

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

CONFIDENTIAL, FOR USE OF THE
COMMISSION ONLY (AS PERMITTED BY
RULE 14A-6(E)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

NORTHEAST BANCORP

(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed
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the filing fee is calculated and state how it was determined):

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(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

NORTHEAST BANCORP
232 Center Street
Auburn, Maine 04210

October 5, 2001

Dear Shareholder:

On behalf of the Board of Directors, we cordially invite you to attend the Annual Meeting of Shareholders of Northeast Bancorp (the "Company") which will be held at the Martindale Country Club located at 527 Beech Hill Road, Auburn, Maine on Tuesday, November 13, 2001, at 6:00 p.m., local time.

At the Annual Meeting, shareholders will be asked (i) to elect twelve directors as members of the Board of Directors of the Company, (ii) to consider and approve the adoption of the Company's 2001 Stock Option Plan (the "2001 Stock Plan"), (iii) to ratify the appointment of Baker Newman & Noyes, Limited Liability Company, as the Company's independent auditors for fiscal year 2002, and (iv) to transact such other business as may properly come before the Annual Meeting or any adjournment thereof. On the following pages you will find the Notice of the Annual Meeting of Shareholders and the Proxy Statement giving information concerning matters to be acted upon at the meeting. Of course, we will be present at the Annual Meeting to answer any questions you might have.

I sincerely hope you will be able to attend the Annual Meeting. HOWEVER, WHETHER OR NOT YOU ARE ABLE TO ATTEND THE ANNUAL MEETING, IT IS VERY IMPORTANT THAT YOUR SHARES BE REPRESENTED. Accordingly, please sign, date, and return the enclosed proxy card which will indicate your vote upon the various matters to be considered. If you do attend the meeting and desire to vote in person, you may do so by withdrawing your proxy at that time.

We thank you for your continued support and look forward to seeing you at the Annual Meeting.

Very truly yours,
/s/ James D. Delamater
James D. Delamater
President and Chief Executive
Officer

NORTHEAST BANCORP
232 Center Street
Auburn, Maine 04210

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To Be Held on November 13, 2001

To the Shareholders of Northeast Bancorp:

NOTICE IS HEREBY GIVEN that the 2001 Annual Meeting of the Shareholders of Northeast Bancorp, a Maine corporation (the "Company"), will be held at the Martindale Country Club located at 527 Beech Hill Road, Auburn, Maine on Tuesday, November 13, 2001, at 6:00 p.m., local time, for the following purposes:

1. To elect twelve directors to serve on the Board of Directors of the Company;
2. Approval and adoption of the Northeast Bancorp 2001 Stock Option Plan in the form attached as Appendix B to this Proxy Statement;
3. To ratify the appointment of Baker Newman & Noyes, Limited Liability Company, as the Company's independent auditors for the fiscal year ending June 30, 2002; and
4. To transact such other business as may properly come before the meeting or adjournment thereof.

Only shareholders of record at the close of business on September 24, 2001 are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournments thereof. Please sign and date the accompanying proxy card and return it promptly to the enclosed postage-paid envelope whether or not you plan to attend the Annual Meeting in person. If you attend the Annual Meeting, you may withdraw your proxy and vote in person on each matter brought before the Annual Meeting. The proxy may be revoked at any time prior to its exercise.

By Order of the Board of Directors
and the President
/s/ Suzanne M. Carney
Suzanne M. Carney
Clerk

Auburn, Maine
October 5, 2001

NORTHEAST BANCORP
232 Center Street
Auburn, Maine 04210

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

To Be Held November 13, 2001

INTRODUCTION

This Proxy Statement is being furnished in connection with the solicitation by the Board of Directors of Northeast Bancorp, a Maine corporation (the "Company"), of proxies to be voted at the Annual Meeting of Shareholders to be held on Tuesday, November 13, 2001, at 6:00 p.m. local time (the "Annual Meeting"), and at any adjournment thereof. The Annual Meeting will be held at the Martindale Country Club located at 527 Beech Hill Road, Auburn, Maine.

At the Annual Meeting, shareholders will be asked to consider and vote on the election of twelve nominees to serve as directors of the Company, to approve and adopt the Company's 2001 Stock Option Plan (the "2001 Stock Plan"), to ratify the appointment of Baker Newman & Noyes, Limited Liability Company, as the Company's auditors for fiscal year ending June 30, 2002, and such other business as may properly come before the meeting.

This Proxy Statement and the enclosed form of proxy are first being sent to shareholders, together with the Notice of Annual Meeting, on or about October 5, 2001.

A copy of the Company's Annual Report to Shareholders on Form 10-K for the fiscal year ended June 30, 2001 (the "2001 Annual Report"), including financial statements, accompanies this Proxy Statement, but is not part of the proxy solicitation materials.

Shareholders are urged to complete, date, and sign the accompanying form of proxy and return it promptly in the envelope provided with these materials. No postage is necessary if the proxy is mailed in the United States in the accompanying envelope.

PROXIES AND VOTING AT THE MEETING

Record Date and Voting Rights

The Board of Directors has fixed the close of business on September 24, 2001 as the record date (the "Record Date") for the determination of the shareholders of record entitled to receive notice of, and to vote at, the Annual Meeting or any adjournment thereof. As of the Record Date, the Company had issued 2,786,095 shares of common stock, \$1.00 par value per share ("Common Stock"), of which 2,579,188 shares were outstanding and 206,907 shares were held as treasury stock. The Common Stock is the only class of voting securities outstanding entitled to vote at the Annual Meeting. Each share of Common Stock outstanding on the Record Date entitles the record holder to cast one vote with respect to each matter to be voted upon at the Annual Meeting. The presence of a majority of the Company's outstanding Common Stock as of the Record Date, in person or represented by proxy, will constitute a quorum at the Annual Meeting.

With respect to the election of directors, directors are elected by a plurality of the votes cast at a meeting in which a quorum is present. In connection with the election of directors, votes may be cast in favor of or withheld

from each nominee. Votes withheld from director nominees will be counted in determining whether a quorum has been reached. However, since directors are elected by a plurality, a vote against a director nominee and votes withheld from a nominee or nominees generally will not affect the outcome of the election.

Approval of other matters submitted to shareholders at a meeting where a quorum is present requires a majority of the votes which are cast at the meeting by holders of shares entitled to vote on the subject matter, unless the Company's articles of incorporation or bylaws or state law requires a greater number of votes.

In the event of any abstentions or broker non-votes with respect to any proposal coming before the Annual Meeting, the proxy will be counted as present for purposes of determining the existence of a quorum; but since they are neither a vote cast in favor of, nor a vote cast opposing, a proposed action, abstentions and broker non-votes typically will not be counted as a vote cast on any routine matter. A broker non-vote generally occurs when a broker who holds shares in street name for a customer does not have authority to vote on certain non-routine matters because its customer has not provided any voting instructions on the matter. Therefore, abstentions and broker non-votes generally have no effect under Maine law with respect to the election of directors or other matters requiring the approval of only those casting a vote at the meeting.

Voting and Revocation of Proxies

All properly executed proxies received prior to or at the Annual Meeting will be voted in accordance with the instructions indicated on such proxies, if any. If no instructions are indicated with respect to any shares for which properly executed proxies have been received, such proxies will be voted FOR the election of the Board of Directors' nominees for directors, FOR approval and adoption of the 2001 Stock Plan, and FOR the ratification of Baker Newman & Noyes, Limited Liability Company, as its auditors. The Company is not aware of any matter to be presented at the Annual Meeting other than those matters described in the Notice of Annual Meeting. If, however, any other matters are properly brought before the Annual Meeting for consideration, the persons appointed as proxies will have the discretion to vote or act thereon according to their best judgment.

Any shareholder giving a proxy may revoke it at any time before it is exercised by duly executing and submitting a later-dated proxy, by delivering written notice of revocation to the Company which is received at or before the Annual Meeting, or by voting in person at the Annual Meeting (although attendance at the Annual Meeting will not, in and of itself, constitute a revocation of the proxy). Any written notice revoking a proxy should be sent to the Clerk of the Company at the Company's principal executive offices, located at the address set forth above.

PROPOSAL I
ELECTION OF DIRECTORS

In accordance with the Company's Articles of Incorporation, the Board of Directors has fixed the number of directors to be elected at the Annual Meeting at twelve. All of the Company's current directors are standing for election as directors of the Company to hold office until the 2002 Annual Meeting of Shareholders and until their successors have been duly elected and qualified.

It is intended that the proxies received from shareholders, unless contrary instructions are given therein, will be voted FOR the election of the nominees named below, each of whom has consented to being named herein and has indicated his or her intention to serve if elected. If any nominee for any reason should become unavailable for election or if a vacancy should occur before the election, it is intended that the shares represented by the proxies will be voted for such other person as the Company's Board of Directors shall designate to replace such nominee. The Board of Directors has no reason to believe that any of the nominees will not be available or prove unable to serve if so elected.

Nominees for Director

The age of each nominee, their positions and offices with the Company and its wholly-owned subsidiary, Northeast Bank, F.S.B. (the "Bank"), their term of office as a director, their business experience during the past five years or more, and additional biographical data is set forth below. Information with respect to the nominees is as of August 15, 2001, except as otherwise stated.

Name of Nominee -----	Age	Position with Company -----	Director Since -----
John W. Trinward, D.M.D.....	76	Chairman of the Board President, Chief Executive Officer, and	1987
James D. Delamater.....	50	Director	1987
John B. Bouchard.....	65	Director	1996
A. William Cannan.....	59	Executive Vice President, Chief Operating Officer and Director	1996
Ronald J. Goguen.....	56	Director	1990
Philip C. Jackson.....	57	Senior Vice President of Bank--Trust Operations and Director	1987
Judith W. Kelley.....	45	Director	1994
Ronald C. Kendall.....	69	Director	1987
John Rosmarin.....	53	Director	1997
John Schiavi.....	61	Director	1998
Stephen W. Wight.....	57	Director	1987
Dennis A. Wilson.....	66	Director	1989

All directors of the Company hold office until the earlier of the next annual meeting of shareholders and until their successors have been duly elected and qualified, or their death, resignation, or removal.

John W. Trinward, D.M.D., has been Chairman of the Board of Directors of the Company and a director of the Bank since 1987. Dr. Trinward is a retired dentist.

James D. Delamater has been President, Chief Executive Officer, and a director of the Company and the Bank since 1987.

John B. Bouchard has served as a director of the Company and the Bank since 1996. Mr. Bouchard is the owner of John B. Bouchard Builder, a construction contractor.

A. William Cannan has been Executive Vice President and Chief Operating Officer of the Company and the Bank since 1993, and a director of the Company and the Bank since 1996. From 1991 to 1993 Mr. Cannan served as President of Casco Northern Bank, N.A., located in Portland, Maine.

Ronald J. Goguen has been a director of the Company and the Bank since 1990. He is a director and Co-Chairman of the board of Major Drilling Group International Inc., a Canadian corporation that provides contract drilling services primarily to companies in the mineral and metals industries ("Major Drilling"). Major Drilling common shares are traded on the Toronto Stock Exchange.

Philip C. Jackson has been a director of the Company and the Bank since 1987. Mr. Jackson also has served as the Senior Vice President of the Bank's Trust Operations since 1997. From 1991 to 1994, Mr. Jackson served as President of Bethel Savings, the predecessor to the Bank.

Judith W. Kelley has been a director of the Company and the Bank since 1994. Ms. Kelley is the President of Consumers Maine Water Company, a water utility serving various communities in Maine.

Ronald C. Kendall has been a director of the Company and the Bank since 1987. He is the current Chairman of the Board of Directors of the Bank and has served as a vice president of Northeast Financial Services Corporation, a wholly-owned subsidiary of the Bank, since 1997. Mr. Kendall also is the President and sole owner of Kendall Insurance, Inc.

John Rosmarin has been a director of the Company and the Bank since 1997. Mr. Rosmarin has been the President and Chief Executive Officer of Saunders Manufacturing Company, Inc., an office products manufacturer and distributor, since 1982.

John Schiavi has been a director of the Company and the Bank since 1997. Mr. Schiavi has been the President and sole owner of Schiavi Enterprises, a real estate development firm, since 1962. He also serves on the boards of directors of both Major Drilling and Roycefield Resources.

Stephen W. Wight has been a director of the Company and the Bank since 1987. Mr. Wight is the Manager of Sunday River Inn, LLC, a resort hotel operator, and the Manager of Wight Enterprises LLC, a property management company.

Dennis A. Wilson has been a director of the Company and the Bank since 1989. Mr. Wilson is the President and sole owner of D.A. Wilson & Co., a trucking company.

Each of the Company's directors serve the Bank in the same capacities indicated above, except that Mr. Kendall serves as the Chairman of the Board of the Bank.

There is no family relationship between any of the Company's directors, nominees to serve as director, or executive officers. There are no arrangements between any director or director nominee of the Company and any other person pursuant to which he or she was, or will be, selected as a director.

Director Meetings and Committees

During the fiscal year ended June 30, 2001 (the "2001 fiscal year"), the Board of Directors of the Company held a total of 13 meetings. In addition, certain directors attended meetings of standing committees. Except for John Schiavi and Ronald Goguen, all incumbent directors attended at least 75% of the total number of meetings of the Board of Directors and the respective committees on which they serve.

The Board of Directors of the Company maintains three standing committees: an Audit Committee, a Personnel and Compensation Committee, and an Executive Committee. Members of these committees are elected annually at the Board of Directors' meeting following the annual meeting of shareholders.

