MAINE BUREAU OF FINANCIAL INSTITUTIONS

ORDER APPROVING APPLICATION OF FHB FORMATION LLC, BOSTON, MASSACHUSETTS TO ACQUIRE CONTROL OF NORTHEAST BANCORP, LEWISTON, MAINE

FHB Formation LLC, Boston, Massachusetts ("FHB") filed an application, pursuant to Title 9-B M.R.S.A. Chapter 101, to acquire control of Northeast Bancorp, Lewiston, Maine ("Bancorp") and thereby acquire indirect control of Northeast Bank, Lewiston, Maine ("Bank"). Public notice, as required by Title 9-B M.R.S.A. 252.2(B), was provided by publication, posting on the Bureau's website and mail to interested parties affording them an opportunity to either submit written comments or request a hearing. The Bureau received no comments during the public comment period ending June 19, 2010. Action on the application has been postponed twice at the applicant's request: first, on August 18, 2010 for up to sixty days, or no later than October 18, 2010, and again on October 18 for up to sixty days, or no later than December 17, 2010.

A Principal Bank Examiner of the Maine Bureau of Financial Institutions conducted an investigation of this transaction. All evidence and pertinent material which were considered by the Examiner were also considered by the Superintendent in reaching his decision.

Bancorp is a registered bank holding company whose principal asset is 100% of the stock of Bank, a Maine state-chartered universal bank. Bank, with assets of $610 million and deposits of $382 million, operates ten banking offices in western and south central Maine, a financial center (offering investment, insurance and financial planning services) in Falmouth, Maine, and a loan production office in Portsmouth, New Hampshire. Bank also has a wholly-owned subsidiary, Northeast Bank Insurance Group Inc., which operates 11 insurance offices in Maine and one in New Hampshire.

FHB was formed in early 2009 to raise third-party capital to be invested in a financial institution.[1] Richard Wayne, Claire Bean and Heather Campion (the "Management Group") are FHB's sole members and officers; they also will become the executive officers of Bancorp with Mr. Wayne serving as the CEO and President. FHB has equity commitments totaling $30.1 million from a limited number of accredited investors (the "FHB investors").[2] FHB will purchase for cash, from existing Bancorp shareholders, approximately 40% of Bancorp's outstanding shares and will also purchase for $16 million in cash additional newly issued Bancorp shares. As a result, after the merger the FHB investors will hold, in the aggregate, 60% of Bancorp's common stock and current Bancorp shareholders will hold, in the aggregate, 40% of Bancorp's common stock. The transaction is structured as a merger of FHB with and into

Bancorp with Bancorp as the surviving entity; after the merger FHB will cease to exist. No FHB investor will hold more than 9.99% of any class of voting securities or more than 9.99% of the equity of Bancorp.

The Management Group has developed a business plan that introduces two new lines of business that will be managed and based in Boston: (1) Loan Acquisition and Servicing Group ("LASG") and (2) Online Affinity Deposit Program (the "Affinity Program"). LASG, which will operate as a business unit of the Bank, will (1) primarily purchase, at a discount, performing bank-quality commercial loans secured by real estate and (2) acquire and service performing commercial loans for the benefit of third-party customers. FHB has contracted with several individuals with broad, long-term experience and demonstrated success in this field to oversee LASG operations. The Affinity Program will be a pilot program designed to attract new customers, expand the customer market, generate loyal, long-term deposits and create new charitable giving. While the key personnel for both new business lines will be based in Boston, most of the supporting servicing personnel and activities will be based in Lewiston. Bank's current scope of operations will continue in essentially the same manner, retaining local flexibility and autonomy, and under existing Bank management, who will report to the Management Group.

The Merger Agreement includes a three-year commitment by FHB to support Bancorp's existing local communities, preserve local loan authority of Bank's officers and employees, preserve and use the name "Northeast Bank" for community bank operations in Maine, preserve Bancorp's status as a Maine chartered financial institution with headquarters in its current geographic footprint, and to pursue the business plan using Bancorp as the platform company.

The financial and managerial resources of both Bancorp and FHB are satisfactory. Other statutory factors are consistent with approval and therefore the application of FHB Formation, LLC to acquire control of Northeast Bancorp is approved, subject to the conditions listed on Appendix A.

