

NORTHEAST BANCORP /ME/
Form DEF 14A
October 13, 2009
NORTHEAST BANCORP

500 Canal Street

Lewiston, Maine 04240

October 12, 2009

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 Hilton Garden Inn – Auburn River Watch located at 14 Great Falls Plaza, Auburn, Maine 04210 on Tuesday, November 10, 2009, at 11 a.m., local time.

At the Annual Meeting, shareholders will be asked (i) to elect eleven directors as members of the Board of Directors of the Company for a one year term, (ii) to consider and approve an advisory (non-binding) proposal concerning the Company's executive compensation program and (iii) 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 of Shareholders.

Very truly yours,

/s/ James D. Delamater

James D. Delamater

President and Chief Executive Officer

NORTHEAST BANCORP

500 Canal Street

Lewiston, Maine 04240

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on November 10, 2009

TO THE SHAREHOLDERS OF NORTHEAST BANCORP:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of the Shareholders of Northeast Bancorp, a Maine corporation (the "Company"), will be held at the Hilton Garden Inn – Auburn River Watch located at 14 Great Falls Plaza, Auburn, Maine 04210 on Tuesday, November 10, 2009, at 11 a.m., local time, to consider and act on the following matters:

1. Election of eleven directors to serve as members of the Board of Directors of the Company for a one year term; and
2. An advisory (non-binding) proposal concerning the Company's executive compensation program; and
3. Such other business as may properly come before the meeting or any adjournment thereof.

Only shareholders of record at the close of business on September 18, 2009 are entitled to receive notice of, and to vote at, the Annual Meeting or any adjournments thereof. Each shareholder, even though he or she may presently intend to attend the Annual Meeting, is requested to sign and date the accompanying proxy card and return it without delay in the enclosed, postage-paid envelope. Any shareholder present at the Annual Meeting may withdraw his or her proxy and vote in person on each matter brought before the Annual Meeting.

By Order of the Board of Directors

and the President

/s/ Suzanne M. Carney

Suzanne M. Carney

Clerk

Lewiston, Maine

October 12, 2009

NORTHEAST BANCORP

500 Canal Street

Lewiston, Maine 04240

PROXY STATEMENT

2009 ANNUAL MEETING OF SHAREHOLDERS

To Be Held November 10, 2009

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 2009 Annual Meeting of Shareholders to be held on Tuesday, November 10, 2009, at 11 a.m., local time (the "Annual Meeting"), and at any adjournment thereof. The Annual Meeting will be held at the Hilton Garden Inn – Auburn River Watch located at 14 Great Falls Plaza, Auburn, Maine 04210.

At the Annual Meeting, shareholders will be asked to consider and vote on the election of eleven nominees to serve as directors of the Company for a one year term, an advisory (non-binding) proposal concerning the Company's executive compensation program 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 12, 2009.

A copy of the Company's Annual Report to Shareholders for the fiscal year ended June 30, 2009 (the "2009 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 18, 2009 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 and outstanding approximately 2,321,332 shares of common stock, \$1.00 par value per share ("Common Stock"), constituting the Company's only class of voting securities outstanding and 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.

Directors are elected by a plurality of the votes cast at a meeting at 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 will not affect the outcome of the election. Approval of the non-binding proposal concerning the Company's executive compensation program requires the affirmative vote of a majority of the votes cast.

Abstentions and broker non-votes 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, approval of the non-binding proposal concerning the Company's executive compensation program or other matters requiring the approval of a percentage of votes cast at the meeting at which a quorum is present.

Approval of other matters submitted to shareholders at a meeting where a quorum is present requires approval by 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.

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 each of the Board of Directors' nominees for directors and FOR the non-binding proposal concerning the Company's executive compensation program. 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 (but prior to any vote taking place), 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.

Cost of Solicitation

The Company will bear the entire cost of the solicitation of proxies, including the costs of preparing, assembling, printing and mailing this Proxy Statement, the accompanying proxy and any additional material which may be furnished to shareholders. Copies of solicitation material will be furnished to brokerage houses, fiduciaries and custodians to forward to beneficial owners of stock held in the names of such nominees. The Company will reimburse brokers and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to the owners of the Company's Common Stock. In addition to use of the mail, proxies may be solicited by directors, officers and other employees of the Company, without additional compensation, in person or by telephone.