The Audit Committee, comprised of Messrs. Bouchard, Goguen, Schiavi, and Rosmarin, and Ms. Kelley, held 4 meetings during the 2001 fiscal year. The Audit Committee is responsible for ensuring that an adequate audit program and controls exist and its duties include: (i) recommending to the Board of Directors the engagement or discharge of the independent public accountants, (ii) meeting with the independent public accountants to review the plans and results of the audit engagement, to review all reports of independent auditors and bank regulatory examinations, and to respond to such reports, (iii) approving the services to be performed by the independent public accountants and giving consideration to the range of the audit and non-audit fees, (iv) ensuring the integrity of the Company's internal loan review system, and (v) conducting an annual review of the adequacy of the Company's system of internal accounting and its audit program, including a review of the activities of the subsidiary Bank's examining committees, maintaining direct reporting responsibility and regular communication with the Company's internal audit staff, and reviewing the scope and results of the internal audit procedures of the Company and its subsidiary. Additional information regarding the functions performed by the Audit Committee and its membership is set forth in the "Report of Audit Committee," included below. The Audit Committee is governed by the Company's audit committee charter included as Appendix A to this proxy statement.

The Personnel and Compensation Committee of the Board of Directors, which also serves as the nominating committee and compensation committee, makes recommendations to the Board of Directors with respect to the Company's compensation policies and the compensation of executive officers. In addition, the Personnel and Compensation Committee is responsible for selecting and recommending to the Board of Directors nominees for election as directors. Shareholders also may nominate persons for election as directors at an annual shareholders' meeting if such nominations are made in accordance with the procedures set forth in the Company's Articles of Incorporation. The Articles of Incorporation require, among other things, that written notice of such nominees must be given to the Company not less than 30 nor more than 60 days prior to such meeting (with certain exceptions). For a description of the full procedure governing such nominations, reference is made to the Articles of Incorporation, a copy of which is available from the Clerk of the Company. The Personnel and Compensation Committee which is comprised of Messrs. Bouchard, Goguen, Wight, and Wilson, met 4 times during the 2001 fiscal year.

The Executive Committee of the Board of Directors is empowered to act on behalf of, and to exercise all the powers of, the full Board of Directors in the management of the business and affairs of the Company when the Board of Directors is not in session, except to the extent limited by the Company's Articles of Incorporation or Bylaws, or by Maine law. The Executive Committee, which is comprised of Dr. Trinward and Messrs. Bouchard, Cannan, Delamater, and Kendall, did not meet during the 2001 fiscal year.

Audit Committee Report

The audited financial statements of the Company at and for the three year period ended on June 30, 2001, are included in the 2001 Annual Report. The Audit Committee oversees the Company's financial reporting process, public financial reports, internal accounting and financial controls, and the independent audit of the annual consolidated financial statements. The Board of Directors, in its business judgment, has determined that the membership of the Audit Committee satisfies the independence requirements of the American Stock Exchange and the Company's Audit Committee Charter. None of the members of the Audit Committee are professionally engaged in the practice of accounting or auditing and are not experts in either of these fields or in auditor independence.

The Company, acting through its management and Board of Directors, has the primary responsibility for the financial statements and reporting process, including the systems of internal accounting controls. Management is responsible for the preparation, presentation, and integrity of the Company's financial statements, the financial reporting process, and internal controls. Baker Newman & Noyes, Limited Liability Company ("BNN"), independent auditors engaged by the Company, are responsible for auditing the Company's annual financial statements in accordance with auditing standards generally accepted in the United States of America and

expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles in the United States.

In performing its oversight function, the Audit Committee has reviewed the audited financial statements with the Company's management, including a discussion of the quality, not just the acceptability, of the accounting principles used, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements. The Audit Committee also has reviewed with BNN their judgments as to the quality and acceptability of the Company's accounting principles. Management and BNN have advised the Audit Committee that the Company's consolidated financial statements were fairly stated in accordance with accounting principles generally accepted in the United States. The Audit Committee discussed with BNN matters covered by Statement on Auditing Standards No. 61 (Communication with Audit Committees).

The Audit Committee also discussed with BNN their independence from the Company and management, including those matters in Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) and the letter and disclosures from BNN to the Audit Committee pursuant to Standard No. 1. The Audit Committee considered whether the non-audit services provided by BNN to the Company are compatible with maintaining the auditor's independence.

In addition, the Audit Committee discussed with its internal auditors and BNN the overall scope and plans for their respective audits. The Audit Committee met with the internal auditors and BNN, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

Based on the reviews and the discussions referred to above, in reliance on management and BNN, and subject to the limitations of the role of the Audit Committee, the Audit Committee recommended to the Board of Directors, and the Board of Directors has approved, the inclusion of the audited financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2001, for filing with the Securities and Exchange Commission.

The Audit Committee also has recommended to the Board of Directors, and the Board of Directors has appointed, BNN to audit the Company's financial statements for 2002 fiscal year, subject to shareholder ratification of that appointment.

SUBMITTED BY THE FISCAL 2001 AUDIT COMMITTEE

John Rosmarin, Chairman	Judith W. Kelley
Ronald J. Goguen	John Schiavi
John B. Bouchard	

Compensation of Directors

Directors of the Company also are directors of the Bank. Each director receives a combined annual retainer from the Company and the Bank in the amount of \$1,000. In addition, each director receives \$700 for each meeting of the Board of Directors of the Company or the Bank that they attend, and an additional \$200 for each committee meeting that they attend (only if such committee meeting is held on a day other than one on which a Board of Directors' meeting is held). Directors receive only one meeting fee when meetings of the Board of Directors of the Company and the Bank are held on the same day. The Chairman of the Board of the Company and the Bank each receives an additional annual retainer of \$1,000 for services rendered in such capacity.

The Board of Directors recommends a vote FOR
the election of all 12 nominees.

PROPOSAL II
APPROVAL OF THE 2001 STOCK OPTION PLAN

On September 21, 2001, the Board of Directors adopted the 2001 Stock Plan subject to approval of the shareholders of the Company, and at the Annual Meeting, shareholders will be asked to consider and vote on the approval and adoption of the 2001 Stock Plan. The Board of Directors believes that granting stock options will assist the Company in its efforts to recruit, attract and retain highly qualified persons to serve as officers, employees, consultants, and directors. Approximately 93% of the Common Stock authorized under the Company's existing stock option plans have been granted. The 2001 Stock Plan will increase the number of shares of Common Stock available for the grant of future equity awards and will provide additional flexibility in structuring the type of equity awards which can be made by the Company.

The 2001 Stock Plan, which is essentially the same as the Company's 1999 Stock Option Plan, permits the grant of both incentive and nonqualified stock options to officers, employees, and directors of the Company and its subsidiaries. Non-employee directors of the Company are eligible to receive nonqualified stock options. The 2001 Stock Plan is designed to motivate officers, employees, and directors of the Company to continue their efforts to improve the success and growth of the Company and to encourage them to remain with the Company. Accordingly, the Board recommends that the shareholders vote FOR approval of the 2001 Stock Plan, and the proxies will be so voted unless a shareholder specifies otherwise. Approval and adoption of the 2001 Stock Plan, will require a majority of the votes cast at the Annual Meeting assuming a quorum is present.

The following summary description of the 2001 Stock Plan is qualified in its entirety by reference to the text of the 2001 Stock Plan which is set forth as Appendix B to this Proxy Statement and is incorporated herein by reference.

The 2001 Stock Plan

Purpose. The purpose of the 2001 Stock Plan is to strengthen the ability of the Company to recruit, attract, and retain the services of experienced and knowledgeable directors, officers and employees of the Company for the benefit of the Company and its shareholders and to provide performance incentives for the directors, officers, and employees to work for the best interests of the Company and its shareholders through continuing ownership of its Common Stock.

Shares Available for Awards. Subject to adjustments upon certain changes in the Company's capitalization as set forth in Section 4.4 of the 2001 Stock Plan, an aggregate of up to 150,000 shares of Common Stock may be issued under the 2001 Stock Plan. The Common Stock to be issued upon exercise of awards under the plan may include authorized but unissued shares and shares previously reserved for issuance upon exercise of options which have expired or terminated. Shares subject to an award that cease to be exercisable or which are forfeited for any reason are available for subsequent award grants.

Administration of the Plan. The 2001 Stock Plan shall be administered initially by a committee of the Board of Directors comprised of at least three directors of the Company (the "Committee"). The Committee has the power and authority, subject to the express provisions of the 2001 Stock Plan, to (a) select the officers, employees, and directors who will receive awards under the plan, (b) grant awards, (c) determine the type of award to be made (incentive stock option, nonqualified options, or a combination thereof), (d) set the exercise price of the options, (e) determine the number of shares subject to each such award, and (f) to establish the other terms and conditions of such awards. For awards made to directors, the entire Board of Directors must approve the grant.

The Committee also shall have the power to construe the 2001 Stock Plan, to determine all questions as to eligibility, and to adopt and amend such rules and regulations for the administration of the 2001 Stock Plan. The terms of each award to be granted under the 2001 Stock Plan shall be as determined from time to time by the Committee and shall be set forth in an award agreement in a form approved by the Committee or the Board of Directors.

Eligibility. Officers, employees and directors of the Company and its subsidiaries who are designated as participants by the Committee will be eligible to receive awards under the 2001 Stock Plan, but only employees will be entitled to receive Incentive Stock Options. The total number of officers, employees, and directors who could receive awards under the 2001 Stock Plan is not presently determinable. Such determination shall be made by the Committee after the 2001 Stock Plan becomes effective.

Types of Awards. The Committee will have broad discretion under the 2001 Stock Plan to establish stock-based incentive awards designed to attract and retain key personnel and directors, and to motivate them to maximize shareholder value by more closely aligning their interests with those of the shareholders. The awards may be in the form of incentive stock options and nonqualified stock options. The Committee has the authority to select the employees and directors who will receive awards and to determine the amounts and types of awards, and the terms, conditions, and restrictions applicable to the awards. The specific terms of each award will be set forth in a Stock Option Agreement with the participant.

Neither the dollar value nor the benefits nor total amounts that will be received by or allocated to the Named Executive Officers named in the Summary Compensation Table below, to all employees--including all current officers who are not executive officers--as a group, and to all non-employee directors as a group is presently determinable. It also is not possible to determine the dollar value, the benefits, or the amounts that would have been received by or allocated to the Named Executive Officers or the groups identified in the preceding sentence if the 2001 Stock Plan had been in effect in 2001 fiscal year.

Exercise and Purchase Prices. Incentive stock options granted under the 2001 Stock Plan will be required to have an exercise price per share equal to at least the fair market value of the Common Stock on the date the option is granted. Nonqualified stock options may have an exercise price not less than 85% of the fair market value of the Common Stock on the date of grant, but in no event shall the price be less than the par value of the shares. If an incentive stock option is awarded to a person who at the time of the award owns more than 10% of the combined voting power of all classes of the Company's stock, the price per share of the option shall be equal to at least 110% of the fair market value of the Common Stock on the date the option is granted. Fair market value for purposes of the 2001 Stock Plan is the closing sales price of the Common Stock as quoted on the American Stock Exchange or the National Association of Securities Dealers Automated Quotation System National Market, or any other national securities exchange on which the Common Stock is listed on the date of grant. The closing price of the Common Stock on September 21, 2001 was \$12.25.

Payment of the Exercise Price. Payment of the exercise price ("Exercise Price") for vested stock options issued under the 2001 Stock Plan, together with the amount of any tax or excise due in respect of the sale of the Common Stock subject to a stock option, must be made in full upon exercise of an option in whole or in part (i) in cash or by check, (ii) by delivery of, or withholding from the Stock Option, Common Stock, (iii) any combination of cash and Common Stock as the Committee may determine, or (iv) any other consideration permitted under applicable laws which is approved by the Committee. The Company will not issue a certificate for Common Stock until full payment for such shares has been made and until all legal requirements applicable to the issuance and transfer of such shares have been satisfied. An option holder has none of the rights of a shareholder until shares are issued to him or her.

Award Term. Stock options granted under the 2001 Stock Plan generally will vest as set forth in the Stock Option Agreement as may be determined by the Committee at the time of grant. To the extent that no vesting conditions are stated in the Stock Option Agreement, the stock options represented thereby shall be fully vested at the time of grant. Incentive Stock Options will terminate at the earliest of: (a) ten years after the date of grant, (b) three months after termination of employment due to reasons other than death, or disability, or (c) one year after termination of employment due to death or disability. The Committee, in its sole discretion, may require termination at such earlier or later date as it may determine. To the extent that the Committee should permit the exercise of an option at a later date than set forth above, such option will be disqualified as an incentive stock option if exercised after the time periods indicated above.

Transfer Restrictions. An option is exercisable only by the option holder during his or her lifetime, and no option or right or interest in an option is assignable or transferable by the holder except by will or the laws of descent and distribution.

Change in Common Stock. If the Company is a party to any merger or consolidation, purchase, or acquisition of property or stock, or any separation, reorganization or liquidation, the Committee has the power to make arrangements for the substitution of new options for, or the assumption by another corporation of, any unexpired options. If the Committee causes the Company to assume stock options of another party by substituting Stock Options under the 2001 Stock Plan for such options, or by merely assuming the obligations of such other party's stock options, the aggregate number of shares available for issuance under the 2001 Stock Plan shall be increased to reflect such assumption or substitution.

If by reason of a merger, consolidation, reorganization, recapitalization, reclassification, stock split, combination of shares, or dividend payable in Common Stock, the outstanding shares of Common Stock are increased or decreased or changed into or been exchanged for a different number or kind of shares or other securities of the Company, the Committee will conclusively determine the appropriate adjustment in aggregate maximum number of shares of Common Stock available for issuance under the 2001 Stock Plan, the aggregate maximum number of shares of Common Stock which may be awarded to non-employee directors under the 2001 Stock Plan, the exercise price of outstanding options, and the number and kind of shares as to which outstanding options will be exercisable.

In the event of any of the foregoing transactions, the total number of shares of Common Stock for which options may be granted will be appropriately adjusted by the Committee.

Change in Control. Upon the occurrence of a "change of control", as defined by the 2001 Stock Plan, all outstanding Stock Options shall become fully vested and exercisable, and all conditions or restrictions relating to an award issued under the 2001 Stock Plan shall be accelerated or released.

