. Except as otherwise provided by these Articles of Incorporation or the Nevada Business Corporation Act, if a quorum is present, the affirmative vote of a majority of the shares represented at the meeting and entitled to vote on the subject matter shall be the act of the shareholders. Cumulative voting shall not be allowed in the election of directors of this Corporation.

Shares of Preferred Stock shall only be entitled to such vote as is determined by the Board of Directors prior to the issuance of such stock, except as required by law, in which case each share of Preferred Stock shall be entitled to one vote.

#### **ARTICLE VI TRANSACTIONS WITH INTERESTED DIRECTORS OR OFFICERS**

No contract or other transaction between the Corporation and one or more of its directors or officers, or between the Corporation and any corporation, firm or association in which one or more of its directors or officers are directors or officers or are financially interested, shall be either void or voidable solely because of such relationship or interest or solely because such director or officer is present at the meeting of the board of directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction or solely because their votes are counted for such purpose, if:

(a) The fact of such relationship or interest is disclosed or known to the board of directors or committee and noted in the minutes, and the board or committee authorizes, approves, or ratifies the contract or transaction in good faith by a vote or consent sufficient for the purpose without counting the votes or consents of such interested directors; or



(b) The fact of such relationship or interest is disclosed or known to the shareholders entitled to vote and they authorize, approve, or ratify such contract or transaction in good faith by a majority vote or written consent. The votes of the common or interested directors or officers must be counted in any such vote of stockholders; or

(c) The fact of such relationship or interest is not disclosed or known to the director or officer at the time the transaction is brought before the board of directors of the corporation for action; or

(d) The contract or transaction is fair and reasonable as to the Corporation at the time it is authorized or approved.

Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or a committee thereof which authorizes, approves, or ratifies such contract or transaction, and if the votes of the common or interested directors are not counted at the meeting, then a majority of the disinterested directors may authorize, approve or ratify the contract or transaction.

## **ARTICLE VII INDEMNIFICATION**

The Corporation is authorized to provide indemnification of its directors, officers, employees and agents; whether by bylaw, agreement, vote of shareholders or disinterested directors or otherwise, in excess of the indemnification expressly permitted by Section 78.751 of the Nevada Business Corporation Act for breach of duty to the Corporation and its shareholders, subject only to the applicable limits upon such indemnification as set forth in the Nevada Business Corporation Act. Any repeal or modification of this Article VII or Article XI shall not adversely affect any right or protection of a director or officer of the Corporation existing at the time of such repeal or modification.

## **ARTICLE VIII ADOPTION AND AMENDMENT OF BYLAWS**

The initial Bylaws of the Corporation shall be adopted by its board of directors. Subject to repeal or change by action of the shareholders, the power to alter, amend or repeal the Bylaws or adopt new Bylaws shall be vested in the board of directors. The Bylaws may contain any provisions for the regulation and management of the affairs of the Corporation not inconsistent with law or these Articles of Incorporation.

## **ARTICLE IX RESIDENT AGENT**

The name of the Corporation's resident agent and the street address in Washoe County, Nevada for such resident agent where process may be served are The Corporation Trust Company of Nevada, One East First Street, Reno, Nevada 89501.

The resident agent may be changed in the manner permitted by law.

**ARTICLE X  
INITIAL BOARD OF DIRECTORS**

The number of directors of the Corporation shall be fixed by the Bylaws of the Corporation, and the number of directors of the Corporation may be changed from time to time by consent of the Corporation's directors. The initial board of directors of the Corporation shall consist of six (6) directors. The names and addresses of the persons who shall serve as directors until the first annual meeting of shareholders and until their successors are elected and shall qualify are:

John C. Morris  
3507 Frontage Road  
Suite 100  
Tampa, FL 33607

Gregory P. Stemm  
3507 Frontage Road  
Suite 100  
Tampa, FL 33607

William C. Callari  
3507 Frontage Road  
Suite 100  
Tampa, FL 33607

E. Eugene Cooke  
3507 Frontage Road  
Suite 100  
Tampa, FL 33607

Brad Baker  
3507 Frontage Road  
Suite 100  
Tampa, FL 33607

Gerald Goodman  
3507 Frontage Road  
Suite 100  
Tampa, FL 33607

**ARTICLE XI  
LIMITATION OF LIABILITY OF**

**DIRECTORS AND OFFICERS TO CORPORATION AND SHAREHOLDERS**

No director or officer shall be liable to the Corporation or any shareholder for damages for breach of fiduciary duty as a director or officer, except for any matter in respect of which such director or officer (a) shall be liable under Section 78.300 of the Nevada Business Corporation Act or any amendment thereto or successor provision thereto; or (b) shall have acted or failed to act in a manner involving intentional misconduct, fraud or a knowing violation of law. Neither the amendment nor repeal of this Article, nor the adoption of any provision in the Articles of Incorporation inconsistent with this Article, shall eliminate or reduce the effect of this Article in respect of any matter occurring prior to such amendment, repeal or adoption of an inconsistent provision. This Article shall apply to the full extent now permitted by Nevada law or as may be permitted in the future by changes or enactments in Nevada law, including without limitation Section 78.300 and/or the Nevada Business Corporation Act.

**ARTICLE XII  
INCORPORATOR**

The name and address of the incorporator are: Jon D. Sawyer, 600 - 17th Street, Suite 2700, South Tower, Denver, Colorado 80202.

IN WITNESS WHEREOF, the above-named incorporator has signed these Articles of Incorporation this 26th day of August, 1997.

*/s/ Jon D. Sawyer*  
*Jon D. Sawyer*

STATE OF COLORADO     )  
                                  ) ss.  
COUNTY OF DENVER     )

On the 26th day of August, 1997 personally appeared before me, a notary public, Jon D. Sawyer, who acknowledged before me that he executed the foregoing Articles of Incorporation.

My commission expires: 7/21/98

*/s/ Margaret A. Beck  
Notary Public  
600 - 17th Street, Suite 2700 South Tower  
Denver, CO 80202*

**CERTIFICATE OF ACCEPTANCE OF APPOINTMENT**

**BY RESIDENT AGENT**

The Corporation Trust Company of Nevada hereby accepts the appointment of Resident Agent of ODYSSEY MARINE EXPLORATION, INC.

