AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 12, 1999
REGISTRATION STATEMENT NOS. 333- AND 333- -01

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM S-2
REGISTRATION STATEMENT UNDER
THE SECURITIES ACT OF 1933

NBN CAPITAL TRUST
NORTHEAST BANCORP
(Exact Name of Registrants as Specified in Their Charters)

DELAWARE MAINE	[TO BE APPLIED FOR] 65-0624640
(States or Other Jurisdictions of Incorporation or Organization)	(I.R.S. Employer Identification Nos.)

232 CENTER STREET
AUBURN, MAINE 04210
(207) 777-6411
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrants' Principal Executive Offices)

JAMES D. DELAMATER, PRESIDENT
NORTHEAST BANCORP
232 CENTER STREET
AUBURN, MAINE 04210
(207) 777-6411
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent For Service)

COPIES TO:

RICHARD A. DENMON, ESQ. CARLTON, FIELDS, WARD, EMMANUEL, SMITH & CUTLER, P.A. 777 SOUTH HARBOUR ISLAND BOULEVARD TAMPA, FLORIDA 33602	WILLIAM W. BOUTON, III, ESQ. TYLER COOPER & ALCORN, LLP CITY PLACE - 35TH FLOOR HARTFORD, CONNECTICUT 06103

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If the registrant elects to deliver its latest annual report to security holders, or a complete and legible facsimile thereof, pursuant to Item 11(a)(1) of this form, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] .

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE
% Preferred Securities of NBN Capital Trust.....	$12,075,000	$3,356.85
% Junior Subordinated Debentures of Northeast Bancorp.....	(2)	
Guarantee of Northeast Bancorp of certain obligations under the Preferred Securities.....	(3)	

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) promulgated under the Securities Act of 1933, as amended, (the "Securities Act"), exclusive of interest and dividends, if any.
(2) The Junior Subordinated Debentures will be purchased by NBN Capital Trust with the proceeds from the sale of the Preferred Securities. Such securities may later be distributed for no additional consideration to the holders of the Preferred Securities upon dissolution of NBN Capital Trust and the distribution of its assets.
(3) This Registration Statement is deemed to cover the Guarantee. Pursuant to Rule 457(n) under the Securities Act, no separate registration fee is payable for the Guarantee.

The Prospectus contained in this Registration Statement will be used for the offering of the following securities: (1) % Preferred Securities of NBN Capital Trust, (2) % Junior Subordinated Debentures of Northeast Bancorp, and (3) a Guarantee of Northeast Bancorp of certain obligations under the Preferred Securities.

THE REGISTRANTS HEREBY AMEND THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANTS SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.
- ---
- ---

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

SUBJECT TO COMPLETION

PRELIMINARY PROSPECTUS, DATED OCTOBER , 1999

PROSPECTUS

$10,500,000

NBN CAPITAL TRUST
% PREFERRED SECURITIES
FULLY AND UNCONDITIONALLY GUARANTEED AS DESCRIBED IN THIS PROSPECTUS, BY

NORTHEAST BANCORP

NBN Capital Trust is offering preferred securities for sale to the public which Northeast Bancorp will fully and unconditionally guarantee, to the extent described in this prospectus, based on its obligations under a guarantee, a trust agreement, and an indenture.

NORTHEAST BANCORP --

- We are a unitary savings and loan holding corporation that offers a full range of financial and banking services and products to its customers in the state of Maine through our wholly-owned banking subsidiary, Northeast Bank, F.S.B.

- We will purchase all of the common securities of the Trust.

THE TRUST --

- NBN Capital Trust is a Delaware business trust.

- The Trust will sell preferred securities to the public and common securities to Northeast Bancorp. The proceeds will be used to purchase an equal amount of our junior subordinated debentures.

THE PREFERRED SECURITIES --

- The preferred securities represent beneficial interests in the assets of the Trust, which will include the junior subordinated debentures and payments on the junior subordinated debentures.

- Holders of the preferred securities are entitled to receive cumulative cash distributions at an annual rate of % on March 31, June 30, September 30, and December 31 of each year, beginning on December 31, 1999.

- The preferred securities mature on , 2029.

- The Trust may redeem the preferred securities for cash or in exchange for the junior subordinated debentures.

- If we defer interest payments on the junior subordinated debentures, the Trust will defer distributions on the preferred securities.

THE JUNIOR SUBORDINATED DEBENTURES --

- We will sell $ of our % junior subordinated debentures to the Trust.

- The junior subordinated debentures are scheduled to mature on , 2029, but we may shorten this time period.

- We may defer interest payments on the junior subordinated debentures from time to time.

We have applied for listing of the preferred securities on the American Stock Exchange under the trading symbol "NBN.Pr".

INVESTING IN THE PREFERRED SECURITIES INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 11.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NONE OF THE SECURITIES OFFERED BY THIS PROSPECTUS ARE DEPOSITS OR SAVINGS ACCOUNTS OF A BANK, AND THEY ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY OR INSTRUMENTALITY.

	PER PREFERRED SECURITY	TOTAL
Public offering price.....	$10.00	$10,500,000

Underwriting fees (to be paid by Northeast Bancorp).....	$	$
Proceeds to NBN Capital Trust, before expenses.....	$	$

The underwriter also may purchase up to an additional 157,500 preferred securities at the public offering price within 30 days after the date of this prospectus to cover any over-allotments.

The Trust expects the preferred securities to be ready for delivery in book entry only form through the Depository Trust Company on or about , 1999.

ADVEST, INC.

THE DATE OF THIS PROSPECTUS IS OCTOBER , 1999

[INSERT GRAPHIC PRESENTATION]

TABLE OF CONTENTS

A NOTE ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, such as statements relating to our financial condition, results of operations, plans, objectives, future performance and business operations. These statements relate to expectations concerning matters that are not historical fact. These forward-looking statements are typically identified by words or phrases such as "believes" , "expects", "anticipates", "plans", "estimates", "approximately", "intend", and other similar words and phrases, or future or conditional verbs such as "will", "should", "would", "could", and "may". These forward-looking statements are based largely on our expectations and involve inherent risks and uncertainties. Although we believe our expectations are based on reasonable assumptions, a number of important factors could cause actual results to differ materially from those in the forward-looking statements. Some factors include those described under "Risk Factors" and the following:

- general economic conditions, either nationally or in Maine, may be less favorable than expected, resulting in, among other things, a deterioration in credit quality or a decreased demand for our services and products;

- changes in the interest rate environment which could reduce our margins and increase defaults in our loan portfolio;

- a significant increase in competitive pressures in the banking or financial services industry;

- changes in political conditions or in the legislative or regulatory environment which adversely affect the businesses in which we will be engaged or limit the payment of dividends by us or the Bank;

- changes occurring in consumer spending, saving, and borrowing habits;

- changes in accounting policies and practices, as may be adopted by regulatory agencies as well as the Financial Accounting Standards Board;

- changes in technology and challenges associated with Year 2000 issues;

- changes in trade, tax, monetary or fiscal policies; and

- money market and monetary fluctuations, and changes in inflation and in the securities markets.

Many of these factors are beyond our control and you should read carefully the factors described in the "Risk Factors" section beginning on page 11 of this prospectus.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. This summary is not complete and may not contain all of the information that is important to you. You should carefully read this prospectus and the information that is incorporated by reference into this prospectus, in their entirety, before you decide to invest in the preferred securities.

NORTHEAST BANCORP

GENERAL

Northeast Bancorp is a unitary savings and loan holding company, incorporated under the laws of the State of Maine in 1987. Northeast Bancorp, through its subsidiary, is a full service financial institution able to deliver a broad array of financial services and products to our customers. We originate residential real estate loans, commercial real estate and business loans, and consumer loans, primarily in the State of Maine, through our principal subsidiary, Northeast Bank, F.S.B. We also purchase wholesale residential loans from third parties and make other permitted investments. Our Bank's trust department offers trust services, including administration of retirement plans such as profit sharing, pension, and 401(k) plans. Further, financial planning, investment, and insurance products are provided to customers by Northeast Financial Services Corporation, a subsidiary of the Bank. In this regard, Northeast Financial Services Corporation provides brokerage services to our customers through an arrangement with Commonwealth Equity Services, Inc., a New York securities firm, and uses relationships with several insurance companies and agencies in order to provide access to a full range of insurance products for our customers. We serve our customers from 12 full service retail banking branches located in Auburn, Lewiston, Augusta, Bethel, Harrison, South Paris, Buckfield, Mechanic Falls, Brunswick, Richmond and Lisbon Falls, Maine. The Bank also maintains a facility in Falmouth, Maine from which it accepts loan applications and offers investment, insurance, and financial planning products. As of June 30, 1999, we had total consolidated assets of approximately $364.4 million, deposits of $219.4 million, and stockholders' equity of $26.7 million.

