

Atlantic Coast Financial CORP
Form S-1/A
October 29, 2010

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As filed with the Securities and Exchange Commission on October 29, 2010

Registration No. 333-167632

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
PRE-EFFECTIVE AMENDMENT NO. 3 TO THE
FORM S-1
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933
ATLANTIC COAST FINANCIAL CORPORATION AND
ATLANTIC COAST FEDERAL EMPLOYEES SAVINGS AND PROFIT SHARING PLAN AND TRUST
(Exact Name of Registrant as Specified in Its Charter)**

Maryland (State or Other Jurisdiction of Incorporation or Organization)	6712 (Primary Standard Industrial Classification Code Number)	Being Applied For (I.R.S. Employer Identification Number)
--	--	--

**505 Haines Avenue
Waycross, Georgia 31501
(800) 342-2824**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal Executive Offices)

**Robert J. Larison, Jr.
505 Haines Avenue**

**Waycross, Georgia 31501
(800) 342-2824**

(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Agent for Service)

Copies to:

**Richard S. Garabedian, Esq.
Benjamin M. Azoff, Esq.
Michael Epshteyn, Esq.
Luse Gorman Pomerenk & Schick, P.C.
5335 Wisconsin Avenue, N.W., Suite 780
Washington, D.C. 20015
(202) 274-2000**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed maximum offering price per share	Proposed maximum aggregate offering price	Amount of registration fee
Common Stock, \$0.01 par value per share	4,065,417 shares	\$10.00	\$40,654,170(1)	\$2,899(3)
Participation Interests	437,706 interests			(2)

(1) Estimated solely for the purpose of calculating the registration fee.

(2) The securities of Atlantic Coast Financial Corporation to be purchased by the Atlantic Coast Bank 401(k) Plan are included in the amount shown for common stock. However, pursuant to Rule 457(h) of the Securities Act of 1933, as amended, no separate fee is required for the participation interests. Pursuant to such rule, the amount being registered has been calculated on the basis of the number of shares of common stock that may be purchased with the current assets of such plan.

(3) Previously paid. Pursuant to Rule 457(p), filing fee to be paid is offset by \$9,543 previously paid by Atlantic Coast Financial Corporation on June 28, 2007 under Registration Statement No. 333-144149. No shares were sold pursuant to the previously referenced Registration Statement.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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PROSPECTUS SUPPLEMENT

Interests in

ATLANTIC COAST BANK

Employees Savings & Profit Sharing Plan and Trust

Offering of Participation Interests in up to 437,706 Shares of

ATLANTIC COAST FINANCIAL CORPORATION

Common Stock

In connection with the adoption of the Plan of Conversion and Reorganization of Atlantic Coast Federal, MHC, Atlantic Coast Financial Corporation is allowing participants in the Atlantic Coast Bank Employees Savings & Profit Sharing Plan and Trust (the Plan) to invest all or a portion of their accounts in stock units representing an ownership interest in the common stock of Atlantic Coast Financial Corporation. Based upon the value of the Plan assets at June 30, 2010, the trustee of the Plan could acquire (through purchase of new shares or exchange of existing shares of Atlantic Coast Federal Corporation for shares of Atlantic Coast Financial Corporation) up to 437,706 shares of common stock of Atlantic Coast Financial Corporation, at the purchase price of \$10.00 per share. This prospectus supplement relates to the initial election of Plan participants to direct the trustee of the Plan to invest all or a portion of their Plan accounts in stock units representing an ownership interest in the Atlantic Coast Financial Corporation Stock Fund at the time of the stock offering.

Atlantic Coast Financial Corporation's prospectus, dated , 2010, accompanies this prospectus supplement. It contains detailed information regarding the conversion and stock offering of Atlantic Coast Financial Corporation common stock and the financial condition, results of operations and business of Atlantic Coast Bank. This prospectus supplement provides information regarding the Plan. You should read this prospectus supplement together with the prospectus and keep both for future reference.

For a discussion of risks that you should consider, see Risk Factors beginning on page of the prospectus.

The interests in the Plan and the offering of common stock of Atlantic Coast Financial Corporation have not been approved or disapproved by the Office of Thrift Supervision, the Securities and Exchange Commission or any other federal or state agency. Any representation to the contrary is a criminal offense.

The securities offered in this prospectus supplement are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

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This prospectus supplement may be used only in connection with offers and sales by Atlantic Coast Financial Corporation, in the stock offering, of stock units representing an interest in shares of common stock acquired by the Plan. No one may use this prospectus supplement to reoffer or resell interests in shares of common stock of Atlantic Coast Financial Corporation acquired through the Plan.

You should rely only on the information contained in this prospectus supplement and the accompanying prospectus. Atlantic Coast Financial Corporation, Atlantic Coast Bank and the Plan have not authorized anyone to provide you with information that is different.

