NORTHEAST BANCORP /ME/
Form S-4/A
June 15, 2010
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As filed with the Securities and Exchange Commission on June 15, 2010

File No. 333-167295

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 1

TO

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

NORTHEAST BANCORP

(Exact name of registrant as specified in its charter)

Maine	**6720**	**01-0425066**

(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification Number)**

500 Canal Street

Lewiston, Maine 04240

(207) 786-3245

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

James D. Delamater

500 Canal Street

Lewiston, Maine 04240

(207) 786-3245

(Name, address, including zip code and telephone number, including area code, of agent for service)

Copies to:

Paul G. Mattaini	**William P. Mayer**
Kimberly J. Decker	**James A. Matarese**
Barley Snyder, LLC	**Goodwin Procter LLP**
126 East King Street	**53 State Street**
Lancaster, PA 17602	**Boston, MA**
(717) 299-5201	**(617) 570-1000**

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective.

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ¨

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended (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.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨	Smaller reporting company x

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer) ¨

Exchange Act Rule 14d-1(d) (Cross-Border Third-Party Tender Offer) ¨

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 that specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this 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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NORTHEAST BANCORP

500 Canal Street

Lewiston, Maine

Nasdaq Global Market: NBN

PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT

June 18, 2010

Dear Northeast Bancorp Shareholders:

You are cordially invited to attend a special meeting of the shareholders of Northeast Bancorp, a Maine corporation (Northeast), which will be held at Northeast Bancorp Headquarters Building, 500 Canal Street, Lewiston, ME 04240, on Tuesday, July 27, 2010, at 11:00 a.m., local time. At the meeting, you will be asked to approve: (i) the Agreement and Plan of Merger, dated as of March 30, 2010, by and between FHB Formation LLC, a Delaware limited liability company (FHB), and Northeast, pursuant to which FHB will merge with and into Northeast, with Northeast as the surviving entity of such merger (the surviving corporation); and (ii) the Northeast Bancorp 2010 Stock Option and Incentive Plan adopted by Northeast s board of directors, each as more fully described in the enclosed proxy statement/prospectus.

If the merger is completed, you will have the right to elect to receive $13.93 in cash (the Cash Consideration) or one share of common stock, par value $1.00 per share, of the surviving corporation (the Stock Consideration), for each share of Northeast common stock owned immediately prior to completion of the merger, subject to allocation and proration procedures which provide that, in the aggregate, 1,393,399 shares of Northeast common stock will be converted into the Stock Consideration, and the remaining shares will be converted into the Cash Consideration. If the merger is approved by the shareholders, Northeast will adopt the Northeast Bancorp 2010 Stock Option and Incentive Plan in order to provide Northeast with an appropriate means to incentivize and align the interests of Northeast s employees, officers, non-employee directors and other key persons with the interests of shareholders.

Northeast s board of directors has unanimously approved the merger agreement and recommends that you vote **FOR** the proposal to approve the merger agreement, **FOR** the approval of the Northeast Bancorp 2010 Stock Option and Incentive Plan, and **FOR** the approval of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies. **Please note that the proposal to approve the merger and the proposal to approve the Northeast Bancorp 2010 Stock Option and Incentive Plan are dependent upon one another, and the merger will not be completed unless both proposals are approved by the requisite vote of Northeast shareholders as described below. Accordingly, you should be aware that a vote AGAINST either such item is effectively a vote against the completion of the merger.**

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YOUR VOTE IS VERY IMPORTANT

Your vote is very important, regardless of the number of shares of common stock that you own. To complete the merger, holders of a majority of the outstanding shares of Northeast common stock entitled to vote must approve the merger agreement. If you do not vote on the merger agreement, it will have the same effect as a vote by you against the approval of the merger agreement. Adoption of the Northeast Bancorp 2010 Stock Option and Incentive Plan requires approval of a majority of the votes present and entitled to vote at the special meeting. ***Whether or not you expect to attend the special meeting, please vote as soon as possible to ensure that your shares are represented at the meeting.*** You may vote your shares by marking your votes on the proxy card, signing and dating it and mailing it with the envelope provided, or by submitting your proxy through the internet or by telephone. If you sign and return your proxy card without specifying your choice, it will be understood that you wish to have your shares voted **FOR** the approval of the merger agreement, **FOR** the approval of the Northeast Bancorp 2010 Stock Option and Incentive Plan, and **FOR** the approval of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies and in the discretion of the individuals named as proxies in any other matter that may come before the special meeting.

The enclosed proxy statement/prospectus provides you with detailed information about the merger. In addition to being a proxy statement of Northeast, this document is also the prospectus of Northeast for the surviving corporation common shares that will be issued to Northeast shareholders in connection with the merger. A copy of the merger agreement is attached as Appendix A to the proxy statement/prospectus. Northeast encourages you to read the entire document carefully. ***Please pay particular attention to Risk Factors beginning on page 93.***

Sincerely,

James D. Delamater

President and Chief Executive Officer

Neither the Securities and Exchange Commission (the SEC) nor any state securities commission has approved or disapproved the securities to be issued in the merger or determined if this document is accurate or adequate. Any representation to the contrary is a criminal offense. The securities to be issued in the merger are not savings or deposit accounts and are not insured by the Federal Deposit Insurance Corporation (FDIC) or any other governmental agency.

This proxy statement/prospectus is dated June 14, 2010, and is first being mailed to Northeast shareholders on or about June 18, 2010.

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NORTHEAST BANCORP

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TO BE HELD ON JULY 27, 2010

To the Shareholders of

Northeast Bancorp:

NOTICE IS HEREBY GIVEN that a special meeting of shareholders of Northeast Bancorp, a Maine corporation (Northeast), will be held at Northeast Bancorp Headquarters Building, 500 Canal Street, Lewiston, ME 04240, on Tuesday, July 27, 2010 at 11:00 a.m., local time, for the purpose of considering and voting upon the following matters:

To approve the Agreement and Plan of Merger, dated March 30, 2010, by and between FHB Formation LLC, a Delaware limited liability company (FHB), and Northeast pursuant to which FHB will merge with and into Northeast, with Northeast as the surviving entity of such merger, as more fully described in the attached proxy statement/prospectus.

To approve the Northeast Bancorp 2010 Stock Option and Incentive Plan (the 2010 Plan) adopted by Northeast s board of directors and described in the attached proxy statement/prospectus.

To adjourn or postpone the special meeting, if necessary, to solicit additional proxies in favor of the merger.

To transact such other business as may properly come before the special meeting and any adjournments or postponements thereof. Northeast has fixed the close of business on June 14, 2010 as the record date for the special meeting. Only Northeast shareholders of record at the close of business on that date are entitled to notice of and to vote at the special meeting and any adjournments or postponements of the special meeting.

The affirmative vote of holders of at least a majority of the shares of Northeast stock outstanding and entitled to vote at the special meeting is required to approve the merger agreement. The affirmative vote of at least a majority of the shares present and entitled to vote at the special meeting is required to approve the 2010 Plan.

Abstentions and broker non-votes will have the same effect as a vote against the merger agreement.

Your vote is very important. Whether or not you expect to attend the special meeting of shareholders, please vote as soon as possible to ensure that your shares are represented at the meeting. Whether or not you plan to attend the special meeting of shareholders, please complete, date, sign and return, as promptly as possible, the enclosed proxy card in the accompanying reply envelope or submit your proxy through the internet or by telephone. If you attend the special meeting and vote in person by ballot, your vote by ballot will revoke any proxy previously submitted.

If you attend the special meeting, you may revoke your proxy and vote in person, even if you have previously returned your proxy card. If your shares are held by a bank, broker, or other custodian, and you plan to attend the special meeting, please bring to the special meeting your statement evidencing your beneficial ownership of Northeast common stock. Please carefully review the instructions in the enclosed proxy statement/prospectus and the enclosed proxy card or the information forwarded by your bank, broker or other custodian regarding each of these options.

Northeast s board of directors has unanimously approved the merger agreement and recommends that you vote **FOR** the approval of the merger agreement, **FOR** the approval of the 2010 Plan, and **FOR** the approval of the proposal to adjourn or postpone the special meeting, if necessary, to solicit additional proxies. **Please note that the proposal to approve the merger and the proposal to approve the 2010 Plan are dependent**

upon one another, and the merger will not be completed unless both proposals are approved by the requisite vote of Northeast shareholders as described above. Accordingly, you should be aware that a vote AGAINST either such item is effectively a vote against the completion of the merger.

Sincerely,

James D. Delamater

President and Chief Executive Officer

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ADDITIONAL INFORMATION

If you have questions about the merger or the special meeting, need additional copies of this document or wish to obtain proxy cards or other information related to this proxy solicitation, or need assistance in voting your shares, please contact:

D.F. King & Co., Inc.

48 Wall Street

New York, NY 10005

(800) 487-4870 (Toll-Free)

Banks and Brokerage Firms call:

(212) 269-5550

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

Q: Why am I receiving this document?

A: Northeast and FHB have entered into a merger agreement that is described in this document. A copy of the merger agreement is attached to this proxy statement/prospectus as Appendix A. In order to complete the merger, the shareholders of Northeast must vote to approve the merger agreement and the Northeast Bancorp 2010 Stock Option and Incentive Plan. Northeast will hold a special meeting of its shareholders to obtain this approval. This document contains important information about the merger, the merger agreement, the Northeast Bancorp 2010 Stock Option and Incentive Plan, the special meeting of Northeast shareholders and other related matters, and you should read it carefully. This document is a proxy statement because the Northeast board of directors is soliciting proxies from its shareholders to vote on the approval of the merger agreement and the Northeast Bancorp 2010 Stock Option and Incentive Plan as well as the other matters set forth in the notice of the meeting and described in this proxy statement/prospectus, and your proxy will be used at the meeting or at any adjournment or postponement of the meeting. This document is a prospectus because Northeast will issue shares of registered common stock to Northeast shareholders electing to receive shares of common stock in the merger. The enclosed voting materials allow you to vote your shares of Northeast common stock without attending the special meeting.

Q: What will happen in the merger?

A: In the proposed merger, FHB will merge with and into Northeast, with Northeast as the surviving corporation. FHB was formed as a Delaware limited liability company in March 2009 in order to raise third-party capital to be invested in a financial institution. Richard Wayne, Claire Bean and Heather Campion are FHB s sole members and officers. In connection with the merger, FHB has secured equity commitments from certain accredited investors to fund, at the closing of the merger, a portion of (i) the cash consideration of $12,940,037 to be paid to the existing shareholders of Northeast in exchange for their existing shares of Northeast common stock, (ii) a capital contribution to Northeast of $16,175,042 in exchange for newly issued shares of common stock of the surviving corporation, and (iii) fees and expenses incurred by FHB relating to the merger of up to $1,000,000 that will not be paid by Northeast. Upon the closing of the merger, each investor in FHB will receive membership interests in FHB that immediately thereafter will be converted into the right to receive 0.96679 shares of common stock of the surviving corporation in exchange for each unit of FHB held by that investor. After giving effect to the merger, including the capital contribution by FHB, current Northeast shareholders will hold, in the aggregate, 40% of the surviving corporation s common stock. The FHB investors will hold, in the aggregate, 60% of the surviving corporation s common stock.

Q: What will I receive in the merger?

A: In exchange for a share of Northeast common stock, you will have the right to receive either $13.93 in cash or one share of common stock, par value $1.00 per share, of the surviving corporation. You may elect to receive cash, surviving corporation common stock or some combination of cash and surviving corporation common stock.

Q: Will I receive the form of consideration I elect?

A: You may not receive the exact form of consideration that you elect in the merger. The allocation procedures included in the merger agreement are intended to ensure that 40% of the outstanding shares of Northeast common stock immediately prior to the effective time of the merger will be converted into the right to receive cash, and 60% of these shares of Northeast common stock will be converted into the right to receive shares of surviving corporation common stock. As a result, the form of consideration you receive will depend in part on the elections of other Northeast shareholders. If the elections of all Northeast shareholders result in an oversubscription of the pool of cash or surviving corporation common stock, you will receive a

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pro rata amount of cash and surviving corporation common stock in accordance with the proration procedures described in the section in this document titled The Merger Agreement Allocation Procedures beginning on page 127.

Q: Am I required to make an election for cash, surviving corporation common stock or a combination of cash and surviving corporation common stock?

A: No. If you do not make an election, you will be allocated cash and/or surviving corporation common stock depending on the elections made by other shareholders so that, in total, 40% of the outstanding shares of Northeast common stock will be exchanged for cash, and 60% of the outstanding shares of Northeast common stock will be exchanged for shares of surviving corporation common stock.

Q: Can I receive fractional shares of surviving corporation common stock for my shares of Northeast common stock?

A: No. Northeast will not issue any fractional shares of surviving corporation common stock in the merger. Instead, Northeast will pay Northeast shareholders the cash value of a fractional share based on the average per share closing price of Northeast s common stock on the NASDAQ Stock Market over the three trading days ending two days preceding the closing date of the merger.

Q: How do I elect the form of consideration I wish to receive?

A: An election form and instruction materials will be mailed to you separately. The election materials will specify the manner in which they are to be completed, where they should be returned and the deadline for submitting the election materials.

Q: What are the material federal income tax consequences of the merger to Northeast shareholders?

A: The tax consequences of receiving cash will differ from the tax consequences of receiving surviving corporation common stock. We strongly urge you to read the tax section in this document titled Material Federal Income Tax Consequences of the Merger beginning on page 120 and consult your own tax advisor for a full understanding of the tax consequences of the merger to you.

Q: What are the conditions to completion of the merger?

A: The obligations of Northeast and FHB to complete the merger are subject to the satisfaction or waiver of certain closing conditions contained in the merger agreement, including the receipt of required regulatory approvals and the approval of the merger agreement by Northeast shareholders.

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

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining the approval of the merger agreement by Northeast shareholders at a special meeting. Fulfilling some of these conditions, such as receiving required regulatory approvals, is not entirely within our control. We currently expect to complete the merger during the third calendar quarter of 2010; however, because the merger is subject to these conditions, we cannot predict the actual timing.

Q: What shareholder approvals are required to complete the merger?

A: The affirmative vote of holders of at least a majority of the shares of Northeast common stock outstanding and entitled to vote at the Northeast special meeting is required to approve the merger agreement. Approval of the Northeast Bancorp 2010 Stock Option and Incentive Plan by a majority of the votes present and entitled to vote at the special meeting is also required.

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Q: Are there any shareholders of Northeast already committed to voting in favor of the merger agreement?

A: Yes. Northeast directors (who unanimously approved the merger agreement) and executive officers, who collectively held approximately 7.0% of the outstanding shares of Northeast common stock on the record date, have entered into voting agreements requiring them to vote all of their shares in favor of the adoption of the merger agreement.

Q: When and where is the special meeting of Northeast shareholders?