The Bank:

- is a federally-chartered savings bank and is subject to examination and comprehensive regulation by the Office of Thrift Supervision;

- is a member of the Federal Home Loan Bank of Boston;

- has deposits which are insured by the Federal Deposit Insurance Corporation to the extent permitted by law;

- was formerly known as Bethel Savings Bank F.S.B. and was originally organized in 1872 as a Maine-chartered mutual savings bank; and

- converted into a federal savings bank in fiscal 1984, and in 1987 restructured into a stock form of ownership.

In 1991 we purchased Brunswick Federal Savings, F.A. and in 1996 merged Bethel and Brunswick. Bethel was the surviving savings bank and its name was changed to Northeast Bank, F.S.B.

The Bank currently offers its customers access to a broad range of financial services and products including: (a) real estate, commercial, and consumer loans, (b) deposit and investment services, (c) trust services, (d) debit cards, (e) electronic transfer services, and (f) other related products. In addition, through relationships and arrangements developed by us, we are able to provide our customers with access to insurance products, brokerage services, and ATMs. Historically, the Bank has served primarily as a residential mortgage lender and its business has mainly consisted of attracting deposits from the general public through its retail banking offices and utilizing those funds primarily for loans. In particular, the Bank has applied these funds to originate, retain, service, invest in, and sell first mortgage loans on single and multi-family residential

real estate. In recent years, the Bank has expanded its efforts in the consumer, small business, home equity, and commercial lending areas, including indirect lending through local automobile dealerships.

STRATEGY

Northeast Bancorp's overall strategy is to increase the core earnings of the Bank by developing stronger interest margins, improving non-interest fee income, and increasing the volume of banking products and services through the expansion of the Bank's market areas. To this end, the Bank seeks to be an all-inclusive financial center able to provide its customers with nearly every financial service and product that they may require. Specifically, the Bank provides personalized financial planning services to assist its clients in assessing their financial needs. After determining the customers' financial needs, we provide the financial products or services which most beneficially meet those needs. We believe that the ability to provide such personalized service and advice will be one of the primary bases on which financial institutions will compete for business in the future. As a result, over the past few years the Bank has invested a substantial amount of resources in developing its ability to offer a high level of personalized service with an emphasis on financial planning and delivery of financial advisory services responsive to a broad range of customer needs.

We believe that our emphasis on personalized financial planning and advice, together with the local character of the Bank's business and its "community bank" management philosophy will allow it to continue to compete effectively in its market area. The Bank's community bank approach provides its customers at each branch location with:

- local decision-making authority,

- employees who are familiar with the customers' needs, their business environment, and competitive demands, and

- employees who are able to develop and customize personalized financial solutions to the customer's needs on a turn-key basis.

We believe that our strategy of providing "one-stop shopping" for our customers' financial needs, together with our community bank approach, will continue to foster the development of profitable long-term banking relationships between the Bank and its customers.

Our principal executive offices are located at 232 Center Street, Auburn, Maine, 04210, and our telephone number is (207) 777-6411.

NBN CAPITAL TRUST

NBN Capital Trust is a Delaware statutory business trust that we created for the limited purpose of:

- issuing its preferred securities and the common securities;

- investing the proceeds that it receives from issuing the preferred securities and the common securities in an equivalent amount of junior subordinated debentures issued by us; and

- engaging only in those activities related to the activities described above.

The Trust will issue all of the preferred securities to the purchasers in this offering. We will purchase all of the common securities. The common securities will represent an aggregate liquidation amount equal to at least 3% of the total capital of the Trust.

The junior subordinated debentures will be the only assets of the Trust, and payments under the junior subordinated debentures will be the only revenue of the Trust.

The Trust will be governed by a trust agreement among us, as depositor, Bankers Trust (Delaware), as Delaware trustee, and Bankers Trust Company, as property trustee. The Trust will continue in existence for 31 years unless it is dissolved earlier under the terms of the trust agreement.

The principal executive offices of the Trust is c/o Northeast Bancorp at 232 Center Street, Auburn, Maine 04210, and its telephone number is (207) 777-6411.

THE OFFERING

The Issuer.....	NBN Capital Trust, a Delaware statutory business trust.
The Securities Being Offered.....	1,050,000 preferred securities having a liquidation amount of $10 per preferred security. The preferred securities represent preferred undivided beneficial interests in the assets of the Trust, which will consist solely of the junior subordinated debentures. We will guarantee payments on the preferred securities to the extent of funds in the Trust. The Trust has granted the underwriter an option, exercisable within 30 days after the date of this prospectus, to purchase up to an additional 157,500 preferred securities at the initial offering price, solely to cover over-allotments, if any.
The Offering Price.....	$10 per preferred security, plus accrued distributions, if any, from , 1999.
The Payment of Distributions.....	The Trust will pay distributions to you on each preferred security at an annual rate of %. The distributions will be cumulative, will accumulate from , 1999 (the date that the preferred securities are issued), and will be payable in arrears at the end of each calendar quarter, commencing , 1999.
Junior Subordinated Debentures.....	The Trust will invest the proceeds from the issuance of the preferred securities and the common securities in an equivalent amount of our % junior subordinated debentures. The junior subordinated debentures are scheduled to mature on , 2029, unless we shorten the maturity date. We will not shorten the maturity date unless we have first received any required regulatory approvals.
We Have the Option to Extend the Interest Payment Period...	At any time we are not in default under the junior subordinated debentures, we may defer payments of interest on the junior subordinated debentures for up to 20 consecutive quarters, but not beyond their stated maturity date. If we defer payment on the junior subordinated debentures, the Trust will defer quarterly distributions on the preferred securities. Deferred quarterly distributions will continue to accumulate additional distributions at an annual rate of % compounded quarterly. During any period that we are deferring interest payments, we may not declare or pay any cash distributions on our capital stock or debt securities that are of equal or lower rank than the junior subordinated debentures. After the end of any period in which we defer interest payments, we may again defer payments if we have paid all the previously deferred and current interest due under the junior subordinate debentures. If we defer interest payments, you will be required to include deferred interest income in your gross income for United States federal income tax purposes even if you have not yet received your cash distribution from such deferred interest payments.
Redemption of the Preferred Securities.....	The Trust must redeem the preferred securities when payment is made on the junior subordinated debentures on their scheduled

	maturity date, or following any earlier redemption of the junior subordinated debentures. Subject to any regulatory approvals that may then be required, we may redeem the junior subordinated debentures prior to their scheduled maturity (1) in whole or in part at any time on or after , 2004, or (2) in whole, but not in part, within 90 days after: - certain tax events occur or become likely to occur; - the Trust is or becomes likely to be deemed an investment company; or - there is a change in the capital treatment of the preferred securities under applicable banking regulations. Following the repayment of the junior subordinated debentures at their scheduled maturity or upon any earlier redemption, we will use the cash proceeds from such repayment to pay to you a liquidation amount for the preferred securities. The liquidation amount that you will receive will be $10 per preferred security plus any accrued and unpaid distributions through the date of redemption.
How the Securities Will Rank in Right of Payment.....	- The preferred securities will rank equally with the common securities. The Trust will pay distributions on the preferred securities and the common securities pro rata. However, if we default on the junior subordinated debentures by failing to make interest payments, then no distributions will be paid on the common securities until all accumulated and unpaid distributions on the preferred securities have been paid. - Our obligations under the junior subordinated debentures and the guarantee are unsecured and generally will rank junior in priority to our senior and other subordinated indebtedness. - Because we are a holding company, the junior subordinated debentures and the guarantee will effectively be subordinated to all existing and future liabilities and obligations of our subsidiaries.
The Junior Subordinated Debentures May Be Distributed to You.....	Under certain circumstances, we may dissolve the Trust after obtaining any necessary regulatory approvals. If we dissolve the Trust, after satisfaction of any of the Trust's liabilities to creditors, the Trust will distribute your pro rata share of the junior subordinated debentures to you in liquidation of the Trust.
Our Guarantee of Payments.....	We will fully and unconditionally guarantee the obligations of the preferred securities through the following: - our obligation to make payments on the junior subordinated debentures; - our obligations under the guarantee executed for the benefit of the holders of the preferred securities; and - our obligations under the trust agreement.