CORPORATE GOVERNANCE

The Board of Directors

The Board of Directors, which is elected by the shareholders, is responsible for the overall management of the business and affairs of the Company. It has the ultimate decision-making authority, except with respect to those matters reserved to the shareholders. The Board and its committees review the Company's long-term strategic plans and exercise direct decision-making authority in a number of areas, such as declaring a dividend. The Board of Directors selects, advises and monitors the performance of the senior management team, which is charged with the conduct of the Company's business and the implementation of the Board's strategic plan. The Board of Directors also reviews development and succession plans for the Company's senior executive officers, as needed.

Corporate Governance Guidelines

The Board of Directors has adopted Corporate Governance Guidelines that govern the structure of the Board of Directors and outline the Board's policies on a number of the Company's corporate governance issues and procedures. These guidelines embody long-standing practices of the Company and also include procedures designed to incorporate current corporate governance best practices. The Company's corporate governance practices are designed to align the interests of the Board and management with those of the Company's shareholders and to promote honesty and integrity throughout the Company. Portions of the Corporate Governance Guidelines are described below and are available as described herein.

Director Qualifications and Independence

Applicable rules of The NASDAQ Stock Market ("NASDAQ"), the exchange on which the Company's Common Stock is listed, and the Corporate Governance Guidelines require that the Board of Directors consist of a majority of independent directors. The Board of Directors determines independence on the basis of standards established by NASDAQ, the Securities and Exchange Commission ("SEC") and other facts and circumstances the Board considers relevant.

The Board of Directors and its Nominating and Corporate Governance Committee (the “Corporate Governance Committee”) evaluate the relationships between each director (or his or her immediate family members and related interests) and the Corporation and its subsidiaries to determine compliance with the NASDAQ independence rules. Based on that review, the Board of Directors has affirmatively determined, upon the recommendation of the Corporate Governance Committee, that every director, other than Messrs. Delamater, Jackson, Schiavi and Lazenby, is independent under these standards.

All directors are required to own at least 1,000 shares of common stock of the Company on or before the second anniversary of their election to the Board. All directors have met this requirement.

Executive Sessions of the Board

As provided in the Corporate Governance Guidelines, the independent directors of the Company will normally meet in executive session at least four times per year following a meeting of the Board of Directors. Since the Chairman of the Board is an independent director, the Chairman serves as the presiding director at these sessions.

Board Attendance and Annual Meeting Policy

It is the Company’s policy that directors should make every effort to attend each meeting of the Board of Directors, each meeting of the committees on which they serve, and the Company’s annual meeting of shareholders. During the fiscal year ended June 30, 2009 (the “2009 fiscal year”), there were 13 meetings of the Board of Directors, and each of the directors attended at least 75% of the meetings of the Board of Directors and committees on which he or she served. All directors attended the 2008 annual meeting of shareholders other than Messrs. Goguen, Schiavi and Rosmarin.

Board Committee Membership and Meetings

The Board of Directors has established various committees to assist the Board in fulfilling its responsibilities. All of the members of the committees are nominated by the Corporate Governance Committee and appointed by the Board of Directors. The Board of Directors had four standing committees during the 2009 fiscal year: Audit Committee, Personnel and Compensation Committee (“Compensation Committee”), Corporate Governance Committee, and Executive Committee. Members of these committees are elected annually at the Board of Directors’ meeting following the annual meeting of shareholders. Each of these committees, except for the Executive Committee, is composed entirely of independent directors and operates under a charter approved by the Board of Directors setting out the purposes and responsibilities of the committee. The committees of the Board of Directors annually review and, as appropriate, revise their respective charters to reflect, among other things, changing regulatory developments. Descriptions of these committees are provided below:

- **Audit Committee.** The audit committee currently consists of four directors, all of whom are independent under the rules and regulations of NASDAQ and the SEC applicable to audit committees.

The Audit Committee reviews the implementation and operation of the Company's audit program and internal controls, and its duties include: (i) 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 its 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; (ii) monitoring the integrity of the consolidated financial statements of the Company; (iii) engaging or discharging of the Company's independent public accountants and pre-approving any non-audit services; (iv) 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; (v) approving the services to be performed by the independent public accountants and giving consideration to the range of the audit and non-audit fees; (vi) establishing procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, and auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and (vii) monitoring the integrity of the Company's internal loan review system.