Indemnity. Neither the Board of Directors nor the Committee shall be liable for any act, omission, interpretation, construction, or determination made in good faith in connection with their responsibilities under the 2001 Plan. The Company has agreed to indemnify the Board of Directors and members of the Committee, in respect of any claim, loss, damage, or expense (including counsel fees) arising from any such act, omission, interpretation, construction, or determination to the fullest extent permitted by law.

Amendment, Modification, or Termination of the 2001 Stock Plan. The Committee may at any time amend, modify, suspend, or terminate the 2001 Stock Plan (as provided by Article VIII thereof). Except in connection with certain capital adjustments described under "Change in Common Stock" above (Section 4.4 of the 2001 Stock Plan), the Committee may not amend the 2001 Stock Plan to increase the number of shares subject to the Plan without shareholder approval. No amendment, modification, suspension, or termination of the 2001 Stock Plan, except as described herein, may affect the rights of an option holder without his or her consent.

Term of the 2001 Stock Plan. Unless sooner terminated under Article VIII of the 2001 Stock Plan, it will terminate on the tenth anniversary from the date of its adoption by the Board of Directors, and no options may be granted under the 2001 Stock Plan after such date. Termination will not affect the validity of options granted prior to the date of termination.

Federal Tax Consequences

The federal income tax consequences to a participant and the Company will vary depending on the type of award granted under the 2001 Stock Plan. Generally there are no federal income tax consequences to the recipient or the Company upon the grant or exercise of "incentive stock options" qualifying under Section 422A of the Internal Revenue Code (the "Code"). Incentive stock options may be granted only to employees of the Company and its subsidiaries. The market value of the shares covered by the incentive stock options (determined as of the

date of grant) first exercisable under incentive stock options is limited to \$100,000 per calendar year. If the participant holds the shares purchased through the exercise of an incentive stock option for more than one year after the exercise date and two years after the option was granted (the "holding period"), any gain realized at the time of sale of such shares will constitute long-term capital gain to the participant. The Company will not receive an income tax deduction in the event the participant disposes of the shares after completion of the holding period. If, however, the participant sells the shares before the expiration of the holding period, the participant will recognize ordinary income on the date of sale equal to the difference between the exercise price and the fair market value of the Common Stock on the exercise date. The balance of the participant's gain, if any, will be subject to capital gains treatment. The Company will receive an income tax deduction in the same amount and at the same time as the participant recognizes ordinary income.

Under existing law and regulations, the grant of a nonqualified stock option which may be granted to employees and non-employee directors, will not result in taxable income to the participant or provide deductions to the Company. However, the exercise of nonqualified stock options results in taxable income to the holder, and the Company generally is entitled to a corresponding deduction. A participant will be deemed to have received taxable income at ordinary income tax rates upon exercise of a nonqualified stock option in an amount equal to the difference between the exercise price and the fair market value of the Common Stock on the date of exercise. The amount of such taxable income will be a tax deductible expense to the Company. Upon the subsequent sale of such shares by the participant, depending on the holding period after exercise of the option, appreciation or depreciation in the value of the shares after the exercise date may be treated as a capital gain or a loss.

The foregoing discussion is not a complete description of the federal income tax consequences of an award under the 2001 Stock Plan and is qualified in its entirety by reference to the Code and the rules promulgated thereunder. This discussion is intended for the information of shareholders considering how to vote with respect to this Proposal II and not as tax guidance to participants in the 2001 Stock Plan. Different tax rules may apply to specific participants and transactions under the 2001 Stock Plan.

Section 16 of the Exchange Act

It is intended that the grant and exercise of nonqualified stock options under the 2001 Stock Plan will be exempt under Section 16(b) of the Securities Exchange Act of 1934 (the "Exchange Act"). Section 16(b) generally provides, among other things, that an executive officer, director, or 10% or greater shareholder who purchases and sells the stock of a corporation of which he or she is such an executive officer, director or 10% or greater shareholder within a six (6) month period is liable to the corporation for the difference between the purchase price and the sales price. Rule 16b-3 under the Exchange Act provides that the acquisition of a stock option, or its subsequent exercise, by such person which grant has been approved by either the shareholders or the full board of directors of the corporation is not subject to Section 16(b).

Reason for Shareholder Approval

Shareholder approval of the 2001 Stock Plan is required by the American Stock Exchange and the Code, and to satisfy the requirements of Rule 16b-3 described above. The American Stock Exchange requires companies whose shares are quoted on the American Stock Exchange to obtain shareholder approval of stock plans for directors, officers, and key employees. The Code requires shareholder approval of the 2001 Stock Plan to permit options granted to qualify as incentive stock options to the extent so designated. If the requirements of Rule 16b-3 are satisfied, then neither the grant of an option under the 2001 Stock Plan nor the transfer of shares to pay the Exercise Price (subject to certain conditions) under the plan will trigger the provisions of Section 16(b) of the Exchange Act regarding "short-swing" profits.

The Board of Directors recommends a vote FOR
the adoption of the 2001 Stock Plan.

PROPOSAL III
APPROVAL AND RATIFICATION OF APPOINTMENT
OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors has selected the firm of Baker Newman & Noyes, Limited Liability Company, independent public accountants, to be the Company's auditors for the fiscal year ending June 30, 2002 and recommends that shareholders vote to ratify that appointment. Although submission of this matter to shareholders is not required by law, in the event of a negative vote the Board of Directors will reconsider its selection. Ratification of the appointment will require approval by a majority of the votes cast at the Annual Meeting, assuming a quorum is present.

Audit Fees

The aggregate fees paid to BNN for professional services rendered for the audit of the Company's consolidated annual financial statements for the fiscal year ended June 30, 2001, for the reviews of the financial statements included in our quarterly reports on Form 10-Q for that fiscal year, and a trust audit and 401(k) Plan audit are estimated to be \$96,000.

All Other Fees

The aggregate fees billed by BNN for services rendered to the Company, other than the services described above under "Audit Fees" for the fiscal year ended June 30, 2001 were \$24,000.

BNN has been the Company's independent auditing firm for many years, and the Board of Directors believe that they are well qualified for the job. BNN is expected to have a representative at the Annual Meeting who will be available to respond to appropriate questions from shareholders attending the meeting.

The Board of Directors recommends a vote FOR this proposal.

COMPENSATION OF EXECUTIVE OFFICERS

Executive Compensation

The following summary compensation table sets forth the cash and non-cash compensation paid to or accrued for the past three fiscal years for the Company's Chief Executive Officer, and all other executive officers whose total compensation exceeded \$100,000 for the fiscal year ended June 30, 2001 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

Name and Principal Occupation	Fiscal Year	Annual Compensation		Long Term Compensation Awards(1)	All Other Compensation(2)
		Salary	Bonus	Securities Underlying Options(#)	
James D. Delamater..... President and Chief Executive Officer	2001	\$155,410	\$10,000	3,000	\$5,371
	2000	149,432	0	8,500	5,545
	1999	149,432	0	1,500	8,754
A. William Cannan..... Executive Vice President and Chief Operating Officer	2001	\$142,202	\$10,000	3,000	\$6,503
	2000	136,733	0	7,000	6,188
	1999	136,733	0	1,500	7,779

(1) The Company does not have a long-term compensation program that includes long-term incentive payments. However, the Company's stock option plans provide participants with performance-based compensation in the form of incentive stock options. See "-- Stock Option Plans".

(2) These amounts include payments made in 2001, 2000, and 1999, respectively, as follows: (i) term life insurance premiums of \$883, \$735, and \$646 for Mr. Delamater and \$791, \$658, and \$592 for Mr. Cannan, (ii) profit sharing contributions of \$-0-, \$-0-, and \$4,695 for Mr. Delamater, and \$-0-, \$-0-, and \$4,248 for Mr. Cannan, (iii) matching 401(k) contributions of \$2,905, \$3,276, and \$3,413, for Mr. Delamater, and \$4,263, \$4,122, and \$2,939, for Mr. Cannan, and (iv) additional performance based compensation paid in the 2001 and 2000 fiscal years of \$1,583 and \$1,534 to Mr. Delamater and \$1,449 and \$1,408 to Mr. Cannan.

Stock Option Grants

As of June 30, 2001, the Company did not have any long-term incentive plans nor had it awarded any restricted shares. The table set forth below contains information with respect to the award of stock options during the fiscal year ended June 30, 2001 to the Named Executive Officers covered by the Summary Compensation Table.

OPTION GRANTS IN LAST FISCAL YEAR

Name	Individual Grants		Exercise Price or Base Price	Expiration Date	Grant Date Present Value(3)
	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in 2001 Fiscal Year(2)			
James D. Delamater	3,000	7.40%	\$8.25	08/18/10	\$8,586
A. William Cannan	3,000	7.40%	\$8.25	08/18/10	\$8,586

-
- (1) These options were granted to employees under the Northeast Bancorp 1999 Stock Option Plan (the "1999 Stock Option Plan"). The material terms of all options granted during the 2001 fiscal year are as follows: (i) all options are incentive stock options, (ii) all have an exercise price equal to the fair market value on the date of grant, (iii) all have a ten year term and are fully exercisable, (iv) no options will be exercisable more than three months following the termination of employment (except in the case of disability, in which case such options will be exercisable for up to one year thereafter), and (v) all options are otherwise subject to the 1999 Stock Option Plan.
 - (2) During the fiscal year ended June 30, 2001, employees of the Company were granted an aggregate of 40,500 options under the Company's 1999 Stock Option Plan. See "--Stock Option Plans" below for a description of these plans.
 - (3) Hypothetical value using the Black-Scholes option pricing model based on the following assumptions: (i) an expected stock price volatility of 0.2802, (ii) an expected dividend yield of 1.94%, (iii) a risk free rate of return of 5.39%, (iv) an option term of 8 years, and (v) no discounts for non-transferability or risk of forfeiture. This is a theoretical value for the options developed solely for the purpose of comparison disclosures as required by applicable SEC rules and regulations, and does not reflect the Company's views of the appropriate value or methodology for financial reporting purposes, or the future price of the Common Stock. The actual value of the options will depend on the market value of the Common Stock on the date the options are exercised.
 - (4) Granted on August 18, 2000.

Aggregated Options Exercised in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth, for each of the Named Executive Officers in the Summary Compensation Table above who holds stock options, the number of shares of Common Stock acquired pursuant to the exercise of stock options during fiscal 2001, the number of the stock options held at June 30, 2001, and the realizable gain of the stock options that are "in-the-money." The in-the-money stock options are those with exercise prices that are below the year-end stock price because the stock value grew since the date of the grant.

Aggregated Option/SAR Exercises In Last Fiscal Year
And Fiscal Year-end Options Values

Name	Shares		Number of Securities Underlying Unexercised Options at Fiscal Year End		Value of Unexercised In-the-Money Options at Fiscal Year End(1)	
	Acquired on Exercised (#)	Value Realized	Exercisable (#)	Unexercisable (#)	Exercisable (\$)	Unexercisable (\$)
James D. Delamater	0	0	22,500	0	\$ 94,330	\$ 0
A. William Cannan	0	0	45,000	0	\$217,893	\$ 0

(1) Based upon the closing price of the Common Stock as quoted by the American Stock Exchange on June 30, 2001 of \$12.90 per share.

(2) Value represents fair market value at exercise minus exercise price.

Employment Agreements

The Company has no employment agreements with any of the Named Executive Officers.

401(k) Plan Employees Savings Plan

The Company maintains a tax-deferred profit sharing plan (the "401(k) Plan") for its employees. All employees who are scheduled to work at least 1,000 hours per year and are at least 21 years of age may elect to participate in the 401(k) Plan once he or she has completed ninety days of service. Under the 401(k) Plan, a participating employee is given an opportunity to make an elective contribution under a salary deferral savings arrangement of up to a maximum of 15% of the participant's pre-tax compensation up to a maximum of \$10,000 per year. Each such contribution is fully vested in the participant. In addition, the Company may, in its sole discretion, make a separate matching contribution on behalf of employees who elect to participate in the plan by contributing a portion of their compensation to the plan. Messrs. Delamater and Cannan participated in the 401(k) Plan at approximately 15% and 8% of their salaries, respectively. For the year ended June 30, 2001, the Company made 401(k) matching contributions on behalf of its employees in the amount of approximately \$117,046. No profit sharing contributions were paid under the plan for the fiscal year ended June 30, 2001.

REPORT ON EXECUTIVE COMPENSATION

Overview

The Personnel and Compensation Committee of the Board of Directors (the "Compensation Committee") is comprised entirely of outside directors, none of whom is a current officer or employee of the Company or any of its subsidiaries. The Compensation Committee is responsible for the establishment of policies governing and for the implementation, administration, and interpretation of all aspects of executive compensation, which includes base salary, bonuses, and stock option grants. Executives also participate in benefit programs that are generally available to employees of the Company, including medical benefits and a 401(k) Plan and profit sharing plan. The Compensation Committee also evaluates executive performance.

Objectives of the Executive Compensation Program

The objectives of the compensation program are to attract and retain a high quality executive team and to encourage that team to achieve profitable growth and thereby increase shareholder value. To meet these objectives, the Company's compensation packages are intended to provide (i) an overall level of compensation that is competitive, and (ii) bonuses and stock-related compensation that reflect business results. The Compensation Committee believes that a recognition of, and reward for, individual and collective contributions maximizes shareholder value by encouraging and fostering consistently improving financial performance.

Base Salaries

The Compensation Committee regularly reviews the base salary of its executives, including its Chief Executive Officer and Executive Vice President, with a view to providing both a competitive compensation package and to providing appropriate incentives to seek long-term growth in shareholder values. Base salaries are targeted at market levels and are determined by evaluating the executive's levels of responsibility, prior experience, breadth of knowledge, internal equity issues, and external pay practices. In evaluating the compensation packages provided to its executives, the Compensation Committee reviews compensation and financial data provided in annual surveys conducted by the American Bankers' Association and by Executive Compensation Services to compare its compensation practices with those provided to executives performing similar jobs as the Company's executives. Base salaries offer security to executives and allow the Company to attract competent executive talent and maintain a stable management team.