A: The special meeting of shareholders of Northeast will be held at Northeast Bancorp Headquarters Building, 500 Canal Street, Lewiston, ME 04240, on Tuesday, July 27, 2010 at 11:00 a.m., local time.

Q: Who may attend the meeting?

A: Northeast shareholders of record (or their authorized representatives) and Northeast s invited guests may attend the meeting. Verification of stock ownership will be required at the meeting. If you own your shares in your own name or hold them through a broker (and can provide documentation showing ownership such as a letter from your broker or a recent account statement) at the close of business on the record date (June 14, 2010), you will be permitted to attend the meeting.

Q: What will happen at the special meeting of Northeast shareholders?

A: At the special meeting, Northeast shareholders will consider and vote upon the proposal to approve the merger agreement. If the merger agreement is approved, shareholders will also consider and vote upon the approval of the Northeast Bancorp 2010 Stock Option and Incentive Plan adopted by the board of directors. The proposal to approve the merger and the proposal to approve the Northeast Bancorp 2010 Stock Option and Incentive Plan are dependent upon one another, and the merger will not be completed unless both proposals are approved by the requisite vote of Northeast shareholders. If, at the time of the special meeting, there are not sufficient votes to approve the merger agreement, Northeast shareholders may be asked to consider and vote upon a proposal to adjourn the special meeting, so that Northeast can solicit additional proxies.

Q: Does the Northeast board of directors recommend voting in favor of the merger agreement?

A: Yes. The Northeast board of directors unanimously recommends that Northeast shareholders vote **FOR** the approval of the merger agreement.

Q: Does the Northeast board of directors recommend voting in favor of the Northeast Bancorp 2010 Stock Option and Incentive Plan?

A: Yes. The Northeast board of directors unanimously recommends that Northeast shareholders vote **FOR** the approval of the Northeast Bancorp 2010 Stock Option and Incentive Plan.

Q: Are there any risks that I should consider in deciding whether to vote for approval of the merger agreement?

A: Yes. You should read and carefully consider the risk factors set forth in the section in this document titled Risk Factors beginning on page 93.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in this document, including its appendices. It contains important information about the merger, the merger agreement, Northeast, FHB and the Northeast Bancorp 2010 Stock Option and Incentive Plan. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid return envelope as soon as possible or submit your proxy through the internet or by telephone. By doing so, you ensure that your shares of Northeast common stock will be represented and voted at the Northeast special meeting.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?

A: No. Your broker, bank or other nominee will not vote your shares unless you provide instructions to your broker, bank or other nominee on how to vote. You should fill out the voter instruction form sent to you by your broker, bank or other nominee with this document.

Q: What if I fail to return my proxy card or to instruct my broker, bank or other nominee?

A: If you fail to return your proxy card, submit your vote through the internet or by telephone, or to instruct your broker, bank or other nominee to vote your shares, your shares will not be voted.

Q: Can I attend the Northeast special meeting and vote my shares in person?

A: Yes. Although the Northeast board of directors requests that you return the proxy card accompanying this document, or that you submit your vote through the internet or by telephone, all Northeast shareholders are invited to attend the special meeting. Northeast shareholders of record on June 14, 2010 can vote in person at the Northeast special meeting. If your shares are held by a broker, bank or other nominee, then you are not the shareholder of record and you must bring to the special meeting appropriate documentation from your broker, bank or other nominee to enable you to vote at the special meeting.

Q: Can I change my vote after I have mailed my signed proxy card?

A: Yes. Any Northeast shareholder who executes a proxy has the power to revoke it at anytime before it is voted. You may also revoke your proxy by attending the special meeting and voting the shares of common stock in person or by delivering to Suzanne M. Carney, Clerk of Northeast, at the principal offices of Northeast or at the special meeting prior to the opening of the balloting at the special meeting, a written notice of revocation or a later-dated, properly executed proxy. All written notices of revocation and other communications with respect to revocation of proxies not delivered to the Clerk at the special meeting should be addressed to Northeast as follows: 500 Canal Street, Lewiston, Maine 04240, Attention: Suzanne M. Carney, Clerk.

Q: Should I send in my stock certificates now?

A: No. You will receive separate written instructions for surrendering your shares of Northeast common stock in exchange for the merger consideration. In the meantime, you should retain your stock certificate(s) because they are still valid. Please do not send in your stock certificate(s) with your proxy card.

Q: Where can I find more information about the companies?

A: You can find more information about Northeast and FHB from the various sources described under the section in this document titled Where You Can Find More Information beginning on page 242.

Q: Will a proxy solicitor be used?

A: Yes. Northeast has engaged D.F. King & Co., Inc. to assist in the solicitation of proxies for the meeting, and Northeast estimates it will pay D.F. King a fee of approximately $10,000. Northeast has also agreed to

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reimburse D.F. King for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify D.F. King against certain losses, costs and expenses. In addition, our officers and employees may request the return of proxies by telephone or in person, but no additional compensation will be paid to them.

Q: Whom should I call with questions?

A: You may contact D.F. King at (800) 487-4870.

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SUMMARY

This summary highlights certain material information from this document. It may not contain all of the information that may be important to you. You should read carefully the entire document and the other documents to which we refer you in order to fully understand the proposed merger, especially the risks, which are discussed under Risk Factors beginning on page 93. You may obtain certain information we refer to in this document without charge by following the instructions in the section entitled Where You Can Find More Information beginning on page 242. Each item in this summary includes a page reference directing you to a more complete description of that item. Unless the context otherwise requires, the terms:

Northeast refers to Northeast Bancorp, a Maine corporation;

surviving corporation refers to Northeast Bancorp after the merger;

FHB refers to FHB Formation LLC, a Delaware limited liability company;

we , us and our refers to Northeast;

merger refers to the merger of FHB with and into Northeast, with Northeast as the surviving entity of such merger; and

the merger agreement refers to the Agreement and Plan of Merger, dated as of March 30, 2010, by and between FHB and Northeast.

Information About Northeast and FHB (page 157)

Northeast Bancorp

500 Canal Street

Lewiston, Maine 04240

(207) 786-3245

Northeast, a Maine corporation chartered in April 1987, is a bank holding company registered under the Bank Holding Company Act of 1956. Prior to 1996, Northeast operated under the name Bethel Bancorp. Northeast s primary subsidiary and principal asset is its wholly-owned banking subsidiary, Northeast Bank, or the Bank, which has ten banking branches. The Bank offers property and casualty insurance products through the Bank s wholly-owned subsidiary, Northeast Bank Insurance Group, Inc. Northeast Bank Insurance Group has twelve insurance agency offices, four of which are located in the Bank s banking branches. In addition, Northeast also offers investment services, including financial planning products and services, through an office in Falmouth, Maine.

The Bank, which was originally organized in 1872 as a Maine-chartered mutual savings bank and was formerly known as Bethel Savings Bank F.S.B., is a Maine state-chartered bank and a member of the Federal Reserve System. From 1987 to August 2004, the Bank was a federal savings bank, and Northeast was a unitary savings and loan holding company registered with the Office of Thrift Supervision. In August 2004, the Bank s charter was converted into a Maine state-chartered universal bank, and Northeast became a bank holding company. In connection with the conversion of its charter, the Bank applied for and was granted membership in the Federal Reserve System. Accordingly, Northeast and the Bank are currently subject to the regulatory oversight of the Federal Reserve Bank of Boston and the State of Maine Bureau of Financial Institutions.

As of March 31, 2010, Northeast, on a consolidated basis, had total assets of approximately $612 million, total deposits of approximately $380 million, and shareholders equity of approximately $50 million.

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Additional information about Northeast and its subsidiaries is included in documents filed with the SEC. For more information, please see the section entitled Where You Can Find More Information beginning on page 242.

FHB Formation LLC

695 Atlantic Avenue

Boston, Massachusetts 02111

(617) 443-4704

FHB was formed as a Delaware limited liability company in March 2009 in order to raise third-party capital to be invested in a financial institution. Richard Wayne, Claire Bean and Heather Campion are FHB s sole members and officers. In connection with the merger, FHB has secured equity commitments from certain accredited investors, including Arlon Capital Partners LP, funds or accounts under management by BlackRock, Inc., investment advisor affiliates, funds or accounts managed by East Rock Capital, LLC and its affiliates, and funds managed by Highfields Capital Management LP. Certain other private investment funds and institutions, FHB management, and twelve individuals represent the remaining commitments.

Structure of the Merger (page 125)

FHB and Northeast entered into an Agreement and Plan of Merger on March 30, 2010. The merger agreement provides for the merger of FHB with and into Northeast, with Northeast being the surviving corporation.

The proposed merger will occur following approval of the proposal described in this document by the shareholders of Northeast and satisfaction or waiver of all other conditions to the merger. The merger agreement is attached to this document as Appendix A. Northeast encourages you to read the merger agreement because it is the legal document that governs the merger.

Merger Consideration (page 125)

If the merger is completed, each share of Northeast common stock will be converted into the right to receive either:

- $13.93 in cash (which is referred to as the cash consideration); or
- one share of surviving corporation common stock, plus cash in lieu of any fractional share (which is referred to as the stock consideration).

You will have the opportunity to elect the form of consideration to be received for all shares of Northeast common stock that you hold, subject to allocation procedures set forth in the merger agreement. You may elect to receive a portion of your merger consideration in cash and the remaining portion in shares of surviving corporation common stock. The allocation procedures included in the merger agreement are intended to ensure that 40% of the outstanding shares of Northeast common stock immediately prior to the effective time of the merger will be converted into the right to receive cash, and 60% of these shares of Northeast common stock will be converted into the right to receive shares of surviving corporation common stock.

The surviving corporation will not issue fractional shares. Instead, each holder of Northeast common stock will receive an amount of cash, in lieu of any fractional share, based on the average per share closing price of Northeast s common stock on the NASDAQ Global Market over the three trading days ending two days preceding the closing date of the merger, rounded to the nearest whole cent.

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FHB s Source of Funds (page 157)

Each investor in FHB has issued a binding equity commitment letter to FHB to fund, at the closing of the merger, a portion of (i) the cash consideration of $12,940,037 to be paid to the existing shareholders of Northeast in exchange for their existing shares of Northeast common stock, (ii) a capital contribution to Northeast of $16,175,042 in exchange for newly issued shares of common stock of the surviving corporation, and (iii) fees and expenses incurred by FHB relating to the merger of up to $1,000,000 that will not be paid by Northeast. Upon the closing of the merger, each FHB investor will receive membership interests in FHB that immediately thereafter will be converted into the right to receive 0.96679 shares of common stock of the surviving corporation in exchange for each unit of FHB held by that investor. After giving effect to the merger, including the capital contribution by FHB, the FHB investors will hold, in the aggregate, 60% of the surviving corporation s common stock, and current Northeast shareholders will hold, in the aggregate, 40% of the surviving corporation s common stock. No investor will acquire more than 9.99% of any class of voting securities (including options on a non-diluted basis) or more than 9.99% of the total equity of Northeast as a result of the merger.

Election Procedures (page 126)

The shares of Northeast common stock that you hold will be exchanged for cash, surviving corporation common stock or a combination of cash and surviving corporation common stock as chosen by you, subject to the allocation procedures described in the merger agreement. Prior to the closing date of the merger, you will be sent an election form and detailed instructions to permit you to choose your preferred consideration. You have the following choices:

- you may elect to receive $13.93 per share in cash in exchange for all shares of Northeast common stock that you hold;
- you may elect to receive one share of surviving corporation common stock per share of Northeast common stock that you hold, plus cash in lieu of any fractional share, in exchange for all shares of Northeast common stock that you hold;
- you may elect to receive the cash consideration with respect to a portion of the shares of Northeast common stock that you hold, and the stock consideration with respect to the remaining shares of Northeast common stock that you hold; or
- you may make no election with respect to the consideration to be received by you in exchange for your shares of Northeast common stock.

You will have a limited period of time in which to complete the election form and return it as instructed. The election form will be mailed to you at least 15 business days prior to the anticipated election deadline (which will be a date mutually agreed upon by FHB and Northeast). You will need to surrender your Northeast stock certificates to receive the appropriate consideration, but you should not send us any certificates now. You will receive detailed instructions on how to exchange your stock certificates along with your election form. If you do not submit an election form, you will receive instructions on where to surrender your Northeast stock certificates after the merger is completed.

If your shares or a portion of your shares of Northeast common stock are held in street name by a broker, bank or other nominee, an election form will be mailed to the broker, bank or other nominee with respect to those shares.

If you hold a portion of your shares in an individual retirement account and the remaining portion of your shares is held directly in your name, you will receive two election forms: one for your shares held in the individual retirement account and one for the shares held directly in your name.

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Allocation Procedures (page 127)

The merger agreement provides for overall limitations on the amount of cash and shares of surviving corporation common stock available in the merger as follows:

- 40% of the total number of outstanding shares of Northeast common stock immediately prior to the effective time of the merger will be converted into the right to receive the cash consideration; and

- 60% of the shares of Northeast common stock will be converted into the right to receive the stock consideration.

As a result, whether you receive the amount of cash and/or stock you request in your election form will depend in part on the elections of other Northeast shareholders. You may not receive exactly the form of consideration that you elect in the merger, and you may instead receive a pro rata amount of cash and surviving corporation common stock.

If you have a preference for receiving either cash or surviving corporation common stock for your shares of Northeast common stock, you should return the election form indicating your preference. Northeast shareholders who make an election will be accorded priority over those shareholders who make no election in instances where the cash consideration or stock consideration must be re-allocated in order to achieve the required ratio of Northeast shares being converted into the right to receive cash and surviving corporation common stock. If you do not make an election, you will be allocated cash and/or surviving corporation common stock depending on the elections made by other Northeast shareholders. Please see the examples set forth in the section of this document titled The Merger Agreement Allocation Procedures beginning on page 127. However, even if you do make an election, the form of merger consideration you actually receive may differ from the form of merger consideration that you elect to receive.

Because the tax consequences of receiving cash will differ from the tax consequences of receiving surviving corporation common stock, you should carefully read the section in this document titled Material Federal Income Tax Consequences of the Merger beginning on page 120.

Treatment of Stock Options (page 131)

At the effective time of the merger, each outstanding option granted under Northeast s 1992 Stock Option Plan and 1999 Stock Option Plan, whether vested or unvested, and which has not been previously exercised or cancelled, will be exchanged for an option to acquire shares of surviving corporation common stock following the consummation of the merger. The merger will not change the number and price of the options outstanding under the 1992 Stock Option Plan and 1999 Stock Option Plan. The terms of each resulting option will be substantially identical to the corresponding existing option. Northeast s 1987 Stock Option Plan, 1989 Stock Option Plan and 2001 Stock Option Plan will terminate at the effective time of the Merger.