As a part of its duties, the Audit Committee reviews with management and the independent auditor the annual and quarterly financial statements of the Company, including the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and any material changes in accounting principles or practices used in preparing the financial statements prior to filing of a report on Forms 10-K or 10-Q with the SEC. The Audit Committee reviews annually the scope of the proposed internal audit, external audit, and credit review activities and also reviews the implementation of those activities. The Audit Committee also reviews annually, together with management, the retention of the independent public accountant and the contents and conclusions of the audited financial statements. 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, which is comprised of James P. Day, Conrad L. Ayotte, Ronald J. Goguen and Judith W. Kelley, held five meetings during the 2009 fiscal year. The Board of Directors has determined that Mr. Day, Ms. Kelley and Mr. Ayotte qualify as Audit Committee financial experts. All four Audit Committee members are independent under applicable SEC and NASDAQ independence standards applicable to audit committee membership. The Audit Committee Charter is available on the Company's website at www.northeastbank.com.

- **Compensation Committee.** The Compensation Committee currently consists of four independent directors. The Compensation Committee provides overall guidance with respect to the establishment, maintenance and administration of the Company's compensation policies, programs, and employee benefit plans, including the review and recommendation of the chief executive officer's and other executive officers' compensation. The Compensation Committee also reviews and makes recommendations to the Board of Directors as to the form and amount of compensation for the Company's directors. The Compensation Committee, is comprised of Stephen W. Wight, Judith W. Kelley, John Rosmarin, and Conrad L. Ayotte, who also serves as the Committee's Chair. The Committee held four meetings during the 2009 fiscal year. The Compensation Committee charter is available on the Company's website at www.northeastbank.com.
- **Corporate Governance Committee.** The Corporate Governance Committee currently consists of four independent directors. The Corporate Governance Committee identifies individuals qualified to become board members and recommends to the Board nominees for election of directors, consistent with criteria approved by the Board. In addition, the Corporate Governance Committee recommends to the Board the Company's corporate governance guidelines. The Corporate Governance Committee also leads the Board in its annual self-evaluation and review of individual board member performance and recommends to the Board membership for each Board committee. In the event of a vacancy in the office of the chief executive officer, the Corporate Governance Committee, together with the executive committee, is responsible for recommending a successor to the full Board. The Corporate Governance Committee, which consists of Judith W. Kelley, John Rosmarin, James P. Day, and Stephen W. Wight, held four meetings during the 2009 fiscal year. The Corporate Governance Committee Charter and Governance Guidelines are available on the Company's website at www.northeastbank.com.
- **Executive Committee.** 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, consisting of Judith W. Kelley, James D. Delamater, John Rosmarin, and John H. Schiavi, did not meet during the 2009 fiscal year.

Director Compensation

Directors of the Company also are directors of Northeast Bank (the "Bank"). For fiscal year 2009, each director receives a combined annual retainer from the Company and the Bank in the amount of \$4,000. 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

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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 also receives an additional annual retainer of \$4,000 for services rendered in such capacity. As of August 2007, management directors do not receive compensation for services rendered as directors. See the summary compensation table for directors fees that were paid to management directors.

<u>Name</u>	<u>Annual Retainer (Company and Bank)</u>	<u>Meeting Fees</u>	<u>Committee Fees</u>	<u>Total</u>
Judith W. Kelley.....	\$8,000	\$7,700	\$200	\$15,900
John Rosmarin.....	\$4,000	\$8,400		\$12,400
Conrad L. Ayotte.....	\$4,000	\$8,400	\$200	\$12,600
James P. Day.....	\$4,000	\$8,400	\$400	\$12,800
Ronald J. Goguen.....	\$4,000	\$5,600		\$ 9,600
Philip C. Jackson.....	\$4,000	\$8,400		\$12,400
John C. Orestis.....	\$4,000	\$7,000	\$400	\$11,400
John H. Schiavi.....	\$4,000	\$7,700	\$200	\$11,900
Stephen W. Wight.....	\$4,000	\$8,400	\$200	\$12,600

Beginning in fiscal year 2010, directors will receive \$600 per meeting and \$300 per committee meeting, even if held on the same day. The retainer for directors will continue to be \$4,000, and the retainer for the chairman and vice chairman will be \$9,800 and \$6,100, respectively.