	If we do not make payments under the junior subordinated debentures, the Trust will not have sufficient funds to make payments on the preferred securities. The guarantee does not cover payments when the Trust does not have sufficient funds.
Voting Rights.....	You will have no voting rights except in limited circumstances.
Use of Proceeds.....	The Issuer will invest all of the proceeds from the sale of the preferred securities and the common securities in our junior subordinated debentures. We intend to use the net proceeds from the sale of our junior subordinated debentures to: - Make contributions to the capital of the Bank to support the capital needs of the Bank and its subsidiary, - Finance possible future acquisitions if, and when, suitable opportunities arise, and - Fund any potential repurchase of our common stock.
ERISA Considerations.....	You must carefully consider the information set forth under "Certain ERISA Considerations."
AMEX Trading Symbol.....	We have applied to have the preferred securities approved for listing on the American Stock Exchange under the symbol "NBN.Pr."
Book-entry.....	The preferred securities will be represented by a global security that will be deposited with and registered in the name of the Depository Trust Company, New York, New York, or its nominee. This means that you will not receive a certificate for your preferred securities.

RISK FACTORS

Before purchasing the preferred securities offered by this prospectus you should carefully consider the "Risk Factors" beginning on page 11.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The following is our selected financial information. You should read this selected financial information in conjunction with our consolidated financial statements and the related notes that begin on page F-1. This information has been restated to include our acquisition of Cushnoc Bank & Trust in 1997 accounted for as a pooling of interests.

NORTHEAST BANCORP	AT OR FOR THE YEAR ENDED JUNE 30, 1999	1998	1997	1996	1995
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA AND RATIOS)				
SELECTED OPERATIONS DATA:					
Interest income	$ 26,857	$ 24,283	$ 21,936	$ 20,105	$ 18,953
Interest expense	14,550	12,810	11,291	10,087	8,841
Net interest income	12,307	11,473	10,645	10,018	10,112
Provision for loan losses	610	706	614	639	691
Other operating income(1)	2,621	2,384	1,827	1,909	1,760
Net securities gains	95	288	259	279	419
Other operating expenses(2)	10,570	9,732	9,718	9,536	9,093
Income before income taxes	3,843	3,707	2,399	2,031	2,507
Income tax expense	1,433	1,303	909	738	878
Net Income	$ 2,410	$ 2,404	$ 1,490	$ 1,293	$ 1,629
CONSOLIDATED PER SHARE DATA(3):					
Net income:					
Basic	$ 0.88	$ 1.00	$ 0.63	$ 0.56	$ 0.77
Diluted	$ 0.86	$ 0.86	$ 0.56	$ 0.50	$ 0.66
Cash dividends	$ 0.21	$ 0.21	$ 0.21	$ 0.16	$ 0.11
SELECTED BALANCE SHEET DATA:					
Total assets	$364,383	$322,533	$284,077	$244,782	$231,856
Loans receivable	318,986	282,031	222,682	187,210	187,777
Deposits	219,364	184,024	172,921	164,855	168,682
Borrowings	104,569	105,433	81,793	54,140	38,274
Total stockholders' equity	26,683	25,140	22,096	20,364	19,388
PERFORMANCE RATIOS:					
Return on average assets	0.71%	0.83%	0.57%	0.55%	0.71%
Return on average equity	9.18	10.35	7.05	6.31	8.81
Average equity to average total assets	7.73	7.99	8.09	8.67	8.10
Efficiency ratio(4)	70.36	68.80	76.33	78.13	73.98
Net interest margin	3.30	3.63	3.83	4.04	4.28
Common dividend payout ratio(3)	24.42	24.42	37.50	32.00	16.67
ASSET QUALITY RATIOS:					
Allowance for loan losses to total loans	0.92	1.06	1.23	1.47	1.41
Allowance for loan losses to non-performing loans	255.59	132.47	95.18	86.77	100.15
Net charge-offs to average loans	0.23	0.20	0.32	0.29	0.42
RATIOS OF EARNINGS TO FIXED CHARGES(5):					
Excluding interest on deposits	165.47	170.97	157.28	174.15	194.50
Including interest on deposits	126.41	128.94	121.25	120.13	128.36

- ---------------

(1) Includes fees for services to customers, gains on sales of loans, and other income.
(2) Includes salaries, employee benefits, occupancy, equipment, and other expenses.
(3) Per share data includes restatement to reflect (a) a 100% stock dividend paid in December 1995, (b) a 50% stock dividend paid in 1997, and (c) adoption of FASB No. 128 "Earnings Per Share" and its retroactive application to periods prior to and including 1997. In 1999, the decrease in basic net income per share was primarily attributable to the conversion of outstanding preferred stock into common stock.
(4) Non-interest expense divided by net interest income plus non-interest income.
(5) The consolidated ratio of earnings to fixed charges has been computed by dividing income before income taxes and fixed charges by fixed charges. Fixed charges represent all interest expense (ratios are presented both excluding and including interest on deposits). There was no amortization of notes expense nor was any portion of net rental expense deemed to be equivalent to interest on debt. Interest expense (other than on deposits) includes interest on notes, federal funds purchased, securities sold under agreements to repurchase, and Federal Home Loan Bank advances.

RISK FACTORS

You should carefully review and consider the following risks as well as other information contained in this prospectus before you decide to purchase the preferred securities. To the extent any of the information contained in this prospectus constitutes forward-looking information, the risk factors set forth below are cautionary statements identifying important factors that could cause Northeast Bancorp's actual results for various financial reporting periods to differ materially from those expressed in any forward-looking statements made by or on behalf of Northeast Bancorp or the Trust.

RISK FACTORS RELATING TO THE PREFERRED SECURITIES

IF WE DO NOT MAKE PAYMENTS ON THE JUNIOR SUBORDINATED DEBENTURES, THE TRUST WILL NOT BE ABLE TO MAKE PAYMENTS TO YOU UNDER THE PREFERRED SECURITIES.

The Trust will depend solely on our payments under the junior subordinated debentures to pay the amounts due to you under the preferred securities. We are a holding company and we conduct substantially all of our operations through the Bank. Because we are a separate legal entity from the Bank and do not have significant operations of our own, our ability to make our payments on the junior subordinated debentures will depend principally on any dividends we receive from the Bank and on our cash and liquid investments.

OUR OBLIGATIONS UNDER THE GUARANTEE AND THE JUNIOR SUBORDINATED DEBENTURES ARE SUBORDINATE TO MOST OF OUR OTHER CREDITORS.

Our obligations under the guarantee and the junior subordinated debentures are unsecured and subordinate in right of payment to all of our existing and future senior debt. This means that in an event of bankruptcy, liquidation, reorganization, or dissolution, our assets must be used to pay off our senior debt in full before any payments may be made on the junior subordinated debentures or the guarantee. Because we are a holding company, the creditors of our subsidiaries also will have priority over us and you in any distribution of the subsidiaries' assets in a bankruptcy, liquidation, reorganization, or dissolution, except to the extent that we are recognized as a creditor of our subsidiaries. The junior subordinated debentures will be effectively subordinated to all existing and future liabilities of our subsidiaries, and you should look only to our assets for payments on the junior subordinated debentures.

At June 30, 1999, our subsidiaries had outstanding debt and other liabilities, including deposits, of approximately $337.7 million. Our ability to incur additional senior debt is not limited by the indenture pursuant to which the junior subordinated debentures will be issued, the guarantee, or the declaration of trust which created the Trust.

WE HAVE THE ABILITY TO DEFER INTEREST PAYMENTS ON THE JUNIOR SUBORDINATED DEBENTURES AND ANY SUCH DEFERRAL MAY HAVE ADVERSE CONSEQUENCES FOR YOU.

So long as we are not in default under the junior subordinated debentures, we have the right to defer the payment of interest on the junior subordinated debentures at any time or from time to time for a period not exceeding 20 consecutive quarters. No deferral, however, may extend beyond the stated maturity date of the junior subordinated debentures.

Because interest payments on the junior subordinated debentures will fund distributions on the preferred securities, the Trust will defer quarterly payments on the preferred securities during any period that we defer the payment of interest on the junior subordinated debentures. Distributions on the preferred securities will accumulate during any deferral period at an annual rate of % compounded quarterly from the relevant distribution date.