This prospectus supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. Neither the delivery of this prospectus supplement and the prospectus nor any sale of common stock or stock units representing an ownership interest in common stock of Atlantic Coast Financial Corporation shall under any circumstances imply that there has been no change in the affairs of Atlantic Coast Bank or the Plan since the date of this prospectus supplement, or that the information contained in this prospectus supplement or incorporated by reference is correct as of any time after the date of this prospectus supplement.

The date of this prospectus supplement is _____, 2010.

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THE OFFERING

Securities Offered

Atlantic Coast Financial Corporation is offering participants of the Atlantic Coast Bank Employees Savings & Profit Sharing Plan and Trust (the Plan) the opportunity to purchase common stock of Atlantic Coast Financial Corporation through the purchase of stock units. The stock units represent indirect ownership of Atlantic Coast Financial Corporation's common stock. At the stock offering purchase price of \$10.00 per share, the Plan may acquire up to 437,706 shares of Atlantic Coast Financial Corporation common stock in the stock offering, based on the fair market value of the Plan's assets as of June 30, 2010.

Only employees of Atlantic Coast Bank may become participants in the Plan and only participants may purchase stock units through the Plan. Your investment in stock units in connection with the stock offering is subject to the purchase priorities listed below.

Information with regard to the Plan is contained in this prospectus supplement and information with regard to the financial condition, results of operations and business of Atlantic Coast Financial Corporation is contained in the accompanying prospectus. The address of the principal executive office of Atlantic Coast Financial Corporation and Atlantic Coast Bank is 505 Haines Avenue, Waycross, Georgia 31501.

All questions about this prospectus supplement should be addressed to Christi Stone, Vice President Human Resources, Atlantic Coast Bank, 930 N. University Blvd, Jacksonville, FL 32211; telephone number (904) 998-5500; or e-mail StoneC@atlanticcoastbank.net.

Questions about the common stock being offered or about the prospectus may be directed to the Stock Information Center at (____) _____.

Atlantic Coast Financial Corporation Stock Fund

In connection with the stock offering, you may elect to transfer all or part of your account balances in the Plan (other than from the Atlantic Coast Federal Corporation Stock Fund) to the Atlantic Coast Financial Corporation Stock Fund, to be used to purchase stock units representing an ownership interest in the common stock of Atlantic Coast Financial Corporation issued in the stock offering. The Atlantic Coast Financial Corporation Stock Fund is a new fund in the Plan established to hold shares of common stock of Atlantic Coast Financial Corporation. It is different from the Atlantic Coast Federal Corporation Stock Fund, which presently holds shares of Atlantic Coast Federal Corporation, the mid-tier holding company of Atlantic

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Coast Bank that will be eliminated in the reorganization of Atlantic Coast Federal, MHC into Atlantic Coast Financial Corporation, the newly formed stock holding company of Atlantic Coast Bank. At the close of the reorganization and offering, shares of Atlantic Coast Federal Corporation held in the Atlantic Coast Federal Corporation Stock Fund will be exchanged for shares of Atlantic Coast Financial Corporation pursuant to the exchange ratio (discussed in greater detail in the accompanying prospectus) and the Atlantic Coast Federal Corporation Stock Fund will be merged into and become part of the Atlantic Coast Financial Corporation Stock Fund.

Purchase Priorities

All Plan participants are eligible to transfer funds to the Atlantic Coast Financial Corporation Stock Fund pursuant to the offering. However, such directions are subject to the purchase priorities in the Plan of Conversion and Reorganization of Atlantic Coast Federal, MHC, which provides for a subscription offering and a community offering. In the offering, the purchase priorities are as follows and apply in case more shares are ordered than are available for sale (an oversubscription):

Subscription Offering:

- (1) Depositors of Atlantic Coast Bank with \$50 or more as of March 31, 2009, get first priority.
- (2) Atlantic Coast Bank's tax-qualified plans, including the employee stock ownership plan and the 401(k) plan, get second priority.
- (3) Depositors of Atlantic Coast Bank with \$50 or more on deposit as of June 30, 2010, get third priority.
- (4) Depositors of Atlantic Coast Bank as of _____, 2010, get fourth priority.

Community Offering:

- (5) Natural persons residing in the Georgia counties of Chatham, Coffee and Ware and the Florida counties of Clay, Duval, Flagler, Nassau and St. Johns get fifth priority.
- (6) Public stockholders of Atlantic Coast Federal Corporation as of _____, 2010 get sixth priority.
- (7) Other members of the general public get seventh priority.

If you fall into subscription offering categories (1), (3) or (4), you

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have subscription rights to purchase stock units representing an ownership interest in shares of Atlantic Coast Financial Corporation common stock in the subscription offering and you may use funds in the Plan to pay for the stock units. You may also be able to purchase stock units representing an ownership interest in shares of Atlantic Coast Financial Corporation common stock in the subscription offering even though you are ineligible to purchase through subscription offering categories (1), (3) or (4) through subscription offering category (2), reserved for its tax-qualified employee plans.