**The Corporation Trust Company of Nevada**

**Resident Agent**

*By /s/ Marcia J. Sunahara  
Marcia J. Sunahara, Asst. Secy.*

*Date August 26, 1997*

**BYLAWS  
OF  
ODYSSEY MARINE EXPLORATION, INC.  
(A Nevada corporation)**

**ARTICLE I - STOCKHOLDERS**

1. Certificates Representing Stock. Every holder of stock in the corporation shall be entitled to have a certificate signed by, or in the name of, the corporation by the Chairman or Vice-Chairman of the Board of Directors, if any, or by the President or a Vice-President and by the Treasurer or an Assistant Treasurer or the Secretary or an Assistant Secretary of the corporation or by agents designated by the Board of Directors, certifying the number of shares owned by him in the corporation and setting forth any additional statements that may be required by the Nevada Business Corporation Act. If any such certificate is countersigned or otherwise authenticated by a transfer agent or transfer clerk or by a registrar other than the corporation, a facsimile of the signature of any such officers or agents designated by the Board may be printed or lithographed upon such certificate in lieu of the actual signatures. In case any officer or officers who shall have signed, or whose facsimile signature or signatures shall have been used on, any such certificate or certificates shall cease to be such officer or officers of the corporation before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates may nevertheless be adopted by the corporation and be issued and delivered as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be such officer or officers of the corporation.

Whenever the corporation shall be authorized to issue more than one class of stock or more than one series of any class of stock, and whenever the corporation shall issue any shares of special stock, the certificates representing shares of any such class or series or of any such special stock shall set forth thereon the statements prescribed by the Nevada Business Corporation Act. Any restrictions on the transfer or registration of transfer of any shares of stock of any class or series shall be noted conspicuously on the certificate representing such shares.

The corporation may issue a new certificate of stock in place of any certificate theretofore issued by it, alleged to have been lost, stolen or destroyed and the Board of Directors may require the owner of any lost, stolen or destroyed certificate, or his legal representative, to give the corporation a bond sufficient to indemnify the corporation against any claim that may be made against it on account of the alleged loss, theft, or destruction of any such certificate or the issuance of any new certificate.

2. Fractional Share Interests. The corporation shall not be obliged to but may execute and deliver a certificate for or including a fraction of a share. In lieu of executing and delivering a certificate for a fraction of a share, the corporation may pay to any person otherwise entitled to become a holder of a fraction of a share an amount in cash specified for such purpose as the value thereof in the resolution of the Board of Directors, or other instrument pursuant to which such fractional share would otherwise be issued,

or, if not specified therein, then as may be determined for such purpose by the Board of Directors of the issuing corporation; or may execute and deliver registered or bear scrip over the manual or facsimile signature of an officer of the corporation or of its agent for that purpose, exchangeable as therein provided for full share certificates, but such scrip shall not entitle the holder to any rights as a stockholder except as therein provided. Such scrip may provide that it shall become void unless the rights of the holders are exercised within a specified period and may contain any other provisions or conditions that the corporation shall deem advisable. Whenever any such scrip shall cease to be exchangeable for full share certificates, the shares that would otherwise have been issuable as therein provided shall be deemed to be treasury shares unless the scrip shall contain other provisions for their disposition.

3. Stock Transfers. Upon compliance with provisions restricting the transfer or registration of transfer of shares of stock, if any, transfers or registration of transfers of shares of stock of the corporation shall be made only on the stock ledger of the corporation by the registered holder thereof, or by his attorney thereunto authorized by power of attorney duly executed and filed with the Secretary of the corporation or with a transfer agent or a registrar, if any, and on surrender of the certificate or certificates for such shares of stock properly endorsed and the payment of all taxes, if any, due thereon.

4. Record Date for Stockholders. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or the allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the date on which notice is given, or, if notice is waived, at the close of business on the day next preceding the date on which the meeting is held; the record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the Board of directors is necessary, shall be the day on which the first written consent is expressed; and the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at any meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

5. Meaning of Certain Terms. As used in these Bylaws in respect of the right to notice of a meeting of stockholders or a waiver thereof or to participate or vote thereat or to consent to dissent in writing in lieu of a meeting, as the case may be, the term "share" or "shares" or "share of stock" or "shares of stock" or "stockholder" or "stockholders" refers to an outstanding share or shares of stock and to a holder or holders of record of outstanding shares of stock when the corporation is authorized to issue only one class of shares of stock, and said reference is also intended to include

any outstanding share or shares of stock and any holder or holders of record of outstanding shares of stock of any class upon which or upon whom the Articles of Incorporation confers such rights where there are two or more classes or series of shares of stock or upon which or upon whom the Nevada Business Corporation Act confers such rights notwithstanding that the Articles of Incorporation may provide for more than one class or series of shares of stock, one or more of which are limited or denied such rights thereunder; provided, however, that no such right shall vest in the event of an increase or a decrease in the authorized number of shares of stock of any class or series which is otherwise denied voting rights under the provisions of the Articles of Corporation.

#### 6. Stockholder Meetings.

**Time.** The annual meeting shall be held on the date and at the time fixed, from time to time, by the directors, provided, that the first annual meeting shall be held on a date within thirteen months after the organization of the corporation, and each successive annual meeting shall be held on a date within thirteen months after the date of the preceding annual meeting. A special meeting shall be held on the date and at the time fixed by the directors.

**Place.** Annual meetings and special meetings shall be held at such place, within or without the State of Nevada, as the directors may, from time to time, fix. Whenever the directors shall fail to fix such place, the meeting shall be held at the principal office of the corporation in the State of Nevada.

**Call.** Annual meetings and special meetings may be called by the directors or by any officer instructed by the directors to call the meeting.

**Notice or Waiver of Notice.** Notice of all meetings shall be in writing and signed by the President or a Vice-President, or the Secretary, or an Assistant Secretary, or by such other person or persons as the directors shall designate. Such notice shall state the purpose or purposes for which the meeting is called and the time when, and the place, where it is to be held. A copy of such notice shall be either delivered personally to, or shall be mailed postage prepaid, to each stockholder not less than ten nor more than sixty days before such meeting. If mailed, it shall be directed to a stockholder at his address as it appears upon the records of the corporation. Any stockholder may waive notice of any meeting by a writing signed by him, or his duly authorized attorney, either before or after the meeting; and whenever notice of any kind is required to be given under the provisions of the Nevada Business Corporation Act, a waiver thereof in writing and duly signed whether before or after the time stated therein, shall be deemed equivalent thereto.

**Conduct of Meeting.** Meetings of the stockholders shall be presided over by one of the following officers in the order of seniority and if present and acting - the Chairman of the Board, if any, the Vice-Chairman of the Board, if any, the President, a Vice-President, or, if none of the foregoing is in office and present and acting, by a chairman to be chosen by the stockholders. The Secretary of the corporation, or in his absence, an Assistant Secretary, shall act as secretary of every meeting, but if neither the Secretary nor an Assistant Secretary is present the Chairman of the meeting shall appoint a secretary of the meeting.

**Proxy Representation.** Every stockholder may authorize another person or persons to act for him by proxy appointed by an instrument in writing in all matters in which a stockholder is entitled to participate, whether by voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be executed by the stockholder or by his attorney-in-fact. No proxy shall be valid after the expiration of six months from the date of its creation, unless coupled with an interest or unless the stockholder specifies in it therein the length of time for which it is to continue in force, which in no case shall exceed seven years from the date of its creation.