If we defer interest payments on the junior subordinated debentures, you will be required to accrue interest income for United States federal income tax purposes in respect of your proportionate share of the deferred interest on the junior subordinated debentures held by the Trust. As a result, you would be required to include the accrued interest in your gross income for United States federal income tax purposes before you

actually receive any cash attributable to that income. If you sell your preferred securities prior to the record date for the first distribution after a deferral period, you would not receive the cash related to the accrued interest that you reported for tax purposes. In addition, during a deferral period your tax basis in the preferred securities will increase by the amount of accrued but unpaid distributions. If you sell your preferred securities during a deferral period, your increased tax basis will decrease the amount of capital gain or increase the amount of capital loss that you may have otherwise realized on the sale. A capital loss, except in limited circumstances, cannot be applied to offset ordinary income. As a result, a deferral of distributions could result in ordinary income, a related tax liability for the holder, and a capital loss that can only be used to offset a capital gain.

We do not currently intend to exercise our right to defer paying interest on the junior subordinated debentures. However, if we should decide to defer paying interest in the future, the market price of the preferred securities is likely to be adversely affected. Even if we do not do so, our right to defer interest payments could mean that the market price of the preferred securities may be more volatile than the market price of other securities without interest deferral rights.

THE PREFERRED SECURITIES MAY BE REDEEMED PRIOR TO MATURITY; YOU MAY BE TAXED ON THE PROCEEDS AND YOU MAY BE UNABLE TO REINVEST THE PROCEEDS AT THE SAME OR A HIGHER RATE OF RETURN.

We may redeem the junior subordinated debentures before their stated maturity date under the following circumstances:

- We may redeem all of the junior subordinated debentures in whole, but not in part, within 90 days following the occurrence of certain special events relating to changes in the tax law, the Investment Company Act of 1940, or the treatment of the preferred securities for bank regulatory capital purposes.

  You should be aware that Congress has from time to time considered and in the future may enact legislation that would adversely affect our ability to deduct the interest we pay on the junior subordinated debentures or that otherwise results in unfavorable tax consequences for us or the Trust. This legislation may cause us to redeem the junior subordinated debentures.

- We also may shorten the maturity date of the junior subordinated debentures to a date not earlier than , 2004.

We will not exercise our redemption right unless we have received prior regulatory approval, if such approval is then required. If we redeem the junior subordinated debentures, the Trust must use the proceeds to redeem all the preferred securities at a redemption price equal to the $10 liquidation amount, plus accumulated and unpaid distributions through the redemption date.

Under current United States federal income tax law, the redemption of the preferred securities would be a taxable event to you. In addition, you may not be able to reinvest the money you receive in the redemption at a rate that is equal to or higher than the rate of return you were earning on the preferred securities.

THE GUARANTEE COVERS PAYMENTS ONLY IF THE TRUST HAS THE CASH AVAILABLE.

If we do not make our principal or interest payments on the junior subordinated debentures, the Trust will not have sufficient funds to pay distributions on, or the $10 liquidation amount of, the preferred securities. In that case you will not be able to rely on the guarantee for payment of those amounts because the guarantee only applies if we make a payment of principal or interest on the junior subordinated debentures. Instead, you or the property trustee, Bankers Trust Company, may have to proceed directly against us to enforce the payment of amounts due under the junior subordinated debentures.

YOU MAY NOT BE ABLE TO ENFORCE YOUR RIGHTS AGAINST US DIRECTLY IF AN EVENT OF DEFAULT OCCURS AND YOU MAY HAVE TO RELY ON THE PROPERTY TRUSTEE TO ENFORCE YOUR RIGHTS.

You are not always able to directly enforce rights against us if an event of default occurs. If an event of default under the junior subordinated debentures occurs and is continuing, that event also will be an event of

default under the preferred securities. In that case, you would rely on the property trustee, as the holder of the junior subordinated debentures, to enforce its rights against us.

You may only sue us directly under the following circumstances:

- if the holders of at least 25% in liquidation amount of the preferred securities direct the property trustee to enforce its rights under the indenture but it does not enforce its rights as directed, and holders of a majority in liquidation amount do not direct the trustee differently.

- if the event of default under the trust agreement occurs because of our failure to pay interest or principal on the junior subordinated debentures, you may sue us directly.

The trust agreement provides that you agree to the provisions of the guarantee and the indenture relating to the junior subordinated debentures by accepting your preferred securities.

THE HOLDERS OF THE PREFERRED SECURITIES AND THE JUNIOR SUBORDINATED DEBENTURES ARE NOT PROTECTED BY COVENANTS IN THE INDENTURE AND THE TRUST AGREEMENT.

The indenture, which sets forth the terms of the junior subordinated debentures, contains few covenants restricting our actions, and there are no such covenants in the trust agreement, the document which sets forth the terms of the preferred securities and the common securities. As a result, neither the indenture nor the trust agreement:

- protects you or the Trust in the event of a material adverse change in our financial condition or results of operations,

- limits our ability or the ability of any of our subsidiaries to incur or assume additional indebtedness or other obligations, or

- contains any financial ratios or specified levels of liquidity to which we must adhere.

Therefore, you should not consider the provisions of these governing instruments a significant factor in evaluating whether we will be able to comply or will comply with our obligations under the junior subordinated debentures or the guarantee.

WE CAN DISSOLVE THE TRUST AND DISTRIBUTE THE JUNIOR SUBORDINATED DEBENTURES TO HOLDERS OF THE PREFERRED SECURITIES, AND THE JUNIOR SUBORDINATED DEBENTURES MAY TRADE AT A LOWER PRICE THAN WHAT YOU PAID FOR THE PREFERRED SECURITIES.

Since we hold all of the common securities, we have the right to dissolve the Trust prior to its expiration, either as a result of the occurrence of adverse tax or regulatory events or at our option. Before exercising this right, we must receive all required regulatory approvals, if any such approvals are then required. If we decide to exercise our right to dissolve the Trust, subject to the terms of the trust agreement and the prior satisfaction of the Trust's liabilities to its creditors, the trustees may distribute the junior subordinated debentures to holders of the preferred securities.

We cannot predict the market prices for the junior subordinated debentures that may be distributed. Accordingly, the junior subordinated debentures that you receive upon a distribution, or the preferred securities you hold pending the distribution, may trade at a lower price than what you paid to purchase the preferred securities.

Under current United States federal income tax law, a distribution of junior subordinated debentures upon the termination of the Trust generally would not be taxable to you. If, however, the Trust is characterized as an association taxable as a corporation at the time of its liquidation, the distribution of the junior subordinated debentures would be taxable to you. Moreover, upon occurrence of an adverse change in tax laws, a dissolution of the trust in which you receive cash may be taxable to you.

Because the Trust will rely on the payments it receives on the junior subordinated debentures to fund all payments on the preferred securities and because you may receive junior subordinated debentures in

exchange for preferred securities, you also are making an investment decision with regard to the junior subordinated debentures as well as the preferred securities. You should carefully review all the information included in this prospectus regarding Northeast Bancorp, which is solely responsible for payments on the junior subordinated debentures. We also urge you to review the terms of the junior subordinated debentures and the preferred securities contained in this prospectus.

WE GENERALLY WILL CONTROL THE TRUST BECAUSE THE VOTING RIGHTS OF THE HOLDERS OF THE PREFERRED SECURITIES ARE VERY LIMITED.

You will have no voting rights in the Trust except in limited circumstances relating only to the modification of the preferred securities and the guarantee and the exercise of the Trust's rights as holder of the junior subordinated debentures. In general, you will not be able to elect, remove, or replace any trustees. As the sole holder of the common securities, only we will have such rights. The trust agreement does provide that the holders of a majority in liquidation amount of preferred securities may remove the trustees (a) for cause, or (b) if there is an event of default under the indenture. We and the property trustee may amend the trust agreement without your consent to ensure that the Trust will not be classified as a corporation for United States federal income tax purposes, or to ensure that the Trust will not be required to register as an investment company under the Investment Company Act, even if such action adversely affects your interests.

AN ACTIVE TRADING MARKET FOR THE PREFERRED SECURITIES MAY NOT DEVELOP OR BE MAINTAINED.