Purchases in the Offering and Oversubscriptions

The trustee of the Plan will purchase common stock of Atlantic Coast Financial Corporation in the stock offering in accordance with your directions. Once you make your election, the amount that you elect to transfer from your existing investment options for the purchase of stock units in connection with the stock offering will be sold from your existing investment options and proceeds transferred to the Atlantic Coast Financial Corporation Stock Fund (which will be an interest bearing account during the offering period) and held by the fund pending the formal completion of the stock offering several weeks later. After the end of the stock offering period, we will determine whether all or any portion of your order will be filled (if the offering is oversubscribed you may not receive any or all of your order, depending on your purchase priority, as described above). The amount that can be used toward your order will be applied to the purchase of common stock of Atlantic Coast Financial Corporation. Following the completion of the offering, the purchased common stock will be transferred to the Atlantic Coast Financial Corporation Stock Fund and will be denominated in stock units in the Atlantic Coast Financial Corporation Stock Fund.

In the event the offering is oversubscribed, *i.e.*, there are more orders for common stock of Atlantic Coast Financial Corporation than shares available for sale in the offering, and the trustee is unable to use the full amount allocated by you to purchase ownership interests in common stock of Atlantic Coast Financial Corporation sold in the offering, the amount that cannot be invested in common stock of Atlantic Coast Financial Corporation, and any interest earned on such amount, will be reinvested in the existing funds of the Plan, in accordance with your then existing investment election (in proportion to your investment direction for future contributions). The prospectus describes the allocation procedures in the event of an oversubscription. If you choose not to direct the investment of your account balances towards the purchase of any stock units in connection with the offering, your account balances will remain in the investment funds of the Plan as previously directed by you.

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Composition of and Purpose of Stock Units

The Atlantic Coast Financial Corporation Stock Fund will invest in the common stock of Atlantic Coast Financial Corporation. In addition, the Atlantic Coast Financial Corporation Stock Fund will maintain a cash component for liquidity purposes. Liquidity is required in order to facilitate daily transactions such as investment transfers or distributions from the Atlantic Coast Financial Corporation Stock Fund. For purchases in the offering, there will be no cash component. A stock unit will be valued at \$10.00. After the offering, stock units will consist of a percentage interest in both the common stock of Atlantic Coast Financial Corporation and cash held in the Atlantic Coast Financial Corporation Stock Fund. Unit values (similar to the stock's share price) and the number of units (similar to number of shares) are used to communicate the dollar value of a participant's account. Following the stock offering, each day the stock unit value of the Atlantic Coast Financial Corporation Stock Fund will be determined by dividing the total market value of the fund at the end of the day by the total number of units held in the fund by all participants as of the previous day's end. The change in stock unit value reflects the day's change in stock price, any cash dividends accrued and the interest earned on the cash component of the fund, less any investment management fees. The market value and stock unit holdings of your account in the Atlantic Coast Financial Corporation Stock Fund is reported to you on your quarterly statements.

Value of Plan Assets

As of June 30, 2010, the market value of the assets of the Plan was approximately \$4,377,062, all of which is eligible to purchase or acquire common stock of Atlantic Coast Financial Corporation in the offering. The Plan administrator informed each participant of the value of his or her account balance under the Plan as of June 30, 2010.

Election to Purchase Stock Units in the Stock Offering

In connection with the stock offering, the Plan will permit you to direct the trustee to transfer all or part of the funds which represent your current beneficial interest in the assets of the Plan (other than amounts invested in the Atlantic Coast Federal Corporation Stock Fund) to the Atlantic Coast Financial Corporation Stock Fund. You may not transfer amounts that you have invested in the Atlantic Coast Federal Corporation Stock Fund into the Atlantic Coast Financial Corporation Stock Fund. This exchange will take place automatically. The shares of common stock of Atlantic Coast Federal Corporation currently held by the Plan will be exchanged for Atlantic Coast Financial Corporation common stock pursuant to the exchange ratio. The trustee of the Plan will subscribe for Atlantic Coast Financial Corporation common stock offered for sale in connection with the stock offering, in accordance with each participant's direction. In order to purchase stock units through the

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Plan, you must purchase stock units representing an ownership interest in common stock of Atlantic Coast Financial Corporation in at least 25 shares in the offering through the Plan at the \$10.00 purchase price (e.g., a \$250 initial investment). The prospectus also describes maximum purchase limits for investors in the stock offering.

How to Order Stock in the Offering

Enclosed is a Special Investment Election Form on which you can elect to purchase stock units in the Atlantic Coast Financial Corporation Stock Fund in connection with the stock offering. Please note the following stipulations concerning this election:

You can elect to transfer all or a portion of your current account (other than amounts you have invested in the Atlantic Coast Federal Corporation Stock Fund) to the Atlantic Coast Financial Corporation Stock Fund.