**Inspectors.** The directors, in advance of any meeting, may, but need not, appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If an inspector or inspectors are not appointed, the person presiding at the meeting may, but need not, appoint one or more inspectors. In case any person who may be appointed as an inspector fails to appear or act, the vacancy may be filled by appointment made by the directors in advance of the meeting or at the meeting by the person presiding thereat. Each inspector, if any, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum, the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspector or inspectors, if any, shall make a report in writing of any challenge, question or matter determined by him or them and execute a certificate of any fact found by him or them.

**Quorum.** The holders of a majority of the outstanding shares of stock or of the voting power, as the case may be, shall constitute a quorum at a meeting of stockholders for the transaction of any business unless the action to be taken at the meeting shall require a different proportion. The stockholders present may adjourn the meeting despite the absence of a quorum.

**Voting.** Each share of stock shall entitle the holder thereof to one vote. In the election of directors, a plurality of the votes cast shall elect. Any other action shall be authorized by a majority of the votes cast except where the Nevada Business Corporation Act, the Articles of Incorporation, or these Bylaws prescribe a different percentage of votes and/or a different exercise of voting power. In the election of directors, voting need not be by ballot; and, except as otherwise may be provided by the Nevada Business Corporation Act, voting by ballot shall not be required for any other action.

**7. Stockholder Action Without Meetings.** Except as may otherwise be provided by the Nevada Business Corporation Act, any action required or permitted to be taken by the vote of stockholders at a meeting, may be taken without a meeting if authorized by the written consent of stockholders holding at least a majority of the voting power; provided that if a different proportion of voting power is required for such action at a meeting, then that proportion of written consents shall be required. In no instance where action



is authorized by written consent need a meeting of stockholders be called or notice given. The written consent must be filed with the minutes of the proceedings of the stockholders. Any written consent shall be subject to the requirements of Section 78.320 of the Nevada Business Corporation Act and of any other applicable provision of law.

## **ARTICLE II - DIRECTORS**

1. **Functions and Definition.** The business and affairs of the corporation shall be managed by the Board of Directors of the corporation. The Board of Directors shall have authority to fix the compensation of the members thereof for services in any capacity. The use of the phrase "whole Board" herein refers to the total number of directors which the corporation would have if there were no vacancies.

2. **Qualifications and Number.** Each director must be at least 18 years of age. A director need not be a stockholder or a resident of the State of Nevada. The number of directors constituting the Board of Directors shall be determined and may be increased or decreased, to not less than one director, by resolution of the Board of Directors.

3. **Election and Term.** Directors may be elected in the manner prescribed by the provisions of Sections 78.320 through 78.335 of the Nevada Business Corporation Act. The first Board of Directors shall hold office until the first election of directors by stockholders and until their successors are elected and qualified or until their earlier resignation or removal. Any director may resign at any time upon written notice to the corporation. Thereafter, directors who are elected at an election of directors by stockholders, and directors who are elected in the interim to fill vacancies and newly created directorships, shall hold office until the next election of directors by stockholders and until their successors are elected and qualified or until their earlier resignation or removal. In the interim between elections of directors by stockholders, newly created directorships and any vacancies in the Board of Directors, including any vacancies resulting from the removal of directors for cause or without cause by the stockholders and not filled by said stockholders, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum, or by the sole remaining director.

4. **Meetings.**

**Time.** Meetings shall be held at such time as the Board shall fix, except that the first meeting of a newly elected Board shall be held as soon after its election as the director may conveniently assemble.

**Place.** Meetings shall be held at such place within or without the State of Nevada as shall be fixed by the Board.

**Call.** No call shall be required for regular meetings for which the time and place have been fixed. Special meetings may be called by or at the direction of the Chairman of the Board, if any, the Vice-Chairman of the board, if any, or the President, or of a majority of the directors in office.

Notice or Actual or Constructive Waiver. No notice shall be required for regular meetings for which the time and place have been fixed. Written, oral or any other mode of notice of the time and place shall be given for special meetings in sufficient time for the convenient assembly of the directors thereat. Notice if any need not be given to a director or to any member of a committee of directors who submits a written waiver of notice signed by him before or after the time stated therein.

Quorum and Action. A majority of the whole Board shall constitute a quorum except when a vacancy or vacancies prevents such majority, whereupon a majority of the directors in office shall constitute a quorum, provided, that such majority shall constitute at least one-third of the whole Board. A majority of the directors present, whether or not a quorum is present, may adjourn a meeting to another time and place. Except as the Articles of Incorporation or these Bylaws may otherwise provide, and except as otherwise provided by the Nevada Business Corporation Act, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board. The quorum and voting provisions herein stated shall not be construed as conflicting with any provisions of the Nevada Business Corporation Act and these Bylaws which govern a meeting of directors held to fill vacancies and newly created directorships in the Board or action of disinterested directors.

Members of the Board or of any committee which may be designated by the Board may participate in a meeting of the Board or of any such committee, as the case may be, by means of a conference telephone network or a similar communications method by which all persons participating in the meeting hear each other. Participation in a meeting by said means shall constitute presence in person at any such meeting. Each person participating in a meeting by such means shall sign the minutes thereof.

Chairman of the Meeting. The Chairman of the Board, if any, and if present and acting, shall preside at all meetings. Otherwise, the Vice-Chairman of the Board, if any and if present and acting, or the President, if present and acting, or any other director chosen by the Board, shall preside.

5. Removal of Directors. Any or all of the directors may be removed for cause or without cause by the holders of at least two thirds of the voting power of the outstanding stock of the corporation. One or more of the directors may be removed for cause by the Board of Directors.

6. Committees. Whenever its number consists of two or more, the Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the corporation and each committee to have such powers and duties as the Board shall determine. Any such committee, to the extent provided in the resolution or resolutions of the Board, shall have and may exercise the powers and authority of the Board of Directors in the management of the business and affairs of the corporation and may authorize the seal or stamp of the corporation to be affixed to all papers on which the corporation desires to place a seal or stamp.

7. Written Action. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting if, before or after the action, a written consent thereto is signed by all the members of the Board or committee, as the case may be. The written consent must be filed with the minutes of proceedings of the Board or committee.

### **ARTICLE III - OFFICERS**

1. Officers. The corporation shall have a President, a Secretary, a Treasurer, a Resident Agent, and, if deemed necessary, expedient or desirable by the Board of Directors, a Chairman of the Board, a Vice-Chairman of the Board, a Chief Executive Officer, an Executive Vice-President, one or more other Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers, agents and factors with such titles as the resolution choosing them shall designate. Each of any such officers, agents and factors shall be chosen by the Board of Directors or chosen in the manner determined by the Board of Directors.

2. Qualifications. Except as may otherwise be provided in the resolution choosing him, no officer other than the Chairman of the Board, if any, and the Vice-Chairman of the Board, if any, need be a director.