Increases to base salaries, when given, are driven primarily by individual performance, evaluated based on sustained levels of individual contribution to the Company. The Compensation Committee considers the executive's efforts in promoting the Company objectives, continuing educational and management training, improving product quality, developing relationships with customers, vendors, and employees, and demonstrating leadership abilities and other goals.

Bonus Program

On an annual basis, the Compensation Committee has the discretion to propose and recommends to the Board of Directors the payment of bonuses to the Chief Executive Officer and Executive Vice President of the Company. These awards are to be based upon job responsibilities, attainment of corporate financial goals, contributions to the business and other goals of the Company, including overall performance. The payment of a bonus to such individuals is subject to the sole discretion of the Compensation Committee and the Board of Directors of the Company. There is no specific formula, performance target, or other required performance measures that must be achieved in order to receive a bonus. On the other hand, achievement of certain financial results will not ensure the payment of bonuses either. Instead, bonuses are used as a tool for maintaining the competitiveness of the overall compensation paid to its Chief Executive Officer and Executive Vice President in light of current market conditions, and the Company's overall performance. To the extent that the base salary or adjustments in base salary are sufficient for these purposes, bonuses may not be recommended despite a strong performance, and vice versa.

Stock Option Plans

The key officers and employees of the Company, including the Named Executive Officers, are eligible to receive stock option awards under the Company's stock option plans. Stock options are granted at an option exercise price equal to the fair market value of the Common Stock on the date of the grant. Accordingly, stock options have value only if the stock price appreciates in value from the date that the options are granted. The stock option plans focus executives and other participants on the creation of shareholder value over the long-term and encourage equity ownership in the Company. Individual grants in the 2001 fiscal year were based on corporate performance and on individual levels of responsibility, performance, and contributions to the Company. This determination was made based on the Compensation Committee's assessment of the performance of each individual.

Compensation of Chief Executive Officer

The Company's Board of Directors relies on its Chief Executive Officer to provide effective leadership and to successfully execute the Company's business plan and strategies. Subject to the approval of the Board of Directors, the Compensation Committee establishes Mr. Delamater's base salary, bonuses, and stock option grants in accordance with the Company's compensation philosophy. In making its determination of the appropriate base salary, the Compensation Committee reviewed and analyzed surveys of compensation paid to chief executive officers of similarly sized institutions, and it evaluated the performance of Mr. Delamater. The Compensation Committee determined that an increase in Mr. Delamater's base salary was warranted in order to

maintain the competitiveness of the Company's compensation package and to reflect Mr. Delamater's contributions to the Company's growth and operating results. Overall, the Chief Executive Officer's compensation is in keeping with the average compensation paid to chief executive officers at similarly sized financial institutions. In addition, the Compensation Committee determined that, based on Mr. Delamater's past and continued performance, it was appropriate to award incentive stock options to Mr. Delamater. The grant of such stock options are viewed by the Compensation Committee as both an award for prior business results and as an incentive to achieve future positive results which directly enhance shareholder value.

Conclusion

The Compensation Committee believes that its executive compensation policies and programs effectively serve the interests of the Company and its shareholders. The compensation packages are appropriately balanced to provide security and competitive levels of compensation to its executives while simultaneously providing increased motivation to contribute to the Company's overall future success and long-term enhancement of shareholder value. We will continue to monitor the effectiveness of our total compensation policies and programs to insure that they continue to meet the needs of the Company.

This report is respectfully submitted by:
PERSONNEL AND COMPENSATION COMMITTEE

John B. Bouchard, Chairman	Stephen W. Wight
Ronald J. Goguen	Dennis A. Wilson

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During the 2001 fiscal year, Messrs. Bouchard, Goguen, Wight, and Wilson served on the Personnel and Compensation Committee which, among other things, functions as the Company's compensation committee. None of the individuals is, or has been, an officer or an employee of the Company or the Bank.

Messrs. Goguen and Schiavi, directors of Northeast Bancorp, each hold a 22.5% equity interest, or an aggregate of 45%, in Saratoga Capital Management ("SCM"), a Delaware general partnership, which serves as the investment manager of Saratoga Advantage Trust ("SAT"). SAT, an investment company organized under the Investment Company Act of 1940, operates several mutual fund investments. SCM has granted a license to the Bank's trust department to use the Saratoga Capital Management Asset Allocation Software which assists its customers in selecting an asset allocation mix which is tailored to the customers' specific needs and investment goals. In addition, the SAT mutual funds are offered to the trust department's customers on a non-exclusive basis. As a result of this relationship, through June 30, 2001, the trust department had placed approximately \$12.0 million in SAT mutual fund investments, which are indirectly under management by SCM. SCM receives an annual asset allocation fee of 15 basis points, based on the aggregate placement of funds in SAT portfolios, for the trust department's use of its asset allocation software.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Bank has had, and expects to have in the future, various loans and other banking transactions in the ordinary course of business with the directors, executive officers, and principal shareholders of the Bank and the Company (or associate of such person). All such transactions: (i) have been and will be made in the ordinary course of business; (ii) have been and will be made on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the time for comparable transactions with unrelated persons; and (iii) in the opinion of management do not and will not involve more than the normal risk of collectability or present other unfavorable features. At June 30, 2001 and 2000, the total dollar amount of extensions of credit to directors and executive officers identified above, and their associates (excluding extensions of credit which were less than \$60,000 to any one such person and their associates) were \$3,043,000 and \$3,436,000, respectively, which represented approximately 10% and 12% respectively, of total shareholders' equity.

In providing the Bank's customers with investment and insurance products, certain directors of Northeast Bancorp have an interest in businesses which have furnished such products to the Bank's customers on a non-exclusive basis.

Except as described in this Proxy Statement, outside of normal customer relationships none of the directors or officers of the Company, and no shareholder holding over 5% of the Company's common stock and no corporations or firms with which such persons or entities are associated, currently maintains or has maintained since the beginning of the last fiscal year, any significant business or personal relationship with the Company or the Bank, other than such as arises by virtue of such position or ownership interest in the Company or the Bank.

STOCK PRICE PERFORMANCE GRAPH

Set forth below is a graph comparing the yearly percentage change in the cumulative total return of the Company's Common Stock, including stock and cash dividends, against the cumulative total return of the S & P 500 Composite Index and the KBW 50 Bank Index for the last five years. The KBW Bank Index, compiled by Keefe, Bruyette & Woods, Inc., is comprised of fifty American banking companies, including all money-center and most major regional banks. This presentation assumes that \$100 was invested on June 30, 1996 in the Common Stock and all other indices, and that all dividends were reinvested.

[Graph appears here]

Fiscal Years Ended June 30

	1996	1997	1998	1999	2000	2001
	----	----	----	----	----	----
Northeast Bancorp.....	\$100	114	180	118	101	166
S & P 500 Index.....	\$100	148	200	195	140	182
PHLX KBW 50 Bank Index.....	\$100	147	198	208	170	211

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of the Company's outstanding Common Stock as of August 15, 2001, by: (i) each director and nominee for director of the Company, (ii) each of the Named Executive Officers covered by the Summary Compensation Table, (iii) all directors and executive officers of the Company as a group, and (iv) each person known to the Company beneficially owning more than 5% of the outstanding Common Stock. Except as otherwise indicated, the persons named in the table have sole voting and investment power with respect to all of the Common Stock owned by them.

Name of Beneficial Owner -----	Current Beneficial Ownership -----	
	Number of Shares(1)	Percent of Class(2)
Directors and Certain Executive Officers		
John W. Trinward, D.M.D.....	15,801 (3)(4)	*
James D. Delamater.....	85,020 (5)	3.26%
John B. Bouchard.....	11,166 (4)	*
A. William Cannan.....	50,608 (6)	1.92%
Ronald J. Goguen.....	6,825 (4)(7)	*
Philip C. Jackson.....	35,960 (8)	1.39%
Judith W. Kelley.....	7,000 (4)	*
Ronald C. Kendall.....	47,918 (4)(9)	1.85%
John Rosmarin.....	6,000 (4)(10)	*
John Schiavi.....	3,500 (11)	*
Stephen W. Wight.....	21,750 (4)(12)	*
Dennis A. Wilson.....	46,850 (4)	1.78%
All directors and executive officers as a group (15 persons).....	355,369 (13)	12.99%
Other Beneficial Holders		
Albert H. Desnoyers(14)..... 210 Washington Drive Watchung, NJ 07060	199,041	7.71%
Claude E. Savoie(15)..... 550 Sheldiac Road Moncton, New Brunswick, Canada E1C 1T7	152,550	5.91%
Tontine Financial Partners, LP(16)..... 200 Park Avenue, Suite 3900 New York, NY 10166	236,500	9.17%
Sandler O'Neill Asset Management LLC(17).... 780 Third Avenue, 30th Floor New York, NY 10017	148,100	5.74%

* Less than 1%

(1) In accordance with Rule 13d-3 promulgated pursuant to the Securities Exchange Act of 1934, a person is deemed to be the beneficial owner of a security for purposes of the rule if he or she has or shares voting power or dispositive power with respect to such security or has the right to acquire such ownership within sixty days. As used herein, "voting power" is the power to vote or direct the voting of shares, and "dispositive power" is the power to dispose or direct the disposition of shares, irrespective of any economic interest therein.

- (2) In calculating the percentage ownership for a given individual or group, the number of shares of Common Stock outstanding includes unissued shares subject to options, warrants, rights or conversion privileges exercisable within sixty days held by such individual or group, but are not deemed outstanding by any other person or group.
- (3) Includes 801 shares of Common Stock held by Dr. Trinward's spouse as to which Dr. Trinward disclaims beneficial ownership.
- (4) Includes 4,500 shares of Common Stock which may be acquired pursuant to currently exercisable options held by such person.
- (5) Includes 27,500 shares of Common Stock which may be acquired pursuant to currently exercisable options.
- (6) Includes 50,000 shares of Common Stock which may be acquired pursuant to currently exercisable options.
- (7) Includes 2,325 shares of Common Stock held by Blue Chip Investments, Inc., a New Brunswick corporation wholly-owned by Mr. Goguen.
- (8) Includes 15,000 shares of Common Stock which may be acquired pursuant to currently exercisable options, 5,850 shares of Common Stock held by Mr. Jackson's spouse, as to which Mr. Jackson disclaims beneficial ownership, and 1,350 shares of Common Stock held by his children.
- (9) Includes 41,357 shares of Common Stock held in trusts in which Mr. Kendall either serves as a trustee or is a beneficiary (as to which Mr. Kendall disclaims beneficial ownership of 20,198 of such shares).
- (10) Includes 875 shares of Common Stock held by Mr. Rosmarin's spouse as to which Mr. Rosmarin disclaims beneficial ownership.
- (11) Includes 3,500 shares of Common Stock which may be acquired pursuant to currently exercisable options.
- (12) Includes 7,350 shares of Common Stock held by Mr. Wight's spouse as to which Mr. Wight disclaims beneficial ownership, and 2,250 shares of Common Stock held by his children.
- (13) Includes 157,000 shares of Common Stock subject to options which may be acquired by such directors and executive officers as a group pursuant to currently exercisable options.
- (14) The ownership information set forth herein is based in its entirety on material contained in a Schedule 13D, dated March 6, 1995, filed with the SEC by Mr. Desnoyers, as adjusted to reflect the payment of a 50% stock dividend in December 1997.
- (15) The ownership information set forth herein is based in its entirety on material contained in a Schedule 13D, dated June 5, 1995, filed with the SEC by Mr. Savoie, as adjusted to reflect the payment of a 50% stock dividend in December 1997.
- (16) The ownership information set forth herein is based in its entirety on material contained in a Schedule 13G, dated January 31, 2001, filed with the SEC by a group consisting of Tontine Financial Partners, LP ("TFP"), Tontine Management, LLC the general partner of TFP ("TM"), and Jeffrey L. Gendell, the managing member of TM.
- (17) The ownership information set forth herein is based in its entirety on material contained in a Schedule 13D, dated April 10, 2001, filed with the SEC consisting of a group partnerships of which SOAM Holdings, LLC, a Delaware limited liability company ("Holdings"), is the sole general partner and to which Sandler, O'Neill Asset Management, Inc. ("SOAM") provides administrative and management services, and Terry Maltese, the managing member and president of SOAM and Holdings.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), requires all executive officers, directors, and persons who are the beneficial owner of more than 10% of the Common stock of the Company to file reports of ownership with the Securities and Exchange Commission (the "SEC") indicating their ownership of the Company's equity securities and to report any changes in that ownership. Specific due dates for these reports have been established, and the Company is required to report in this Proxy Statement any failure to comply therewith during the fiscal year ended June 30, 2001. The Company believes that all of these filing requirements were satisfied by its executive officers, directors, and by the beneficial owners of more than 10% of the Common Stock. In making this statement, the Company has relied on copies of the reporting forms received by it or on the written representations from certain reporting persons that no Forms 5 (Annual Statement of Changes in Beneficial Ownership) were required to be filed under applicable rules of the SEC.

SHAREHOLDER PROPOSALS

Eligible shareholders who wish to present proposals for action at the 2002 Annual Meeting of Shareholders should submit their proposals in writing to the Clerk of the Company at the address of the Company set forth on the first page of this Proxy Statement. Proposals must be received by the Secretary no later than June 7, 2002 for inclusion in next year's proxy statement and proxy card. A shareholder is eligible to present proposals if, at the time he or she submits the proposals, the shareholder owns at least 1% or \$2,000 in market value of Common Stock and has held such shares for at least one year, and the shareholder continues to own such shares through the date of the 2002 Annual Meeting.

SOLICITATION COSTS

The Company will bear the costs of preparing, assembling, and mailing the Proxy Statement, the form of proxy, and the 2001 Annual Report in connection with the Annual Meeting. In addition to solicitation by use of mail, employees of the Company may solicit proxies personally or by telephone, by facsimile copy, or telegraph, but will not receive additional compensation therefor. Arrangements may be made with banks, brokerage houses, and other institutions, nominees, and fiduciaries to forward the solicitation materials to beneficial owners and to obtain authorizations for the execution of proxies. The Company will, upon request, reimburse those persons and entities for expenses incurred in forwarding proxy materials for the Annual Meeting to beneficial owners.