Your election is subject to a minimum purchase of 25 stock units, which equals \$250.

Your election, plus any order you placed outside the Plan, are together subject to a maximum purchase limit of no more than 5% of the stock sold in the offering.

The election period to purchase stock units in the offering closes at __:00 p.m., Eastern Time, on _____, _____, 2010.

During the stock offering period, you will continue to have the ability to transfer amounts that are not directed to purchase stock units in the Atlantic Coast Financial Corporation Stock Fund among all other investment funds. However, you will not be permitted to change the investment amounts that you designated to be transferred to the Atlantic Coast Financial Corporation Stock Fund on your Special Investment Election Form.

The amount you elect to transfer to the Atlantic Coast Financial Corporation Stock Fund will be held separately until the completion of the offering. Therefore, this money is not available for distributions, loans, or withdrawals until the offering is completed, which is expected to be several weeks after the closing of the subscription offering period.

If you wish to use all or part of your account balance in the Plan to purchase common stock of Atlantic Coast Financial Corporation issued in the stock offering, you should indicate that decision on the Special Investment Election Form.

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If you do not wish to make an election, you should check Box E in Section D of the Special Investment Election Form and return the form to Christi Stone, Vice President Human Resources, at Atlantic Coast Bank, 930 N. University Blvd, Jacksonville, FL 32211, to be received no later than __:00 p.m., Eastern Time, on _____, _____, 2010. You may return your Special Investment Election Form by hand delivery or by mailing it to Christi Stone at the above address in the enclosed self-addressed envelope, so long as it is received by the specified time.

Order Deadline

If you wish to purchase stock units representing an ownership interest in common stock of Atlantic Coast Financial Corporation with all or part of your Plan account balance, **you must return your Special Investment Election Form to Christi Stone, Vice President Human Resources, at Atlantic Coast Bank, 930 N. University Blvd, Jacksonville, FL 32211, to be received no later than __:00 p.m., Eastern Time, on _____, _____, 2010.**

Irrevocability of Transfer Direction

Once you make an election to transfer amounts to the Atlantic Coast Financial Corporation Stock Fund in connection with the stock offering, you may not change your election. Your election is irrevocable. You will, however, continue to have the ability to transfer amounts not directed towards the purchase of stock units among all of the other investment funds on a daily basis. You may also continue to transfer funds into and out of the Atlantic Coast Federal Corporation Stock Fund which will purchase shares of Atlantic Coast Federal Corporation in the open market (but not in the offering) or sell the shares in your account until the completion of the offering. After the completion of the stock offering, Atlantic Coast Federal Corporation common stock will stop trading and Atlantic Coast Financial Corporation common stock will trade on the open market.

Future Direction to Purchase Common Stock

You will be able to purchase stock units representing an ownership interest in stock after the offering through your investment in the Atlantic Coast Financial Corporation Stock Fund. You may direct that your future contributions or your account balance in the Plan be transferred to the Atlantic Coast Financial Corporation Stock Fund. After the offering, to the extent that shares are available, the trustee of the Plan will acquire common stock of Atlantic Coast Financial Corporation at your election in open market transactions at the prevailing price. Special restrictions may apply to transfers directed to and from the Atlantic Coast Financial Corporation Stock Fund by the participants who are subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended, relating to the purchase and sale of securities by officers, directors and principal

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shareholders of Atlantic Coast Financial Corporation. In addition, if you are an officer of Atlantic Coast Bank that is restricted by the Office of Thrift Supervision from selling shares acquired in the stock offering for one year, the stock units that you purchased in the stock offering will not be tradable for one year. However, any stock units that you held in the Atlantic Coast Federal Corporation Stock Fund prior to the stock offering are freely tradable and not subject to this one-year trading restriction.

**Voting Rights of
Common Stock**

The Plan provides that you may direct the trustee as to how to vote any shares of Atlantic Coast Financial Corporation common stock held by the Atlantic Coast Financial Corporation Stock Fund, and the interest in such shares that is credited to your account. If the trustee does not receive your voting instructions, the Plan administrator will exercise these rights as it determines in its discretion and will direct the trustee accordingly. All voting instructions will be kept confidential.

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DESCRIPTION OF THE PLAN

Introduction

Atlantic Coast Bank (formerly Atlantic Coast Federal) adopted the Atlantic Coast Federal 401(k) Plan and Trust, dated August 7, 2002, and amended it into the Atlantic Coast Federal (now Atlantic Coast Bank) Employees Savings & Profit Sharing Plan and Trust, effective June 1, 2003 (referred to as the Plan). The Plan was further amended and restated, effective January 1, 2010. The Plan is a tax-qualified plan with a cash or deferred compensation feature established in accordance with the requirements under Section 401(a) and Section 401(k) of the Internal Revenue Code of 1986, as amended (the Code).