Any two or more offices may be held by the same person, as the directors may determine.

3. Term of Office. Unless otherwise provided in the resolution choosing him, each officer, except the Resident Agent, shall be chosen for a term which shall continue until the meeting of the Board of Directors following the next annual meeting of stockholders and until his successor shall have been chosen and qualified. The Resident Agent shall serve until his or its successor shall have been chosen and qualified.

Any officer may be removed, with or without cause, by the Board of Directors or in the manner determined by the Board.

Any vacancy in any office may be filled by the Board of Directors or in the manner determined by the Board.

4. Duties and Authority. All officers of the corporation shall have such authority and perform such duties in the management and operation of the corporation as shall be prescribed in the resolution designating and choosing such officers and prescribing their authority and duties, and shall have such additional authority and duties as are incident to their office except to the extent that such resolutions or instruments may be inconsistent therewith.

### **ARTICLE IV - CORPORATE OPPORTUNITY**

The officers, directors and other members of management of this Corporation shall be subject to the doctrine of "corporate opportunities" only insofar as it applies to business opportunities in which this Corporation has expressed an interest as determined from time to time by this Corporation's board of directors as evidenced by resolutions appearing in the Corporation's minutes. Once such areas of interest are delineated, all such business

opportunities within such areas of interest which come to the attention of the officers, directors, and other members of management of this Corporation shall be disclosed promptly to this Corporation and made available to it. The Board of Directors may reject any business opportunity presented to it and thereafter any officer, director or other member of management may avail himself of such opportunity. Until such time as this Corporation, through its board of directors, has designated an area of interest, the officers, directors and other members of management of this Corporation shall be free to engage in such areas of interest on their own and this doctrine shall not limit the rights of any officer, director or other member of management of this Corporation to continue a business existing prior to the time that such area of interest is designated by the Corporation. This provision shall not be construed to release any employee of this Corporation (other than an officer, director or member of management) from any duties which he may have to this Corporation.

#### **ARTICLE V - PRINCIPAL AND REGISTERED OFFICES**

Initially, the principal office and place of business of the corporation will be located in the State of Florida at 3507 Frontage Road, Suite 100, Tampa, Florida 33607. The Company's registered office in the State of Nevada is located at The Corporation Trust Company of Nevada, 1 East First Street, Reno, Nevada 89501. Other offices and places of business may be established from time to time by resolution of the Board of Directors or as the business of the corporation may require.

The corporation shall maintain at said registered office a copy of its Articles of Incorporation, and all amendments thereto, and a copy of these Bylaws, and all amendments thereto, as certified by the Secretary of the corporation. The corporation shall also keep at said registered office a stock ledger or a duplicate stock ledger, revised annually, containing the names, alphabetically arranged, of all persons who are stockholders of the corporation, showing their places of residence, if known, and the number of shares held by them respectively or a statement setting out the name of the custodian of the stock ledger or duplicate stock ledger, and the present and complete post office address, including street and number, if any, where such stock ledger or duplicate stock ledger is maintained.

#### **ARTICLE VI - CORPORATE SEAL OR STAMP**

The Corporate seal or stamp shall be in such form as the Board of Directors may prescribe.

#### **ARTICLE VII - FISCAL YEAR**

The fiscal year of the corporation shall be January 1 through December 31 of each year.

#### **ARTICLE VIII - CONTROL OVER BYLAWS**

The power to amend, alter and repeal these Bylaws and to make new Bylaws shall be vested in the Board of Directors subject to the Bylaws, if any, adopted by the stockholders.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of the Bylaws of Odyssey Marine Exploration, Inc., a Nevada corporation, as in effect on the date hereof.

WITNESS my hand and the seal or stamp of the corporation.

**Dated this 2nd day of September, 1997.**

(SEAL)

*/s/ David Morris*  
*David Morris, Secretary*

**EXHIBIT 10.5**

**ODYSSEY MARINE EXPLORATION, INC.  
1997 STOCK OPTION PLAN  
2,000,000 SHARES**

This Stock Option Plan was adopted this 18th day of August 1997, by Odyssey Marine Exploration, Inc., a Nevada corporation, upon the following terms and conditions:

1. Definitions. Except as otherwise expressly provided in this Plan, the following capitalized terms shall have the respective meanings hereafter ascribed to them:

- (a) "Board" shall mean the Board of Directors of the Corporation;
- (b) "Code" shall mean the Internal Revenue Code of 1986, as amended;
- (c) "Consultant" shall mean a person who provides services to the Corporation as an independent contractor;
- (d) "Corporation" means Odyssey Marine Exploration, Inc. and each and all of any present and future subsidiaries;
- (e) "Date of Grant" shall mean, for each participant in the Plan, the date on which the Board approves the specific grant of stock options to that participant;
- (f) "Employee" shall be an employee of the Corporation or any subsidiary of the Corporation;
- (g) "Grantee" shall mean the recipient of an Incentive Stock Option or a Non-statutory Option under the Plan;
- (h) "Incentive Stock Option" shall refer to a stock option which qualifies under Section 422 of the Code.
- (i) "Non-statutory Option" shall mean an option which is not an Incentive Stock Option.
- (j) "Shares" shall mean the Corporation's common stock, \$.0001 par value;
- (k) "Shareholders" shall mean owners of record of any Shares.

2. Purpose. The purpose of this Stock Option Plan (the "Plan") is two-fold. First, the Plan will further the interests of the Corporation and its shareholders by providing incentives in the form of stock options to employees who contribute materially to the success and profitability of the Corporation. Such stock options will be granted to recognize and reward outstanding individual performances and contributions and will give selected employees an interest in the Corporation parallel to that of the shareholders, thus enhancing their proprietary interest in the Corporation's continued success and progress. This program also will enable the Corporation to

attract and retain experienced employees. Second, the Plan will provide the Corporation flexibility and the means to reward directors and consultants who render valuable contributions to the Corporation.

3. Administration. This Plan will be administered by the Board. The Board has the exclusive power to select the participants in this Plan, fix the awards to each participant, and make all other determinations necessary or advisable under the Plan, to determine whether the performance of an eligible employee warrants an award under this Plan, and to determine the amount and duration of the award. The Board has full and exclusive power to construe and interpret this Plan, to prescribe, amend and rescind rules and regulations relating to this Plan, and to take all actions necessary or advisable for this Plan's administration. The Board shall have full power and authority to determine, and at the time such option is granted shall clearly set forth, whether the option shall be an Incentive Stock Option or a Non-statutory Option. Any such determination made by the Board will be final and binding on all persons. A member of the Board will not be liable for performing any act or making any determination required by or pursuant to the Plan, if such act or determination is made in good faith. The Board has the authority to set up a committee of directors to administer the Plan and to delegate whichever of the above powers it determines.