Opinion of Northeast s Financial Advisor (page 113)

In connection with the merger, the Northeast board of directors received a written opinion from Keefe, Bruyette & Woods, Inc., or KBW, as to the fairness, from a financial point of view, of the merger consideration to be received by the holders of Northeast common stock. The full text of KBW s written opinion, dated March 30, 2010, is attached to this proxy statement/prospectus as Appendix B. You are encouraged to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. KBW s opinion is directed to the Northeast board of directors and does not constitute a recommendation to any Northeast shareholder on how to vote with respect to the merger agreement. KBW s opinion will not reflect any developments that may occur or may have occurred after the date of the opinion and prior to completion of the merger. Northeast does not currently expect to request an updated opinion from KBW. Northeast agreed to pay KBW a cash fee of $100,000 concurrently with the rendering of its fairness opinion and $600,000 upon closing of the transaction for its service in connection with the merger.

Northeast s Board of Directors Recommends That You Vote FOR the Merger (page 113)

Northeast s board of directors believes that the merger is in the best interests of Northeast and its shareholders, and the board of directors unanimously recommends that Northeast shareholders vote **FOR** approval of the merger agreement. For a discussion of the factors considered by the Northeast board of directors in reaching its decision to approve the merger agreement, see The Merger Northeast s Reasons for the Merger beginning on page 111.

Composition of Northeast s Board of Directors and Management Following the Merger (page 164)

Following the merger, Northeast s board of directors will consist of nine members, as described in this proxy statement/prospectus, including two representatives from Northeast s existing board of directors, and the existing management team of Northeast will continue in the following roles: James Delamater will become President and Chief Executive Officer of Northeast s Community Banking Division, Pender Lazenby will remain as the Chief Risk Officer of Northeast, Robert Johnson will become Chief Financial Officer of Northeast s Community Banking Division, and Marcel Blais will become Chief Operating Officer of Northeast s Community Banking Division. Following the merger, Richard Wayne will become the Chief Executive Officer of Northeast, Claire Bean will become the Chief Financial Officer and Chief Operating Officer of Northeast, and Heather Campion will become the Chief Administrative Officer of Northeast.

Interests of Northeast s Directors and Executive Officers in the Merger (page 122)

In considering the recommendation of the Northeast board of directors with respect to the merger agreement, Northeast shareholders should be aware that Northeast s directors and executive officers have interests in the merger that may be different from, or in addition to, Northeast s shareholders generally. The Northeast board of directors was aware of these interests, and considered these interests, among other matters, in evaluating and negotiating the merger agreement and the merger, and in recommending to the shareholders that the merger agreement be adopted. These interests and arrangements include rights to indemnification and directors and officers liability insurance and the continued service on the surviving corporation s board of directors by two members of the Northeast board of directors who were members of the Northeast board of directors as of the date of the merger agreement. In addition, the surviving corporation intends to retain certain Northeast executive officers in senior leadership roles with the surviving corporation following consummation of the merger and has entered into new employment arrangements with these executive officers contingent upon the consummation of the merger.

Limitations on Considering Other Acquisition Proposals (page 135)

The merger agreement restricts Northeast s ability to solicit or engage in discussions or negotiations with a third party regarding a proposal to acquire a significant interest in Northeast. However, if Northeast receives a bona fide unsolicited written acquisition proposal from a third party that is, or is reasonably likely to be, more favorable to Northeast shareholders than the terms of the merger agreement, Northeast may furnish information to that third party and engage in negotiations regarding an acquisition proposal with that third party, subject to specified conditions in the merger agreement. In addition, the Northeast board of directors may not withdraw, qualify or modify its approval or recommendation of the merger agreement, approve or recommend another acquisition proposal to its shareholders, or cause Northeast to enter into a letter of intent or definitive agreement with respect to an acquisition transaction or that requires Northeast to abandon, terminate or fail to consummate the merger, unless the Northeast board of directors determines in good faith, after consultation with counsel and its financial advisor, that an acquisition proposal is a superior proposal and that it is required to take such action to comply with its fiduciary duties to shareholders under applicable law. Northeast can determine that an acquisition proposal is a superior proposal only after Northeast provides FHB with advance notice that the Northeast board is prepared to make such determination and cooperates and negotiates in good faith with FHB to provide FHB with an opportunity to adjust or modify the terms and conditions of the merger agreement so that such acquisition proposal no longer constitutes a superior proposal.

Conditions to the Merger (page 131)

FHB and Northeast will not complete the merger unless a number of conditions are satisfied or waived, including:

- the shareholders of Northeast must approve the merger agreement and the Northeast Bancorp 2010 Stock Option and Incentive Plan;
- FHB and Northeast must receive all required regulatory approvals, any waiting periods required by law must have passed, and the regulatory approvals must not impose any burdensome condition upon FHB or Northeast;
- there must be no order, decree or injunction in effect, nor any law, statute or regulation enacted or adopted, preventing completion of the merger;
- the registration statement, of which this proxy statement/prospectus forms a part, must be declared effective;
- the NASDAQ Stock Market must authorize the listing of the shares of surviving corporation common stock to be issued in the merger;
- Northeast must receive all material third-party consents to the merger;
- the representations and warranties of each of FHB and Northeast in the merger agreement must be accurate, subject to exceptions that would not have a material adverse effect;
- FHB and Northeast must each have performed in all material respects all obligations required to be performed by it; and
- no event or development must have occurred with respect to FHB or Northeast that has had, or would reasonably be expected to have, a material adverse effect.

Termination of the Merger Agreement (page 133)

FHB and Northeast can mutually agree to terminate the merger agreement before the merger has been completed, and either company can terminate the merger agreement if:

- the other party materially breaches any of its representations, warranties or covenants contained in the merger agreement (provided that the terminating party is not then in material breach of any representation, warranty, covenant or other agreement contained in the merger agreement) and the breach cannot be or has not been cured within 30 days of written notice of the breach;

the merger is not completed by December 31, 2010, unless the failure to complete the merger is due to the failure by the terminating party to perform its obligations under the merger agreement;

a regulatory approval that is required in order to complete the merger is denied; or

the shareholders of Northeast do not approve the merger agreement.

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In addition, FHB may terminate the merger agreement if, among other things, Northeast breaches its obligations to call a meeting of shareholders to approve the merger agreement or if Northeast breaches its non-solicitation obligations.

Northeast has the right to terminate the merger agreement in connection with entering into a definitive agreement to effect a superior proposal, subject to specified conditions in the merger agreement.

Termination Fee (page 134)

Under the terms of the merger agreement, Northeast must pay FHB a termination fee of $1,000,000 if:

- FHB terminates the merger agreement as a result of the Northeast board of directors modifying or withdrawing its recommendation to the Northeast shareholders to vote in favor of the merger agreement, or approving or recommending another acquisition proposal;
- FHB terminates the merger agreement as a result of a material breach by Northeast of the provisions in the merger agreement prohibiting the solicitation of other offers;
- FHB or Northeast terminates the merger agreement as a result of: (1) the failure of the Northeast shareholders to approve the merger agreement; or (2) the merger not having been consummated by December 31, 2010 due to the failure of the Northeast shareholders to approve the merger agreement; and both
  - an acquisition proposal with respect to Northeast has been publicly announced, disclosed or otherwise communicated to the Northeast board of directors prior to that time; and
  - within 12 months of termination of the merger agreement, Northeast enters into a definitive agreement with respect to, or has consummated, another acquisition proposal; or
- FHB terminates the merger agreement as a result of a material breach by Northeast of any of its representations, warranties, covenants or agreements contained in the merger agreement; and both
  - an acquisition proposal with respect to Northeast has been publicly announced, disclosed or otherwise communicated to the Northeast board of directors prior to that time; and
  - within 12 months of termination of the merger agreement, Northeast enters into a definitive agreement with respect to, or has consummated, another acquisition proposal; or
- Northeast terminates the merger agreement in connection with Northeast entering into a definitive agreement with respect to a superior proposal.

Under the terms of the merger agreement, FHB must pay Northeast a termination fee of $1,000,000 if:

- Northeast terminates the merger agreement as a result of the merger not having been consummated by December 31, 2010, and

At the time of termination, all of the conditions to Northeast s obligations to effect the merger are satisfied (or would have been satisfied if the closing of the merger were to occur on the date of termination).

Effective Time of the Merger (page 125)

We expect that the merger will be completed as soon as practicable following the approval of the merger agreement by the shareholders of Northeast at the special meeting, if all other conditions have been satisfied or waived. The parties cannot be certain whether or when any of the conditions to the merger will be satisfied, or waived where permissible. We currently expect to complete the merger during the third calendar quarter of 2010; however, because the merger is subject to these conditions, we cannot predict the actual timing.

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Material Federal Income Tax Consequences (page 120)

Tax matters are complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation and on whether you elect to receive stock, cash or a mix of stock and cash. In addition, you may be subject to state, local or foreign taxes that are not discussed in this document. Accordingly, we strongly urge you to consult your own tax advisor for a full understanding of the tax consequences to you of the merger.

The material federal income tax consequences to the shareholders of Northeast should be as follows:

- a shareholder who receives solely surviving corporation common stock in connection with the merger should not recognize gain or loss. His or her tax basis in the surviving corporation common stock received pursuant to the merger should equal the shareholder s tax basis in the shares of Northeast common stock being exchanged. The holding period of surviving corporation common stock received should include the holding period of the shares of Northeast common stock being exchanged.

- a shareholder who receives solely cash in exchange for all of that shareholder s shares of Northeast common stock pursuant to the merger should either be treated as having redeemed those shares to Northeast or as having sold his shares to FHB or its members and generally should recognize capital gain or loss in an amount equal to the difference between the amount of cash received and the shareholder s aggregate tax basis for such shares, which gain or loss will be long-term capital gain or loss if such shares of Northeast common stock were held for more than one year.

- a shareholder who receives both surviving corporation common stock and cash consideration in exchange for all of his or her shares of Northeast common stock generally should:

(i) with respect to the shares exchanged for cash, be treated as having either redeemed a portion of his or her shares for the cash consideration received in the merger or as having sold such shares to FHB or its members and generally should recognize capital gain or loss in an amount equal to the difference between the amount of cash received and his or her adjusted tax basis in the shares exchanged for cash, which gain or loss will be long-term capital gain or loss if such shares of Northeast common stock were held for more than one year; and

(ii) with respect to the shares exchanged for surviving corporation common stock in connection with the merger, not recognize gain or loss, and his or her aggregate tax basis in the shares retained in the surviving corporation should equal the shareholder s aggregate adjusted tax basis in the Northeast shares that were not exchanged for cash. The Shareholder s holding period for surviving corporation common stock received will include the holding period of the shares of Northeast common stock being exchanged.

Tax matters are complicated, and the tax consequences of the merger to you will depend upon the facts of your particular situation and on whether you elect to receive stock, cash or a mix of stock and cash. In addition, you may be subject to state, local or foreign taxes that are not discussed in this document. Accordingly, we strongly urge you to consult your own tax advisor for a full understanding of the tax consequences to you of the merger.

Required Regulatory Approvals (page 145)

To complete the merger, FHB is seeking the prior approval of the Board of Governors of the Federal Reserve System and the Maine Bureau of Financial Institutions. The United States Department of Justice is able to provide input into the approval process of federal banking agencies to challenge the approval on antitrust grounds. FHB has filed all necessary applications and notices with the applicable regulatory authorities. FHB cannot predict, however, whether or when the required regulatory approvals will be obtained or whether any such

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approvals will impose any burdensome condition upon FHB or Northeast. FHB and Northeast have agreed to use their reasonable best efforts to obtain all regulatory approvals required to complete the transactions contemplated by the merger agreement. FHB and Northeast will not be required to agree to any prohibition, limitation, or other requirement imposed by any regulatory approval that would impose any term, condition or restriction upon any FHB investor, FHB, Northeast or any of its subsidiaries, or the surviving corporation or any of its subsidiaries that would reasonably be expected to materially adversely affect (i) an FHB investor or the ability of the surviving corporation or any of its subsidiaries to operate any material portion of its business or assets, (ii) prohibit or materially limit the ownership or operation by Northeast or the surviving corporation of all or any material portion of its business or assets, or (iii) compel Northeast or the surviving corporation to dispose of or hold separate all or any material portion of its business or assets.

Accounting Treatment (page 120)

The merger will be accounted for under the acquisition method of accounting with FHB treated as the acquirer under United States Generally Accepted Accounting Principles, or GAAP. Under the acquisition method, the assets and liabilities of Northeast will be adjusted to fair value at the date of the merger. All identifiable intangibles will be recorded at their fair value and included as part of the assets acquired. Any excess of purchase price over the fair value of net identifiable and intangible assets and liabilities is recorded as goodwill. To the extent the fair value of the net assets, including identifiable intangibles of Northeast, exceeds the purchase price at the merger date, that amount will be recognized as a gain in earnings as of the acquisition date. Identifiable intangibles will be amortized over their estimated lives and will be evaluated annually, at a minimum, for impairment.

Surviving Corporation Shares to be Listed on the Nasdaq Stock Market (page 138)

FHB will use its reasonable best efforts to obtain approval for listing on the NASDAQ Stock Market the shares of surviving corporation common stock to be issued pursuant to the merger.

Comparisons of Rights of Shareholders (page 236)

The rights of Northeast shareholders currently are governed by Northeast s articles of incorporation and bylaws, and by Maine law. After the merger is completed, Northeast shareholders who receive surviving corporation common stock in the merger will become shareholders of the surviving corporation, and, therefore, their rights as shareholders of the surviving corporation will be governed by the amended and restated articles of incorporation and bylaws of the surviving corporation. As a result of the merger, Northeast shareholders will have different rights when they become holders of surviving corporation common stock than they currently have as holders of Northeast common stock. The articles of incorporation and bylaws of the surviving corporation are attached to this proxy statement/prospectus as Appendix D.

Special Meeting of Northeast (page 103)

Northeast plans to hold its special meeting of shareholders on Tuesday, July 27, 2010, at 11:00 a.m., local time, at Northeast Bancorp Headquarters Building, 500 Canal Street, Lewiston, ME 04240. At the meeting, Northeast shareholders will be asked to approve the merger agreement and to approve the Northeast Bancorp 2010 Stock Option and Incentive Plan, or the 2010 Plan. Northeast shareholders may also be asked to vote upon a proposal to adjourn or postpone the special meeting. Northeast could use any adjournment or postponement of the special meeting for the purpose, among others, of allowing more time to solicit votes to adopt the merger agreement and approve the merger.

You can vote at the Northeast special meeting of shareholders if you owned Northeast common stock at the close of business on June 14, 2010, which has been fixed as the record date. As of June 11, 2010, the last trading day before the record date, there were 2,322,332 shares of Northeast common stock outstanding and entitled to vote. You may cast one vote for each share of Northeast common stock that you owned on that date.