Although we have applied for listing of the preferred securities on the American Stock Exchange, there is no current public market for the preferred securities. We cannot assure you that the preferred securities, if approved for listing, will continue to be listed on the American Stock Exchange or any other stock exchange or inter-dealer quotation system. In addition, a listing does not guarantee that an established and liquid trading market will develop or, if developed, will be maintained or sustained following the issuance of the preferred securities. The underwriter has informed the Trust and us that it intends to make a market in the preferred securities. However, the underwriter is not obligated to do so and may discontinue such market making activity at any time without notice. Accordingly, you may experience difficulty reselling the preferred securities or may be unable to sell them at all. Even if an active trading market does develop, there is no guarantee that the market price for the preferred securities will equal or exceed the price that you paid for the preferred securities. Prices will be determined in the marketplace and may be influenced by a variety of factors, including many which are outside of our control.

THE RECEIPT OF DISTRIBUTIONS ON THE PREFERRED SECURITIES WILL BE AFFECTED BY THE PREFERRED SECURITIES BEING REPRESENTED BY A GLOBAL CERTIFICATE.

The preferred securities will be represented by one or more global certificates registered in the name of the Depository Trust Company or its nominees. The Trust's obligations, as well as the obligations of its trustees and those of any third parties employed by the Trust or the trustees, run only to persons who are registered as holders of the preferred securities. For example, once the Trust makes distributions to the registered holder, the Trust has no further responsibility for the distribution even if that holder is legally required to pass that distribution along to you -- as an indirect holder -- but does not do so. As an indirect holder, your rights relating to a global preferred security will be governed by the account rules of your financial institution and of the Depository Trust Company, as well as general laws relating to securities transfers.

You should be aware that when the Trust issues preferred securities in the form of a global preferred security:

- you cannot have the preferred securities registered in your name;
- you cannot receive physical certificates for your interest in the preferred securities;
- you must look to your bank or brokerage firm for payments on the preferred securities and protection of your legal rights relating to the preferred securities; and

- the Depository Trust Company's policies will govern payments, transfers, exchanges, and other matters relating to your interest in the global preferred securities. The Trust and its trustees have no responsibility for any aspect of the actions of the Depository Trust Company or for its records of ownership interests in the global preferred securities. The Trust and its trustees do not supervise the Depository Trust Company in any way.

NEITHER THE PREFERRED SECURITIES NOR THE JUNIOR SUBORDINATED DEBENTURES ARE INSURED.

Neither the Federal Deposit Insurance Corporation or any other governmental agency, nor any private insurer, has insured the preferred securities or the junior subordinated debentures.

RISK FACTORS RELATING TO NORTHEAST BANCORP AND ITS INDUSTRY

CHANGES IN MARKET INTEREST RATES MAY ADVERSELY AFFECT OUR PERFORMANCE.

Most of our assets and liabilities are monetary in nature and subject us to significant risks from changes in interest rates. Changes in interest rates can impact our net interest income as well as the valuation of our assets and liabilities.

Our profitability depends to a large extent on our net interest income. Net interest income is the difference between:

- interest income on interest-earning assets, such as loans and investments, and

- interest expense on interest-bearing liabilities, such as deposits, borrowings, and other sources of funds.

This difference is referred to as the interest rate spread. Like most financial institutions, our results of operations are largely impacted by changes in interest rates and our ability to manage interest rate risks. Changes in market interest rates, or changes in the relationships between short-term and long-term market interest rates, or changes in the relationships between different interest rate indices, can affect the interest rates charged on interest-earning assets differently than the interest rates paid on interest-bearing liabilities. This difference could result in an increase in interest expense relative to interest income, or a decrease in our interest rate spread. In recent years, interest rate spreads at financial institutions, including ours, have narrowed due to changing market conditions and competitive pricing pressures.

We cannot predict or control changes in interest rates. Regional and local economic conditions and policies of regulatory authorities, including the monetary policies of the Federal Reserve Board, affect interest rates and influence interest rate spreads. While we continually take measures to mitigate the impact of changes in market interest rates, we cannot assure you that we will be successful. Despite our strategies to manage interest rate risks, changes in interest rates can still have a material adverse impact on our profitability.

OUR CONCENTRATION IN REAL ESTATE LOANS COULD ADVERSELY AFFECT OUR PERFORMANCE.

Based on the composition of our loan portfolio and the nature of our assets, a decline in the real estate markets in which we conduct our business or in the economy generally could have a material adverse affect on our operations. At June 30, 1999, approximately 58% of the loans in our loan portfolio were secured by mortgages on 1 - 4 family residential real estate. Furthermore, approximately 73% of the principal amount of such loans were secured by properties located in the State of Maine. Additionally, the Bank has originated home equity and mobile home consumer loans, most of which relate to mobile homes and properties also located in the State of Maine. A decline in the real estate market could have an adverse impact on the ability of our mortgage lending operations to make loans, and a decline in real estate values in Maine may increase the risk of loan defaults.

In addition, at June 30, 1999, approximately 17% of the principal amount of our loans were secured by commercial real estate. Commercial real estate loans generally present a higher level of risk than loans secured by one-to-four family residences due to the concentration of principal in a limited number of loans

and borrowers, the effects of general economic conditions on commercial properties, and the increased difficulty of evaluating and monitoring these types of loans. Typically, the repayment of loans secured by commercial real estate is dependent on the successful operation of the related business activities. A decline in general economic conditions increases the possibility of business failures and the incurrence of defaults on commercial real estate loans.

OUR ALLOWANCE FOR LOAN LOSSES MAY NOT BE ADEQUATE TO COVER ACTUAL LOAN LOSSES.

As a lender, we are exposed to the risk that our customers will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans may not be sufficient to assure repayment. Credit losses are inherent in the business of making loans and could have a material adverse effect on our operating results. Our credit risk with respect to our real estate and construction loan portfolio relates principally to the creditworthiness of individuals and the value of the real estate serving as security for the repayment of loans. Our credit risk with respect to our commercial and consumer loan portfolio relates principally to the general creditworthiness of businesses and individuals within our local markets.

We make various assumptions and judgments about the collectability of our loan portfolio and provide an allowance for potential loan losses based on a number of factors. If our assumptions or judgments are wrong, our allowance for loan losses may not be sufficient to cover our actual loan losses. Further, we may have to increase our allowance in the future to adjust for changing conditions and assumptions or as a result of any deterioration in the quality of our loan portfolio. Material additions to our allowance for loan losses would decrease our net income. This could adversely affect the ability of the Bank to pay us dividends which will be used by us to make payments under the junior subordinated debentures.

CHANGES IN LOCAL ECONOMIC CONDITIONS COULD ADVERSELY AFFECT OUR LOAN PORTFOLIO.

Our success depends to a certain extent upon general economic conditions and the geographic markets that we serve. Unlike larger banks that are more geographically diversified, we provide banking and financial services primarily to customers located throughout the western, central, and mid-coastal regions of the State of Maine, where our banking facilities are located. The ability of our customers to repay their loans will be impacted by the local economic conditions. If the State of Maine should experience a recession for a prolonged period of time, we would likely experience significant increases in nonperforming loans which could lead to operating losses, impaired liquidity, and eroding capital.

THE GROWTH IN OUR CONSUMER LOAN PORTFOLIO SUBJECTS US TO GREATER CREDIT RISK AND A HIGHER LEVEL OF CHARGE-OFFS.

During the past several years we have experienced significant growth in our consumer loan portfolio. A significant amount of these loans were indirect automobile loans. Indirect automobile loans are those that are originated by the automobile dealers rather than directly by us. Consumer loans, especially indirect automobile loans, carry more credit risk than other types of loans, such as residential real estate or home equity loans. They generally result in a higher level of charge-offs than other types of loans. Charge-offs are amounts of loans written off as uncollectible. These adversely affect our results of operations and an increase in charge-offs could cause us to increase our loan loss allowance.

WE MAY INCUR SIGNIFICANT COSTS IF WE FORECLOSE ON ENVIRONMENTALLY CONTAMINATED REAL ESTATE.

If we foreclose on a defaulted mortgage loan to recover our investment in the mortgage loan, then we may be exposed to environmental liabilities in connection with the underlying property. These liabilities could exceed the fair value of the real property. It also is possible that hazardous substances or wastes, contaminants, pollutants, or their sources, as defined by state and federal laws and regulations, may be discovered on properties during our ownership or after they are sold to a third party. If they are discovered on a property that we have acquired through foreclosure or otherwise, we may be required to remove those substances and clean up the property. We may have to pay for the entire cost of any removal and clean up without the contribution of any other third parties. These costs also may exceed the fair value of the property.

We also may be liable to tenants and other users of neighboring properties. Further, we may find it difficult or impossible to sell the property before or following any clean-up. These events may have a material adverse impact on our results of operations and our ability to make payments under the junior subordinated debentures.