Atlantic Coast Bank intends that the Plan, in operation, will comply with the requirements under Section 401(a) and Section 401(k) of the Code. Atlantic Coast Bank will adopt any amendments to the Plan that may be necessary to ensure the continuing qualified status of the Plan under the Code and applicable Treasury Regulations.

Employee Retirement Income Security Act of 1974 (ERISA). The Plan is an individual account plan other than a money purchase pension plan within the meaning of ERISA. As such, the Plan is subject to all of the provisions of Title I (Protection of Employee Benefit Rights) and Title II (Amendments to the Code Relating to Retirement Plans) of ERISA, except to the funding requirements contained in Part 3 of Title I of ERISA which by their terms do not apply to an individual account plan (other than a money purchase plan). The Plan is not subject to Title IV (Plan Termination Insurance) of ERISA. The funding requirements contained in Title IV of ERISA are not applicable to participants or beneficiaries under the Plan.

Reference to Full Text of Plan. The following portions of this prospectus supplement summarize certain provisions of the Plan. They are not complete and are qualified in their entirety by the full text of the Plan. Copies of the Plan are available to all employees by filing a request with the Plan administrator c/o Atlantic Coast Bank, Attn: Christi Stone, Vice President, Human Resources, 930 N. University Blvd, Jacksonville, Florida 32211; telephone number: (904) 998-5500; fax: (904) 744-4214; email: StoneC@atlanticcoastbank.net. You are urged to read carefully the full text of the Plan.

Eligibility and Participation

Employees of Atlantic Coast Bank who have completed three consecutive months of service are eligible to become participants in the Plan on the first day of the month coinciding with or following the date they satisfy the period of service requirement. Leased employees are not eligible to participate in the Plan. The Plan year is January 1 to December 31 (the Plan Year).

As of June 30, 2010, there were approximately 153 employees, former employees and beneficiaries participating in the Plan.

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Contributions Under the Plan

Salary Deferrals. You are permitted to defer on a pre-tax basis up to 75% of your salary (expressed in terms of whole percentages), subject to certain restrictions imposed by the Code, and to have that amount contributed to the Plan on your behalf. For purposes of the Plan, salary means your basic salary plus commissions, overtime, bonuses, incentives and personal leave. In 2010, the annual salary of each participant taken into account under the Plan is limited to \$245,000. (Limits established by the Internal Revenue Service are subject to increase pursuant to an annual cost-of-living adjustment, as permitted by the Code). You may elect to modify the amount contributed to the Plan by filing a new elective deferral agreement with the Plan administrator once per calendar quarter.

Employer Matching Contributions. Atlantic Coast Bank will make matching contributions to each contributing participant's account in a amount equal to 50% of your salary deferrals, up to 6% of your salary.

Rollover Contributions. You are permitted to make rollover contributions to the Plan.

Limitations on Contributions

Limitations on Employee Salary Deferrals. For the Plan Year beginning January 1, 2010, the amount of your before-tax contributions may not exceed \$16,500 per calendar year. Salary deferrals in excess of this limit are known as excess deferrals. If you defer amounts in excess of this limitation, your gross income for federal income tax purposes will include the excess in the year of the deferral. In addition, unless the excess deferral is distributed before April 15 of the following year, it will be taxed again in the year distributed. Income on the excess deferral distributed by April 15 of the immediately succeeding year will be treated, for federal income tax purposes, as earned and received by you in the tax year in which the contribution is made.

Catch-up Contributions. If you have made the maximum amount of regular before-tax contributions allowed by the Plan or other legal limits and you have attained at least age 50 (or will reach age 50 prior to the end of the Plan Year), you are also eligible to make an additional catch-up contribution. You may authorize your employer to withhold a specified dollar amount of your compensation for this purposes. For 2010, the maximum catch-up contribution is \$5,500.

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Vesting. At all times, you have a fully vested, nonforfeitable interest in the elective deferrals you have made and any earnings related thereto. Employer contributions vest in accordance with the following schedule:

Completed Years of Employment	Vested Percentage
Less than 2	0%
2 but less than 3	20%
3 but less than 4	40%
4 but less than 5	60%
5 but less than 6	80%
6 or more	100%

However, a participant will become 100% in his or her employer contributions made to the Plan upon the earlier of: (i) attainment of the normal retirement age (60); (ii) disability; or (iii) death.

Withdrawals and Distributions from the Plan

Applicable federal law requires the Plan to impose substantial restrictions on the right of a Plan participant to withdraw amounts held for his or her benefit under the Plan prior to the participant's termination of employment with the employer.

Withdrawals upon Termination. You may request a distribution from your account following your termination of employment. Following your termination, you may elect to leave your account balance in the Plan and defer commencement of receipt of your vested balance until no later than April 1 of the calendar year following the calendar year in which you attain age 70^{1/2}.