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Northeast Shareholder Vote Required to Approve the Plan of Merger (page 104)

Approval of the merger agreement requires the affirmative vote of a majority of the shares of Northeast common stock outstanding and entitled to vote as of June 14, 2010.

As of the record date, Northeast directors and executive officers and their affiliates, who have entered into voting agreements with FHB, held approximately 163,916 shares (or approximately 7.0% of the outstanding shares) of Northeast common stock entitled to vote at the special meeting.

As of the record date, FHB held no shares of Northeast common stock, and none of its members and executive officers or their affiliates held any shares of Northeast common stock. See The Merger Interests of Certain Persons in the Merger beginning on page 122.

Abstentions and Broker Non-Votes (page 105)

Only shares affirmatively voted for approval of the merger agreement, including shares represented by properly executed proxies that do not contain voting instructions, will be counted as votes **FOR** the merger agreement. If your broker holds your shares of Northeast common stock in street name, your broker will vote your shares only if you provide instructions on how to vote by filling out the voter instruction form sent to you by your broker with this document. Abstentions and broker non-votes will have the same effect as voting against approval of the merger agreement, and will have no effect on the outcome of the vote for the Northeast Bancorp 2010 Stock Option and Incentive Plan.

Proposal to Approve Adjournment of the Special Meeting (page 105)

Northeast is submitting a proposal for consideration at the special meeting to authorize the named proxies to approve one or more adjournments of the special meeting if there are not sufficient votes to approve the merger agreement at the time of the special meeting. Even though a quorum may be present at the special meeting, it is possible that Northeast may not have received sufficient votes to approve the merger agreement by the time of the special meeting. In that event, Northeast would need to adjourn the special meeting in order to solicit additional proxies. The adjournment proposal relates only to an adjournment of the special meeting for purposes of soliciting additional proxies to obtain the requisite shareholder vote to approve the merger agreement. Any other adjournment of the special meeting (e.g., an adjournment required because of the absence of a quorum) would be voted upon pursuant to the discretionary authority granted by the proxy.

Northeast Shareholders Do Not Have Dissenters Rights of Appraisal

Under Maine law, Northeast shareholders are not entitled to appraisal rights in connection with the merger.

Northeast Bancorp 2010 Stock Option and Incentive Plan (page 147)

On March 30, 2010, the board of directors of Northeast, upon the recommendation of Northeast s compensation committee, adopted the Northeast Bancorp 2010 Stock Option and Incentive Plan, or the 2010 Plan, subject to the approval of Northeast s shareholders and subject to the Northeast shareholders approval of the merger agreement. A copy of the 2010 Plan is attached as Appendix C to this proxy statement/prospectus and is incorporated herein by reference.

Northeast s Board of Directors Recommends That You Vote FOR the 2010 Plan (page 147)

Northeast s board of directors believes the 2010 Plan will provide Northeast with an appropriate means to incentivize and align the interests of employees, officers, non-employee directors and other key persons with the interests of shareholders. Accordingly, the board of Northeast recommends that shareholders vote **FOR** approval of the 2010 Plan.

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Northeast Shareholder Vote Required to Approve the 2010 Plan (page 104)

A majority of the votes cast by shareholders at the special meeting is required in order to approve the 2010 Plan. Northeast will include proxies marked as abstentions and broker non-votes in determining the number of shares present at the special meeting, but abstentions and broker non-votes will not affect the outcome of the proposal. The proposal to approve the merger and the proposal to approve the 2010 Plan are dependent upon one another, and the merger will not be completed unless both proposals are approved by the requisite vote of Northeast shareholders.

Market Value of Securities

Shares of Northeast common stock are listed on the Nasdaq Global Market under the symbol NBN. FHB is a privately held company and its membership interests are not publicly traded. The following table sets forth the closing sale prices per share of Northeast common stock as reported on Nasdaq on March 30, 2010, the last trading day before FHB and Northeast announced the merger, and on June 11, 2010, the last practicable trading day before the distribution of this document.

	Northeast Common Stock Closing Price
March 30, 2010	$ 14.05
June 11, 2010	$ 12.90

Number of Holders of Northeast Common Stock and Number of Shares Outstanding

As of June 14, 2010, there were 808 shareholders of record of Northeast common stock who held an aggregate of 2,322,332 shares of Northeast common stock.

Restrictions on Resale of Northeast Common Stock by Affiliates (page 120)

The shares of Northeast common stock to be issued in connection with the merger will be freely transferable under the U.S. Securities Act of 1933, as amended, or the Securities Act, except for shares issued to any shareholder who may be deemed to be an affiliate of Northeast for purposes of Rule 144 under the Securities Act. Persons who may be deemed to be affiliates include individuals or entities that control, are controlled by, or under the common control with Northeast and may include the executive officers, directors and significant shareholders of Northeast.

Risk Factors (page 93)

In evaluating the merger and the merger agreement, and before deciding how to vote your shares of Northeast common stock at the special meeting of the shareholders of Northeast, you should read this proxy statement/prospectus carefully and especially consider the factors, risks and uncertainties discussed in the section entitled Risk Factors beginning on page 93.

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COMPARATIVE PER SHARE DATA

The following table shows historical net income, dividend and book value per share information about Northeast and FHB and similar information giving effect to the merger, referred to as pro forma information. The comparative pro forma information for the time periods shown assumes that Northeast and FHB had been merged on the dates or at the beginning of the periods indicated. See Pro Forma Financial Information.

The information listed as per equivalent Northeast share was obtained by multiplying the pro forma amounts by 1, the exchange ratio, and adding 1,161,166 common shares to be issued to new investors in the merger. This information is presented to reflect the consideration Northeast shareholders will receive in the merger. Northeast anticipates that the combined entity will derive financial benefits from the merger that include the opportunity to earn more revenue. Further, both Northeast and FHB will incur transaction costs as a result of the merger. The pro forma information, while helpful in illustrating the financial characteristics of Northeast following the merger under one set of assumptions, does not reflect these benefits and expenses, and, accordingly, does not attempt to predict or suggest future results. The pro forma information also does not necessarily reflect what the historical results of Northeast would have been had Northeast and FHB been combined during these periods.

	Northeast Bancorp	FHB Formation LLC	Pro Forma Combined (1)(2)
Book Value per share:			
At March 31, 2010	$ 19.74		$ 16.93
Tangible Book Value per share:			
At March 31, 2010	$ 14.60		$ 13.35
Cash dividends declared per share:			
Nine months ended March 31, 2010	$ 0.27		$ 0.27
Twelve month ended June 30, 2009	$ 0.36		$ 0.36
Diluted net income per share:			
Nine months ended March 31, 2010	$ 0.64		$ 0.43
Twelve month ended June 30, 2009	$ 0.36		$ 0.46

(1) The pro forma combined book value is based upon the pro forma combined common stockholders equity for Northeast and FHB divided by total pro forma common shares of the combined entities. The pro forma combined tangible book value is based upon the pro forma combined common stockholders equity less pro forma combined intangibles for Northeast and FHB divided by total pro forma common shares of the combined entity.

(2) Pro forma cash dividends represent Northeast s historical cash dividends per share.

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UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma consolidated condensed combined balance sheet as of March 31, 2010 and the unaudited pro forma consolidated condensed combined statements of income for the nine months ended March 31, 2010 and the twelve months ended June 30, 2009 reflect the merger of Northeast and FHB. The fiscal year ends are June 30 and December 31 for Northeast and FHB, respectively. The historical consolidated statement of income for FHB, as presented in the unaudited pro forma condensed combined statements of income, is for the nine months ended March 31, 2010. FHB was formed on March 3, 2009 for the purpose of facilitating the transactions contemplated by the merger agreement and had no financial activity until July, 2009.

The unaudited pro forma consolidated condensed combined financial information is based on the historical consolidated financial information statements of Northeast under the assumptions and adjustments set forth in the accompanying notes. The unaudited pro forma consolidated condensed combined balance sheet gives effect to the merger as if the merger had been consummated at March 31, 2010. The unaudited pro forma consolidated condensed combined statements of income give effect to the merger as if the merger had been completed at the beginning of the periods presented.

You should read the unaudited pro forma consolidated condensed combined financial statements in conjunction with the historical consolidated financial statements of Northeast that appear elsewhere in this document. The pro forma information is not necessarily indicative of the combined financial position or the results of operations in the future or of the combined financial position or the results of operations that would have been realized had the merger been consummated during the periods or as of the date for which the pro forma information is presented.

The pro forma per share amounts for the combined company are based on the exchange ratio of 1 for 1, and 1,161,166 shares of newly issued common stock to be issued to the new investors at $13.93 per share.

Northeast Bancorp and FHB Formation LLC

Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet

As of March 31, 2010

	FHB Formation (1)	Northeast Bancorp	Adjustments		Unaudited Pro Forma
Cash and short term investments	$ 29,115,079	$ 9,053,211	$ (14,265,037)	(2)	$ 23,903,253
Securities		170,762,997			170,762,997
Loans, net		383,192,253	(4,970,000)	(3)	378,222,253
Bank premises and equipment		8,415,622			8,415,622
Goodwill		4,490,500	(4,490,500)	(5)	
Identifiable intangible assets		7,463,003	5,001,000	(4)	12,464,003
Other assets		28,592,710	898,790	(6)	29,491,500
Total assets	$ 29,115,079	$ 611,970,296	$ (17,825,747)		$ 623,259,628
Deposits	$	$ 380,364,418	$ 2,641,000	(7)	$ 383,005,418
Borrowings	1,325,000	161,854,245	3,839,000	(8)	167,018,245
Jr. subordinated debentures		16,496,000	(9,801,000)	(9)	6,695,000
Other liabilities		3,159,576			3,159,576
Stockholders equity					
Preferred		4,227,000	180,000	(10)	4,407,000
Common	27,790,079	45,869,057	(14,684,747)	(11)	58,974,389
Total liabilities and stockholders equity	$ 29,115,079	$ 611,970,296	$ (17,825,747)		$ 623,259,628
Common shares		2,322,332	1,161,166		3,483,498

(1) FHB is an entity formed specifically to facilitate capital investments in a banking entity. The balances shown above for FHB are those estimated as of the date of closing, and reflect the funds to be received from FHB investors ($29.1 million) to purchase a total of 2,090,099 Northeast shares. FHB is also expected to incur $1,325,000 in transaction-related costs prior to the closing date, which will be reimbursed by Northeast in accordance with the terms of the merger agreement. This reimbursement will allow FHB to repay borrowed funds of $1,325,000 on the closing date.

(2) Reflects $12.9 million paid in exchange for 928,933 shares of Northeast common stock and $1,325,000 of transaction expenses to be reimbursed by Northeast to FHB.

(3) Reflects estimated fair value adjustments on loans of ($10,893,000), net of eliminated Northeast allowance for loan losses of $5,923,000.

(4) Reflects the recognition of the estimated fair value of core deposit intangibles (CDI) of $5,001,000. The estimated CDI represents the estimated future economic benefit resulting from the acquired customer balances and relationships.

(5) Northeast s existing goodwill is eliminated based on the estimated valuation analysis indicating that the fair value of Northeast s net assets exceeds the purchase price.

(6) Reflects the estimated net deferred tax assets arising from the purchase and fair value adjustments of assets and liabilities.

(7) Reflects the estimated fair value adjustments on interest-bearing deposits at current market rates.

(8) Reflects the estimated fair value adjustments of $5,164,000 on borrowed funds, at current market rates, less repayment of $1,325,000 in FHB borrowings.

(9) Reflects the estimated fair value adjustment on Northeast s junior subordinated debentures, at current market rates.

(10) Reflects the estimated fair value adjustment on warrants issued in connection with preferred stock purchased by the Treasury under the Capital Purchase Program (CPP).

(11) Eliminates Northeast s stockholders equity as part of the acquisition accounting adjustments, reflecting the estimated value of Northeast shares to be purchased by FHB investors as well as the estimated value of

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shares to be retained by existing Northeast shareholders. Further, reflects the recording, through income, of a gain representing the excess of the fair value of Northeast net assets over the purchase price and transaction expenses incurred by FHB that will be reimbursed by Northeast. Details are as follows:

The purchase price is determined as follows:

FHB investors purchase of 928,933 existing Northeast shares, at $13.93 per share:	$ 12,940,037
FHB investors purchase of 1,161,166 newly-issued shares, at $13.93 per share	16,175,042
Value ascribed to shares held by existing Northeast shareholders, 1,393,399 shares at $13.93 per share;	19,410,048
Total purchase price	$ 48,525,127

The purchase price has preliminarily been allocated to the estimated assets and liabilities of Northeast as follows:

Purchase price	$ 48,525,127
Allocated to:	
Historical net book value of Northeast assets and liabilities	(45,869,057)
Adjustment to Northeast equity for transaction expenses to be reimbursed to FHB	1,325,000
Newly-issued shares	(16,175,042)
Estimated fair value adjustments:	
Loans	4,970,000
Time deposits	2,641,000
Borrowed funds	5,164,000
Jr. subordinated debt	(9,801,000)
Existing goodwill	4,490,500
CDI	(5,001,000)
Warrants outstanding in connection with preferred stock issued under the CPP	180,000
Other	(898,790)
Excess of fair value of net assets over the purchase price, to be recorded as gain in income	$ (10,449,262)

Note: Post-investment, Northeast expects to issue stock options to certain members of its management and to BlackRock, Inc. or BlackRock, Inc s designees in an aggregate amount not to exceed 18.75% of fully-diluted shares outstanding. The exercise price of any such option awards will be the per share market value of Northeast s common stock on the date the awards are made.