Director Nomination Process

The Corporate Governance Committee generally identifies director candidates through recommendations made by its independent directors, but will consider candidates proposed or suggested by Board members, management, third party search firms retained by the Corporate Governance Committee and shareholders.

The Corporate Governance Committee is responsible for assessing all director candidates and recommending nominees to the Board. Pursuant to the Corporate Governance Guidelines, the Corporate Governance Committee and the Board will select director nominees based on the merit, qualifications, performance and competency of the candidate and the Company's business needs. Candidates must be individuals of the highest character and integrity who possess significant experience or skills that will benefit the Corporation and must be free of conflicts of interest that would interfere with their ability to discharge their duties or violate any applicable laws or regulations. The Board of Directors also believes that its directors ideally should reflect a mix of experience and other qualifications. There is, however, no firm requirement of minimum qualifications or skills that a candidate must possess.

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When evaluating nominees, the composition of the entire Board is taken into account, including the need for a majority of independent directors, the diversity of experience and background represented on the Board, the need for financial, business, academic, public and other expertise on the Board and its committees and the desire for directors working cooperatively to represent the best interests of the Company and its shareholders, customers, communities and employees. Candidates must be willing and able to devote the time necessary to discharge their duties and have the desire to represent and evaluate the interests of the Company as a whole. Also, the assessment of a candidate includes consideration of the number of boards on which he or she serves. A director who has reached the age of 72 cannot be nominated for election to the Board.

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, and such shareholder nominees will be considered by the Corporate Governance Committee. The Articles of Incorporation require that advance notice of such proposed nomination shall be received by the Secretary of the Company not less than thirty (30) days nor more than sixty (60) days prior to any meeting of the shareholders called for the election of the Directors; provided, however, that if fewer than fourteen (14) days' notice of the meeting is given to shareholders, such written notice of a proposed nomination shall be received not later than the close of the tenth day following the day on which the notice of the meeting was mailed to shareholders. Each notice shall set forth (a) the name, age, business address and, if known, residence address of each nominee proposed in such notice, (b) the principal occupation or employment of each such nominee, and (c) the number of shares of stock of the Company which are beneficially owned by each such nominee. The shareholder making the nomination must be present in person or by proxy at the meeting. Shareholder nominations are considered on the same basis as nominations made by the Corporate Governance Committee.

Communications with Directors

The Board of Directors has established a process for shareholders and other interested parties to communicate with the Board or a particular director. A shareholder may send a letter to Northeast Bancorp, Attention: Corporate Clerk, 500 Canal Street, Lewiston, ME 04240. The mailing envelope should contain a clear notation indicating that the enclosed letter is a "Board Communication" or "Director Communication." All such letters should state whether the intended recipients are all members of the Board or just certain specified individual directors. The Corporate Clerk will circulate the communications (with the exception of commercial solicitations) to the appropriate director or directors. Communications marked "Confidential" will be forwarded unopened. A log of all correspondence addressed to the directors will be kept for periodic review by the Corporate Governance Committee and any other interested director.

Code of Ethics

The Board has adopted a Code of Ethics which applies to all of the Company's directors, officers and employees, including its principal executive officer, principal

financial officer and principal accounting officer. The Company is committed to the highest standards of ethical and professional conduct, and the Code of Conduct and Ethics provides guidance in how to uphold these standards. The Code of Ethics consists of basic standards of business practice as well as professional and personal conduct. Any material amendments to, or waivers of, the Code of Ethics (to the extent applicable to the principal executive officer, principal financial officer or principal accounting officer) will be promptly disclosed by the Company. The Corporate Governance Committee has been charged with monitoring, overseeing, and reviewing compliance with the Ethics Code.

PROPOSAL I:

ELECTION OF DIRECTORS

In accordance with the Company’s Articles of Incorporation and bylaws, and based on the recommendation of the Corporate Governance Committee, the Board of Directors has fixed the number of directors to be elected at the Annual Meeting at eleven. All of the Company’s current directors have been nominated for re-election as directors of the Company to hold office until the 2010 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, positions and offices with the Company and the Bank, term of office as a director of the Company, business experience during the past five years, and additional biographical data is set forth below. Information with respect to the nominees is provided as of September 18, 2009, except as otherwise stated.