ANNUAL REPORT

The Company's 2001 Annual Report for the fiscal year ended June 30, 2001, which includes financial statements, was mailed to shareholders together with the Notice of the Annual Meeting of Shareholders and Proxy Statement.

OTHER MATTERS

At the time of the preparation of this Proxy Statement, the Board of Directors of the Company had not been informed of any matters which would be presented for action at the Annual Meeting other than the proposals specifically set forth in the Notice of Annual Meeting and referred to herein. If any other matters are properly presented for action at the Annual Meeting, it is intended that the persons named in the accompanying proxy card will vote or refrain from voting in accordance with their best judgment on such matters after consultation with the Board of Directors.

The Company will provide without charge to any shareholder upon written request, a copy of the Company's Annual Report on Form 10-K, including financial statements and schedules thereto for the fiscal year ended June 30, 2001, as filed with the Securities and Exchange Commission (without exhibits). All such requests should be delivered to Suzanne Carney, Clerk, Northeast Bancorp, 232 Center Street, Auburn, Maine 04210. Copies of exhibits will be provided upon written request and payment of a reasonable fee to cover the costs of reproduction and mailing.

By Order of the Board of Directors
and President
/s/ Suzanne M. Carney
Suzanne M. Carney
Clerk

Auburn, Maine
October 5, 2001

NORTHEAST BANCORP
AUDIT COMMITTEE OF THE BOARD OF DIRECTORS
CHARTER

I. PURPOSE

The Audit Committee (the "Committee") assists the Board of Directors (the "Board") of Northeast Bancorp (the "Company") in their responsibilities to oversee the independent auditor and evaluate the Company's financial reporting practices, accounting policies and internal control structure.

The Audit Committee fulfills these responsibilities by carrying out the activities enumerated in Section VII of the Charter.

II. COMPOSITION

The Committee will be comprised of three or more directors as determined by the Board. The members of the Committee will meet the independence and experience requirements specified in Section 121 of the Amex Company Guide. The Board will, at its discretion, elect the members of the Committee. The Board will elect one Committee member to the Committee Chair.

III. RESPONSIBILITY

The Committee is a part of the Board. Its primary function is to assist the Board in fulfilling its oversight responsibilities with respect to (i) the annual financial information to be provided to shareholders and the Securities and Exchange Commission (SEC); (ii) the system of internal controls that management has established; and (iii) the internal and external audit process. In addition, the Committee provides an avenue for communication between the internal auditor, the independent auditor, financial management and the Board. The Committee should have a clear understanding with the independent auditor that they must maintain an open and transparent relationship with the Committee, and that the ultimate accountability of the independent auditor is to the Board and the Committee. The Committee will make regular reports to the Board concerning its activities.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's business conduct guidelines.

IV. AUTHORITY

Subject to prior approval of the Board, the Committee is granted authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the internal controls of the Company. In that regard, the Committee will have the authority to approve the retention of external professionals to render advice and counsel in such matters. All employees will be directed to cooperate with respect thereto as requested by members of the Committee.

V. MEETINGS

The Committee will meet at least four times annually, or more frequently as circumstances dictate. The Committee may, at its discretion, meet in separate executive sessions with the chief financial officer, independent auditor and the internal auditor.

VI. ATTENDANCE

Committee members will strive to be present at all meetings. The Committee Chair, may as necessary or desirable, request that members of management and representatives of the independent auditor and the internal auditor be present at Committee meetings.

VII. SPECIFIC DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

1. Review and reassess the adequacy of this charter annually and recommend any proposed changes to the Board for approval. This should be done in compliance with applicable Amex Audit Committee requirements. The charter is to be published as an appendix to the proxy statement every three years.
2. Evaluate, select, and where appropriate, replace an independent auditor who is ultimately accountable to the Audit Committee and Board of Directors as representatives of the Company's shareholders.
3. Review the scope and general extent of the independent auditor's annual audit. The Committee's review should include an explanation from the independent auditor of the factors considered in determining the audit scope, including the major risk factors. The independent auditor should confirm to the Committee that no limitations have been placed on the scope or nature of their audit procedures. The Committee will review annually with management the fee arrangement with the independent auditor.
4. Review with management, the internal auditor and the independent auditor the Company's accounting and financial reporting controls.
5. Review with management, the internal auditor and the independent auditor significant accounting and reporting principles, practices and procedures applied by the Company in preparing its financial statements. Discuss with the independent auditor their judgments about the quality, not just the acceptability, of the Company's accounting principles used in financial reporting. Review legal and regulatory matters that may significantly impact the financial affairs or operations of the Company.
6. Inquire as to the independence of the independent auditor and obtain from the independent auditor, at least annually, a formal written statement delineating all relationships between the independent auditor and the Company as contemplated by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees.
7. Have a predetermined arrangement with the independent auditor that they will advise the Committee through its Chair and management of any reportable matters (significant events, transactions and changes in accounting estimates) identified through procedures followed for interim quarterly financial statements, and that such notification is to be made prior to the related press release, or, if not practicable, prior to filing Forms 10-Q.
8. At the completion of the annual audit, review with management and the independent auditor the following:
 - . The annual financial statements and related footnotes and financial information to be included in the Company's annual report to shareholders and on Form 10-K.
 - . Results of the audit of the financial statements and the related report thereon and, if applicable, a report on changes during the year in accounting principles and their application.
 - . Significant changes to the audit plan, if any, and any serious disputes or difficulties with management encountered during the audit. Inquire about the cooperation received by the independent auditor during the audit, including access to all requested records, data and information. Inquire of the independent auditor whether there have been any disagreements with

management, which, if not satisfactorily resolved, would have caused them to issue a nonstandard report on the Company's financial statements.

- . Other communications as required to be communicated by the independent auditor by Statement of Auditing Standards (SAS) 61 as amended by SAS 90 relating to the conduct of the audit. Such communication should include a discussion of the independent auditor's judgment about the quality of the Company's accounting principles.

If deemed appropriate after such review and discussion, recommend to the Board that the financial statements be included in the Company's annual report on Form 10-K.

9. Meet with management, the internal auditor and the independent auditor to discuss any relevant significant recommendations that the independent auditor may have, particularly those characterized as "reportable conditions". The Committee should review responses from management to the reportable conditions and receive follow-up reports on action taken concerning the aforementioned recommendations.
10. Review the appointment, replacement and compensation of the internal auditor. The internal auditor will report directly to the Audit Committee chairman and administratively to a designated senior officer.
11. Review the scope of the internal audit plan for the year. Evaluate the internal auditor's risk assessment of the Company's activities used in developing the annual plan.
12. Receive reports of major findings from the internal auditor and evaluate management's response in addressing the reported conditions.
13. Evaluate the performance of and, where appropriate, replace the internal auditor.
14. The audit committee shall have the power to conduct or authorize investigations into any matters within the committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants, or others to assist it in the conduct of any investigation.

NORTHEAST BANCORP
2001 STOCK OPTION PLANARTICLE I
The Plan

1.1 Establishment of the Plan. Northeast Bancorp, a Maine corporation (the "Company"), hereby establishes the "Northeast Bancorp 2001 Stock Option Plan" (hereinafter referred to as the "Plan"). The Plan permits the grant of incentives in the form of Nonqualified Stock Options, Incentive Stock Options, and any combination thereof. Unless otherwise defined, all capitalized terms have the meaning ascribed to them in Article II.

1.2 Purpose. The purpose of the Plan is to advance the interests of the Company and its stockholders by offering officers, employees, and directors incentives that will promote the identification of their personal interests with the long-term financial success of the Company and with growth in shareholder value. The Plan is designed to strengthen the Company's ability to recruit, attract, and retain, highly qualified managers, consultants, and staff, and qualified and knowledgeable independent directors capable of furthering the future success of the Company by encouraging the ownership of Shares (as defined below) by such employees and directors and to strengthen the mutuality of interest between employees and directors, on one hand, and the Company's stockholders, on the other hand. The equity investments granted under the Plan are expected to provide employees with an incentive for productivity and to provide both employees and directors with an opportunity to share in the growth and value of the Company.

ARTICLE II
Definitions

As used in this Plan, unless the context otherwise requires, the following capitalized terms are defined as follows:

2.1 "Award" shall mean any award under this Plan of any Stock Option. Each separate grant of a Stock Option, and each group of Stock Options, which mature on a separate date is treated as a separate Award.

2.2 "Board" or "Board of Directors" means the Board of Directors of the Company, as constituted from time to time.

2.3 "Cause" means a determination by the Board of Directors that a Participant has: (a) engaged in any type of disloyalty to the Company, including without limitation fraud, embezzlement, theft, or dishonesty in the course of his or her employment or service, or has otherwise breached a duty owed to the Company, (b) been convicted of a misdemeanor involving moral turpitude or a felony, (c) pled nolo contendere to a felony, (d) disclosed trade secrets or confidential information of the Company to unauthorized parties, except as may be required by law, or (e) materially breached any material agreement with the Company, unless such agreement was materially breached first by the Company.

2.4 "Change of Control" shall have the meaning set forth in Section 7.2 of this Plan.

2.5 "Code" means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder. Reference to any provision of the Code or rule or regulation thereunder shall be deemed to include any amended or successor provision, rule, or regulation.

2.6 "Committee" means the committee appointed by the Board in accordance with Section 3.1 of the Plan, if one is appointed, to administer this Plan. If no such committee has been appointed, the term Committee shall refer to the Board of Directors.

2.7 "Common Stock" or "Shares" means the shares of common stock, \$1.00 par value per share, of the Company.

2.8 "Company" shall mean Northeast Bancorp or any successor thereto as provided in Section 11.8 hereto.

2.9 "Date of Exercise" means the date on which the Company receives notice of the exercise of a Stock Option in accordance with the terms of Section 6.8 of this Plan.

2.10 "Date of Grant" or "Award Date" shall be the date on which an Award is made by the Committee under this Plan. Such date shall be the date designated in a resolution adopted by the Committee pursuant to which the Award is made; provided, however, that such date shall not be earlier than the date of such resolution and action thereon by the Committee. In the absence of a date of grant or award being specifically set forth in the Committee's resolution, or a fixed method of computing such date, then the Date of Grant shall be the date of the Committee's resolution and action.

2.11 "Director" means any person who is a member of the Board of Directors.

2.12 "Employee" means any person who is an officer or full-time employee of the Company or any of its Subsidiaries and who receives from it regular compensation (other than pension, retirement allowance, retainer, or fee under contract). An Employee does not include independent contractors or temporary employees.

2.13 "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time.

2.14 "Exercise Period" means the period during which a Stock Option may be exercised.

2.15 "Exercise Price" means the price for Shares at which a Stock Option may be exercised.

2.16 "Fair Market Value" of a share of Common Stock on a particular date shall be the closing price for a share of Common Stock as quoted on the American Stock Exchange ("AMEX"), or the National Association of Securities Dealers Automated Quotation System National Market ("Nasdaq-NMS"), or any other national securities exchange on which the Common Stock is listed (as reported by the Wall Street Journal or, if not reported thereby, any other authoritative source selected by the Committee), or if there is no trading on that date, on the next preceding date on which there were reported share prices. If the Common Stock is quoted on any other inter-dealer quotation system (but not quoted by Nasdaq-NMS or any national securities exchange), then the Fair Market Value per Common Stock on a particular date shall be the mean of the bid and asked prices for a share of Common Stock as reported in the Wall Street Journal or, if not reported thereby, any other authoritative source selected by the Committee. If the Common Stock is not quoted by the Nasdaq-NMS or any other inter-dealer quotation system, and are not listed on any national securities exchange, then the "Fair Market Value" of a share of Common Stock shall be determined by the Committee pursuant to any reasonable method adopted by it in good faith for such purpose. In the case of an Incentive Stock Option, if the foregoing method of determining the fair market value is inconsistent with Section 422 of the Code, "Fair Market Value" shall be determined by the Committee in a manner consistent with the Code and shall mean the value as so determined.

2.17 "Incentive Stock Option" or "ISO" means any Stock Option awarded under this Plan intended to be and designated as an incentive stock option within the meaning of Section 422 of the Code.

2.18 "Non-Employee Director" shall have the meaning as set forth in, and interpreted under, Rule 16b-3(b)(3) promulgated by the SEC under the Exchange Act, or any successor definition adopted by the SEC.

2.19 "Nonqualified Stock Option" means any Stock Option awarded under this Plan which is not an Incentive Stock Option.

2.20 "Participant" means each Employee or Director to whom an Award has been granted under this Plan.

2.21 "Payment Shares" shall have the meaning set forth in Section 6.8(b) of this Plan.

2.22 "Person" shall mean an individual, partnership, corporation, limited liability company or partnership, trust, joint venture, unincorporated association, or other entity or association.

2.23 "Plan" means this Northeast Bancorp 2001 Stock Option Plan as defined in Section 1.1 hereof.

2.24 "SEC" means the Securities and Exchange Commission.

2.25 "Securities Act" means the Securities Act of 1933, as amended from time to time.

2.26 "Stock Option" means any Incentive Stock Option or Nonqualified Stock Option to purchase Common Stock that is awarded under this Plan.

2.27 "Stock Option Agreement" means the written agreement between the Company and a Participant implementing the grant of, and evidencing and reflecting the terms of, an Award.

2.28 "Subsidiary" or "Subsidiaries" means any corporation or corporations other than the Company organized under the laws of the United States or any other jurisdiction that the Board of Directors designates, in an unbroken chain of corporations beginning with the Company if each corporation other than the last corporation in the unbroken chain owns more than 50% of the total combined voting power of all classes of stock in one of the other corporation in such chain.