Withdrawal upon Disability. If you are disabled in accordance with the definition of disability under the Plan, you will be entitled to the same withdrawal rights as if you had terminated employment.

Withdrawal upon Death. If you die while you are a participant in the Plan, the value of your entire account will be payable to your beneficiary in accordance with the Plan.

In-Service Distribution. In-service withdrawals of employee pre-tax elective deferrals, employer matching contributions, and rollover contributions are permitted in the event of financial hardship or your attainment of age 59^{1/2}.

Loans. The employer may, in its discretion, make loans available to Plan participants.

Form of Distribution. You will have the right to elect to be paid your benefit under the Plan in either a lump sum or various forms of installments offered under the Plan.

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Investment of Contributions and Account Balances

All amounts credited to your accounts under the Plan are held in the Plan trust which is administered by the trustee appointed by Atlantic Coast Bank's Board of Directors. Prior to the effective date of the offering, you were provided the opportunity to direct the investment of your account into one of the following funds:

1. Target Retirement 2015 Fund
2. Target Retirement 2025 Fund
3. Target Retirement 2035 Fund
4. Target Retirement 2045 Fund
5. Income Plus Asset Allocation Fund
6. Growth & Income Asset Allocation Fund
7. Growth Asset Allocation Fund
8. Stable Value Fund
9. Short Term Investment Fund (Money Market)
10. Long Treasury Index Fund (Government Bond)
11. Aggregate Bond Index Fund
12. S&P 500 Stock Fund
13. S&P Value Stock Fund
14. S&P Growth Stock Fund
15. S&P MidCap Stock Fund
16. Russell 2000 Stock Fund
17. Nasdaq 100 Stock Fund
18. US REIT Index Fund
19. International Stock Fund
20. Atlantic Coast Bank Certificate of Deposit Fund
21. Personal Choice Retirement Account
22. Atlantic Coast Federal Corporation Stock Fund

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The following table provides performance data with respect to the investment funds available under the Plan through March 31, 2010:

Stock Funds	Performance Return as of March 31, 2010					
	Monthly Returns	Year-to-Date	Last 12 Months	Trail 3 Yr Annual d	Trail 5 Yr Annual d	Trail 10 Yr Annual d
Target Retirement Funds ⁽¹⁰⁾						
Target Retirement 2015 Fund	3.52%	3.22%	30.78%	-0.71%	n/a	n/a
Target Retirement 2025 Fund	4.55%	3.93%	39.07%	-2.06%	n/a	n/a
Target Retirement 2035 Fund	5.47%	4.38%	46.65%	-3.23%	n/a	n/a
Target Retirement 2045 Fund	5.65%	4.46%	47.40%	-2.95%	n/a	n/a
Asset Allocation Funds ⁽²⁾⁽⁸⁾						
Income Plus	1.41%	2.43%	17.22%	3.22%	4.56%	3.99%
Growth & Income	3.34%	3.46%	30.40%	0.23%	3.82%	2.28%
Growth	5.27%	4.44%	44.71%	-3.23%	2.71%	-0.19%
Fixed Income Funds						
Stable Value Fund ⁽⁷⁾	0.19%	0.54%	2.10%	2.75%	3.18%	3.99%
Short Term Investment Fund (money mkt) ⁽⁵⁾	0.00%	-0.04%	-0.03%	1.95%	2.81%	2.68%
Bond Funds						
Long Treasury Index Fund (gov t bond) ⁽⁵⁾	-1.94%	0.80%	-7.63%	5.46%	4.79%	6.46%
Aggregate Bond Index Fund ⁽⁹⁾	-0.18%	1.62%	7.16%	5.66%	4.87%	5.70%
Stock Funds						
S&P 500 Stock Fund ⁽⁵⁾	5.97%	5.24%	48.97%	-4.67%	1.35%	-1.19%
S&P Value Stock Fund ⁽⁴⁾	6.31%	6.91%	53.64%	-8.00%	0.38%	0.85%
S&P Growth Stock Fund ⁽⁴⁾	5.67%	3.63%	45.43%	-1.08%	2.42%	-3.31%
S&P Midcap Stock Fund ⁽⁵⁾	7.05%	8.92%	63.10%	-1.40%	4.57%	5.46%
Russell 2000 Stock Fund ⁽⁴⁾	8.07%	8.68%	61.91%	-4.33%	2.89%	3.21%
Nasdaq 100 Stock Fund ⁽³⁾	7.65%	5.25%	58.45%	3.21%	5.37%	-8.12%
US REIT Index Fund ⁽⁶⁾	10.09%	9.51%	108.85%	-12.60%	2.43%	n/a
International Stock Fund ⁽¹⁾⁽²⁾	6.23%	0.69%	53.80%	-7.35%	3.28%	0.43%
Other Investments						
	0.10%	0.30%	1.00%	n/a	3.10%	n/a

