

## **NORTHEAST BANK LUXURY EXPENDITURE POLICY**

In accordance with the corporate governance requirements of Section 111 of the Emergency Economic Stabilization Act of 2008, as amended (“EESA”) with respect to Northeast Bancorp’s participation in the Capital Purchase Program (“CCP”) of the Trouble Assets Relief Program (“TARP”), as amended by the American Recovery and Reinvestment Act of 2009, Northeast Bancorp (“Company”) and its subsidiary Northeast Bank adopt this Limitation on Luxury Expenditures Policy (“Policy”)

The Company prohibits excessive or luxury expenditures on entertainment and events, office or facility renovations, aviation or other transportation services, or other activities or events that are not reasonable expenditures for conferences, staff development, performance incentives or other similar measures in the normal course of its business operations.

This policy incorporates the Company’s Code of Ethics and the Employee Reimbursement Policy which appears in our Employee Handbook. Each policy’s reporting and review processes and respective disciplinary procedures are also incorporated.

### Entertainment and Events

All customer entertainment shall be for legitimate business needs. Entertainment may include meals, trips, golf outings, sports events, charitable events and activities that the Company would normally sponsor in the reasonable, necessary and customary course of its business development and marketing.

Employees are encouraged to attend conferences that are educational in nature and that related to the employee’s job function or to the financial services industry provided the cost of such conferences are reasonable.

Employee recognition events should be geographically local and reasonable in cost.

Joint Board and management retreats are permissible for strategic planning or education, and provided that the retreat or conference is reasonable in cost.

### Office and Facility Renovations.

Office and facility renovations are permissible when performed in the ordinary course of the Company’s business, and are limited to those capital expenditures approved by the Board of Directors in the annual budgeting process or otherwise approved by the Board. An exception can be allowed for emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use.

### Aviation and Other Transportation Services

The Company's employees should utilize the lowest priced services that are consistent with completing the Company's business in a timely, efficient and reasonable manner.

### Enforcement

All Company expenses, including those expenses contained within this Luxury Expenditures Policy shall be reviewed and approved strictly with the Company's accounts payable practices and shall conform to the requirements of the Company's Code of Ethics.

All expenses submitted for reimbursement shall be reviewed and approved by a member of senior management prior to reimbursement if the expenditure exceeds \$1,000, or if the expense constitutes an unusual activity.

All expenses submitted for payment by the Company shall be reviewed and approved by senior management prior to the payment of the expense if the expense substantially deviates from the Company's budgeted capital expenditures.

### Compliance

The CFO is responsible for the day-to-day administration of this Policy, and the CEO is accountable for the overall adherence to this Policy and must approve any exceptions.

Employees shall report any violation of this policy following the Financial Reporting and Accounting Complaint Procedures found in the Employee Guide.

The CEO and CFO of the Company shall certify to the Board of Directors at least annually that the provisions of the Policy are being enforced and are sufficient to provide reasonable assurance that the Company expenditures are not excessive.

This Luxury Expenditure Policy and any amendments shall be posted on the Company's web site, and provided to the U.S. Department of Treasury and the Federal Reserve Bank of Boston.

Employees of the Northeast Bancorp's subsidiary Northeast Bank and Northeast Bank's subsidiary Northeast Bank Insurance Group, Inc. are subject to and held accountable for compliance with this policy.

This Policy shall be subject to modification only with the approval of the Board of Directors.

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