ARTICLE III Administration of the Plan

3.1 The Committee. This Plan shall be administered by the Committee, subject to such terms and conditions as the Board may prescribe from time to time. Pursuant to applicable provisions of the Company's Articles of Incorporation, as amended, and Bylaws, the Committee, which shall be appointed by the Board, shall consist of no fewer than three (3) members of the Board. Members of the Committee shall serve for such period of time as the Board may determine. From time to time the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause), and appoint new members, fill vacancies however caused, and remove all members and thereafter directly administer the Plan. During such times as the Company's Common Stock is registered under the Exchange Act, all members of the Committee shall be Non-Employee Directors and "outside directors" as defined under Section 162(m)(4)(C)(i) of the Code.

3.2 Duties and Powers of the Committee. Subject to the express provisions of this Plan, the Committee shall have all the power and authority to, and shall be authorized to take any and all actions required, necessary, or desirable to administer the Plan. In addition to any other powers, subject to the provisions of the Plan, the Committee shall have the following powers:

(a) subject to Section 3.3 of this Plan, to select the Employees and Directors to whom Awards may from time to time be granted pursuant to this Plan;

(b) to determine all questions as to eligibility;

(c) to determine the number of shares of Common Stock to be covered by each Award granted under this Plan;

(d) subject to the limitations set forth in Section 4.1 of this Plan, to determine whether and to what extent Incentive Stock Options, Nonqualified Stock Options, or any combination thereof, are to be granted or awarded hereunder;

(e) to determine the terms and conditions (to the extent not inconsistent with this Plan) of any Award granted hereunder, all provisions of each Stock Option Agreement, which provisions need not be identical (including, but not limited to, the Exercise Price, the Exercise Period, any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Stock Option and the Common Stock relating thereto, based on such factors as the Committee shall determine, in its sole discretion);

(f) to determine whether, and to what extent, and under what circumstances grants of Stock Options under this Plan are to operate on a tandem basis and/or in conjunction with or apart from other cash awards made by the Company outside of this Plan;

(g) to determine whether and under what circumstances a Stock Option may be settled in cash, Common Stock, or any combination thereof under Section 6.8 of this Plan;

(h) to determine whether, and to what extent, and under what circumstances shares of Common Stock under this Plan shall be deferred either automatically or at the election of the Participant;

(i) to prescribe, amend, waive, or rescind rules or regulations relating to the Plan's administration;

(j) to accelerate the vesting or Date of Exercise of any Award, or to waive compliance by a holder of an Award of any obligation to be performed by such holder or the terms and conditions of an Award;

(k) to construe and interpret the provisions of the Plan or any Stock Option Agreement;

(l) to amend the terms of previously granted Awards so long as the terms as amended are consistent with the terms of the Plan and provided that the consent of the Participant is obtained with respect to any amendment that would be detrimental to the Participant;

(m) to require, whether or not provided for in the pertinent Stock Option Agreement, of any person exercising a Stock Option, or otherwise receiving an Award, at the time of such exercise or receipt, the making of any representations or agreements that the Board of Directors or Committee may deem necessary or advisable in order to comply with the securities laws of the United States or of any applicable jurisdiction;

(n) to delegate to an appropriate officer of the Company the authority to select Employees for Awards and to recommend to the Committee the components of the Award to each, including vesting requirements, subject in each case to final approval by the Committee of the selection of the Employee and the Award;

(o) to authorize any person to execute on behalf of the Company any instrument required to effectuate an Award or to take such other actions as may be necessary or appropriate with respect to the Company's rights pursuant to Awards or agreements relating to the Awards or the exercise thereof; and

(p) to make all other determinations and take all other actions necessary or advisable for the administration of the Plan.

3.3 Awards to Members of the Committee. Each Award granted to a Director or members of the Committee shall be approved by the entire Board of Directors (rather than just a committee thereof) and shall be evidenced by minutes of a meeting or the written consent of the Board of Directors and a Stock Option Agreement.

3.4 Requirements Relating to Section 162(m) of the Code. Any provision of this Plan notwithstanding: (a) transactions with respect to persons whose remuneration is subject to the provisions of Section 162(m) of the Code shall conform to the requirements of Section 162(m)(4)(C) of the Code unless the Committee determines otherwise; (b) the Plan is intended to give the Committee the authority to grant Awards that qualify as performance-based compensation under Section 162(m)(4)(C) of the Code as well as Awards that do not qualify; and (c) any provision of the Plan that would prevent the Committee from exercising the authority referred to in Section 3.4(b) of this Plan or that would prevent an Award that the Committee intends to qualify as

performance-based compensation under Section 162(m)(4)(C) of the Code from so qualifying shall be administered, interpreted, and construed to carry out the Committee's intention and any provision that cannot be so administered, interpreted, and construed shall to that extent be disregarded.

3.5 Decisions Final and Binding. All decisions, determinations, and actions taken by the Committee, and the interpretation and construction of any provision of the Plan or any Stock Option Agreement by the Committee shall be final, conclusive, and binding, unless otherwise determined by the Board.

3.6 Limitation on Liability. Notwithstanding anything herein to the contrary, except as otherwise provided under applicable Maine law, no member of the Board of Directors or of the Committee shall be liable for any good faith determination, act, or failure to act in connection with the Plan or any Award hereunder.

ARTICLE IV Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in Section 4.4, the maximum aggregate number of Shares that may be issued under this Plan shall not exceed 150,000 Shares, which Shares may be either authorized but unissued Shares or Shares issued and thereafter reacquired by the Company. Stock Options awarded under the Plan may be either Incentive Stock Options or Nonqualified Stock Options, as determined by the Committee. Except as provided in Sections 4.2 and 4.3 of this Plan, Shares issued upon the exercise of an Award granted pursuant to the Plan shall not again be available for the grant of an Award hereunder.

4.2 Lapsed Awards. If any Award granted under this Plan shall terminate, expire, lapse, or be cancelled for any reason without having been exercised in full, any unissued Shares which had been subject to the Stock Option Agreement relating thereto shall again become available for the grant of an Award under this Plan.

4.3 Delivery of Shares as Payment. In the event a Participant pays the Exercise Price for Shares pursuant to the exercise of an Stock Option with previously acquired Shares, the number of Shares available for future Awards under the Plan shall be reduced only by the net number of new Shares issued upon the exercise of the Stock Option. Notwithstanding anything to the contrary herein, no fractional Shares will be delivered under the Plan.

4.4 Capital Adjustments.

(a) If by reason of a merger, consolidation, reorganization, recapitalization, combination of Shares, stock split, reverse stock split, stock dividend, separation (including a spin-off or split-off), or other such similar event, the number of outstanding Shares of the Company are increased, decreased, changed into, or been exchanged for a different number or kind of shares, or if additional shares or new and different shares are issued in respect of such Shares, the Committee in its sole discretion may adjust proportionately (i) the aggregate maximum number of Shares available for issuance under the Plan, (ii) the number and class of Shares covered by outstanding Awards denominated in Shares or units of Shares, (iii) the Exercise Price and grant prices related to outstanding Awards, and (iv) the appropriate Fair Market Value and other price determinations for such Awards.

(b) In the event of any other change in corporate structure affecting the Common Stock or any distribution (other than normal cash dividends) to holders of shares of Common Stock, such adjustments in the number and kind of shares and the exercise, grant, or conversion prices of the affected Awards as may be deemed equitable by the Committee shall be made to give proper effect to such event.

(c) In the event of a corporate merger, consolidation, or acquisition of property or stock, separation (including spin-offs and split-offs), reorganization or liquidation, the Committee shall be authorized to cause the Company to issue or assume stock options, whether or not in a transaction to which Section 424(a) of the Code

applies, by means of substitution of new Stock Options for previously issued stock options or an assumption of previously issued stock options. In such event, the aggregate maximum number of Shares available for issuance under Section 4.1 of the Plan will be increased to reflect such substitution or assumption.

(d) If any adjustment made pursuant to this Article IV would result in the possible issuance of fractional Shares under any then-outstanding Award, the Committee may adjust the outstanding Awards so as to eliminate fractional Shares.

(e) Any adjustment to be made with respect to Incentive Stock Options shall comply with Sections 422 and 424 of the Code.

ARTICLE V Eligibility

Awards may be made to any Employee or Director, except that (a) only Employees (including Employees who also serve as Directors) may receive Incentive Stock Options, and (b) the grant of Awards to Directors must comply with Section 3.3 of the Plan. A Participant who has been granted an Award may be granted additional Awards.

ARTICLE VI Stock Options

6.1 Stock Options. Each Stock Option granted under this Plan shall be either an Incentive Stock Option or a Nonqualified Stock Option.

6.2 Grant of Stock Options.

(a) Subject to the terms and provisions of this Plan, the Committee shall have the authority to grant to any Participant one or more Incentive Stock Options, Nonqualified Stock Options, or both kinds of Stock Options. Subject to Section 4.1 and Article V, the Committee has complete and sole discretion in determining the number of Shares subject to Stock Options to be granted to a Participant; provided, however, that the aggregate Fair Market Value (determined at the time the Award is made) of Shares with respect to which a Participant may first exercise ISOs granted under the Plan during any calendar year may not exceed \$100,000 or such amount as shall be specified under Section 422 of the Code and the rules and regulations promulgated thereunder. To the extent that any Stock Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time and manner of its exercise or otherwise), such Stock Options or portion thereof which does not qualify shall constitute a Nonqualified Stock Option. Stock Options granted at different times need not contain similar provisions.

(b) Non-Employee Directors may only be granted Stock Options under this Article VI which are Nonqualified Stock Options.

6.3 Incentive Stock Options. Anything in the Plan to the contrary notwithstanding, no term of this Plan relating to Incentive Stock Options shall be interpreted, amended, or altered, nor shall any discretion or authority granted under this Plan be so exercised, so as to disqualify the Plan under Section 422 of the Code, or, without the consents of the Participants affected, to disqualify any Incentive Stock Option under Section 422 of the Code.

6.4 Stock Option Agreement. Each Stock Option granted under this Plan shall be evidenced by a Stock Option Agreement between the Company and the Participant in accordance with Section 6.2 that specifies the Exercise Price, the Exercise Period, the number of Shares to which the Stock Option pertains, method of exercise and the form of consideration payable therefor, any vesting requirements, any conditions imposed upon the exercise of the Stock Options in the event of retirement, death, disability, or other termination of employment or service, and such other provisions and conditions, not inconsistent with this Plan, as the Committee may determine. Each Stock Option Agreement relating to a grant of Stock Options shall clearly specify whether the Stock Option is intended to be an Incentive Stock Option within the meaning of Section 422 of the Code, or a Nonqualified Stock Option not intended to be within the provisions of Section 422 of the Code.

6.5 Exercise Price. The Exercise Price per Share purchasable under any Stock Option granted under this Plan shall be determined by the Committee at the Date of Grant, subject to the following limitations:

(a) In the case of a Stock Option intended to be an Incentive Stock Option, the Exercise Price shall not be less than 100% of the Fair Market Value of the Common Stock on the Date of Grant or, in the case of any optionee who, at the time such Incentive Stock Option is granted, owns Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent corporation or Subsidiaries, not less than 110% of the of the Fair Market Value of the Common Stock on the Date of Grant.

(b) In the case of a Stock Option intended to be a Nonqualified Stock Option, the Exercise Price shall not be less than 85% of the Fair Market Value of the Common Stock on the Date of Grant.

(c) In no event shall the Exercise Price of any Stock Option be less than the par value of the Common Stock.

6.6 Exercise Period. The Exercise Period of each Stock Option granted shall be fixed by the Committee and shall be specified in the Stock Option Agreement; provided, however, that no Incentive Stock Option shall be exercisable later than ten years after the Award Date, and no Incentive Stock Option which is granted to any optionee who, at the time such Incentive Stock Option is granted, owns stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its parent corporation or Subsidiaries, shall be exercisable after the expiration of five years from the Award Date.

6.7 Exercise of Stock Options. Stock Options granted under the Plan shall be exercisable at such time or times and be subject to such terms and conditions as shall be set forth in the Stock Option Agreement (as may determined by the Committee at the time of such grant), which need not be the same for all Participants. Such terms and conditions may include performance criteria with respect to the Company or the Participant, and as shall be permissible under the other terms of the Plan. No Stock Option, however, shall be exercisable until the expiration of the vesting period, if any, set forth in the Stock Option Agreement, except to the extent such vesting period is accelerated pursuant to Article VII of this Plan. To the extent that no vesting conditions are stated in the Stock Option Agreement, the Stock Options represented thereby shall be fully vested at the Date of Grant.

6.8 Method of Exercise.

(a) Subject to the provisions of the Stock Option Agreement, Stock Options may be exercised in whole at any time, or in part from time to time with respect to whole Shares only, during the Exercise Period by the delivery to the Company of a written notice of intent to exercise the Stock Option, in such form as the Committee may prescribe, setting forth the number of Shares with respect to which the Stock Option is to be exercised; provided, however, that the minimum exercise amount permitted at any time shall be one hundred (100) Shares. Upon exercise of a Stock Option, the Exercise Price, which shall accompany the written notice of exercise, shall become immediately due and payable to the Company in full (along with the taxes described in the last sentence of this Section 6.8(a)) by the Participant who, if so provided in the Stock Option Agreement, may: (i) deliver cash or a check (acceptable to the Committee in accordance with guidelines established for this purpose) in satisfaction of all or any part of the Exercise Price; (ii) deliver, or cause to be withheld from the Stock Option, Shares valued at Fair Market Value on the Date of Exercise in satisfaction of all or any part of the Exercise Price, (iii) deliver any combination of cash and Shares, or (iv) deliver any other consideration and method of payment permitted under any laws to which the Company is subject, in each such case as the Committee may determine. In addition to the payment of the Exercise Price, unless satisfied in accordance with Section 11.10 of this Plan, the Participant shall pay to the Company in cash the full amount of all federal and state withholding or other employment taxes applicable to the taxable income of the Participant resulting from the exercise.