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Northeast Bancorp and FHB Formation LLC

Unaudited Pro Forma Consolidated Condensed Combined Statement of Income

Nine Months Ended March 31, 2010

	Historical		Pro Forma		Pro Forma
	Northeast	**FHB**	**Adjustments**		**Combined**
Interest and dividend income:					
Interest on loans	$ 18,029,292	$	$ 139,000	A	$ 18,168,292
Interest and dividends on available-for-sale securities	5,573,630		(453,950)	B	5,119,680
Other interest and dividend income	36,299	905			37,204
Total interest and dividend income	23,639,221	905	(314,950)		23,325,176
Interest expense:					
Deposits	5,507,301		(538,000)	A	4,969,301
Federal Home Loan Bank advances	1,336,161		(299,000)	A	1,037,161
Structured repurchase agreements	2,171,638		(983,000)	A	1,188,638
Short-term borrowings	485,923				485,923
Junior subordinated debentures issued to affiliated trusts	587,146		105,000	A	692,146
Other borrowings	243,926	35,967			279,893
Total interest expense	10,332,095	35,967	(1,715,000)		8,653,062
Net interest and dividend income before provision for loan losses	13,307,126	(35,062)	1,400,050		14,672,114
Provision for loan losses	1,723,142				1,723,142
Net interest and dividend income after provision for loan losses	11,583,984	(35,062)	1,400,050		12,948,972
Noninterest income:					
Fees for other services to customers	1,116,441				1,116,441
Net securities losses	(20,462)				(20,462)
Gain on sales of loans	707,943				707,943
Investment commissions	1,454,793				1,454,793
Insurance commissions	4,705,042				4,705,042
BOLI income	375,993				375,993
Other income	734,099				734,099
Total noninterest income	9,073,849				9,073,849
Noninterest expense:					
Salaries and employee benefits	10,392,407	176,365			10,568,772
Occupancy expense	1,449,503				1,449,503
Equipment expense	1,116,165				1,116,165
Intangible assets amortization	549,015		603,000	C	1,152,015
Other	4,932,693	595,658			5,528,351
Total noninterest expense	18,439,783	772,023	603,000		19,814,806
Income before income tax expense	2,218,050	(807,085)	797,050		2,208,015
Income tax expense	542,436	(282,480)	278,968		538,924

Net income	$ 1,675,614	$ (524,605)	$ 518,082	$ 1,669,091
Net income available to common stockholders	$ 1,493,676	$ (524,605)	$ 518,082	$ 1,487,153
Earnings per common share:				
Basic	$ 0.64	$	$	$ 0.43
Diluted	$ 0.64	$	$	$ 0.43
Basic Shares	2,321,726		1,161,166	3,482,892
Diluted Shares	2,331,227		1,161,166	3,492,393

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A. Accretion and amortization of estimated fair value adjustments to loans, deposits and other funding on level yield basis.

B. Amortization of the estimated fair value adjustments to investment securities on a straight line basis which approximates level yield methods net of estimated income from investing the proceeds of $16.175 million from the purchase of common stock by FHB investors.

C. Amortization on a double declining basis of estimated core deposit intangible over its estimated life of 9.9 years.

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Northeast Bancorp and FHB Formation LLC

Unaudited Pro Forma Consolidated Condensed Combined Statement of Income

Twelve Months Ended June 30, 2009

	Historical Northeast	Historical FHB	Pro Forma Adjustments		Pro Forma Combined
Interest and dividend income:					
Interest on loans	$ 25,887,961	$	$ 139,000	A	$ 26,026,961
Interest and dividends on available-for-sale securities	7,717,755		(604,560)	B	7,113,195
Other interest and dividend income	160,199				160,199
Total interest and dividend income	33,765,915		(465,560)		33,300,355
Interest expense:					
Deposits	9,368,203		(1,280,000)	A	8,088,203
Federal Home Loan Bank advances	2,470,607		(399,000)	A	2,071,607
Structured repurchase agreements	2,980,696		(1,076,000)	A	1,904,696
Short-term borrowings	718,095				718,095
Junior subordinated debentures issued to affiliated trusts	959,476		110,000	A	1,069,476
Other borrowings	483,362				483,362
Total interest expense	16,980,439		(2,645,000)		14,335,439
Net interest and dividend income before provision for loan losses	16,785,476		2,179,440		18,964,916
Provision for loan losses	2,167,515				2,167,515
Net interest and dividend income after provision for loan losses	14,617,961		2,179,440		16,797,401
Noninterest income:					
Fees for other services to customers	1,103,681				1,103,681
Net securities losses	268,373				268,373
Gain on sales of loans	1,519,226				1,519,226
Investment commissions	1,588,656				1,588,656
Insurance commissions	5,864,743				5,864,743
BOLI income	491,309				491,309
Other income	697,263				697,263
Total noninterest income	11,533,251				11,533,251
Noninterest expense:					
Salaries and employee benefits	14,442,398				14,442,398
Occupancy expense	1,810,019				1,810,019
Equipment expense	1,603,519				1,603,519
Intangible assets amortization	747,947		1,009,000	C	1,756,947
Other	6,549,686				6,549,686
Total noninterest expense	25,153,569		1,009,000		26,162,569
Income before income tax expense	997,643		1,170,440		2,168,083
Income tax expense	38,654		405,675		444,329

Net income	$	958,989	$	$	764,765	$	1,723,754
Net income available to common stockholders	$	824,602	$	$	764,765	$	1,589,367
Earnings per common share:							
Basic	$	0.36	$	$		$	0.46
Diluted	$	0.36	$	$		$	0.46
Basic Shares		2,319,830			1,161,166		3,480,996
Diluted Shares		2,321,929			1,161,166		3,483,095

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A. Accretion and amortization of estimated fair value adjustments to loans, deposits and other funding on level yield basis.

B. Amortization of the estimated fair value adjustments to investment securities on a straight line basis, which approximates level yield methods net of estimated income from investing the proceeds of $16.175 million from the purchase of common stock by FHB investors.

C. Amortization on a double declining basis of estimated core deposit intangible over its estimated life of 9.9 years.

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Notes to Unaudited Pro Forma Consolidated Condensed Combined Financial Statements

Accounting Information

The unaudited pro forma consolidated condensed combined balance sheet for Northeast and subsidiary and FHB has been prepared as if the merger had been consummated on March 31, 2010. The unaudited pro forma consolidated condensed combined statements of income for the nine months ended March 31, 2010 and the twelve months ended June 30, 2009 have been prepared as if the merger had been consummated at the beginning of the periods presented. The unaudited pro forma consolidated condensed combined financial statements are based on the historical financial statements of Northeast and FHB and give effect to the merger under the acquisition method of accounting and the assumptions and adjustments in the notes that follow.

Since FHB has a December 31 fiscal year end and Northeast has a June 30 fiscal year end, FHB s historical data for the nine months ended March 31, 2010 is based on the six months ended December 31, 2009 and adding the three months ended March 31, 2010.

The fair value amounts for financial instruments and the core deposit intangible have been preliminarily estimated by an independent valuation specialist by using market information and methodologies that approximate the results that will be obtained in applying the accounting standards and methodologies prescribed by ASC 820 Fair Value Measurements. Values for non-financial assets and liabilities have been estimated by management using available market information and benchmarks. The actual fair value adjustments will be determined as of the transaction closing date. At that time, we intend to engage independent valuation specialists to assist in the process of developing fair values for financial reporting purposes. Management believes that the estimates used in the pro forma financial statements are reasonable, however circumstances including changes in market conditions, interest rates or other factors such as Northeast s loan portfolio credit quality could cause actual fair values at the time the transaction is consummated to be significantly different from the fair values used in these pro forma financial statements.

Further, allocation of the purchase price estimated in the footnotes to the Unaudited Pro Forma Condensed Combined Consolidated Balance Sheet as of March 31, 2010 found on pages 19-20 is subject to adjustment, and will vary from the actual purchase price allocation that will be recorded upon completion of the merger based upon changes in the balance sheet including fair value estimates. To the extent the fair value of the net assets, including identifiable intangibles of Northeast, exceeds the purchase price at the merger date, that amount will be recognized as a gain in earnings as of the acquisition date.

Assumptions related to the pro forma adjustments set forth in the unaudited pro forma consolidated condensed combined financial statements include the estimated fair values that are being accreted/amortized in interest income and interest expense on a level yield basis or a straight line basis which approximates the level yield basis over their estimated lives. The amortization of the estimated core deposit intangible is being amortized to operating expense on a double declining basis over its estimated life of 9.9 years.

Earnings per Share

Basic and fully diluted weighted average number of common shares and common stock equivalents utilized for the calculation of earnings per share for the periods presented were calculated using Northeast historical weighted average basic and diluted shares plus the 1,161,166 new common shares to be issued to new investors under the terms of the merger agreement.

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HISTORICAL FINANCIAL INFORMATION OF NORTHEAST BANCORP

Consolidated Balance Sheets

	March 31, 2010 (Unaudited)	June 30, 2009 (Audited)
Assets		
Cash and due from banks	$ 4,967,724	$ 9,356,233
Interest-bearing deposits	4,085,487	3,666,409
Total cash and cash equivalents	9,053,211	13,022,642
Available-for-sale securities, at fair value	170,762,997	148,410,140
Loans held-for-sale	2,574,275	2,436,595
Loans receivable	386,540,978	393,650,762
Less allowance for loan losses	5,923,000	5,764,000
Net loans	380,617,978	387,886,762
Premises and equipment, net	8,415,622	8,744,170
Acquired assets, net	1,920,172	672,669
Accrued interest receivable	2,147,677	2,200,142
Federal Home Loan Bank stock, at cost	4,889,400	4,889,400
Federal Reserve Bank stock, at cost	596,750	596,750
Goodwill	4,490,500	4,490,500
Intangible assets, net of accumulated amortization of $3,092,905 at March 31, 2010 and $2,390,087 at June 30, 2009	7,463,003	8,311,477
Bank owned life insurance	13,159,518	12,783,525
Other assets	5,879,193	3,703,358
Total assets	$ 611,970,296	$ 598,148,130
Liabilities and Stockholders Equity		
Liabilities:		
Deposits		
Demand	$ 31,959,015	$ 32,228,276
NOW	48,901,534	44,465,265
Money market	45,692,488	39,049,403
Regular savings	32,554,738	19,079,009
Brokered time deposits	4,880,125	10,906,378
Certificates of deposit	216,376,518	239,657,655
Total deposits	380,364,418	385,385,986
Federal Home Loan Bank advances	50,500,000	40,815,000
Structured repurchase agreements	65,000,000	65,000,000
Short-term borrowings	41,456,124	34,435,309
Junior subordinated debentures issued to affiliated trusts	16,496,000	16,496,000
Capital lease obligation	2,268,461	2,378,827
Other borrowings	2,629,660	3,263,817
Other liabilities	3,159,576	3,056,311
Total liabilities	561,874,239	550,831,250
Commitments and contingent liabilities		
Stockholders equity		

Preferred stock, $1.00 par value, 1,000,000 shares authorized; 4,227 shares issued and outstanding at March 31, 2010 and June 30, 2009; liquidation preference of $1,000 per share	4,227	4,227
Common stock, at stated value, 15,000,000 shares authorized; 2,322,332 and 2,321,332 shares issued and outstanding at March 31, 2010 and June 30, 2009, respectively	2,322,332	2,321,332
Warrants	133,468	133,468
Additional paid-in capital	6,739,723	6,708,997
Retained earnings	37,564,238	36,697,712
Accumulated other comprehensive income	3,332,069	1,451,144
Total stockholders equity	50,096,057	47,316,880
Total liabilities and stockholders equity	$ 611,970,296	$ 598,148,130

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Consolidated Statements of Income

(Unaudited)

	Three Months Ended March 31,	
	2010	**2009**
Interest and dividend income:		
Interest on loans	$ 5,959,893	$ 6,292,794
Taxable interest on available-for-sale securities	1,733,568	1,882,848
Tax-exempt interest on available-for-sale securities	121,445	112,601
Dividends on available-for-sale securities	18,970	25,233
Dividends on Federal Home Loan Bank and Federal Reserve Bank stock	8,700	5,186
Other interest and dividend income	1,714	17,277
Total interest and dividend income	7,844,290	8,335,939
Interest expense:		
Deposits	1,682,217	2,238,626
Federal Home Loan Bank advances	456,420	615,028
Structured repurchase agreements	692,250	758,378
Short-term borrowings	165,318	146,054
Junior subordinated debentures issued to affiliated trusts	181,755	234,817
FRB Borrower-in-Custody		18,493
Obligation under capital lease agreements	28,390	37,835
Other borrowings	42,732	55,761
Total interest expense	3,249,082	4,104,992
Net interest and dividend income before provision for loan losses	4,595,208	4,230,947
Provision for loan losses	640,598	618,536
Net interest and dividend income after provision for loan losses	3,954,610	3,612,411
Noninterest income:		
Fees for other services to customers	350,378	236,970
Net securities losses	(63,141)	
Gain on sales of loans	140,409	314,466
Investment commissions	467,021	246,835
Insurance commissions	1,741,269	1,524,130
BOLI income	124,982	122,277
Other income	304,196	260,185
Total noninterest income	3,065,114	2,704,863
Noninterest expense:		
Salaries and employee benefits	3,468,652	3,256,094
Occupancy expense	556,738	511,048
Equipment expense	350,135	385,916
Intangible assets amortization	176,780	181,351
Other	1,719,444	1,508,697
Total noninterest expense	6,271,749	5,843,106

Income before income tax expense	747,975	474,168
Income tax expense	217,343	86,798
Net income	$ 530,632	$ 387,370
Net income available to common stockholders	$ 469,972	$ 326,751
Earnings per common share:		
Basic	$ 0.20	$ 0.14
Diluted	$ 0.20	$ 0.14
Net interest margin (tax equivalent basis)	3.30%	3.02%
Net interest spread (tax equivalent basis)	3.03%	2.70%
Return on average assets (annualized)	0.35%	0.26%
Return on average equity (annualized)	4.32%	3.27%
Efficiency ratio	82%	85%

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Consolidated Statements of Income

(Unaudited)

	Nine Months Ended March 31, 2010	2009
Interest and dividend income:		
Interest on loans	$ 18,029,292	$ 19,709,828
Interest on Federal Home Loan Bank overnight deposits		244
Taxable interest on available-for-sale securities	5,171,133	5,336,306
Tax-exempt interest on available-for-sale securities	356,340	339,727
Dividends on available-for-sale securities	46,157	60,481
Dividends on Federal Home Loan Bank and Federal Reserve Bank stock	26,602	87,135
Other interest and dividend income	9,697	49,881
Total interest and dividend income	23,639,221	25,583,602
Interest expense:		
Deposits	5,507,301	7,152,320
Federal Home Loan Bank advances	1,336,161	2,043,974
Structured repurchase agreements	2,171,638	2,180,149
Short-term borrowings	485,923	587,485
Junior subordinated debentures issued to affiliated trusts	587,146	745,732
FRB Borrower-in-Custody		80,485
Obligation under capital lease agreements	87,830	117,295
Other borrowings	156,096	177,364
Total interest expense	10,332,095	13,084,804
Net interest and dividend income before provision for loan losses	13,307,126	12,498,798
Provision for loan losses	1,723,142	1,642,821
Net interest and dividend income after provision for loan losses	11,583,984	10,855,977
Noninterest income:		
Fees for other services to customers	1,116,441	826,283
Net securities losses	(20,462)	(82,067)
Gain on sales of loans	707,943	428,580
Investment commissions	1,454,793	1,275,165
Insurance commissions	4,705,042	4,472,344
BOLI income	375,993	367,934
Other income	734,099	619,777
Total noninterest income	9,073,849	7,908,016
Noninterest expense:		
Salaries and employee benefits	10,392,407	10,190,848
Occupancy expense	1,449,503	1,402,885
Equipment expense	1,116,165	1,218,827
Intangible assets amortization	549,015	564,621
Other	4,932,693	4,587,666
Total noninterest expense	18,439,783	17,964,847