Atlantic Coast Bank
Certificate of Deposit
Fund

Personal Choice Ret.
Account ⁽¹¹⁾

n/a n/a n/a n/a n/a n/a

Atlantic Coast Federal

Corporation Stock Fund 51.4% 60.4% -13.10% n/a -32.40% n/a

Effective November 4, 2005, State Street Global Advisors (SSGA) assumed Investment Manager responsibilities for all Funds from Barclays Global Investors (BGI) and became the provider of benchmark index returns. Historical returns of the index funds reflect BGI management prior to November 4, 2005, and SSGA s management thereafter. Unit values are determined as of the last business day of each month. Pursuant to the Trust agreement under which SSGA operates these funds, SSGA uses industry standard fair value pricing practices when and if it is deemed necessary. Investment fund returns are shown net of fees. Benchmark indices are not investment funds and have no fees. Dividends and interest are automatically reinvested. Total expenses charged to each fund, as a percentage of each fund s estimated average assets per year, are for investment management services, trustee services, recordkeeping and administration.

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As of January 1, 2008, they are as follows: International Stock Fund 0.624%; Nasdaq 100 Stock Fund 0.624%; Russell 2000 Stock Fund 0.624%; S&P MidCap Stock Fund 0.624%; S&P Growth Stock Fund 0.624%; S&P Value Stock Fund 0.624%; S&P 500 Stock Fund 0.624%; Long Treasury Index Fund 0.624%; Aggregate Bond Index Fund 0.624%; REIT Fund 0.624%; Stable Value Fund 0.624%; Short Term Investment Fund 0.460%; Target Retirement Funds 0.930%; Asset Allocation Funds 0.930%.

All funds except Nasdaq 100 Stock Fund, US REIT Index Fund, Short Term Investment Fund and Government Short Term Investment Fund may engage in securities lending.

Effective October 2008, the Lehman Brothers indexes were rebranded under the Barclays Capital name. Past performance is no guarantee of future performance. See following notes.

- (1) Prior to September 30, 1999, this Fund was limited to no more than 25% exposure to Japan.
- (2) The Asset Allocation Funds and the International Stock Fund were first offered July 2, 1997. Returns prior to inception are simulated using the returns of market indices for, or actual funds of, the Fund's investment components, and are net of fees.
- (3) The Nasdaq 100 Stock Fund was first offered on May 1, 2002, while BGI's underlying Nasdaq 100 Fund was initially offered on August 7, 2000. Returns shown for periods prior to May 1, 2002 are based on returns of the then-existing BGI funds (when available), and on the (hypothetical) returns of the Nasdaq 100 index for periods prior to the inception date of the BGI fund. All returns are net of fees.
- (4) The Russell 2000, S&P Growth and S&P Value Stock Funds were first offered on January 4, 2000. Returns prior to January 4, 2000 are hypothetical and are based on the returns of the then-existing BGI funds, and are net of fees. Effective December 16, 2005 the S&P 500/Barra Growth and S&P 500/Barra Value indexes were reconstituted as the S&P 500/Citigroup Growth and S&P 500/Citigroup Value Indexes. Additional information can be found at www.styleindices.standardandpoors.com.
- (5) The S&P MidCap, S&P 500, Long Treasury Index, and Short Term Investment Funds were first offered on June 17, 1997. Results prior to that date are hypothetical, based on previous investment returns of the then-existing BGI funds, and are net of fees.
- (6) The US REIT Index Fund was first offered on January 1, 2005. Returns shown for periods prior to that date are hypothetical and are based on the returns of the then-existing BGI fund for the MSCI US REIT index, and are net of fees.
- (7) The Stable Value Fund is a separately managed account; historical return data represents its actual performance.
- (8) The Asset Allocation Funds are designed investment vehicles utilizing various asset classes represented by index funds and, under BGI management, were managed on an exclusive basis. Only hypothetical results are available from January 1, 1992 to July 2, 1997 (the inception date of the Asset Allocation Funds). Note that SSGA changed certain allocations and underlying indexes (see fund descriptions for information on same).
- (9) The Aggregate Bond Index Fund became available effective April 30, 2006. Results prior to that date are based on historical investment returns of the then-existing SSGA fund, and are net of PSI fees which would have been levied.
- (10) The Target Retirement Funds first became available effective August 1, 2007. Results prior to that date are based on historical investment returns of the then-existing SSGA fund, and are net of PSI fees which would have been levied.

(11) This fund is self-directed brokerage account administered through Charles Schwab and Company, Inc. As a result, there is no historical data availability.

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The following is a description of each of the Plan's investment funds:

Target Retirement 2015, 2025, 2035, 2045 Funds. The funds seek to offer investment strategies with asset allocations which become more conservative as you near retirement. You simply select the fund with a date closest to when you expect to retire and invest accordingly. Each fund seeks to achieve its objective by investing in a set of underlying SSGA collective trust funds representing various asset classes. Each Fund is managed to a specific retirement year (target date) included in its name.