(b) If the Exercise Price is to be paid by the surrender of previously acquired and owned Common Stock, the Participant will make representations and warranties satisfactory to the Company regarding his title to the Common Stock used to effect the purchase (the "Payment Shares"), including, without limitation, representations and warranties that the Participant has good and marketable title to such Payment Shares free

and clear of any and all liens, encumbrances, charges, equities, claims, security interests, options or restrictions, and has full power to deliver such Payment Shares without obtaining the consent or approval of any person or governmental authority other than those which have already given consent or approval in a manner satisfactory to the Company. If such Payment Shares were acquired upon previous exercise of Incentive Stock Options granted within two years prior to the exercise of the Stock Option or acquired by the Participant within one year prior to the exercise of the Stock Option, such Participant shall be required, as a condition to using the Payment Shares in payment of the Exercise Price of the Stock Option, to acknowledge the tax consequences of doing so, in that such previously exercised Incentive Stock Options may have, by such action, lost their status as Incentive Stock Options, and the Participant may recognize ordinary income for tax purposes as a result.

6.9 Transfer Restrictions. Neither the Stock Options granted under the Plan nor any rights or interest in such Stock Options may be sold, pledged, hypothecated, assigned, or otherwise disposed of or transferred by such Participant, other than by will or by the laws of descent and distribution. Except as permitted by the Committee, during the lifetime of Participant to whom a Stock Option is granted, the Stock Options shall be exercisable only by him or her or, in the event of the Participant's permanent and total disability as determined by the Committee in accordance with applicable Company policies, by his or her legal representative.

6.10 Termination of Stock Options. Subject to the applicable provisions of the Stock Option Agreement and this Article VI, upon termination of a Participant's employment with the Company for any reason, all stock options shall vest or expire in accordance with the terms and conditions established by the Committee at or after grant. Unless otherwise provided in the Stock Option Agreement:

(a) Termination by Death. If a Participant's employment or service with the Company or its Subsidiaries terminates by reason of death, then for a period of one year (or such other period as the Committee may specify at grant) from the date of such death or until the end of the Exercise Period of such Stock Option, whichever period is shorter, the Award may be exercised by the legal representative of the estate or by a person who acquires the right to exercise such Stock Options by bequest or inheritance, subject to the limitations of Section 6.11 with respect to Incentive Stock Options, to the extent that such Participant was entitled to exercise the Award at the date of such death.

(b) Termination by Disability. If a Participant's employment or service with the Company or its Subsidiaries terminates by reason of permanent and total disability, as determined by the Committee in accordance with applicable Company personnel policies, then for a period of one year (or such other period as the Committee may specify at grant) from the date of such termination of employment or service, or until the end of the Exercise Period of such Stock Option, whichever is shorter, the Award may be exercised by the Participant, or his or her legal representative, subject to the limitations of Section 6.11 with respect to Incentive Stock Options, to the extent that such Participant was entitled to exercise the Award at the date of such termination; provided, however, that, if the Participant dies within such one year period (or such other period as the Committee may specify at grant), then for a period of one year from the date of death or until the end of the Exercise Period of such Stock Option, whichever period is shorter, any unexercised Stock Options held by such Participant shall thereafter be exercisable to the extent to which they were exercisable at the time of such termination due to disability. In the event of termination of employment by reason of permanent and total disability, as determined by the Committee in accordance with applicable Company personnel policies, if a n Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code (currently one year from such termination), such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(c) Termination by Retirement. If a Participant's employment or service with the Company or its Subsidiaries terminates by reason of normal or late retirement under any retirement plan of the Company or its Subsidiaries or, with the consent of Committee, then for a period of three months (or such other period as the Committee may specify at grant) from the date of such termination of employment or service, or until the end of the Exercise Period of such Stock Option, whichever is shorter, the Award may be exercised by the Participant, or his or her legal representative, subject to the limitations of Section 6.11 with respect to Incentive Stock

Options, to the extent that such Participant was entitled to exercise the Award at the date of such termination; provided, however, that, if the Participant dies within such three month period, then for a period of one year from the date of death or until the end of the Exercise Period of such Stock Option, whichever period is shorter, any unexercised Stock Options held by such Participant shall thereafter be exercisable to the extent to which they were exercisable at the time of such termination. In the event of termination of employment by reason of retirement pursuant to any retirement plan of the Company or its Subsidiaries or with the consent of the Committee, if an Incentive Stock Option is exercised after the expiration of the exercise periods that apply for purposes of Section 422 of the Code (currently three months from such termination), such Stock Option will thereafter be treated as a Nonqualified Stock Option.

(d) Other Termination of Employee. Unless otherwise determined by the Committee at or after grant and except as provided in Section 7.1 hereof, if a Participant's employment by the Company terminates for any reason other than death, disability, or retirement covered by Sections 6.10 (a), (b), or (c) of this Plan: (i) any Stock Options that were not exercisable at the date of such termination (which date shall be determined by the Committee in its sole discretion) will expire automatically, and (ii) any Stock Options exercisable on the date of termination will remain exercisable only for the lesser of three months or the balance of such Exercise Period of such Stock Option; provided, however, that the Participant was not involuntarily terminated by the Company for Cause. If the Participant dies within such three month period (or such other period as the Committee may specify at grant), then for a period of one year from the date of death or until the end of the Exercise Period of such Stock Option, whichever period is shorter, any unexercised Stock Options held by such Participant shall thereafter be exercisable to the extent to which they were exercisable at the time of such termination. Notwithstanding any other provision of this Plan except for Section 7.1 hereof, upon termination of a Participant's employment with the Company or any of its Subsidiaries for Cause, all of the Participant's unexercised Stock Options will terminate immediately upon the date of such termination (which date shall be determined by the Committee in its sole discretion) and the Participant shall forfeit all Shares for which the Company has not yet delivered share certificates to the Participant. In such event, the Company shall refund to the Participant the Exercise Price paid to it, if any, in the same form as it was paid (or in cash at the Company's discretion). The Company may withhold delivery of share certificates pending resolution of any inquiry that could lead to a finding that a termination of a Participant's employment was for Cause.

(e) Resignation of Director. Except as covered by Sections 6.10(a), (b), or (c) of this Plan, if a Participant serving as a Non-Employee Director terminates his or her service by resigning from the Board of Directors or by failing to run for election to an additional term as a Director after being offered nomination for an additional term by a nominating or similar committee of the Board of Directors (or in lieu of such Committee, by the entire Board of Directors), then (i) any Stock Options that were not exercisable at the date of such termination of service will expire automatically, and (ii) any exercisable Stock Options, as of such date held by the Participant may thereafter be exercised by the Participant (A) for a period of three months from the date of such resignation or, in the case of a failure to run for election to an additional term, from the date of such stockholder meeting at which such election of Directors takes place, or (B) until the end of the Stock Option's Exercise Period, whichever period is shorter (or such other period as the Committee may specify at grant). If a Participant serving as a Non-Employee Director does not resign and is not offered nomination for an additional term, all Stock Options held by such Participant shall immediately vest on the date that the Participant's service as a Director of the Company terminates and such Stock Options shall be exercisable until the end of the Exercise Period for such Stock Options. Notwithstanding any other provision of this Plan, upon removal of a Director by shareholders of the Company for cause under applicable state law, all of the Participant's unexercised Stock Options will terminate immediately upon the date of such termination (which date shall be determined by the Committee in its sole discretion) and the Participant shall forfeit all Shares for which the Company has not yet delivered share certificates to the Participant. In such event, the Company shall refund to the Participant the Exercise Price paid to it, if any, in the same form as it was paid (or in cash at the Company's discretion).

6.11 Incentive Stock Option Limitations.

(a) To the extent that the aggregate Fair Market Value (determined as of the Date of Grant) of the Common Stock with respect to which Incentive Stock Options are exercisable for the first time by a Participant

during any calendar year under the Plan and/or any other stock option plan of the Company or any Subsidiary or parent corporation (within the meaning of Section 425 of the Code) exceeds \$100,000, such Stock Options shall be treated as Stock Options which are not Incentive Stock Options.

(b) To the extent (if any) permitted under Section 422 of the Code, or the applicable rules and regulations promulgated thereunder or any applicable Internal Revenue Service pronouncement, if (i) a Participant's employment with the Company or any Subsidiary is terminated by reason of death, disability, or retirement covered by Section 6.10(a), (b), or (c) of this Plan, and (ii) the portion of the Incentive Stock Option that is otherwise exercisable during the post-termination period specified under Sections 6.10(a), (b), or (c), applied without regard to the \$100,000 limitation currently contained in Section 422(d) of the Code, is greater than the portion of the Stock Option that is immediately exercisable as an "incentive stock option" during such post-termination period under Section 422 of the Code, such excess shall be treated as a Nonqualified Stock Option.

(c) In the event that the application of any of the provisions of Section 6.11 (a) or (b) of this Plan not be necessary in order for Stock Options to qualify as Incentive Stock Options, or should additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the stockholders of the Company.

6.12 Buy-Out and Settlement Provisions. The Committee may at any time offer to buy-out a Stock Option previously granted, based on such terms and conditions as the Committee shall establish and communicate to the Participant at the time that such offer is made.

6.13 No Rights as Stockholder. No Participant or transferee of a Stock Option shall have any rights as a stockholder of the Company with respect to any Shares subject to a Stock Option (including without limitation, rights to receive dividends, vote, or receive notice of meetings) prior to the purchase of such Shares by the exercise of such Stock Option as provided in this Plan. A Stock Option shall be deemed to be exercised and the Common Stock thereunder purchased when written notice of exercise has been delivered to the Company in accordance with Section 6.8 of the Plan and the full Exercise Price for the Shares with respect to which the Stock Option is exercised has been received by the Company, accompanied with any agreements required by the terms of the Plan and the applicable Stock Option Agreement; provided, however, that if the Participant has been terminated for Cause, only those shares of Common Stock for which a certificate has been delivered to the Participant by the Company will be deemed to be purchased by such Participant. Full payment may consist of such consideration and method of payment allowable under this Article VI of the Plan. No adjustment will be made for a cash dividend or other rights for which the record date precedes the Date of Exercise, except as provided in Section 4.4 of the Plan.

6.14 Sale of Common Stock Upon Exercise of Stock Option. Unless the Committee provides otherwise in the Stock Option Agreement, Common Stock acquired pursuant to the exercise of Stock Option shall not be subject to any restrictions on transferability under this Plan, except as provided in Section 11.1 of this Plan. With respect to Common Stock acquired pursuant to the exercise of an Incentive Stock Option, a transfer or other disposition of such Common Stock by a Participant (other than by will or the laws of descent and distribution) may not qualify for favorable tax treatment under Section 421(a) of the Code if such transfer or other disposition shall occur before the expiration of the later of (i) the two year period commencing on the Date of Grant of the ISO, or (ii) the one year period commencing on the Date of Exercise of the ISO.

ARTICLE VII Change of Control

7.1 Acceleration of Options; Lapse of Restrictions.

(a) In the event of a Change of Control of the Company, (i) each Stock Option then outstanding under the Plan shall be fully exercisable, regardless of any unsatisfied vesting requirements established under the terms of the pertinent Stock Option Agreements, and remain so for the duration of the Stock Option as specified in the

Stock Option Agreement, and (ii) all conditions or restrictions related to an Award shall be accelerated or released; all in a manner, in the case of persons subject to Section 16(b) of the Exchange Act, as to conform with the provisions of Rule 16b-3 thereunder.

(b) Awards that remain outstanding after a Change of Control shall not be terminated as a result of a termination of service covered by Section 6.10, and shall continue to be exercisable until the end of the Exercise Period in accordance with their original terms, except in the case of a Participant's death in which case termination shall occur within one year from the date of death.

(c) Notwithstanding the foregoing, if any right granted pursuant to this Section 7.1 would make a Change of Control transaction ineligible for pooling of interests accounting treatment under applicable accounting principles that, but for this Section 7.1, would have been available for such accounting treatment, then the Committee shall have the authority to substitute stock for cash which would otherwise be payable pursuant to this Section 7.1 having a Fair Market Value equal to such cash.

7.2 Definition of Change of Control. For purposes of this Plan, a "Change of Control" is deemed to have occurred if:

(a) any individual, entity, or group (within the meaning of Sections 13(d)(3) or 14(d)(2) of the Exchange Act), is or becomes, directly or indirectly, the "beneficial owner" (as defined by Rule 13d-3 promulgated under the Exchange Act) of 25% or more of the combined voting power of the then outstanding securities of the Company entitled to vote generally in the election of Directors ("Voting Securities"); provided, however, that any acquisition by the following will not constitute a Change of Control:

- (i) the Company or any of its Subsidiaries,
- (ii) any employee benefit plan (or related trust) of the Company or its Subsidiaries, or
- (iii) any corporation with respect to which, following such acquisition, more than 50% of the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned by the Persons who were the beneficial owners of the Voting Securities immediately prior to such acquisition in substantially the same proportion as their ownership immediately prior to such acquisition of the Voting Securities; or

(b) (i) a tender offer or an exchange offer is made to acquire securities of the Company whereby following such offer the offerees will hold, control, or otherwise have the direct or indirect power to exercise voting control over 50% or more of the Voting Securities, or (ii) Voting Securities are first purchased pursuant to any other tender or exchange offer.

(c) as a result of a tender offer or exchange offer for the purchase of securities of the Company (other than such an offer by the Company for its own securities), or as a result of a proxy contest, merger, consolidation, or sale of assets, or as a result of a combination of the foregoing, during any period of two consecutive years, individuals who, at the beginning of such period constitute the Board, plus any new Directors of the Company whose election or nomination for election by the Company's stockholders was or is approved by a vote of at least two-thirds of the Directors of the Company then still in office who either were Directors of the Company at the beginning of such two year period or whose election or nomination for election was previously so approved (but excluding for this purpose, any individual whose initial assumption of office was or is in connection with the actual or threatened election contest relating to the election of Directors of the Company (as such term is used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act)), cease for any reason during such two year period to constitute at least two-thirds of the members of the Board; or

(d) the stockholders of the Company approve a reorganization, merger, consolidation, or other combination, with or into any other corporation or entity regardless of which entity is the survivor, other than a reorganization, merger, consolidation, or other combination, which would result in the Voting Securities

outstanding immediately prior thereto continuing to represent (either by remaining outstanding or being converted into Voting Securities of the surviving entity) at least 60% of the combined voting power of the Voting Securities of the surviving entity outstanding immediately after such reorganization, merger, consolidation; or other combination; or

(e) the stockholders of the Company approve a plan of liquidation or winding-up of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets, or any distribution to security holders of assets of the Company having a value equal to 30% or more of the total value of all assets of the Company.