Income before income tax expense	2,218,050	799,146
Income tax expense	542,436	49,086
Net income	$ 1,675,614	$ 750,060
Net income available to common stockholders	$ 1,493,376	$ 676,374
Earnings per common share:		
Basic	$ 0.64	$ 0.29
Diluted	$ 0.64	$ 0.29
Net interest margin (tax equivalent basis)	3.15%	2.97%
Net interest spread (tax equivalent basis)	2.94%	2.74%
Return on average assets (annualized)	0.37%	0.16%
Return on average equity (annualized)	4.54%	2.30%
Efficiency ratio	82%	88%

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Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended March 31, 2010	Nine Months Ended March 31, 2009
Cash flows from operating activities:		
Net income	$ 1,675,614	$ 750,060
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,723,142	1,642,821
Change in net deferred costs	567,200	459,171
Provision made for deferred compensation	145,575	123,797
Write-down of available-for-sale securities	103,203	318,244
Write-down of non-marketable securities	99,041	5,025
BOLI income, net	(375,993)	(367,934)
Depreciation of premises and equipment	812,727	718,831
Amortization of intangible assets	549,015	564,621
Net loss on sale of available-for-sale securities	20,462	82,067
Net loss on disposals, writedowns and sale of fixed assets	116,712	
Net gain on sale of business	(234,907)	
Net change in loans held-for-sale	(137,680)	151,765
Stock grant		1,728
Net accreation of securities	(22,733)	(111,775)
Change in other assets and liabilities:		
Interest receivable	52,465	(6,370)
Prepayment FDIC Assessment	(2,340,175)	
Other assets and liabilities	546,126	(259,462)
Net cash provided by operating activities	3,299,794	4,072,589
Cash flows from investing activities:		
Federal Reserve Bank stock purchased		(125,250)
Proceeds from the sales of available-for-sale securities	1,312,142	2,750,973
Purchases of available-for-sale securities	(59,188,505)	(43,548,924)
Proceeds from maturities and principal payments on available-for-sale securities	38,462,243	15,744,020
Loan originations and principal collections, net	2,988,876	7,013,731
Investment in low income tax credit	(1,031,555)	
Purchases of premises and equipment	(644,808)	(1,042,319)
Proceeds from sales of premises and equipment	43,100	
Proceeds from sales of acquired assets	417,554	505,613
Proceeds from sale of business	534,366	
Net cash used by investing activities	(17,106,587)	(18,702,156)
Cash flows from financing activities:		
Net (decrease) increase in deposits	(5,021,568)	6,277,016
Advances from the Federal Home Loan Bank	12,500,000	5,000,000
Repayment of advances from the Federal Home Loan Bank	(2,000,000)	(25,000,000)
Net repayments on Federal Home Loan Bank overnight advances	(815,000)	(20,250,000)
Structured Repurchase		25,000,000
FRB borrower-in-custody		15,000,000
Net increase in short-term borrowings	7,020,815	445,272
Dividends paid	(785,362)	(662,238)
Net proceeds from Capital Purchase Program		4,200,994
Issuance of common stock	8,000	50,500
Purchase of interest rate caps	(325,000)	
Repayment on debt from insurance agencies acquisitions	(634,157)	(595,453)
Repayment on capital lease obligation	(110,366)	(110,061)

Net cash provided by financing activities	9,837,362	9,356,030
Net decrease in cash and cash equivalents	(3,969,431)	(5,273,537)
Cash and cash equivalents, beginning of year	13,022,642	12,543,981
Cash and cash equivalents, end of year	$ 9,053,211	$ 7,270,444
Supplemental schedule of cash flow information:		
Interest paid	$ 10,550,347	$ 13,194,749
Income taxes paid	$ 340,000	$ 195,000
Supplemental schedule of noncash investing and financing activities:		
Transfer from loans to acquired assets	$ 2,034,136	$ 798,446
Due to broker		4,934,931
Transfer from acquired assets to loans	44,570	7,820
Change in valuation allowance for unrealized gains on available-for-sale securities, net of tax	1,880,925	3,699,642
Net change in deferred taxes for unrealized (gains) on available-for-sale securities	(1,033,487)	(1,905,877)

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Notes to Consolidated Financial Statements

March 31, 2010

(Unaudited)

1. Basis of Presentation

The accompanying unaudited condensed and consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form S-4 and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting principally of normal recurring accruals) considered necessary for a fair presentation of Northeast s financial position at March 31, 2010, the results of operations for the three and nine month periods ended March 31, 2010 and 2009, the changes in stockholders equity for the nine month periods ended March 31, 2010 and 2009, and the cash flows for the nine month periods ended March 31, 2010 and 2009. Operating results for the nine month period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending June 30, 2010. For further information, refer to the audited consolidated financial statements and notes thereto for the fiscal year ended June 30, 2009 included in this proxy statement/prospectus.

2. Junior Subordinated Debentures Issued to Affiliated Trust

NBN Capital Trust II and NBN Capital Trust III were created in December 2003. NBN Capital Trust IV was created in December 2004. Each such trust is a Delaware statutory trust (together, the Private Trusts). The exclusive purpose of the Private Trusts was (i) issuing and selling Common Securities and Preferred Securities in a private placement offering, (ii) using the proceeds of the sale of the Private Trust Securities to acquire Junior Subordinated Deferrable Interest Notes (Junior Subordinated Debentures); and (iii) engaging only in those other activities necessary, convenient or incidental thereto. Accordingly, the Junior Subordinated Debentures are the sole assets of each of the Private Trusts.

The following table summarizes the junior subordinated debentures issued by Northeast to each affiliated trust and the trust preferred and common securities issued by each affiliated trust at March 31, 2010. Amounts include the junior subordinated debentures acquired by the affiliated trusts from Northeast with the capital contributed by Northeast in exchange for the common securities of such trust. The trust preferred securities (the Preferred Securities) were sold in two separate private placement offerings. Northeast has the right to redeem the junior subordinated debentures, in whole or in part, on or after March 30, 2009, for NBN Capital Trust II and III, and on or after February 23, 2010, for NBN Capital Trust IV, at the redemption price specified in the Indenture plus accrued but unpaid interest to the redemption date.

Affiliated Trusts	Trust Preferred Securities	Common Securities	Junior Subordinated Debentures	Interest Rate	Maturity Date
NBN Capital Trust II	$ 3,000,000	$ 93,000	$ 3,093,000	3.09%	March 30, 2034
NBN Capital Trust III	3,000,000	93,000	3,093,000	3.09%	March 30, 2034
NBN Capital Trust IV	10,000,000	310,000	10,310,000	4.69%	February 23, 2035
Total	$ 16,000,000	$ 496,000	$ 16,496,000	4.09%	

NBN Capital Trust II and III pay a variable rate based on three month LIBOR plus 2.80%, and NBN Capital Trust IV pays a variable rate based on three month LIBOR plus 1.89%. Accordingly, the Preferred Securities of the Private Trusts currently pay quarterly distributions at an annual rate of 3.09% for the stated liquidation amount of $1,000 per Preferred Security for NBN Capital Trust II and III and an annual rate of 2.14% for the stated liquidation amount of $1,000 per Preferred Security for NBN Capital Trust IV. Northeast has fully and unconditionally guaranteed all of the obligations of each of the Private Trusts. The guaranty covers the quarterly

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010

(Unaudited)

distributions and payments on liquidation or redemption of the Private Trust Preferred Securities, but only to the extent of funds held by the Private Trusts. Based on the current rates, the annual interest expense on the Preferred Securities is approximately $675,000.

The junior subordinated debentures each have variable rates indexed to three-month LIBOR. During the nine months ended March 31, 2010, Northeast purchased two interest rate caps and an interest rate swap to hedge the interest rate risk on notional amounts of $6 million and $10 million, respectively, of Northeast s junior subordinated debt. Each was a cash flow hedge to manage the risk to net interest income in a period of rising rates.

The interest rate caps hedge the junior subordinated debt resulting from the issuance of trust preferred securities by Northeast s affiliates NBN Capital Trust II and NBN Capital Trust III. The notional amount of $3 million for each interest rate cap represents the outstanding junior subordinated debt from each trust. The strike rate is 2.505%. Northeast will recognize higher interest expense on the junior subordinated debt for the first 200 basis points increase in three-month LIBOR. Once three-month LIBOR rate exceeds 2.505% on a quarterly reset date, there will be a payment by the counterparty to Northeast at the following quarter end. The effective date of the purchased interest rate caps was September 30, 2009 and matures in five years.

The interest rate swap hedges the junior subordinated debt resulting from the insurance of trust preferred stock by Northeast s affiliate NBN Capital Trust IV. The notional amount of $10 million represents the outstanding junior subordinated debt from this trust. Under the terms of the interest rate swap, Northeast pays a fixed rate of 4.69% quarterly for a period of five years from the effective date of February 23, 2010. Northeast receives quarterly interest payments of three month LIBOR plus 1.89% over the same term.

See Note 13 for additional information on derivatives.

3. Loans

The following is a summary of the composition of loans at:

	March 31, 2010	June 30, 2009
Residential real estate	$ 150,877,079	$ 138,789,985
Commercial real estate	125,997,365	120,889,910
Construction	4,737,740	6,383,948
Commercial	28,719,502	29,137,318
Consumer & Other	74,791,858	96,464,967
Total	385,123,544	391,666,128
Net Deferred Costs	1,417,434	1,984,634
Total Loans	$ 386,540,978	$ 393,650,762

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4. Allowance for Loan Losses

The following is an analysis of transactions in the allowance for loan losses:

	Nine months Ended March 31, 2010	2009
Balance at beginning of period	$ 5,764,000	$ 5,656,000
Add provision charged to operations	1,723,142	1,642,821
Recoveries on loans previously charged off	135,396	160,644
	7,622,538	7,459,465
Less loans charged off	1,699,538	1,781,465
Balance at end of period	$ 5,923,000	$ 5,678,000

5. Securities

Securities available-for-sale at amortized cost and approximate fair values and maturities at March 31, 2010 and June 30, 2009 are summarized below:

	March 31, 2010		June 30, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Debt securities issued by U. S. Government-sponsored enterprises	$ 6,082,972	$ 6,088,407	$ 8,995,182	$ 9,029,001
Mortgage-backed securities	136,795,309	142,230,346	121,724,975	124,904,616
Municipal bonds	12,221,811	12,383,313	11,762,533	11,529,915
Collateralized Mortgage Obligation	7,771,507	7,672,656		
Corporate bonds	991,704	1,042,820	1,484,571	1,491,918
Trust preferred securities	584,311	470,222	677,105	411,612
Equity securities	1,077,009	875,233	1,567,069	1,043,078
	$ 165,524,623	$ 170,762,997	$ 146,211,435	$ 148,410,140

The gross unrealized gains and unrealized losses on available-for-sale securities are as follows:

	March 31, 2010		June 30, 2009	
	Gross Unrealized Gains	Gross Unrealized Losses	Gross Unrealized Gains	Gross Unrealized Losses
Debt securities issued by U. S. Government-sponsored enterprises	$ 5,435	$	$ 78,443	$ 44,624
Mortgage-backed securities	5,494,944	59,907	3,576,997	397,356

Municipal bonds	211,363	49,861	46,083	278,701
Corporate bonds	51,116		18,615	11,268
Collateralized Mortgage Obligation		98,851		
Trust preferred securities	393	114,482		265,493
Equity securities	17,555	219,331	26,344	550,335
	$ 5,780,806	$ 542,432	$ 3,746,482	$ 1,547,777

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The following summarizes Northeast s gross unrealized losses and fair values aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at March 31, 2010 and June 30, 2009:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2010:						
Mortgage-backed securities	$ 14,324,784	59,907			14,324,784	59,907
Municipal bonds	1,656,746	16,472	570,123	33,389	2,226,869	49,861
Collateralized Mortgage Obligation	7,672,656	98,851			7,672,656	98,851
Equity securities	42,157	25,419	557,867	193,912	600,024	219,331
Trust preferred securities	21,623	73	366,531	114,409	388,154	114,482
	$ 23,717,966	200,722	1,494,521	341,710	25,212,487	542,432

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2009:						
U.S. Government-sponsored enterprises	$ 948,022	44,624			948,022	44,624
Mortgage-backed securities	19,948,839	393,117	224,084	4,239	20,172,923	397,356
Municipal bonds	6,278,545	200,516	829,002	78,185	7,107,547	278,701
Corporate bonds			488,731	11,268	488,731	11,268
Equity securities	210,607	77,388	675,083	472,947	885,690	550,335
Trust preferred securities			411,612	265,493	411,612	265,493
	$ 27,386,013	715,645	2,628,512	832,132	30,014,525	1,547,777

Management of Northeast, in addition to considering current trends and economic conditions that may affect the quality of individual securities within Northeast s investment portfolio, also considers Northeast s ability and intent to hold such securities to maturity or recovery of cost. Management does not believe any of Northeast s available-for-sale securities are other-than-temporarily impaired at March 31, 2010, except as discussed below.

Based on management s assessment of available-for-sale securities, there has been an other-than-temporary decline in market value of certain trust preferred and equity securities. During the nine months ended March 31, 2010 and 2009, write-downs of available-for-sale securities were $103,203 and $318,244, respectively, and are included in other noninterest expense in the consolidated statements of income.

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market conditions warrant such evaluation. The investment securities portfolio is generally evaluated for other-than-temporary impairment under ASC 320-10, Investments Debt and Equity Securities.

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The following table summarizes other-than-temporary impairment losses on securities for the nine months ended March 31, 2010:

	Equity Securities	Trust Preferred Securities	Total
Total other-than-temporary impairment losses	$ 103,203		103,203
Less: unrealized other-than-temporary losses recognized in other comprehensive loss (1)			
Net impairment losses recognized in earnings (2)	$ 103,203		103,203

(1) Represents the noncredit component of the other-than-temporary impairment on the securities.
(2) Represents the credit component of the other-than-temporary impairment on securities

The amortized cost and fair values of available-for-sale debt securities at March 31, 2010 and June 30, 2009, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	March 31, 2010		June 30, 2009	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 991,704	$ 1,042,820	$ 500,000	$ 488,731
Due after one year through five years	2,500,000	2,500,000	8,987,106	9,084,165
Due after five years through ten years	3,295,000	3,321,293		
Due after ten years	20,865,601	20,793,305	13,432,285	12,889,550
Mortgage-backed securities (including securities with interest rates ranging from 4.0% to 6.4% maturing February 2013 to September 2038)	136,795,309	142,230,346	121,724,975	124,904,616
	$ 164,447,614	$ 169,887,764	$ 144,644,366	$ 147,367,062

6. Advances from the Federal Home Loan Bank

A summary of borrowings from the Federal Home Loan Bank is as follows:

March 31, 2010		
Principal Amounts	Interest Rates	Maturity Dates For Periods Ending March 31,
$ 8,000,000	3.99% - 4.99%	2012
10,000,000	2.55 - 2.59	2013
5,000,000	3.99	2014
12,500,000	2.91 - 3.08	2015

10,000,000	4.26	2017
5,000,000	4.29	2018
$50,500,000		

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June 30, 2009		
Principal Amounts	**Interest Rates**	**Maturity Dates For Periods Ending June 30,**
$ 2,815,000	0.28% - 4.31%	2010
3,000,000	4.99	2011
5,000,000	3.99	2012
15,000,000	2.55 - 3.99	2013
10,000,000	4.26	2017
5,000,000	4.29	2018
$40,815,000		

The Federal Home Loan Bank has the option to call $33,000,000 of the outstanding advances at March 31, 2010. The options are continuously callable quarterly until maturity.