Income Plus Asset Allocation Fund. This fund is an asset allocation fund that invests approximately 70% of its portfolio in a combination of stable value investments and U.S. bonds. The balance is invested in U.S. and international stocks. Its objective is to preserve principal over short periods of time and to offer some potential for growth over time. The fund diversifies among a broad range of stable value securities to reduce short-term risk and among a broad range of large U.S. and international companies to capture growth potential. The fund is structured to take advantage of market opportunities with a small flexible component.

Growth & Income Asset Allocation Fund. This fund is an asset allocation fund that invests in U.S. domestic and international stocks, U.S. domestic bonds, and stable value investments. Its objective is to provide a balance between the pursuit of growth and protection from risk over time. The fund diversifies among U.S. and international stocks, U.S. bonds and stable value investments to pursue long-term appreciation and short-term stability and takes advantage of market opportunities with a small flexible component. The fund invests in a portfolio of approximately 60% U.S. and international stocks. The remaining 40% of the fund is held in U.S. fixed income and stable value investments such as Guaranteed Investment Contracts (GICs), Synthetic GICs and Bank Investment Contracts.

Growth Asset Allocation Fund. This fund is an asset allocation fund that invests the majority of its assets in stock both domestic and international. Its objective is to pursue high growth over time. The fund diversifies among a broad range of domestic and international stocks and takes advantage of market opportunities with a large flexible component. The fund invests approximately 55% of its portfolio in U.S. equities. The fund also invests 25% of its assets in a tactical component which, over the long term, is normally invested in the S&P 500, such that the total allocation in U.S. domestic equities could be 80%. As markets change, the fund manager may shift a portion of the tactical components to various fixed income securities. The fund invests another 20% of its portfolio in international stocks. The international component represents the markets of up to 20 economically developed countries, which are weighted to reduce risk. Stock investments include the S&P 500 Index and the MSCI Europe, Australia and Far East Index.

Stable Value Fund. This fund invests primarily in fully benefit-responsive GICs, Synthetic GICs and Bank Investment Contracts that provides a liquidity guarantee by the issuer and prior to maturity, at contract value, permit withdrawals, transfers and loans by employees without penalty or adjustment. Its objective is short- to intermediate-term: to achieve a stable return over short to intermediate periods of time while preserving principal.

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Short Term Investment Fund (Money Market). This fund invests in a broad range of high-quality, short-term instruments. Its objective is to achieve competitive, short-term rates of return while preserving principal. The fund invests in short-term instruments issued by banks, corporations, and the U.S. Government and its agencies. These instruments include certificates of deposit and U.S. Treasury bills. The fund seeks to match the total rate of return of a Citigroup Three-Month Treasury Bill.

Long Treasury Index Fund (Government Bond). This fund invests in U.S. Treasury bonds with a maturity of 20 years or more. Its objective is to earn a higher level of income over the long-term along with the potential for capital appreciation. The fund's goal is to match the performance of the Barclays Capital U.S. Long Treasury Bond Index. This index invests in U.S. Treasury bonds with 20 years or more to maturity. The fund is not exposed to credit risk since it invests only in bonds backed by the full faith and credit of the U.S. Government. The fund is exposed to interest rate risk, however, since the long maturity of the bonds means that the fund's value may fluctuate substantially in response to changes in long-term interest rates.

Aggregate Bond Index Fund. The fund invests primarily in U.S. Treasury securities with a maturity of 10 years or longer. The fund invests in a well diversified portfolio that is representative of the U.S. Long Treasury bond market. The fund buys and holds securities, trading only when there is a change to the composition of the Index or when cash flow activity occurs in the fund. The Fund seeks to match the total rate of return of the Barclays Capital U.S.

Aggregate Bond Index

S&P 500 Stock Fund. This fund invests in the stocks of a broad array of established U.S. companies. Its objective is long-term: to earn higher returns by investing in the largest companies in the U.S. economy. The S&P 500 Stock Fund is an index fund whose goal is to match the performance of the S&P 500 Index by investing in most or all of the same stocks. The S&P 500 Index represents almost 75% of the value of all publicly traded common stocks in the U.S. Because the S&P 500 Index includes 500 established companies of different sizes and different sectors of the U.S. economy (industrial, utilities, financial, and transportation), this fund is broadly diversified in common stocks.

S&P Value Stock Fund. This fund invests in most or all of the stocks held in the S&P/BARRA Value Index. Its objective is long-term: to earn higher returns by investing in a diversified portfolio of large-capitalization value stocks. The S&P 500 Value Stock Fund is an index fund whose goal is to match the performance of the S&P/BARRA Value Index by investing in most of the same stocks. The S&P/BARRA Value Index represents approximately 50% of the market capitalization of the S&P 50