4. Participants. Any employee, officer, director or consultant that the Board, in its sole discretion, designates is eligible to participate in this Plan. However, only employees of the Corporation shall be eligible to receive grants of Incentive Stock Options. The Board's designation of a person as a participant in any year does not require the Board to designate that person to receive an award under this Plan in any other year or, if so designated, to receive the same award as any other participant in any year. The Board may consider such factors as it deems pertinent in selecting participants and in determining the amount of their respective awards, including, but without being limited to: (a) the financial condition of the Corporation; (b) expected profits for the current or future years; (c) the contributions of a prospective participant to the profitability and success of the Corporation; and (d) the adequacy of the prospective participant's other compensation. The Board, in its discretion, may grant benefits to a participant under this Plan, even though stock, stock options, stock appreciation rights or other benefits previously were granted to him under this or another plan of the Corporation, whether or not the previously granted benefits have been exercised, but the participant may hold such options only on the terms and subject to the restrictions hereafter set forth. Subject to the foregoing limitation, a person who has participated in another benefit plan of the Corporation may also participate in this Plan.

5. Kinds of Benefits. Awards under this Plan, if any, will be granted in options to acquire Shares as described below.

6. Options; Expiration; Limitations. Any Incentive Stock Option granted under this Plan shall automatically expire ten years after the Date of Grant or at such earlier time as may be described in Article 9 or directed by the Board in the grant of the option. Notwithstanding the preceding sentence, no Incentive Stock Option granted to a Shareholder who owns, as of the Date of Grant, stock possessing more than ten percent of the total combined voting power of all classes of stock of the Corporation shall, in any event, be exercisable after the expiration of five years from the Date of Grant. For

the purpose of determining under any provision of this Plan whether a shareholder owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Corporation, such Shareholder shall be considered as owning the stock owned, directly or indirectly, by or for his brothers and sisters (whether by the whole or half blood), spouse, ancestors and lineal descendants, and stock owned, directly or indirectly, by or for a corporation, partnership, estate or trust shall be considered as being owned proportionately by or for its shareholders, partners or beneficiaries.

Upon the exercise of an option, the Corporation shall deliver to the participant certificates representing authorized but unissued Shares. The cumulative total number of shares which may be subject to options issued and outstanding pursuant to this Plan is limited to 2,000,000 shares. This amount automatically will be adjusted in accordance with Article 21 of this Plan. If an option is terminated, in whole or in part, for any reason other than its exercise, the Board may reallocate the shares subject to that option (or to the part thereof so terminated) to one or more other options to be granted under this Plan.

7. Option Exercise Price. Each option shall state the option price, which shall be not less than 100% of the fair market value of the Shares on the Date of Grant or the par value thereof whichever is greater. Notwithstanding the preceding sentence, in the case of a grant of an Incentive Stock Option to an employee who, as of the Date of Grant, owns stock possessing more than ten percent of the total combined voting power of all classes of stock of the Corporation or its Parent or Subsidiaries, the option price shall not be less than 110% of the fair market value of the Shares on the Date of Grant or the par value thereof, whichever is greater.

During such time as the Shares are not traded in any securities market, the fair market value per share shall be determined by a good faith effort of the Board, using its best efforts and judgment. During such time as the Shares are traded in a securities market but not listed upon an established stock exchange, the fair market value per share shall be the highest closing bid price in the securities market in which it is traded on the Date of Grant, as reported by the National Association of Securities Dealers, Inc. If the Shares are listed upon an established stock exchange or exchanges such fair market value shall be deemed to be the highest closing price on such stock exchange or exchanges on the Date of Grant, or if no sale of any Shares shall have been made on any stock exchange on that day, on the next preceding day on which there was such a sale. Subject to the foregoing, the Board shall have full authority and discretion in fixing the option price and shall be fully protected in doing so.

8. Maximum Option Exercise. The aggregate fair market value (determined as of the Date of Grant) of the stock with respect to which Incentive Stock Options are exercisable for the first time by a grantee during any calendar year (under all such plans of the Corporation and its parent or subsidiary, if any) shall not exceed \$100,000. For purposes of this Article 8, the value of stock acquired through the exercise of Non-statutory Options shall not be included in the computation of the aggregate fair market value.



## 9. Exercise of Options.

(a) No stock option granted under this Plan may be exercised before the Grantee's completion of such period of services as may be specified by the Board on the Date of Grant. Furthermore, the timing of the exercise of any option granted under this Plan may be subject to a vesting schedule based upon years of service or an expiration schedule as may be specified by the Board on the Date of Grant. Thereafter, or if no such period is specified subject to the provisions of subsections (c), (d), (e), (f) and (g) of this Article 9, the Grantee may exercise the option in full or in part at any time until expiration of the option.

A Grantee cannot exercise an Incentive Stock Option granted under this Plan unless, at the time of exercise, he has been continuously employed by the Corporation since the date the option was granted. The Board may decide in each case to what extent bona fide leaves of absence for illness, temporary disability, government or military service, or other reasons will not be deemed to interrupt continuous employment.

(b) Unless an Option specifically provides to the contrary, all options granted under this Plan shall immediately become exercisable in full in the event of the consummation of any of the following transactions:

(i) A merger or acquisition in which the Corporation is not the surviving entity;

(ii) The sale, transfer or other disposition of all or substantially all of the assets of the Corporation; or

(iii) Any merger in which the Corporation is the surviving entity but in which fifty percent (50%) or more of the Corporation's outstanding voting stock is issued to holders different from those who held the stock immediately prior to such merger.

(c) Except as provided in subsections (d), (e) and (f) of this Article 9, a Grantee cannot exercise an Incentive Stock Option after he ceases to be an employee of the Corporation, unless the Board, in its sole discretion, grants the recipient an extension of time to exercise the Incentive Stock Option after cessation of employment. The extension of time of exercise that may be granted by the Board under this subsection (c) shall not exceed three months after the date on which the Grantee ceases to be an employee and in no case shall extend beyond the stated expiration date of the option.

(d) If the employment of a Grantee is terminated by the Corporation for a cause as defined in subsection (i) of this Article 9, all rights to any stock option granted under this Plan shall terminate, including but not limited to the ability to exercise such stock options.

(e) If a Grantee ceases to be an employee as a result of retirement, he may exercise the Incentive Stock Option within three months after the date on which he ceases to be an employee (but no later than the stated expiration date of the option) to the extent that the Incentive Stock Option was exercisable when he ceased to be an employee. An employee shall be regarded as retired if he terminates employment after his sixty-fifth birthday.

(f) If a Grantee ceases to be an employee because of disability (within the meaning of Section 105(d)(4) of the Code), or if a Grantee dies, and if at the time of the Grantee's disability or death he was entitled to exercise an Incentive Stock Option granted under this Plan, the Incentive Stock Option can be exercised within 12 months after his death or termination of employment on account of disability (but no later than the stated expiration date of the option), by the Grantee in the case of disability or, in case of death, by his personal representative, estate or the person who acquired by gift, bequest or inheritance his right to exercise the Incentive Stock Option. Such options can be exercised only as to the number of shares for which they could have been exercised at the time the Grantee died or became disabled.