WE NEED TO STAY CURRENT ON TECHNOLOGICAL CHANGES IN ORDER TO COMPETE AND MEET CUSTOMER DEMANDS.

The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. These technological advances include developments in telecommunications, data processing, computers, automation, Internet-based banking, telebanking, debit cards, and so-called "smart" cards. In addition to better serving customers, the effective use of technology increases efficiency and enables banks to reduce costs. Our ability to compete successfully in the future will depend on whether we can anticipate and respond to technological changes. To be competitive, we may need to spend significant amounts of money on the development of these and other technologies, additional computer hardware and software, and for technical personnel. Many of our competitors have substantially greater resources to invest in technology improvements. Although we will continually invest in new technology, we cannot assure you that we will have sufficient resources or access to the necessary proprietary technology to remain competitive or that we will be able to successfully implement or market any new technology-driven products and services.

THE BANKING BUSINESS IS HIGHLY COMPETITIVE.

Our profitability depends on our ability to compete in our market areas. We operate in a highly competitive environment. In the markets in which we operate, we face competition from other savings and loan associations, commercial banks, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms, and other financial intermediaries that offer similar services. Many of these competitors have significantly greater resources and lending limits and may offer certain services that our subsidiaries do not currently provide. In addition, some of our nonbank competitors are not subject to the same extensive regulations that govern both us and the Bank.

WE ARE SUBJECT TO EXTENSIVE GOVERNMENTAL REGULATION WHICH COULD HAVE AN ADVERSE IMPACT ON OUR OPERATIONS AND THE BANK'S ABILITY TO PAY DIVIDENDS.

The banking industry is extensively regulated and supervised under both federal and state law. We are subject to the regulation and supervision of the Office of Thrift Supervision and by the State of Maine Bureau of Banking. The Bank is subject to regulation and examination by the OTS and the FDIC. These regulations are intended primarily to protect depositors and the FDIC, not our creditors or stockholders. These regulations can sometimes impose significant limitations on our operations. Northeast Bancorp and the Bank are subject to changes in federal and state law, as well as regulation and governmental policies, income tax laws, and accounting principles. Regulations affecting banks are undergoing continuous change, and the ultimate effect of such changes cannot be predicted. Regulations and laws may be modified at any time, and new legislation enacted that will affect us and our subsidiaries. We cannot assure you that such modifications or new laws will not adversely affect us.

As indicated above, our ability to make payments on the junior subordinated debentures will depend on our receipt of dividends from the Bank. The payment of dividends by the Bank is subject to regulatory restrictions, including those imposed by the OTS. The capital level of the Bank and its supervisory status with the OTS, as well as its net income and capital surplus levels, will determine the level of distributions that the Bank is permitted to make to us under OTS regulations. Under current OTS regulations, at June 30, 1999, the Bank could pay approximately $1.8 million in dividends to us so long as the Bank sends prior notification to the OTS. We cannot assure you that the Bank will continue to satisfy the necessary capital requirements or that its net income or capital surplus will be sufficient in the future to permit the payment of dividends to us in amounts necessary to make all of our payments under the junior subordinated debentures.

THE YEAR 2000 PROBLEM COULD DISRUPT OUR BUSINESS.

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed and developed without considering the impact of the upcoming change in the century. Any computer programs or equipment that use dates may recognize a date using "00" as the year 1900 rather than the year 2000. As with other financial institutions, we engage in a significant amount of business and reporting activity that depends on accurate date information, such as the calculation of interest and other calculations pertaining to loans, deposits, assets, and investments. As a result, Year 2000 problems could result in a system failure or miscalculations that disrupt our operations. The following are the principal risks posed by the Year 2000 problem to our business:

- disruption of our business due to our failure to achieve Year 2000 readiness;

- disruption of our business due to the failure of third parties, including our service providers, to achieve Year 2000 readiness, which may affect their ability to provide us services;

- disruption in our loan operations due to the failure of our borrowers to achieve Year 2000 readiness, which may affect their ability to repay loans; and

- litigation due to Year 2000 noncompliance by customers, borrowers and suppliers as a result of both internal and third party system failures.

We have undertaken various initiatives intended to ensure that our computer applications will function properly with respect to dates in the Year 2000. In this regard, we have established a Year 2000 action plan based on the guidelines outlined in the Federal Financial Institutions Examination Council's "The Effect of 2000 on Computer Systems." However, we cannot assure you that our initiatives and action plan have identified all costs, risks, or possible losses that we may experience with respect to Year 2000 issues. Most of our data processing is provided by third-party vendors who have indicated that their software, systems, and equipment will be Year 2000 compliant in a timely manner. However, we have no control over the effective implementation of our vendors' Year 2000 compliance programs and we cannot assure you that they will make the necessary modifications, conversions, or equipment replacements in a timely fashion. The failure of our vendors to be Year 2000 compliant in a timely fashion could have a material adverse impact on our operations. Due to the uncertainty inherent in the Year 2000 problem, resulting in part from the uncertainty of the Year 2000 readiness of third party vendors, borrowers, and customers, we are unable to determine whether the consequences of the Year 2000 problem will have a material impact on the results of our operations.

THE LOSS OF CERTAIN KEY PERSONNEL COULD ADVERSELY AFFECT OUR OPERATIONS.

Our success depends on the retention of our key senior executive officers, including Mr. James D. Delamater, our President and Chief Executive Officer. We would likely undergo a difficult transition period if we should lose the services of any or all of these individuals. In recognition of this risk, we own and are the beneficiary of an insurance policy on the life of Mr. Delamater providing benefits of $400,000. However, none of the key members of management have a written employment agreement with us or the Bank.

NBN CAPITAL TRUST

The Trust is a statutory business trust created under Delaware law pursuant to the filing of a Certificate of Trust with the Delaware Secretary of State on October 4, 1999. The Trust will be governed by the trust agreement among Northeast Bancorp, as depositor, Bankers Trust (Delaware), as Delaware trustee, Bankers Trust Company, as property trustee, two individuals, as administrators, and holders, from time to time of undivided beneficial interests in the assets of the Trust. As the sole holder of the common securities, Northeast Bancorp will select two individuals who are employees or officers of or affiliated with Northeast Bancorp to serve as the administrators of the Trust. See "Description of Preferred Securities -- Miscellaneous." The Trust exists for the exclusive purposes of:

- issuing and selling its preferred and common securities;

- investing the proceeds from the sale of the preferred and common securities to acquire the junior subordinated debentures issued by Northeast Bancorp; and

- engaging in only those other activities necessary, convenient, or incidental thereto (such as registering the transfer of the preferred and common securities).

Accordingly, the junior subordinated debentures will be the sole assets of the Trust, and payments under the junior subordinated debentures will be the sole source of revenue of the Trust.

Northeast Bancorp will initially own all of the common securities. The common securities generally will rank equally, and payments will be made pro rata, with the preferred securities. However, if Northeast Bancorp defaults on the junior subordinated debentures by failing to pay any amounts due under the junior subordinated debentures, then for so long as such default continues the rights of the holder of the common securities to receive distributions and payments upon liquidation, redemption or otherwise will be subordinated to the rights of the holders of the preferred securities. See "Description of Preferred Securities -- Subordination of Common Securities". Northeast Bancorp will acquire common securities in an aggregate liquidation amount equal to at least 3% of the total capital of the Trust. The Trust has a term of 31 years, but may dissolve earlier as provided in the trust agreement.

The address of the Delaware trustee is Bankers Trust (Delaware), 1011 Centre Road, Suite 200, Trust Department, Wilmington, Delaware 19805, and the telephone number is (302) 636-3301.

The address of the property trustee, the guarantee trustee and the debenture trustee is Bankers Trust Company, Four Albany Street, 4th Floor, New York, New York 10006, and the telephone number is (212) 250-2500.

USE OF PROCEEDS

All the proceeds to the Trust from the sale of the preferred securities will be invested by the Trust in the junior subordinated debentures. The net proceeds to Northeast Bancorp from the sale of the junior subordinated debentures are expected to be approximately $ ($ if the over-allotment option is exercised in full). The net proceeds from the sale of the junior subordinated debentures will be used by Northeast Bancorp for general corporate purposes, including:

- contributions to the capital of the Bank to support the capital needs of the Bank and its subsidiaries,

- financing of possible future acquisitions if, and when, suitable opportunities arise, and

- a potential repurchase of shares of our common stock.