<u>Name of Nominee</u>	<u>Age</u>	<u>Position with Company (1)</u>	<u>Director Since</u>
Judith W. Kelley.....	53	Chairman of the Board	1994
John Rosmarin.....	61	Vice Chairman of the Board	1997
Conrad L. Ayotte.....	54	Director	2007
James D. Delamater.....	58	President, Chief Executive Officer, and Director	1987
James P. Day.....	49	Director	2003
Ronald J. Goguen.....	64	Director	1990
Philip C. Jackson.....	64	Director	1987
Pender J. Lazenby.....	59	Chief Risk Officer and Director	2003
John C. Orestis.....	66	Director	2007
John H. Schiavi.....	69	Director	1998
Stephen W. Wight.....	65	Director	1987

(1) The board of directors of the Bank is identical to that of the Company.

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

Judith W. Kelley has been the Chairman of the Board of the Company and the Bank since 2002 and has been a director of the Company and the Bank since 1994. Ms. Kelley, a certified management accountant (“CMA”), also is the President of Aqua Maine, Inc., a water utility serving various communities in Maine.

John Rosmarin has been Vice Chairman of the Board of Directors of the Company since 2002 and a director of the Company and the Bank since 1997. Mr. Rosmarin is the President and Chief Executive Officer of Saunders Manufacturing Company, Inc., an office products manufacturer and distributor, a position he has held since 1982.

Conrad L. Ayotte has been Vice President, Treasurer, Chief Financial Officer and Co-owner of JS McCarthy Printers in Augusta, Maine since 2000. Mr. Ayotte has held a variety of senior level positions with successful local businesses in Maine and received public accounting experience with the firms of Price Waterhouse & Company and at Schatz, Fletcher & Associates, CPA’s in Augusta, Maine, where he was a partner. Mr. Ayotte is a Certified Public Accountant and received his undergraduate degree from Thomas College, his Masters of Business from Notre Dame Graduate School of Business and an honorary Doctorate from Thomas College.

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

James P. Day has been a director of the Company and the Bank since April 2003. Mr. Day is, and has been since 2000, the President of LRI, Inc., a real estate development company in Lewiston, Maine. From 1987 to 2000, Mr. Day served as the Treasurer of LRI, Inc. (and its predecessor, Lewiston Raceways, Inc.).

Ronald J. Goguen has been a director of the Company and the Bank since 1990. He is President and Chief Executive Officer of Landdrill International, Inc., a Canadian corporation that provides contract drilling services primarily to companies in the mineral and metals industries. Mr. Goguen also is the President of Royal Oaks Real Estate, Inc. and also of Royal Oaks Golf & Country Club, Inc.

Philip C. Jackson has been a director of the Company and the Bank since 1987. Mr. Jackson also served as the Senior Vice President of the Bank’s Trust Operations since 1997 until his retirement in June 2008. From 1991 to 1994, Mr. Jackson served as President of Bethel Savings, the predecessor to the Bank.

Pender J. Lazenby has been a director of the Company and the Bank since 2003. Further, since February 2005, Mr. Lazenby has served as the Chief Risk Officer and Senior Vice President of Northeast Bank. Before joining the Board of Directors, Mr. Lazenby had served in a variety of positions with FleetBoston (and BankBoston prior to its acquisition in 1999) from 1994 until his retirement at the end of 2002. During this period, Mr. Lazenby served as Executive Credit Officer (1999-2000) and Senior Approval Authority (2001-2002) in Corporate Banking (FleetBoston); Group Senior Credit Officer in Corporate Banking (1998-2000) and in Commercial Real Estate (1994-1998) at BankBoston.

John C. Orestis has been the owner, Treasurer and Chief Development Officer of Schooner Estates Retirement Community in Auburn, Maine since 2006 as well as the President and Chief Executive Officer of North Country Associates in Lewiston, Maine since 1981. Mr. Orestis received his Juris Doctorate from American University and was a senior Partner at Skelton, Taintor, Abbott & Orestis, Attorneys from 1968 to 1987, specializing in business and tax law. Mr. Orestis has served on many government and civic organizations throughout Maine, including the Maine Healthcare Organization and the Maine Economic Growth Council.