(g) With respect to Non-statutory Options granted to Board members, the Board may provide on the Date of the Grant that such options will expire a specified number of days after such Board member ceases to be a member of the Board. In the absence of any such provision, the option will expire on the stated expiration date of the option.

(h) Any stock option granted under the Plan will terminate, as a whole or in part, to the extent that, in accordance with this Article 9, it no longer can be exercised.

(i) For purposes of this Article 9, "cause" shall mean the following:

- (1) Fraud or criminal misconduct;
- (2) Gross negligence;
- (3) Willful or continuing disregard for the safety or soundness of the Corporation;
- (4) Willful or continuing violation of the published rules of the Corporation.

#### 10. Exercise of Options.

10.1 Notice. Options may be exercised only by delivery to the Corporation of a written stock option exercise agreement (the "Exercise Agreement") in a form approved by the Board (which need not be the same for each Grantee), stating the number of shares being purchased, the restrictions imposed on the shares, if any, and such representations and agreements regarding Grantee's investment intent and access to information, if any, as may be required by the Corporation to comply with applicable securities laws, together with payment in full of the exercise price for the number of Shares being purchased.

10.2 Payment. Payment for the shares may be made in cash (by check) or, where approved by the Board in its sole discretion and where permitted by law: (a) by cancellation of indebtedness of the Corporation to the Grantee; (b) by surrender of shares of common stock of the Corporation having a Fair Market Value equal to the applicable exercise price of the Option that have been owned by Grantee for more than six months (and which have been paid for within the meaning of the Securities and Exchange Commission ("SEC") Rule 144 and, if such shares were purchased from the

Corporation by use of a promissory note, such note has been fully paid with respect to such shares), or were obtained by Grantee in the open public market; (c) by waiver of compensation due or accrued to Grantee for services rendered; (d) provided that a public market for the Corporation's stock exists, through a "same day sale" commitment from Grantee and a broker-dealer that is a member of the National Association of Securities Dealers (an "NASD Dealer") whereby Grantee irrevocably elects to exercise the Option and to sell a portion of the shares so purchased to pay for the exercise price and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the exercise price directly to the Corporation; (e) provided that a public market for the Corporation's stock exists, through a "margin" commitment from Grantee and an NASD Dealer whereby Grantee irrevocably elects to exercise the Option and to pledge the shares so purchased to the NASD Dealer in a margin account as security for a loan from the NASD Dealer in the amount of the exercise price, and whereby the NASD Dealer irrevocably commits upon receipt of such shares to forward the exercise price directly to the Corporation; or (f) by any combination of the foregoing.

11. Taxes; Compliance with Law; Approval of Regulatory Bodies. The Corporation, if necessary or desirable, may pay or withhold the amount of any tax attributable to any amount payable or shares deliverable under this Plan and the Corporation may defer making payment on delivery until it is indemnified to its satisfaction for that tax. Stock options are exercisable, and shares can be delivered under this Plan, only in compliance with all applicable federal and state laws and regulations, including, without limitation, state and federal securities laws, and the rules of all stock exchanges on which the Corporation's shares are listed at any time. Any certificate issued pursuant to options granted under this Plan shall bear such legends and statements as the Board deems advisable to assure compliance with federal and state laws and regulations. No option may be exercised, and shares may not be issued under this Plan, until the Corporation has obtained the consent or approval of every regulatory body, federal or state, having jurisdiction over such matters as the Board deems advisable.

Specifically, in the event that the Corporation deems it necessary or desirable to file a registration statement with the Securities and Exchange Commission or any State Securities Commission, no option granted under the Plan may be exercised, and shares may not be issued, until the Corporation has obtained the consent or approval of such Commission.

In the case of the exercise of an option by a person or estate acquiring by bequest or inheritance the right to exercise such option, the Board may require reasonable evidence as to the ownership of the option and may require such consents and releases of taxing authorities as the Board deems advisable.

12. Assignability. Each option granted under this Plan is not transferable other than by will or the laws of descent and distribution. Each option is exercisable during the life of the Grantee only by him.

13. Tenure. A participant's right, if any, to continue to serve the Corporation as an officer, employee or otherwise, will not be enlarged or otherwise affected by his designation as a participant under this Plan, and such designation will not in any way restrict the right of the Corporation to terminate at any time the employment or affiliation of any participant for cause or otherwise.

14. Amendment and Termination of Plan. The Board may alter, amend or terminate this Plan from time to time without approval of the shareholders. However, without the approval of the shareholders, no amendment will be effective that:

- (a) materially increases the benefits accruing to participants under the Plan;
- (b) increases the cumulative number of shares that may be delivered upon the exercise of options granted under the Plan or the aggregate fair market value of options which a participant may exercise in any calendar year;
- (c) materially modifies the eligibility requirements for participation in the Plan; or
- (d) amends the requirements of paragraphs (a)-(c) of this Article 14.

Any amendment, whether with or without the approval of shareholders, that alters the terms or provisions of an option granted before the amendment will be effective only with the consent of the participant to whom the option was granted or the holder currently entitled to exercise it, except for adjustments expressly authorized by this Plan.

15. Expenses of Plan. The expenses of the Plan will be borne by the Corporation.

16. Duration of Plan. Options may only be granted under this Plan during the ten years immediately following the earlier of the adoption of the Plan or its approval by the Shareholders. Options granted during that ten year period will remain valid thereafter in accordance with their terms and the provisions of this Plan.

17. Other Provisions. The option agreements authorized under the Plan shall contain such other provisions including, without limitation, restrictions upon the exercise of the option, as the Board shall deem advisable. Any such option agreements, which are intended to be "Incentive Stock Options" shall contain such limitations and restrictions upon the exercise of the option as shall be necessary in order that such option will be an "Incentive Stock Option" as defined in Section 422 of the Code.

18. Indemnification of the Board. In addition to such other rights of indemnification as they may have as directors, the members of the Board shall be indemnified by the Corporation against the reasonable expenses, including attorneys' fees actually and necessarily incurred in connection with the defense of any action, suit or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any option granted thereunder, and against all amounts paid by them in settlement thereof (provided such settlement is approved by independent legal counsel selected by the Corporation) or paid by them in satisfaction of a judgment in any such action, suit or proceeding, except in relation to matters as to which it shall be adjudged in such action, suit or proceeding that such director is liable for negligence or misconduct in the performance of his duties.

19. Application of Funds. The proceeds received by the Corporation from the sale of stock pursuant to options granted under this Plan will be used for general corporate purposes.

20. No Obligation to Exercise Option. The granting of an option shall impose no obligation upon the Grantee to exercise such option.