Pending any such use, Northeast Bancorp may invest the net proceeds in short-to-medium-term investments. The precise amounts and timing of the application of proceeds will depend upon the funding requirements of Northeast Bancorp and its subsidiaries and the availability of other funds.

CAPITALIZATION

The following table sets forth (1) the consolidated capitalization of Northeast Bancorp at June 30, 1999, and (2) the consolidated capitalization of Northeast Bancorp giving effect to the issuance of the preferred securities. The table assumes application of the proceeds from the corresponding sale of junior subordinated debentures to the Trust as if the sale of the preferred securities had been consummated on June 30, 1999, and as if the underwriter's over-allotment option was not exercised.

	JUNE 30, 1999	
	ACTUAL	AS ADJUSTED(1)
	(DOLLARS IN THOUSANDS)	
GUARANTEED PREFERRED BENEFICIAL INTEREST IN NORTHEAST BANCORP'S SUBORDINATED DEBT (2)	$ 0	$10,500
STOCKHOLDERS' EQUITY:		
Common Stock, $1.00 par value, 15,000,000 shares authorized and 2,768,624 shares issued and outstanding	2,769	2,769
Preferred Stock, $1.00 par value, 1,000,000 shares authorized; none issued and outstanding	0	0
Additional paid-in capital	10,208	10,208
Retained earnings	14,146	14,146
Unrealized loss on investment securities available for sale, net	(440)	(440)
Total stockholders' equity	$26,683	$26,683
Total capitalization	$26,683	$37,183

- ---

(1) The amount reflected assumes that the over-allotment option granted to the underwriter is not exercised.
(2) Preferred securities representing beneficial interests in the aggregate principal amount of $10,500,000 of the % junior subordinated debentures of Northeast Bancorp. The junior subordinated debentures will mature on , 2029.

ACCOUNTING TREATMENT

For financial reporting purposes, the Trust will be treated as a subsidiary of Northeast Bancorp and, accordingly, the accounts of the Trust will be included in the consolidated financial statements of Northeast Bancorp. The preferred securities will be included in the consolidated statement of financial condition of Northeast Bancorp and appropriate disclosures about the preferred securities, the guarantee, and the junior subordinated debentures will be included in the notes to the consolidated financial statements of Northeast Bancorp. For financial reporting purposes, Northeast Bancorp will record distributions on the preferred securities as interest expense in the consolidated statements of income of Northeast Bancorp.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Northeast Bancorp's principal asset is its ownership of the Bank. Accordingly, Northeast Bancorp's results of operations are primarily dependent on the results of the operations of the Bank. The principal business of the Bank consists of attracting deposits from the general public and applying those funds to originate or acquire residential, commercial, and consumer loans and to make other permitted investments such as the purchase of investment securities. The Bank's profitability depends primarily on net interest income, which is the difference between interest income earned from interest-earning assets (i.e., loans and investments) and interest expense incurred on interest-bearing liabilities (i.e., customer deposits and borrowed funds). Net interest income is affected by the relative balances of interest-earning assets and interest-bearing liabilities, and the interest rate paid on these balances.

Net interest income is dependent upon the Bank's interest rate spread, which is the difference between the average yield earned on its interest-earning assets and the average rate paid on its interest-bearing liabilities. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income. The interest rate spread is impacted by interest rates, deposit flows, and loan demands.

Northeast Bancorp's profitability also is affected by such factors as the level of non-interest income and expenses of Northeast Bancorp and the Bank, the provision for loan losses, and the effective tax rate. Non-interest income consists primarily of service fees and gains on the sale of loans and investment securities. Non-interest expenses consist of compensation and benefits, occupancy related expenses, deposit insurance premiums paid to the FDIC, expenses of opening branch offices, and other operating expenses.

Although historically the Bank has been primarily a residential mortgage lender, during the past few years the Bank has begun to expand its commercial and consumer loan business, increase its line of financial products and services, and expand its market area. We believe that this strategy will increase core earnings in the long term by developing stronger interest margins, additional non-interest income, and increased loan volume. See "-- Financial Condition -- Lending Activities" and "Business". As part of its expansion and growth strategy, in fiscal 1998 Cushnoc Bank and Trust Company, a commercial bank located in Augusta, Maine, was merged into the Bank. In fiscal 1999 the Bank opened a new full service branch in Lewiston, Maine, and a facility in Falmouth, Maine from which the Bank accepts loan applications and offers investment, insurance, and financial planning products.

This Management's Discussion and Analysis of Financial Condition and Results of Operations presents a review of the consolidated operating results and financial condition of Northeast Bancorp for the fiscal years ended June 30, 1999, 1998, and 1997. This discussion and analysis is intended to assist you in understanding the financial condition and results of operation of Northeast Bancorp and the Bank. You should read this discussion together with your review of the consolidated financial statements and the related notes and the other statistical information contained in this prospectus.

RESULTS OF OPERATIONS

COMPARISON OF FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

For the year ended June 30, 1999, Northeast Bancorp reported net income of $2,410,452, or basic earnings per share of $0.88 and diluted earnings per share of $0.86, as compared to $2,403,783, or basic earnings of $1.00 per share and diluted earnings per share of $0.86, for the year ended June 30, 1998. In 1999, the decrease in basic net income per share was primarily attributable to the conversion of outstanding preferred stock into common stock.

Net income in fiscal 1999 was approximately the same as fiscal 1998 although the components of net income changed. While net income was up only $6,669, or 0.3% for the year ended June 30, 1999, net interest

income increased by $833,611, or 7.3%, relative to the 1998 fiscal year. The increase in net interest income was primarily the result of increased loan volume which was offset, in part, by a decrease in loan rates. In addition, non-interest income for the year ended June 30, 1999, increased by approximately $44,821, or 1.68% as compared to 1998. The net operating income in 1999 also was benefited from a $96,083 reduction in the provision for loan losses.

This increase in income was offset by a $838,126 increase in non-interest expense. The increase in non-interest expense was due, in part, to (a) the costs associated with opening the new branch in Lewiston, Maine and the facility in Falmouth, Maine, (b) the increased commissions paid to brokers in the investment sales division due to growth in sales revenue, (c) increased costs associated with the Company's health insurance and benefit plans, (d) expenses associated with the relocation of our benefit administration department, and (e) expenses associated with the upgrade and replacement of our computer and telecommunication systems.

In the fourth quarter of 1999, Northeast Bancorp dissolved the First New England Benefits division of the Bank ("FNEB") because it did not attain sufficient growth to meet revenue expectations. FNEB was a pension and 401(k) administration company that was purchased by Northeast Bancorp in 1993. A portion of the operations and certain administrative support staff of FNEB were transferred to the Bank's trust department. Due to the closure of FNEB, Northeast Bancorp experienced one-time pretax expense of $290,133 for goodwill, receivables, and fixed asset write-offs, as well as approximately $140,000 in pretax other general one-time business expenses that related to the operations of FNEB during fiscal 1999.

Earnings in 1998 were affected by costs incurred in connection with the merger of Cushnoc. The one-time costs associated with the merger were approximately $435,000, before tax, during the year ended June 30, 1998 and were charged against 1998 earnings. Before taking into account these one-time charges, Northeast Bancorp's net operating income for the year ended June 30, 1998 would have been $2,686,542.

Northeast Bancorp's total assets at June 30, 1999 were approximately $364.4 million, an increase of $41.9 million, or approximately 13.0%, from June 30, 1998. Most of the increase in assets was the result of an increase of approximately $37 million in loans. Asset growth was funded by an increase in deposits and through securities sold under repurchase agreements.

Northeast Bancorp's portfolio loans at June 30, 1999, were approximately $319.0 million, or 87.5% of total assets. The allowance for loan losses decreased slightly to $2,924,000 at June 30, 1999 from $2,978,000 at June 30, 1998. This allowance represented 0.92% of total loans at June 30, 1999, as compared with 1.06% at June 30, 1998. We believe that the current allowance for loan losses is sufficient to cover reasonably expected losses in the loan portfolio. See "-- Result of Operations -- Provision for Loan Losses" and "-- Financial Condition -- Allowance for Loan Losses".

COMPARISON OF FISCAL YEARS ENDED JUNE 30, 1998 AND 1997

For the year ended June 30, 1998, Northeast Bancorp reported net income of $2,403,783, or basic earnings per share of $1.00 and diluted earnings per share of $0.86, as compared to net income of $1,489,745, or basic earnings per share of $0.63 and diluted earnings per share of $0.56 for the year ended June 30, 1997. The return on average assets was 0.83% for the year ended June 30, 1998, as compared to 0.57% for 1997. From the fiscal year ended June 30, 1997 to June 30, 1998, net interest income increased by $828,107 and non-interest income increased by $585,290.