7.3 Occurrence of a Change of Control. A Change of Control will be deemed to have occurred:

(a) with respect to any acquisition referred to in Section 7.2(a) above, the date on which the acquisition of such percentage shall have been completed;

(b) with respect to a tender or exchange offer, the date the offer referred to in Section 7.2(b)(i) above is made public or when documents are filed with the SEC in connection therewith pursuant to Section 14(d) of the Exchange Act, or the date of the purchase referenced in Section 7.2(b)(ii);

(c) with respect to a change in the composition of the Board of Directors referred to in Section 7.2(c), the date on which such change is adopted or is otherwise effective, whichever first occurs; or

(d) with respect to any stockholder approval referred to in Section 7.2(d) or (e), the date of any approval.

7.4 Application of this Article VII. The provisions of this Article VII shall apply to successive events that may occur from time to time but shall only apply to a particular event if it occurs prior to the expiration of this Plan and each Award issued pursuant to this Plan.

ARTICLE VIII Amendment, Modification, or Termination of Plan

Insofar as permitted by applicable law, the Board, by resolution, shall have the power at any time, and from time to time, to amend, modify, suspend, terminate or discontinue the Plan or any part thereof. The Board is specifically authorized to amend the Plan and take such other action as it deems necessary or appropriate to comply with Section 162(m) of the Code and the rules and regulations promulgated thereunder. Such amendment or modification may be without stockholder approval except to the extent that such approval is required by the Code, or pursuant to the rules and regulations under Section 16 of the Exchange Act, by any national securities exchange or inter-dealer quotation system on which the Shares are then listed, quoted, or reported, by any regulatory authority or board having jurisdiction with respect thereto, or under any applicable laws, rules, or regulations. Notwithstanding the provisions of this Article VIII, no termination, amendment, or modification of the Plan, other than those pursuant to Article IV hereof, shall in any manner adversely affect any Award theretofore granted under the Plan, without the written consent of the Participant so affected.

ARTICLE IX Modification, Extension, and Renewal of Stock Options and Awards

Subject to the terms and conditions, and within the limitations, of the Plan, the Committee may modify, extend, or renew outstanding Stock Options, prospectively or retroactively, or accept the surrender of outstanding Stock Options (to the extent not theretofore exercised) granted under the Plan or any other plan of the Company or a Subsidiary, and authorize the granting of new Stock Options pursuant to the Plan in substitution therefor (to the extent not theretofore exercised), and the substituted Stock Options may specify a lower exercise price or a longer term than the surrendered Stock Options or have any other provisions that are authorized by the Plan. Notwithstanding the foregoing provisions of this Article IX, (a) no amendment or modification of an Award which adversely affects the Participant shall not be made without the consent of the affected Participant, and

(b) no Incentive Stock Option may be modified, amended, extended, or reissued if such action would cause it to cease to be an "Incentive Stock Option" within the meaning of Section 422 of the Code, unless the Participant specifically acknowledges and consents to the tax consequences of such action.

ARTICLE X
Indemnification of the Committee

In addition to such other rights of indemnification as they may have as Directors or as members of the Committee, the members of the Committee shall not be liable for any act, omission, interpretation, construction, or determination made in good faith in connection with their administration of and responsibilities with respect to the Plan, and the Company hereby agrees to indemnify the members of the Committee against any claim, loss, damage, or reasonable expense, including attorneys' fees, actually and reasonably incurred in connection with the defense of any action, suit, or proceeding, or in connection with any appeal therein, to which they or any of them may be a party by reason of any action taken or failure to act under or in connection with the Plan or any Award granted or made hereunder, and against all amounts reasonably paid by them in settlement thereof or paid by them in satisfaction of a judgment in any such action, suit, or proceeding, if such members acted in good faith and in a manner which they believed to be in, and not opposed to, the best interests of the Company and its Subsidiaries.

ARTICLE XI
General Provisions

11.1 Conditions Upon Issuance of Shares. Shares shall not be issued pursuant to the exercise of a Stock Option unless the exercise of such Stock Option and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act, the Exchange Act, the rules and regulations promulgated thereunder, and the requirements of any stock exchange or inter-dealer quotation system upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance. The Committee may require each person purchasing or otherwise acquiring Shares pursuant to a Stock Option under the Plan to represent to and agree with the Company in writing to the effect that the Participant: (a) is acquiring the Shares for his or her own personal account, for investment purposes only, and not with an intent or a view to distribution within the meaning of Section 2(11) of the Securities Act (unless such shares have been issued to the Participant pursuant to a registration statement declared effective by the SEC), and (b) will not sell, assign, pledge, hypothecate, or otherwise dispose of or transfer the Shares to be issued upon exercise of such Option except as permitted by this Plan and except in compliance with the Securities Act and the securities laws of all other applicable jurisdictions, as supported by an opinion of counsel if so requested by the Committee. As a further condition to the issuance of such Shares, the Participant shall provide any other representation, warranty, or covenant as the Committee or its counsel deems necessary under the Securities Act and the securities laws of all other applicable jurisdiction. In addition to any legend required by this Plan, the certificates for the Shares may include any legend which the Committee deems appropriate to reflect any restrictions on transfer.

11.2 Reservation of Shares. The Company shall at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The Company shall use its best efforts to seek to obtain from appropriate regulatory agencies any requisite authorization in order to issue and sell such number of Shares as shall be sufficient to satisfy the requirements of the Plan. The inability of the Company to obtain from any such regulatory agency having jurisdiction the requisite authorization(s) deemed by the Company's counsel to be necessary for the lawful issuance and sale of any Shares hereunder, or the inability of the Company to confirm to its satisfaction that any issuance and sale of any Shares hereunder will meet applicable legal requirements, shall relieve the Company of any liability in respect to the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

11.3 Limitation on Legal Rights. The establishment of the Plan shall not confer upon any Employee or Director any legal or equitable right against the Company, except as expressly provided in the Plan.

11.4 Not a Contract of Employment. This Plan is purely voluntary on the part of the Company, and the continuation of the Plan shall not be deemed to constitute a contract between the Company and any Participant, or to be consideration for or a condition of the employment or service of any Participant. Participation in the Plan shall not give any Employee or Director any right to be retained in the service of the Company or any of its Subsidiaries, nor shall anything in this Plan affect the right of the Company or any of its Subsidiaries to terminate any such Employee with or without cause.

11.5 Other Compensation Plans. The adoption of the Plan shall not affect any other Stock Option or incentive or other compensation plans in effect for the Company or any of its Subsidiaries, nor shall the Plan preclude the Company or any Subsidiary from establishing any other forms of incentive or other compensation plan or arrangements for Employees or Directors of the Company or any of its Subsidiaries.

11.6 Assumption by the Company. The Company or its Subsidiaries may assume options, warrants, or rights to purchase shares issued or granted by other companies whose shares or assets shall be acquired by the Company or its Subsidiaries or which shall be merged into or consolidated with the Company or its Subsidiaries. The adoption of this Plan shall not be taken to impose any limitations on the powers of the Company or its Subsidiaries or affiliates to issue, grant, or assume options, warrants, rights, or restricted shares, otherwise than under this Plan, or to adopt other Stock Option or restricted share plans or to impose any requirements of shareholder approval upon the same.

11.7 Creditors. The interests of any Participant under this Plan is not subject to the claims of creditors and may not, in any way, be assigned, alienated, or encumbered.

11.8 Plan Binding on Successors. All obligations of the Company under this Plan and any Awards granted hereunder shall be binding upon any successor and assign of the Company, whether the existence of such successor or assign is a result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.

11.9 Unfunded Status of Plan. This Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payments not yet made to a Participant by the Company, nothing contained herein shall give any Participant any rights that are greater than those of a general creditor of the Company.

11.10 Withholding.

(a) Tax Withholding. The Company shall have the power and the right to deduct or withhold, or require a Participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including the Participant's FICA obligation) required by law to be withheld with respect to any grant, exercise, or payment under or as a result of this Plan.

(b) Share Withholding. To the extent the Code requires withholding upon the exercise of Nonqualified Stock Options, or upon the occurrence of any other similar taxable event, the Committee may permit or require, subject to any rules it deems appropriate, the withholding requirement to be satisfied, in whole or in part, with or without the consent of the participant, by having the Company withhold Shares having a Fair Market Value equal to the amount required to be withheld. The value of the Shares to be withheld shall be based on Fair Market Value of the Shares on the date that the amount of tax to be withheld is to be determined.

11.11 Singular, Plural; Gender. Whenever used in this Plan, nouns in the singular shall include the plural, and vice versa, and the masculine pronoun shall include the feminine gender.

11.12 Headings. Headings to the Sections and subsections are included for convenience and reference and do not constitute part of the Plan.

11.13 Costs. The Company shall bear all expenses incurred in administering this Plan, including original issue, transfer, and documentary stamp taxes, and other expenses of issuing the Shares pursuant to Awards granted hereunder.

11.14 Governing Law. This Plan and the actions taken in connection herewith shall be governed, construed, and administered in accordance with the laws of the State of Maine (regardless of the law that might otherwise govern under applicable Maine principles of conflicts of laws).

ARTICLE XII
Effectiveness of the Plan

This Plan shall become effective on the date that it is adopted by the Board of Directors; provided, however, that it shall become limited to a Nonqualified Stock Option Plan if it is not approved by the stockholders of the Company within one year (365 days) of its adoption by the Board of Directors, by a majority of the votes cast at a duly held stockholder meeting at which a quorum representing a majority of the Company's outstanding voting shares is present, either in person or by proxy. The Committee may make Awards hereunder prior to stockholder approval of the Plan; provided, however, that any and all Stock Options awarded automatically shall be converted into Nonqualified Stock Options if the Plan is not approved by such stockholders within 365 days of its adoption.

ARTICLE XIII
Term of the Plan

Unless sooner terminated by the Board pursuant to Article VIII hereof, this Plan shall terminate ten (10) years from its effective date and no Awards may be granted after termination, but Awards granted prior to such termination may extend beyond that date. The Board of Directors may terminate this Plan at any time. The termination shall not affect the validity of any Stock Option outstanding on the date of termination.

Date Approved by Board of Directors: September 21, 2001

/s/ Suzanne Carney

Clerk Certification

Date Approved by the Stockholders: _____, 2001

Clerk Certification

NORTHEAST BANCORP

Annual Meeting of Shareholders, November 13, 2001

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned holder of shares of common stock of Northeast Bancorp ("Northeast"), a Maine corporation, does hereby appoint John W. Trinward, D.M.D., and James D. Delamater, and each of them, as due and lawful attorneys-in-fact (each of whom shall have full power of substitution), to represent and vote as designated below all of the Northeast common stock that the undersigned held of record at 5:00 p.m., local time, on September 24, 2001, at the Annual Meeting of Shareholders of Northeast Bancorp to be held at the Martindale Country Club located at 527 Beech Hill Road, Auburn, Maine on Tuesday, November 13, 2001 at 6:00 p.m. or any adjournment thereof, on the following matters, and on such other business as may properly come before the meeting:

1. ELECTION OF DIRECTORS

Nominees: John W. Trinward, D.M.D., James D. Delamater, John B. Bouchard, A. William Cannan, Ronald J. Goguen, Philip C. Jackson, Judith W. Kelley, Ronald C. Kendall, John Rosmarin, John Schiavi, Stephen W. Wight, Dennis A. Wilson

FOR ALL NOMINEES LISTED ABOVE WITHHOLD AUTHORITY TO VOTE FOR
(except as marked to the contrary below) ALL NOMINEES LISTED ABOVE
(Instructions: to withhold authority to vote for any individual nominee,
write that nominee's name in the space provided below.)

2. Approval of 2001 Stock Plan. Proposal to approve and adopt the Northeast Bancorp 2001 Stock Option Plan.

FOR AGAINST ABSTAIN

3. Ratification of Appointment of Auditors. Proposal to ratify the appointment of Baker Newman & Noyes, Limited Liability Company, as the Company's auditors for the fiscal year ending June 30, 2002.

FOR AGAINST ABSTAIN

4. In their discretion, on such other business as may properly come before the meeting (the Board of Directors is not aware of any matter other than the above proposals which is to be presented for action at the Annual Meeting).

All of the above proposals are described in greater detail in the accompanying Proxy Statement dated October 5, 2001, which descriptions are incorporated herein by reference.

(Please Sign and Date on Reverse Side)

(Continued from other side)

PLEASE SIGN AND RETURN PROMPTLY.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE SHAREHOLDER. If no direction is given, this proxy will be voted FOR the election of all nominees as directors and FOR the ratification of the Company's auditors.

PLEASE ENTER THE NUMBER OF SHARES OF NORTHEAST COMMON STOCK YOU OWN:
(Please sign, date, and return this proxy form exactly as your name or names appear below whether or not you plan to attend the meeting.)

I plan to attend the Annual Meeting.

I do not plan to attend the Annual Meeting.

Date _____, 2001

Signature(s): _____

Title or Authority (if applicable)

Please sign your name here exactly as it appears hereon. Joint owners should each sign. When signing as an attorney, executor, administrator, trustee, guardian, corporate officer or other similar capacity, so indicate. If the owner is a corporation, an authorized officer should sign for the corporation and state his or her title. If shares are held in more than one capacity, this Proxy shall be deemed valid for all shares held in all capacities.