21. Adjustment Upon Change of Shares. If a reorganization, merger, consolidation, reclassification, recapitalization, combination or exchange of shares, stock split, stock dividend, rights offering, or other event affecting shares of the Corporation occurs, then the number and class of shares to which options are authorized to be granted under this Plan, the number and class of shares then subject to options previously granted under this Plan, and the price per share payable upon exercise of each option outstanding under this Plan shall be equitably adjusted by the Board to reflect such changes.

22. Number and Gender. Unless otherwise clearly indicated in this Plan, words in the singular or plural shall include the plural and singular, respectively, where they would so apply, and words in the masculine or neuter gender shall include the feminine, masculine or neuter gender where applicable.

23. Applicable Law. The validity, interpretation and enforcement of this Plan are governed in all respects by the laws of Nevada.

24. Effective Date of Plan. This Plan shall not take effect until adopted by the Board. This Plan shall terminate if it is not approved by the holders of a majority of the outstanding shares of the capital stock of the Corporation, which approval must occur within the period beginning twelve months before and ending twelve months after the Plan is adopted by the Board.

**ODYSSEY MARINE EXPLORATION, INC.**

*By/s/ John C. Morris  
John C. Morris, President*

*I hereby certify that the foregoing Stock Option Plan was approved by the Board of Directors of Odyssey Marine Exploration, Inc. the 18th day of August 1997.*

*/s/ David Morris  
David Morris, Secretary*

*I hereby certify that the foregoing Stock Option Plan was approved by the Shareholders of Odyssey Marine Exploration, Inc. the 8th day of September 1997.*

*/s/ David Morris  
David Morris, Secretary*

## EXHIBIT 10.6

### COMMERCIAL LEASE

This lease is made between Corinthian Custom Homes, Inc. of 3611 W. Swann Ave., Tampa, FL 33609-4517, herein called Lessor, and Odyssey Marine Exploration, Inc., of 3507 Frontage Road #100, Tampa, FL 33607 herein called Lessee.

Lessee hereby offers to lease from Lessor the premises situation in the City of Tampa, County of Hillsborough, State of Florida, described as 3604 Swann Avenue, Tampa FL 33609 upon the following TERMS and CONDITIONS.

1. **Term and Rent.** Lessor demises the above premises for a term of Two (2) years, commencing February 1, 2001, and terminating on January 31, 2003, or sooner as provided herein at the annual rental of Forty Four Thousand seven hundred ninety and 12/100 Dollars (\$44,790.12), payable in equal installments in advance on the first day of each month for that month's rental, during the term of this lease. All rental payments shall be made to Lessor, at the address specified above. \$3,496.50 monthly rent + \$236.01 sales tax for a total monthly payment of \$3,732.51.
2. **Use.** Lessee shall use and occupy the premises for general office use. The premises shall be used for no other purpose. Lessor represents that the premises may lawfully be used for such purpose.
3. **Care and Maintenance of Premises.** Lessee acknowledges that the premises are in good order and repair, unless otherwise indicated herein. Less h all, at his own expense and at all times, maintain the premises in good and safe condition, including plate glass, electrical wiring, plumbing and heating installations and any other system or equipment upon the premises and shall surrender the same, at termination hereof, in as good condition as received, normal wear and tear excepted. Lessee shall be responsible for all repairs required, excepting the roof, exterior walls, and structural foundations. Lessee shall be responsible for all maintenance including all trees, landscaping and right of way which shall be maintained by Lessor. Lessee shall also maintain in good condition such portions adjacent to the premises, such as sidewalks, driveways, lawns and shrubbery, which would otherwise be required to be maintained by Lessor.
4. **Alterations.** Lessee shall not, without first obtaining the written consent of Lessor, make any alterations, additions, or improvements, in, to or about the premises.
5. **Ordinances and Statutes.** Lessee shall comply with all statutes, ordinances and requirements of all municipal, state and federal authorities now in force, or which may hereafter be in force, pertaining to the premises, occasioned by or affecting the use thereof by Lessee.
6. **Assignment and Subletting.** Lessee shall not assign this lease or sublet any portion of the premises without prior written consent of the Lessor, which shall not be unreasonably withheld. Any such assignment or subletting without consent shall be void and, at the option of the Lessor, may terminate this lease.

7. Utilities. All applications and connections for necessary utility services on the demised premises shall be made in the name of Lessee only, and Lessee shall be solely liable for utility charges as they become due, including those for sewer, water, gas, electricity, and telephone services.

8. Entry and Inspection. Lessee shall permit Lessor or Lessor's agents to enter upon the premises at reasonable times and upon reasonable notice, for the purpose of inspecting the same, and will permit Lessor at any time with sixty (60) days prior to the expiration of this lease, to place upon the premises any usual "To Let" or "For Lease" signs, and permit persons desiring to lease the same to inspect the premises thereafter.

9. Possession. If Lessor is unable to deliver possession of the premises at the commencement hereof, Lessor shall not be liable for any damage caused thereby, nor shall this lease be void or voidable, but Lessee shall not be liable for any rent until possession is delivered. Lessee may terminate this lease if possession is not delivered with days of the commencement of the term hereof.

10. Indemnification of Lessor. Lessor shall not be liable for any damage or injury to Lessee, or any other person or to any property, occurring on the demised premises or any part thereof, and Lessee agrees to hold Lessor harmless from any claims for damages, no matter how caused.

11. Insurance. Lessee, at his expense, shall maintain plate glass and public liability insurance including bodily injury and property damage insuring Lessee and Lessor with minimum coverage as follows:

Lessee shall provide Lessor with a Certificate of Insurance showing Lessor as additional insured. The Certificate shall provide for a ten-day written notice to Lessor in the event of cancellation or material change of coverage. To the maximum extent permitted by insurance policies which may be owned by Lessor or Lessee, Lessee and Lessor, for the benefit of each other, waive any and all rights of subrogation which might otherwise exist.

12. Eminent Domain. If the premises or any part thereof or any estate therein, or any other part of the building materially affecting Lessee's use of the premises, shall be taken by eminent domain, this lease shall terminate on the date when title vests pursuant to such taking. The rent, and any additional rent, shall be apportioned as of the termination date, and any rent paid for any period beyond that date shall be repaid to Lessee. Lessee shall not be entitled to any part of the award for such taking or any payment in lieu thereof, but Lessee may file a claim for any taking of fixtures and improvements owned by Lessee, and for moving expenses.