John H. 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 board of directors of Major Drilling Group International Inc. based in Moncton, New Brunswick, Canada.

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

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.

The Board of Directors recommends a vote FOR

the election of all eleven nominees.

PROPOSAL II:

ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

As part of the Capital Purchase Program established by the U.S. Department of the Treasury ("Treasury") under the Emergency Economic Stabilization Act of 2008 (the "EESA"), the Company entered into a Letter Agreement (including the Securities Purchase Agreement—Standard Terms incorporated by reference therein, the "Purchase Agreement") with Treasury pursuant to which the Company issued and sold to Treasury (i) 4,227 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock,

Series A, having a liquidation preference of \$1,000 per share (the "Series A Preferred Stock"), and (ii) a ten-year warrant to purchase up to 67,958 shares of the Company's Common Stock, par value \$1 per share (the "common stock") at an initial exercise price of \$9.33 per share (the "Warrant"), for an aggregate purchase price of \$4.227 million in cash. All of the proceeds from the sale of the Series A Preferred Stock and the Warrant will be treated as Tier 1 capital for regulatory purposes.

In connection with the Corporation's voluntary participation in the Treasury's Capital Purchase Program ("CPP"), the Corporation is offering shareholders the opportunity to vote on an advisory (nonbinding) resolution to approve the Company's executive compensation program described in the Executive Compensation section of this proxy statement. The vote was made a condition of the Company's continued participation in the CPP by the American Recovery and Reinvestment Act of 2009 ("ARRA").

As provided under ARRA, this vote will not be binding on the Board or on the Compensation Committee and may not be construed as overruling a decision by the Board of Directors or by the Compensation Committee or create or imply an additional fiduciary duty on the Board. Nor will the vote affect any compensation paid or awarded to any executive. The Compensation Committee and the Board may, however, take into account the outcome of the vote when considering future executive compensation arrangements.

The Board recommends that shareholders approve, in an advisory (non-binding) vote, the following resolution:

RESOLVED, that the shareholders approve the Company's executive compensation program.

THE BOARD 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 fiscal year for the Company's Chief Executive Officer, Chief Financial Officer and for the three other most highly compensated executive officers of the Company or its subsidiaries whose total compensation exceeded \$100,000 for the fiscal year ended June 30, 2009 (collectively, the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

<u>Name and Principal Position</u>	<u>Fiscal Year</u>	<u>Salary</u>	<u>Bonus</u>	<u>Non-equity</u>	<u>Non-qualified</u>	<u>All Other</u>	<u>Total</u>
				<u>Incentive Plan</u>	<u>Deferred</u>		
				<u>Compensation</u>	<u>Compensation</u>	<u>Compensation (1)</u>	<u>Compensation</u>
James D. Delamater.....	2009	\$268,434	\$0	\$15,000	\$42,339	\$12,164	\$337,937
President and Chief Executive Officer	2008	258,707	0	15,000	35,282	14,881	323,870
	2007	240,694	0	0	0	23,148	263,842
	2009	\$146,692	\$0	\$5,000	\$24,321	\$5,433	\$181,446
Robert S. Johnson.....	2008	142,419	0	5,000	20,268	5,305	172,992
	2007	138,271	0	0	0	5,030	143,301
	2009	\$146,692	\$0	\$5,000	\$11,702	\$4,953	\$168,347
Marcel C. Blais.....	2008	142,419	0	5,000	9,751	4,904	162,074
	2007	138,271	0	0	0	4,538	142,839
	2009	\$155,590	\$0	\$5,000	\$32,199	\$5,700	\$198,489
Pender J. Lazenby.....	2008	154,332	0	5,000	26,832	6,559	192,723
	2007	139,392	0	0	0	17,813	156,205
	2009	\$121,849	\$0	\$5,000	\$6,984	\$4,271	\$138,104
Leslie Couper.....	2009	\$121,849	\$0	\$5,000	\$6,984	\$4,271	\$138,104
Northeast Financial	2008	124,067	0	5,000	12,407	4,103	\$145,577