

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): December 21, 2001

NORTHEAST BANCORP

(Exact Name of Registrant as Specified in its Charter)

Maine

1-14588

01-0425066

(State or Other Jurisdiction
Incorporation)

(Commission File Number)

(IRS Employer
Identification Number)

232 Center Street, Auburn, Maine

04210

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (207) 777-6411

Item 5. Other Events.

Effective December 21, 2001, Mr. A. William Cannan resigned from his positions as a director, Executive Vice President and Chief Operating Officer of both Northeast Bancorp, a Maine corporation (the "Company"), and of Northeast Bank, FSB, a wholly owned subsidiary of the Company (the "Bank"). The Board of Directors of the Company subsequently approved the terms of a Separation Agreement which modifies and clarifies the terms of Mr. Cannan's Employment Agreement as it relates to his separation from the Company and the Bank (the "Separation Agreement"), and the Separation Agreement was executed by the parties thereto on January 2, 2002. Under the terms of the Separation Agreement, the Company has agreed to a severance package providing for, among other things, the continued payment of Mr. Cannan's base salary through March 21, 2002 and health benefits through March 31, 2002. The Separation Agreement also contains a covenant prohibiting Mr. Cannan from using, selling, or disclosing certain confidential information relating to the Company or the Bank and from soliciting the employment of the Company's or the Bank's employees. A copy of the Separation Agreement is attached as Exhibit 10.5 to this Current Report on Form 8-K and is incorporated herein by reference.

Mr. Cannan's resignation as Executive Vice President and COO of the Company and the Bank was announced by a press release issued on December 21, 2001. A copy of the press release is attached hereto as exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

James D. Delamater, President and CEO of the Company and of the Bank, will assume the duties of the COO of both the Company and the Bank.

Item 7. Financial Statements and Exhibits.

- (a) Not Applicable
- (b) Not Applicable
- (c) Exhibits required by Item 601 of Regulation S-K

Exhibit No.

Description

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|------|--|
| 10.5 | Severance Agreement by and between Northeast Bancorp and A. William Cannan |
| 99.1 | Press Release, issued December 21, regarding the resignation of Mr. Cannan as Executive Vice President and COO of Northeast Bancorp and Northeast Bank, FSB. |

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORTHEAST BANCORP

Date: January 15, 2002

By: /S/ James D. Delamater
James D. Delamater
President and Chief
Executive Officer

EXHIBIT INDEX

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SEPARATION AGREEMENT

This Separation Agreement is made this 2nd day of January, 2002 by and between A. William Cannan, 54 Ferry Lane, Saco, Maine 04072 ("Employee") and Northeast Bancorp, 232 Center Street, Auburn, Maine 04210 ("the Company").

Employment. The parties have agreed that the Employee resigned his employment at the Company effective December 21, 2001. The Employee hereby agrees to resign forthwith from the Employee's positions on the Boards of the Company and any affiliates. The Employee shall complete any forms or documents required to effectuate said resignations.

Compensation. In addition to any compensation or benefits to which the Employee is otherwise entitled, under this Agreement the Employee shall receive the following:

- (1) the Company shall pay to Employee as a Severance Benefit continued base salary for three months through March 21, 2002. Payment of this Severance Benefit will begin on the date that the revocation period ends after Employee executes this Separation Agreement.
- (2) the Company shall continue to contribute to the Employee's health insurance coverages on the same terms and conditions as prior to the Employee's termination, through March, 2002.
- (3) the Company shall provide the Employee with a letter of reference mutually acceptable to both parties.
- (4) the Company shall transfer to the Employee title to the Company vehicle currently in the Employee's possession; the parties shall complete any forms or documents required to effectuate said transfer.

Acknowledgments. The Employee hereby acknowledges that before the Employee signed this Separation Agreement, the Employee was advised in writing (1) to consult with an attorney prior to executing this Separation Agreement, and (2) that the Employee had a period of 21 days within which to consider this Separation Agreement. Employee further acknowledges that the Employee signs this Separation Agreement freely, knowingly, and voluntarily, and that the Employee has not been threatened or coerced into signing this Separation Agreement. Employee further acknowledges that to the extent the Employee signs this Separation Agreement less than 21 days after it was furnished to the Employee, the Employee does so for the Employee's own personal reasons and with an understanding that the Employee could have taken the full 21 days to consider this Separation Agreement.