7. Structured Repurchase Agreements

The total outstanding structured repurchase agreements balance at March 31, 2010 was $65,000,000.

March 31, 2010					
Amount	**Interest Rate**	**Imbedded Cap/Floor**	**Amount of Cap/Floor**	**Strike Rate**	**Maturity**
$20,000,000	4.68%	Purchased Caps	$ 40,000,000	Expired	August 28, 2012
$10,000,000	3.98%	Sold Floors	$ 20,000,000	Expired	August 28, 2012
$10,000,000	4.18%	Purchased Caps	$ 10,000,000	4.88%	December 13, 2012
$10,000,000	4.30%	Purchased Caps	$ 10,000,000	3.79%	July 3, 2013
$10,000,000	4.44%	Purchased Caps	$ 10,000,000	3.81%	September 23, 2015
$ 5,000,000	2.86%	None			March 25, 2014
$65,000,000					

June 30, 2009					
Amount	**Interest Rate**	**Imbedded Cap/Floor**	**Amount of Cap/Floor**	**Strike Rate**	**Maturity**

$20,000,000	4.68%	Purchased Caps	$ 40,000,000	5.50%	August 28, 2012
$10,000,000	3.98%	Sold Floors	$ 20,000,000	4.86%	August 28, 2012
$10,000,000	4.18%	Purchased Caps	$ 10,000,000	4.88%	December 13, 2012
$10,000,000	4.30%	Purchased Caps	$ 10,000,000	3.79%	July 3, 2013
$10,000,000	4.44%	Purchased Caps	$ 10,000,000	3.81%	September 23, 2015
$ 5,000,000	2.86%	None			March 25, 2014
$65,000,000					

For leveraging strategies implemented in fiscal 2009, Northeast pledged mortgage-backed securities of $28,217,084, at inception, as collateral for $25,000,000 borrowed in three transactions. The transactions maturing July 2013 and September 2015 of $10,000,000 each had imbedded interest rate caps as summarized in the table above. The interest rate caps reduced Northeast s balance sheet risk to rising interest rates. They cannot be called by the issuer for three years ending July 3, 2011 and for four years ending September 23, 2012, respectively. Each agreement can be called quarterly thereafter. The transaction in March 2009, which did not have imbedded

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interest rate caps or floors, allowed Northeast to extend its funding at a favorable interest rate. The issuer has no call option unless Northeast no longer maintains regulatory well-capitalized status or is subject to a regulatory cease and desist order. Interest is paid quarterly. The interest rates are fixed for the term of the three agreements.

Northeast is subject to margin calls on each transaction to maintain the necessary collateral in the form of cash or other mortgage-backed securities during the borrowing term.

Payments would be received on the interest rate caps when three-month LIBOR exceeded the strike rate on the quarterly reset date. The amount of the payment would be equal to the difference between the strike rate and three-month LIBOR multiplied by the notional amount of the cap to be made 90 days after the reset date. The purchased interest rate caps expire at the end of the non-call periods noted above.

The collateral pledged was FNMA, FHLMC and GNMA issued mortgage-backed securities with a fair value of $74,837,808 as of March 31, 2010.

8. Stock-Based Compensation

Northeast has stock-based employee compensation plans, which are described more fully in Note 1 of the June 30, 2009 audited consolidated financial statements. In accordance with ASC 718-10-25, Compensation-Stock Compensation-Overall-Recognition, Northeast recognizes expense for new options awarded and to awards modified, repurchased or canceled. Since there were no new options granted (or modifications of existing options) during the nine months ended March 31, 2010, no expense was recognized.

9. Capital Lease

Northeast Bank Insurance Group, Inc. exercised its option to purchase the building occupied by the Spence & Matthews Insurance Agency located at 4 Sullivan Square, Berwick, Maine. The transaction was closed in June 2009. The previously recognized capital lease was terminated and resulted in a loss from the extinguishment of the capital lease obligation, which was capitalized as part of the cost of the building. The Spence & Matthews Insurance Agency occupies the entire building. In fiscal 2006, Northeast recognized a capital lease obligation for its new headquarters known as the Southern Gateway building located at 500 Canal Street in Lewiston, Maine. The present value of the lease payments over fifteen years ($264,262 per year for each of the initial ten years of the lease term and $305,987 per year for each of the last five years) exceeded 90% of the fair value of the Southern Gateway building. Northeast Bank s commercial lending and underwriting, consumer loan underwriting, loan servicing, deposit operations, accounting, human resources, risk management, and executive administration departments occupy the approximately 27,000 square feet of space in its headquarters building.

The future minimum lease payments over the remaining term of the lease and the outstanding capital lease obligations at March 31, 2010 are as follows:

2011	$ 264,262
2012	264,262
2013	264,262
2014	264,262
2015	264,262
2016 and thereafter	1,619,335
Total minimum lease payments	2,940,645
Less imputed interest	672,184

Capital lease obligation	$ 2,268,461

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10. Other Expenses

Other expenses include the following for the three and nine months ended March 31, 2010 and 2009:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2010	2009	2010	2009
Professional fees	$ 368,583	$ 190,196	$ 954,000	$ 589,300
FDIC insurance	158,968	150,000	478,766	299,176
Advertising expense	141,251	112,272	397,467	410,369
Computer services and processing costs	227,982	210,095	669,680	591,689
Loan expense	193,138	245,135	511,058	583,499
Telephone expense	71,918	86,274	257,088	267,976
Write-down of available-for-sale securities		23,978	103,203	318,244
Write-down of non-marketable securities	38,113	1,675	99,041	5,025
Other	519,491	489,072	1,462,390	1,522,388
	$ 1,719,444	$ 1,508,697	$ 4,932,693	$ 4,587,666

11. Insurance Agency Acquisitions

Northeast Bank Insurance Group, Inc. acquired one insurance agency in fiscal 2009, three insurance agencies in fiscal 2008 and four insurance agencies in fiscal 2007. Each acquisition was as a purchase of assets for cash and a note, with the exception of the Palmer Insurance Agency, which was the purchase of stock for cash and a note, and the Goodrich Insurance Associates, which was a purchase of assets for cash. Each agency, operates at the location being used at the time of the acquisition except: Goodrich, which was relocated to the agency office in Berwick, Maine; Hartford, which was relocated to the agency office in Auburn, Maine; and Russell, which was relocated to the agency office in Anson, Maine. Spence & Matthews has an office in Rochester, New Hampshire.

All acquisitions were accounted for using the purchase method and resulted in increases in goodwill and customer list and non-compete intangibles on the consolidated balance sheet. All purchase and sale agreements, except the agreements relating to the Russell Insurance Agency and Hartford Insurance Agency, call for a reduction in the purchase price should the stipulated minimum commission revenue levels not be attained over periods of one to three years from the purchase date. During the year ended June 30, 2008, other borrowings and goodwill related to the Southern Maine acquisition were reduced by $98,332 in accordance with this stipulation. The customer list intangibles and estimated useful lives are based on estimates from a third-party appraiser. The useful lives of these intangibles range from eleven to twenty-four years. Non-compete intangible useful lives are amortized over a range of ten to fifteen years.

The debt incurred is payable to the seller of each agency. Each note bears an interest rate of 6.50% over terms as follows: the Palmer debt is payable over a term of seven years; the Sturtevant debt is payable over a term of three years; the Southern Maine debt is payable over a term of four years; and the Russell debt is payable over a term of two years. Hartford, Spence & Matthews, and Hyler are payable over a term of seven years. Hartford, Spence & Matthews, and Hyler have debt of $100,000, $800,000, and $200,000, respectively, which bears no interest and has been recorded at its present value assuming a discount rate of 6.50%. Northeast Bank guaranteed the debt repayment to each seller.

Northeast Bank Insurance Group, Inc. leases the office locations for Sturtevant, Southern Maine, Hyler, Goodrich, and Spence & Mathews in Rochester, New Hampshire, which are operating leases. Northeast Bank acquired Palmer s agency building and land in January 2007.

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The results of operations of all agencies have been included in the consolidated financial statements since their acquisition date. There is no pro-forma disclosure included because the agencies individually and in aggregate were not considered significant acquisitions.

	Acquisition		
	2009	**2008**	**2007**
Purchase price			
Cash paid	$ 715,000	3,701,250	2,450,000
Debt incurred		2,823,936	2,317,000
Acquisition costs	2,710	36,354	21,002
Total	$ 717,710	6,561,540	4,788,002
Allocation of purchase price:			
Goodwill	$ 100,160	1,545,110	2,472,906
Customer list intangible	480,000	3,905,000	1,970,000
Non-compete intangible	135,000	1,100,000	535,000
Fixed and other assets	2,550	11,430	14,096
Deferred income taxes			(204,000)
Total	$ 717,710	6,561,540	4,788,002

$2,902,501 of the total goodwill acquired is expected to be deductible for tax purposes.

Northeast Bank Insurance Group, Inc. acquired Solon-Anson Insurance Agency, Inc. on September 29, 2004. This acquisition was accounted for using the purchase method and resulted in a customer list intangible asset of $2,081,500, which is being amortized over twelve years.

The customer list of the Mexico, Maine insurance agency office was sold to U.I.G. Inc. on December 31, 2009. The customer list and certain fixed assets of the Rangeley, Maine insurance agency office were sold to Morton & Furbish Insurance Agency on January 31, 2010. Since these offices were part of the Solon-Anson Insurance Agency, Inc. acquired on September 29, 2004, the customer list intangibles were allocated based upon the gross commission revenues for the Mexico and Rangeley offices as a percentage of the total commission revenue of the Solon-Anson Insurance Agency, Inc. The land and buildings in Mexico and Rangeley have been listed for sale by Northeast Bank Insurance Group, Inc. Impairment expense of $50,000 and $91,080 was recognized for the Mexico and Rangeley buildings, respectively, in order to adjust the carrying values to the expected sales price.

	Mexico	**Rangeley**
Sale Price	$ 269,575	279,791
Allocated customer intangible, net of amortization	153,803	145,656
Fixed assets, net of accumulated depreciation		4,229
Gain recognized	$ 115,772	129,906

12. Fair Value Measurements

In accordance with ASC 820, Northeast groups its financial assets and financial liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

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Level 1 Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and other U.S. Government and agency mortgage-backed securities that are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities.

Level 3 Valuations for assets and liabilities that are derived from other methodologies, including option pricing models, discounted cash flow models and similar techniques, are not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets and liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of Northeast s financial assets and financial liabilities carried at fair value at March 31, 2010 and June 30, 2009.

Northeast s exchange traded equity securities are generally classified within level 1 or level 2 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Northeast s investment in municipal, corporate and agency bonds and mortgage-backed securities available-for-sale is generally classified within level 2 of the fair value hierarchy. For these securities, Northeast obtains fair value measurements from independent pricing services. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. treasury yield curve, trading levels, market consensus prepayment speeds, credit information and the instrument s terms and conditions.

Level 3 is for positions that are not traded in active markets or are subject to transfer restrictions: valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence. In the absence of such evidence, management s best estimate is used. Subsequent to initial valuation, management only changes level 3 inputs and assumptions when evidence such as transactions in similar instruments, completed or pending third-party transactions in the underlying investment or comparable entities, subsequent rounds of financing, recapitalization and other transactions across the capital structure, offerings in the equity or debt markets, and changes in financial ratios or cash flows indicates that initial valuations need to be updated.

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The following summarizes assets measured at fair value for the period ending March 31, 2010 and June 30, 2009.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

		Fair Value Measurements at Reporting Date Using:		
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
March 31, 2010				
Securities available-for-sale	$ 170,762,997	1,345,455	169,417,542	
Other assets purchased interest rate caps	218,889			218,889

		Fair Value Measurements at Reporting Date Using:		
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
June 30, 2009				
Securities available-for-sale	$ 148,410,140	1,454,690	146,955,450	

The following tables shows the changes in the fair values of purchased interest rate caps measured on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended March 31, 2010.

	2010
Beginning balance	$
Transferred in	218,889
Ending balance at March 31	$ 218,889

Northeast s impaired loans and acquired assets are reported at the fair value of the underlying collateral if repayment is expected solely from the collateral. Collateral values are estimated using level 2 input based upon appraisals of similar properties obtained from a third party. For Level 3, input collateral values are based on management s estimates pending appraisals from third party valuation services or imminent sale of collateral.

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ASSETS MEASURED AT FAIR VALUE ON A NONRECURRING BASIS

	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
March 31, 2010				
Impaired Loans	$ 1,014,061			1,014,061
Acquired assets	1,920,172		1,325,230	594,942

	Total	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
June 30, 2009				
Impaired Loans	$ 1,708,330		512,645	1,195,685
Acquired assets	672,669			672,669

The following tables shows the changes in the fair values of impaired loans measured on a nonrecurring basis using significant unobservable inputs (Level 3) for the nine months ended March 31, 2010 and 2009.

	2010	2009
Beginning balance	$ 1,195,685	$ 971,405
Loans transferred in	1,255,213	2,210,086
Loans transferred out	1,436,837	1,703,778
Ending balance at March 31	$ 1,014,061	$ 1,477,713

The following tables show the changes in the fair values of acquired assets measured on a nonrecurring basis using significant unobservable inputs (Level 3) for the nine months ended March 31, 2010 and 2009.

	2010	2009
Beginning balance	$ 672,669	$ 678,349
Loans transferred in	582,211	647,208
Loans transferred out	659,938	539,276
Ending balance at March 31	$ 594,942	$ 786,281

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LIABILITIES MEASURED AT FAIR VALUE ON A RECURRING BASIS

		Fair Value Measurements at Reporting Date Using:		
	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
March 31, 2010				
Derivative financial instruments	$ 83,672			$ 83,672

The following table shows the changes in the fair values of derivative financial instruments measured on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended March 31, 2010.