These conditions are a "condition, imposed in writing, in connection with the approval of any application by the superintendent" within the meaning of Title 9-B M.R.S.A. §231.1(a). As such, the conditions are enforceable under Title 9-B M.R.S.A. §231.1(a).

The transaction shall be completed within one year of the effective date of this Order, unless a written extension is granted by the Superintendent. Any person aggrieved by this Order shall be entitled to a judicial review of the Order in accordance with the Maine Administrative Procedure Act, Title 5, Chapter 375, subchapter VII.

By order of the Superintendent, effective December 17, 2010.

/s/ Lloyd P. LaFountain III
Superintendent
Gardiner, Maine
November 16, 2010

[1] At the time FHB was formed, a target had not been identified. In addition to the three members of the Management Group, two other individuals, Matthew Anestis and Matthew Botein, have been involved with FHB since its inception. While neither is a FHB investor, Mr. Botein is a proposed director and Mr. Anestis will be an advisor to Bancorp.

[2] While the FHB investors were solicited by FHB (either the Management Group and/or Messrs. Anestis and Botein) and some of the investors have a relationship with another investor, the investors are distinct and independent of one another and each has made an independent decision to invest; they are not acting in concert. Accordingly, the FHB investors are not considered a "group" nor should an individual FHB investor's ownership be attributed to, or aggregated with, the interests of any other FHB investor. Therefore, after the merger no individual or group of individuals will control Bancorp.

APPENDIX A

CONDITIONS

1. Bancorp shall inject a minimum of $9.0 million equity in Bank at consummation of the merger.
2. Bancorp shall maintain Tier 1 capital (as defined in Bureau Regulation 27) not less than (a) 10.0% for the first year after consummation of the merger; (b) 9.0% during the second year after consummation of the merger; and (c) 8.5% during the third year after consummation of the merger and thereafter. The Superintendent reserves the right to change, by order or otherwise, the above ratios for determining ongoing capital adequacy as provided for in Bureau Regulation 27.
3. Bank shall maintain Tier 1 capital (as defined in Bureau Regulation 27) not less than (a) 10.0% for the first year after consummation of the merger; (b) 9.0% during the second year after consummation of the merger; and (c) 8.5% during the third year after consummation of the merger and thereafter. The Superintendent reserves the right to change, by order or otherwise, the above ratios for determining ongoing capital adequacy as provided for in Bureau Regulation 27.

4. Bank shall maintain the Total Risk-Based Capital ratio (as defined in 12 CFR §208.41(j)) not less than (a) 15.0% for the first year after consummation of the merger; (b) 14.0% during the second year after consummation of the merger; and (c) 13.5% during the third year after consummation of the merger and thereafter. The Superintendent reserves the right to change, by order or otherwise, the above ratios for determining ongoing capital adequacy as provided for in Bureau Regulation 27.
5. If Bancorp or Bank fails to maintain Tier 1 capital or Total Risk-Based Capital ratios in the minimum amounts specified above in Conditions #2 through #4, Bank shall be deemed to have inadequate capital and the Bureau shall have the authority to take any action authorized by Regulation 27.
6. During the first two years of operations after consummation of the merger, Bancorp or Bank shall not implement any material change or deviation from its operating plan or ownership structure without the prior written approval of the Bureau.
7. During the first two years of operations after consummation of the merger, the Bureau must review and have no objection to any proposed senior executive officer or director of Bancorp or Bank.
8. Purchased loans managed by the Loan Acquisition and Servicing Group shall not exceed 40% of total Bank loans during the first three years after consummation of the merger nor 50% of loans thereafter, without the Bureau's prior written approval.
9. Bank's total commercial real estate loans, as defined in the Interagency Guidance on Concentrations in Commercial Real Estate issued December 12, 2006 (Federal Reserve Supervision and Regulation Letter, SR 07-1, dated January 4, 2007), shall not exceed 300% of Bank's total risk-based capital during the first three years after consummation of the merger.
10. Bank shall submit a written report to the Bureau on the status of the Affinity Deposit Program no later than December 31, 2011.