13. Destruction of Premises. In the event of a partial destruction of the premises during the term hereof, from any cause, Lessor shall forthwith repair the same, provided that such repairs can be made within sixty (60) days under existing governmental laws and regulations, but such partial destruction shall not terminate this lease, except that Lessee shall be entitled to a proportionate reduction of rent while such repairs are being made, based upon the extent to which the making of such repairs shall interfere with the business of Lessee on the premises. If such repairs cannot be made within said sixty (60) days, Lessor, at his option, may make the same within a reasonable

time, this lease continuing in effect with the rent proportionately abated as aforesaid, and in the event that Lessor shall not elect to make such repairs which cannot be made within sixty (60) days, this lease may be terminated at the option of either party. In the event that the building in which the demised premises may be situated is destroyed to an extent of not less than one-third of the replacement costs thereof, Lessor may elect to terminate this lease whether the demised premises be injured or not. A total destruction of the building in which the premises may be situated shall terminate this lease.

14. Lessor's Remedies on Default. If Lessee defaults in the payment of rent, or any additional rent, or defaults in the performance of any of the other covenants or conditions hereof, Lessor may give Lessee notice of such default and if Lessee does not cure any such default within three days, after the giving of such notice (of if such other default is of such nature that it cannot be completely cured within such period, if Lessee does not commence such curing within such three days and thereafter proceed with reasonable diligence and in good faith to cure such default), then Lessor may terminate this lease on not less than fifteen days' notice to Lessee. On the date specified in such notice the term of this lease shall terminate, and Lessee shall then quit and surrender the premises to Lessor, but Lessee shall remain liable as hereinafter provided. If this lease shall have been so terminated by Lessor, Lessor may at any time thereafter resume possession of the premises by any lawful means and remove Lessee or other occupants and their effects. No failure to enforce any term shall be deemed a waiver.

15. Security Deposit. Lessee shall deposit with Lessor on the signing of this lease the sum of Seven thousand four hundred sixty five and 02/100 Dollars (\$7,465.02) as security for the performance of Lessee's obligations under this lease, including without limitation the surrender of possession of the premises to Lessor as herein provided. If Lessor applies any part of the deposit to cure any default of Lessee, Lessee shall on demand deposit with Lessor the amount so applied so that Lessor shall have the full deposit on hand at all times during the term of this lease. 50% of deposit shall be used as last month's rent.

16. Tax Increase. In the event there is any increase during any year of the term of this lease in the City, County or State real estate taxes over and above the amount of such taxes assessed for the tax year during which the term of this lease commences, whether because of increased rate or valuation, Lessee shall pay to Lessor upon presentation of paid tax bills an amount equal to 100% of the increase in taxes upon the land and building in which the leased premises are situated. In the event that such taxes are assessed for a tax year extending beyond the term of the lease, the obligation of Lessee shall be proportionate to the portion of the lease term included in such year.

17. Common Area Expenses. In the event the demised premises are situated in a shopping center or in a commercial building in which there are common areas, Lessee agrees to pay his pro-rata share of maintenance, taxes, and insurance for the common area.



18. Attorney's Fees. In case suit should be brought for recovery of the premises, or for any sum due hereunder, or because of any act which may arise out of the possession of the premises, by either party, the prevailing party shall be entitled to all costs incurred in connection with such action, including a reasonable attorney's fee.

19. Waiver. No failure of Lessor to enforce any term hereof shall be deemed to be a waiver.

20. Notices. Any notice which either party may or is required to give, shall be given by mailing the same, postage prepaid, to Lessee at the premises, or Lessor at the address specified above, or at such other places as may be designated by the parties from time to time.

21. Heirs, Assigns, Successors. This lease is binding upon and inures to the benefit of the heirs, assigns and successors in interest to the parties.

22. Option to Renew. Provided that Lessee is not in default in the performance of this lease, Lessee shall have the option to renew the lease for an additional term of n/a months commencing at the expiration of the initial lease term. All of the terms and conditions of the lease shall apply during the renewal term except that the monthly rent shall be the sum of \$ \_\_. The option shall be exercised by written notice given to Lessor not less than days prior to the expiration of the initial lease term. If notice is not given in the manner provided herein within the time specified, this option shall expire.

23. Subordination. This lease is and shall be subordinated to all existing and future liens and encumbrances against the property.

24. Radon Gas Disclosure. As required by law (Landlord) (Seller) makes the following disclosure: "Radon Gas" is a naturally occurring radioactive gas that, when it has accumulated in a building in sufficient quantities, may present health risks to persons who are exposed to it over time. Levels of radon that exceed federal and state guidelines have been found in buildings in \_\_\_\_\_. Additional information regarding radon and radon testing may be obtained from your county public health unit.

25. Entire Agreement. The foregoing constitutes the entire agreement between the parties and may be modified only by writing signed by both parties. The following Exhibits, if any, have been made a part of this lease before the parties' execution hereof: Addendum 1

**Signed this 24th day of January, 2001.**

By: /s/ John C. Morris  
Lessee

By: /s/ Wayne McClain  
Lessor

**ADDENDUM 1 TO LEASE AGREEMENT BETWEEN CORINTHIAN CUSTOM HOMES, INC.  
AND ODYSSEY MARINE EXPLORATION, INC.**

1. The parties agree that Lessor shall maintain occupancy of the 670 square feet of space located on the second floor for the months of February and March 2001 and that the Lessee's rent shall be reduced during those two months by an amount equal to \$845.63.
2. Lessee shall be responsible for the maintenance of the landscaping and grounds on the property including but not limited to mowing and edging lawn, removal of weeds, proper irrigation, appropriate fertilization of all plant materials including palm trees in front. In addition to other insurance requirements, Lessee agrees that property insurance required in paragraph 11 shall include replacement of trees.
3. Lessee shall be responsible for the payment of the real estate taxes on the building. Lessee agrees to place in an interest bearing escrow with Bayshore Title Company an amount equal to the annual real estate taxes. Interest shall accrue to the benefit of the Lessee. For 2001, the amount shall be \$4,726, which is based on the actual real estate taxes for 2000 prorated for 11 months. On or before October 20 of each year, Lessee agrees to pay to escrow agent the difference between the actual real estate taxes, prorated for the time Lessee occupies the Building and the balance in the escrow account. In addition, Lessee agrees to fund the escrow account by an amount equal to the previous year's real estate taxes.

*Witness /s/ [illegible]*

*By:/s/ Wayne McClain  
Wayne McClain, President  
Corinthian Custom Homes, Inc.*

*Witness /s/ [illegible]*

*By:/s/ John C. Morris  
John C. Morris, President*

**CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS**

We hereby consent to the incorporation of our report dated May 3, 2001 appearing in the Annual Report on page F-2 of Form 10-KSB of Odyssey Marine Exploration, Inc. for the year ended February 28, 2001, in the Company's Registration Statements on Form S-8, SEC File No. 333-50325 regarding the 1997 Stock Option Plan and SEC File No. 333-50343 regarding the Consulting Agreement; and in the Company's Registration Statement on Form S-3, SEC file No. 333-42842.

*/s/ Giunta, Ferlita & Walsh, P.A.*

*Giunta, Ferlita & Walsh, P.A.  
3302 Azeele Street  
Tampa, Florida 33609*

*May 25, 2001*

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