	2010
Beginning balance	$
Transferred in	83,672
Ending balance at March 31	$ 83,672

Northeast s derivative financial instruments are generally classified within level 3 of the fair value hierarchy. For these financial instruments, Northeast obtains fair value measurements from independent pricing services. The fair value measurement utilize a discounted cash flow model that incorporates and considers observable data, that may include publicly available third party market quotes, in developing the curve utilized for discounting future cash flows.

13. Fair Value of Financial Instruments

The estimated fair value amounts set forth below have been determined by Northeast using available market information and the accounting standards and methodologies prescribed by ASC 825 (FAS 107) and not the accounting standards and methodologies prescribed by ACS 820 (FAS 157). The interpretation of market data to develop the estimates of fair value involves considerable judgment, and, as such, the estimates presented herein are not necessarily indicative of the amounts Northeast could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. The methods and assumptions applied and the resulting fair value estimates are set forth below for Northeast s significant financial instruments.

Cash and Cash Equivalents The fair value of cash, due from banks, interest bearing deposits and FHLB overnight deposits approximates their relative book values, as these financial instruments have short maturities.

Available-for-sale Securities The fair value of available-for-sale securities is estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers.

Federal Home Loan Bank and Federal Reserve Bank Stock The carrying value of Federal Home Loan Bank (FHLB) stock and Federal Reserve Bank (FRB) stock approximates fair value based on redemption provisions of the FHLB and the FRB.

Loans and Loans held-for-sale Fair values are estimated for portfolios of loans with similar financial characteristics. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in

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the loan. The estimates of maturity are based on Northeast s historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic conditions, lending conditions and the effects of estimated prepayments.

Fair value for significant nonperforming loans is based on estimated cash flows and is discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are developed using available market information and historical information.

Management has made estimates of fair value using discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented would be indicative of the value negotiated in an actual sale.

The fair value of loans held-for-sale is estimated based on bid quotations received from loan dealers.

Interest Receivable The fair value of this financial instrument approximates the book value as this financial instrument has a short maturity. It is Northeast s policy to stop accruing interest on loans past due by more than ninety days. Therefore this financial instrument has been adjusted for estimated credit loss.

Derivative financial instruments: Fair value for interest rate swap agreements are based upon the amounts required to settle the contracts.

Deposits The fair value of deposits with no stated maturity, such as noninterest-bearing demand deposits, savings, negotiable order of withdrawal, or NOW, accounts and money market accounts, is equal to the amount payable on demand. The fair values of time deposits are based on the discounted value of contractual cash flows.

The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market. If that value was considered, the fair value of Northeast s net assets could increase.

Borrowings The fair value of Northeast s borrowings with the Federal Home Loan Bank is estimated by discounting the cash flows through maturity or the next repricing date based on current rates available to Northeast for borrowings with similar maturities. The fair value of Northeast s short-term borrowings, capital lease obligations, structured repurchase agreements and other borrowings is estimated by discounting the cash flows through maturity based on current rates available to Northeast for borrowings with similar maturities.

Junior Subordinated Debentures The fair value of Northeast s Junior Subordinated Debentures is estimated based on current interest rates.

Due-to-Broker The fair value of due-to-broker approximates carrying value due to their short term nature.

Commitments to Originate Loans Northeast has not estimated the fair value of commitments to originate loans due to their short term nature and their relative immateriality.

Limitations Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These values do not reflect any premium or discount that could result from offering for sale at one time Northeast s entire holdings of a particular financial instrument. Because no

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010

(Unaudited)

market exists for a significant portion of Northeast s financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature, involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial instruments include the deferred tax asset, premises and equipment and intangible assets, including the customer base. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

The following table presents the estimated fair value of Northeast s significant financial instruments at March 31, 2010 and June 30, 2009:

	March 31, 2010		June 30, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(Dollars in Thousands)			
Financial assets:				
Cash and cash equivalents	$ 9,053	9,053	$ 13,023	13,023
Available-for-sale securities	170,763	170,763	148,410	148,410
Regulatory stock (FHLB and FRB)	5,486	5,486	5,486	5,486
Loans held-for-sale	2,574	2,581	2,437	2,444
Loans, net	380,618	388,611	387,887	396,113
Accrued interest receivable	2,148	2,148	2,200	2,200
Other assets purchased interest rate caps	325	219		
Financial liabilities:				
Deposits (with no stated maturity)	159,107	159,107	134,822	134,822
Time deposits	221,257	224,421	250,564	254,134
Federal Home Loan Bank advances	50,500	53,207	40,815	43,151
Structured repurchase agreements	65,000	70,121	65,000	70,121
Other borrowings	2,630	2,630	3,264	3,264
Short-term borrowings	41,456	41,456	34,435	34,435
Capital lease obligation	2,268	2,399	2,379	2,517
Junior subordinated debentures issued to affiliated trusts	16,496	10,158	16,496	10,158
Other liabilities interest rate swaps	84	84		

14. Derivatives

Northeast has stand alone derivative financial instruments in the form of interest rate caps which derive their value from a fee paid adjusted to its fair value based on its index and strike rate, and a swap agreement which derives its value from underlying interest rate. These transactions involve both credit and market risk. The notional amounts are amounts on which calculations, payments and the value of the derivative are based. Notional amounts do not represent direct credit exposures. Direct credit exposure is limited to the net difference between the calculated amounts to be received and paid, if any. Such differences, which represent the fair value of the derivative instruments, is reflected on Northeast s balance sheet as derivative assets and derivative liabilities.

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010

(Unaudited)

Northeast is exposed to credit-related losses in the event of nonperformance by the counterparties to these agreements. Northeast controls the credit risk of its financial contracts through credit approvals, limits and monitoring procedures, and does not expect any counterparties to fail their obligations. Northeast deals only with primary dealers.

Derivative instruments are generally negotiated OTC contracts. Negotiated OTC derivative contracts are generally entered into between two counterparties that negotiate specific agreement terms, including the underlying instrument, amount, exercise prices and maturity.

Risk Management Policies Hedging Instruments

Northeast evaluates the effectiveness of entering into any derivative instrument agreement by measuring the cost of such an agreement in relation to the reduction in net income volatility within an assumed range of interest rates.

Interest Rate Risk Management Cash Flow Hedging Instruments

Northeast uses long-term variable rate debt as a source of funds for use in Northeast s lending and investment activities and other general business purposes. These debt obligations expose Northeast to variability in interest payments due to changes in interest rates. If interest rates increase, interest expense increases. Conversely, if interest rates decrease, interest expense decreases. Management believes it is prudent to limit the variability of a portion of its interest payments and, therefore, generally hedges a portion of its variable-rate interest payments. To meet this objective, management enters into interest rate caps whereby Northeast receives variable interest payments above a specified interest rate and swap agreements whereby Northeast receives variable interest rate payments and makes fixed interest rate payments during the contract period.

At March 31, 2010, the information pertaining to outstanding interest rate caps and swap agreements used to hedge variable rate debt is as follows:

	Interest Rate Caps	Interest Rate Swap
Notational Amount	$ 6,000,000	$ 10,000,000
Weighted average pay rate		4.69%
Weighted average receive rate		2.14%
Strike rate based on 3 month LIBOR	2.505%	
Weighted average maturity in years	4.5	4.8
Unrealized losses	$ 106,111	$ 83,672

Northeast purchased two interest rate caps for $325,000 which expire September 30, 2014. The swap agreement provided for Northeast to receive payments at a variable rate determined by a specified index (three month LIBOR) in exchange for making payments at a fixed rate.

During the nine months ended March 31, 2010, no interest rate cap or swap agreements were terminated prior to maturity. At March 31, 2010, the unrealized loss relating to interest rate caps and swaps was recorded in derivative liabilities in accordance with ASC 815. Changes in the fair value of interest rate caps and swaps designated as hedging instruments of the variability of cash flows associated with long-term debt are reported in other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment in the same period in which the related interest on the long-term debt affects earnings. None of the other comprehensive income was reclassified into interest expense during the nine months ended March 31, 2010.

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010

(Unaudited)

Risk management results for the nine months ended March 31, 2010 related to the balance sheet hedging of long-term debt indicates that the hedges were 100% effective and that there was no component of the derivative instruments gain or loss which was excluded from the assessment of hedge effectiveness.

As of March 31, 2010, none of the losses reported in other comprehensive income related to the interest swaps were expected to be reclassified into interest expense as a yield adjustment of the hedged borrowings during the three months ended June 30, 2010.

March 31, 2010	**Asset Derivatives**	
Derivatives designated as hedging instruments under ASC 815:		
	Balance Sheet Location	**Fair Value**
Interest Rate Contracts	Other Assets	$ 135,217

See Note 7, Structured Repurchase Agreements, for additional information on purchased interest rate caps.

Risk Management Policies Hedging Instruments

Northeast evaluates the effectiveness of entering into any derivative instrument agreement by measuring the cost of such an agreement in relation to the reduction in net income volatility within an assumed range of interest rates.

15. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued an update to Accounting Standard Codification 105-10, Generally Accepted Accounting Principles. This standard establishes the FASB Accounting Standard Codification (Codification or ASC) as the source of authoritative U.S. GAAP recognized by the FASB for nongovernmental entities. The Codification is effective for interim and annual periods ending after September 15, 2009. The Codification is a reorganization of existing U.S. GAAP and does not change existing U.S. GAAP. Northeast adopted this standard during the third quarter of 2009. The adoption had no impact on Northeast s financial position or results of operations.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets, and SFAS No. 167, Amendments to FASB Interpretation No. 46(R). These standards are effective for the first interim reporting period of 2010. SFAS No. 166 amends the guidance in ASC 860 to eliminate the concept of a qualifying special-purpose entity (QSPE) and changes some of the requirements for derecognizing financial assets. SFAS No. 167 amends the consolidation guidance in ASC 810-10. Specifically, the amendments will (a) eliminate the exemption for QSPEs from the new guidance, (b) shift the determination of which enterprise should consolidate a variable interest entity (VIE) to a current control approach, such that an entity that has both the power to make decisions and right to receive benefits or absorb losses that could potentially be significant, will consolidate a VIE, and (c) change when it is necessary to reassess who should consolidate a VIE. These standards did not have a significant impact on Northeast s financial statements.

In August 2009, the FASB issued Accounting Standards Update (ASU) 2009-05, Measuring Liabilities at Fair Value, which updates ASC 820-10, Fair Value Measurements and Disclosures. The updated guidance clarifies that the fair value of a liability can be measured in relation to the quoted price of the liability when it trades as an asset in an active market, without adjusting the price for restrictions that prevent the sale of the liability. This guidance is effective beginning January/July/October 1, 2009. The guidance did not change Northeast s valuation techniques for measuring liabilities at fair value.

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Notes to Consolidated Financial Statements (Continued)

March 31, 2010

(Unaudited)

In June 2008, the FASB updated ASC 260-10, Earnings Per Share. The guidance concludes that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are participating securities that should be included in the earnings allocation in computing earnings per share under the two-class method. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those years. All prior period earnings per share data presented must be adjusted retrospectively. The adoption of this update, effective July 1, 2009, did not have a material impact on Northeast s earnings per share.

In February 2008, the FASB updated ASC 860, Transfers and Servicing. This guidance clarifies how the transferor and transferee should separately account for a transfer of a financial asset and a related repurchase financing if certain criteria are met. This guidance became effective July 1, 2009. The adoption of this guidance did not have a material effect on Northeast s results of operations or financial position.

In December 2007, the FASB updated ASC 805, Business Combinations. The updated guidance will significantly change the accounting for business combinations. Under ASC 805, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. It also amends the accounting treatment for certain specific items including acquisition costs and non controlling minority interests and includes a substantial number of new disclosure requirements. ASC 805 applies prospectively to business combinations for which the acquisition date is on or after July 1, 2009. The adoption of this statement did not have a material impact on Northeast s its financial condition and results of operations.

In March 2010, the FASB issued ASU 2010-11, Scope Exception Related to Embedded Credit Derivatives. The ASU clarifies that certain embedded derivatives, such as those contained in certain securitizations, CDOs and structured notes, should be considered embedded credit derivatives subject to potential bifurcation and separate fair value accounting. The ASU allows any beneficial interest issued by a securitization vehicle to be accounted for under the fair value option at transition. At transition, the Bank/Company/Corporation/Credit Union may elect to reclassify various debt securities (on an instrument-by-instrument basis) from held-to-maturity (HTM) or available-for-sale (AFS) to trading. The new rules are effective July 1, 2010. Northeast is currently analyzing the impact of the changes to determine the population of instruments that may be reclassified to trading upon adoption.

In January 2010, the FASB issued ASU 2010-06, Improving Disclosures about Fair Value Measurements. The ASU requires disclosing the amounts of significant transfers in and out of Level 1 and 2 of the fair value hierarchy and describing the reasons for the transfers. The disclosures are effective for reporting periods beginning after December 15, 2009. Northeast adopted ASU 2010-06 as of January 1, 2010. The required disclosures are included in Note 12. Additionally, disclosures of the gross purchases, sales, issuances and settlements activity in the Level 3 of the fair value measurement hierarchy will be required for fiscal years beginning after December 15, 2010.

Northeast did not have any significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy during the three months ended March 31, 2010.

SHATSWELL, MacLEOD & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors

Northeast Bancorp

Lewiston, Maine

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the accompanying consolidated balance sheets of Northeast Bancorp and Subsidiary as of June 30, 2009 and 2008 and the related consolidated statements of income, changes in stockholders equity and cash flows for the years then ended. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. 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 consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northeast Bancorp and Subsidiary as of June 30, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ Shatswell, MacLeod & Company, P.C.

SHATSWELL, MacLEOD & COMPANY, P.C.

West Peabody, Massachusetts

September 18, 2009

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Consolidated Balance Sheets

June 30, 2009 and 2008

	2009	2008
ASSETS		
Cash and due from banks	$ 9,356,233	9,077,012
Interest-bearing deposits	3,666,409	3,466,969
Total cash and cash equivalents	13,022,642	12,543,981
Available-for-sale securities, at fair value	148,410,140	134,482,977
Loans held-for-sale	2,436,595	485,580
Loans receivable	393,650,762	409,193,969
Less allowance for loan losses	5,764,000	5,656,000
Net loans	387,886,762	403,537,969
Premises and equipment net	8,744,170	8,683,569
Acquired assets net	672,669	678,350
Accrued interest receivable	2,200,142	2,291,314
Federal Home Loan Bank stock, at cost	4,889,400	4,889,400
Federal Reserve Bank stock, at cost	596,750	471,500
Goodwill	4,490,500	4,390,340
Intangible assets, net of accumulated amortization of $2,390,087 in 2009 and $1,642,140 in 2008	8,311,477	8,444,424
Bank owned life insurance (BOLI)	12,783,525	12,292,216
Other assets	3,703,358	5,082,030
Total assets	$ 598,148,130	598,273,650

LIABILITIES AND STOCKHOLDERS EQUITY