Waiver and Release. The Employee hereby agrees that the Employee was not already entitled to receive the considerations set forth in Compensation items 1, 2, 3 and 4 above, and in exchange for said items of new consideration the Employee, for the Employee and the Employee's heirs and assigns, hereby WAIVES, RELEASES and FOREVER DISCHARGES any and all claims the Employee may have against the Company, Northeast Bank, Northeast Financial Services, and their owners, directors, officers, employees, agents, successors, affiliates, and assigns, arising out of the Employee's employment, or the termination of said employment, with the Company, including, but not limited to, the waiver and release of (a) any claim for unpaid compensation or bonus, (b) any claim for age discrimination or right arising under the Federal Age Discrimination in Employment Act of 1967, (c) any claim for employment discrimination under the Maine Human Rights Act, (d) any claim for age, sex, disability, racial or other employment discrimination arising under any other State or Federal law, (e) any tort claim, and (f) any claim for wrongful discharge or breach of contract. Employee does not hereby release any right or claim that may arise after the date the Employee executes this Separation Agreement. Employee does not hereby release any rights or benefits Employee has accrued under any retirement or benefit plan.

Covenant Not To Sue. The Employee agrees that the Employee will not commence any legal action or lawsuit in a court, or otherwise assert any legal claim in a court, in violation of the Waiver and Release stated above or on any claim released above. The Employee agrees that if the Employee violates this Covenant Not To Sue or this Agreement, (1) the Employee will forfeit any severance pay or other compensation not already paid to Employee, and (2) the Employee shall be liable for and will pay all costs and expenses, including reasonable attorney's fees, that the Company or any other person may incur in defending against, or otherwise responding to, the Employee's legal claim or action. Nothing in this paragraph shall limit or prevent the Employee from suing to enforce this Agreement, and the Employee shall not be liable for the Employer's expenses or fees in connection with any such suit.

Confidentiality. Employee hereby agrees that the Employee shall keep confidential and not use, sell, or disclose to any person or entity, the following confidential, non-public information of the Company: Company and affiliate financial data and information, personnel information, new product plans, customer lists, customer information, marketing and governmental contacts, marketing plans, vendor and supplier contracts, advertising plans, government relations information, regulatory information, joint ventures, joint venture agreements, and joint venture plans, acquisitions, acquisition agreements, and acquisition plans, mergers, merger agreements, and merger plans, development projects and information, and sales and expense information.

Other Employees. The Employee shall not directly or indirectly persuade, induce or otherwise encourage any other employee of the Company to leave the employ of the Company for any reason, including but not limited to, in order to join, work for, or form any other firm, corporation, partnership, sole proprietorship, association, joint venture, or business entity of any kind engaged in, or to be engaged in the future in, any business which is similar to or competitive with the business now or at any time hereafter engaged in by the Company.

Competition. The Employee may work for or consult with a competitor of the Company or any other business, *provided that* in doing so the Employee shall maintain the confidentiality of the Company's

confidential information and comply with the Confidentiality and Other Employees provisions stated above.

No Disparagement. The parties shall not publicly disparage or criticize each other or any decision made or action taken by either party during the Employee's employment or in connection with the termination of said employment.

No Liability. Each party hereby agrees that by entering into this Separation Agreement the other party does not admit to any wrongdoing, breach of obligation, or liability to the party. Each party hereby expressly denies any liability to the other.

Enforcement. This Separation Agreement shall be governed by the laws of the State of Maine. For any violation by the Employee of the Confidentiality clause or the Other Employees clause (1) the Employee will forfeit any severance pay or other compensation not already paid to Employee, and (2) the Employee will be liable to the Company for damages, reasonable attorney's fees and costs, and equitable relief.

Complete Agreement. This Agreement is the complete agreement between the parties. There are no "side agreements" or other agreements or "understandings" between the parties. Employee hereby acknowledges that the Employee has not relied on any representations, promises, "side agreements," course of dealing, or other agreements of any kind in connection with the decision to enter into this Agreement. Except as provided in this Agreement, any representation, promise, or other agreement which has been made by the Company or its officers or agents to Employee is void and unenforceable.

Revocation. For a period of seven days following the execution by the Employee of this Separation Agreement, Employee may revoke this Agreement. This Separation Agreement shall not become effective or enforceable, and the payments and actions stated above shall not become payable or made, until the revocation period has expired. If this Separation Agreement is not timely revoked, it shall become effective and enforceable on the eighth day after Employee executes it.

WARNING! READ BEFORE SIGNING. THIS IS A LEGALLY BINDING DOCUMENT WHICH MAY NOT BE REVOKED AFTER THE EXPIRATION OF THE REVOCATION PERIOD.

NORTHEAST BANCORP

A. WILLIAM CANNAN

By: /s/ James D. Delamater

By: /s/ A. William Cannan

Dated: January 2, 2002

Dated: January 2, 2002

Press Release

Contact: Jim Delamater, President & CEO
Northeast Bancorp

(NORTHEAST BANCORP) CANNAN RESIGNS AS COO

(Auburn, Me 12/21/01)

Northeast Bancorp announced the resignation of William Cannan as its Chief Operating Officer. Cannan is stepping down after seven years with Northeast and its subsidiary Northeast Bank, to pursue other opportunities. Northeast Bancorp's President and Chief Executive Officer, Jim Delamater will take over as Chief Operating Officer.

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