The increase in interest income was primarily the result of increased loan volume. Non-interest income increased from 1997 to 1998 for a number of reasons, including increases in the gains on the sale of loans and the income generated by the Bank's trust department. Income also was affected by costs incurred in connection with the acquisition of Cushnoc in 1998 and the special BIF-SAIF deposit insurance assessment made in 1997 on its savings and loan deposits, both of which were one-time costs charged against earnings for the periods in which they were incurred. The Cushnoc acquisition resulted in acquisition costs of approximately $435,000. Without this one-time charge, the net income of Northeast Bancorp for the 1998 fiscal year would have been $2,686,542. Further, pursuant to federal legislation, institutions with SAIF deposits were required to pay a special assessment on such deposits and, in 1997, the amount of this special

assessment paid by the Bank was approximately $296,860. Because of the one-time non-interest expenses experienced in 1998 and 1997, overall non-interest expenses remained relatively flat and increased only slightly during the fiscal year ended June 30, 1998.

Northeast Bancorp's total assets at June 30, 1998 were approximately $322.5 million, an increase of $38.5 million, or approximately 13.5%, from June 30, 1997. The majority of the increase was invested in loans. Asset growth was funded by an increase in deposits from continued growth at new and existing branches, from the sale of investment securities held for sale, and from FHLB borrowings.

Northeast Bancorp's loan portfolio at June 30, 1998 was approximately $282.0 million, or 87.4% of total assets. The increase in portfolio loans included not only mortgage loans, but also a significant increase in consumer and commercial loans. The allowance for loan losses increased to $2,978,000 at June 30, 1998 from $2,741,809 at June 30, 1997. The allowance for loan losses represented 1.06% of total loans at June 30, 1998, as compared with 1.23% at June 30, 1997.

NET INTEREST INCOME

Net interest income, which constitutes the principal source of income for Northeast Bancorp, is the difference between interest earned on its interest-earning assets and the interest accrued on interest-bearing liabilities. The principal interest-earning assets are loans, investment securities, FHLB stock, and short-term investments. Interest-bearing liabilities primarily consist of customer deposits (such as interest paying checking accounts or NOW accounts, retail savings deposits, money market accounts, and time deposits), repurchase agreements, and other borrowings. Funds attracted by these interest-bearing liabilities are invested by the Bank in interest-earning assets. Accordingly, net interest income will depend on the volume of average interest-earning assets and average interest-bearing liabilities and the interest rates earned or paid on them.

Total interest income for the fiscal years ended June 30, 1999, 1998, and 1997 was $26.9 million, $24.3 million, and $21.9 million, respectively, on average outstanding balances of interest earning assets of approximately $325.9 million, $277.3 million, and $248.0 million, respectively. This increase was due to the growth in the volume of the total average interest earning assets over these periods offset by a decrease in the average yield of interest-earning assets. Interest income from loans for the fiscal years ended June 30, 1999, 1998, and 1997, comprised approximately 93.8%, 90.6%, and 86.5% of the total interest income from interest-earning assets.

Total interest expense over this period also has grown steadily as the Bank's deposit liabilities and borrowings have increased. Total interest expense for the fiscal years 1999, 1998, and 1997, was approximately $14.6 million, $12.8 million, and $11.3 million, respectively. The increases were due primarily to the increases in the volume of deposits attracted by the Bank and an increased level of borrowings by the Bank. The average cost of these interest-bearing liabilities for the fiscal years ended June 30, 1999, 1998, 1997, was 4.94%, 5.13%, and 5.02%, respectively.

Net interest income was $12.3 million, $11.5 million, and $10.6 million for each of the fiscal years ended June 30, 1999, 1998, and 1997. The increases in net interest income during this period were due to the growth in loan volume which was partially offset by the growth in deposits and borrowings and a decrease in the net yield on interest-earning assets. The net yield on average earning assets was 3.78%, 4.14%, and 4.29%, for 1999, 1998, and 1997, respectively. This decrease in the net yield of average earning assets was due to the steady decrease in interest rates earned on interest-earning assets because of the declining interest rate environment in the marketplace.

COMPARATIVE AVERAGE BALANCES, INTEREST, AND AVERAGE YIELDS

The following table shows for each category of interest-earning assets and interest-bearing liabilities, the average amount outstanding, the interest earned or paid on such amount, and the average rate earned or paid for the years ended June 30, 1999, 1998, and 1997. This table also show the average rate earned on all interest-earning assets, the average rate paid on all interest-bearing liabilities, and the net yield on average interest-earning assets for the same periods.

	YEARS ENDED JUNE 30,								
	1999			1998			1997		
	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE	AVERAGE BALANCE	INTEREST INCOME/ EXPENSE	YIELD/ RATE
	(DOLLARS IN THOUSANDS)								
INTEREST-EARNING ASSETS:									
Investment securities (1)	$ 15,413	$ 958	6.22%	$ 21,799	$ 1,461	6.70%	$ 32,024	$ 2,285	7.14%
Loans (2)(3)	297,690	25,179	8.46	240,859	21,989	9.13	203,934	18,974	9.30
FHLB stock	5,680	364	6.41	4,647	301	6.48	3,531	227	6.43
Short-term investments (4)	7,157	356	4.97	9,951	532	5.35	8,474	450	5.31
Total interest-earning assets/interest income/average rates earned	$325,940	$26,857	8.24%	$277,256	$24,283	8.76%	$247,963	$21,936	8.85%
NON-INTEREST EARNING ASSETS:									
Cash and due from banks	$ 5,099			$ 4,516			$ 4,182		
Bank premises and equipment, net	4,839			4,597			4,609		
Other assets	6,912			7,061			7,038		
Allowance for loan losses	(2,955)			(2,867)			(2,769)		
Total non-interest earning assets	13,895			13,307			13,060		
Total assets	$339,835			$290,563			$261,023		
INTEREST-BEARING LIABILITIES:									
NOW	$ 31,162	$ 933	2.99%	$ 15,400	$ 269	1.75%	$ 14,813	$ 216	1.46%
Money market	8,938	210	2.35	14,002	467	3.34	15,902	537	3.38
Savings	20,068	515	2.57	21,289	570	2.68	22,142	592	2.67
Time	125,802	7,022	5.58	108,580	6,281	5.78	100,485	5,758	5.73
Total interest-bearing deposits	185,970	8,680	4.67	159,271	7,587	4.76	153,342	7,103	4.63
Repurchase agreements	8,202	340	4.15	4,917	206	4.19	4,566	200	4.38
Borrowed funds	100,074	5,530	5.53	85,686	5,017	5.86	67,037	3,988	5.95
Total interest-bearing liabilities/interest expense/average rate paid	$294,246	$14,550	4.94%	$249,874	$12,810	5.13%	$224,945	$11,291	5.02%
TOTAL NON-INTEREST BEARING LIABILITIES:									
Demand deposit and escrow accounts	$ 17,132			$ 15,480			$ 13,380		
Other liabilities	2,194			1,983			1,576		
Total liabilities	$313,572			$267,337			$239,901		
Stockholders' equity	26,263			23,226			21,122		
Total liabilities and stockholders' equity	$339,835			$290,563			$261,023		
Net interest income		$12,307			$11,473			$10,645	
Interest rate spread			3.30%			3.63%			3.83%
Net yield on average earning assets (5)			3.78%			4.14%			4.29%

- ---------------

(1) Principally taxable. The yield information does not give effect to changes in fair value that are reflected as a component of stockholders' equity.
(2) Non-accruing loans are included in computation of average balance.
(3) Interest income on loans includes fees (costs) of ($590) in 1999, ($10) in 1998, and $35 in 1997.
(4) Short-term investments include FHLB overnight deposits, and interest-earning deposits and dividends.
(5) The net yield on average earning assets is the net interest income divided by average interest-earning assets.

The effect on interest income, interest expense, and net interest income for the periods indicated, of changes in average balance and rate, is shown

below for Northeast Bancorp. The effect of a change in average balance has been determined by applying the average rate at the year-end for the earlier period to the change

in average balance at the year-end for the later period. Changes from average balance/rate are spread proportionately between changes resulting from volume and changes resulting from rate.

RATE/VOLUME INTEREST ANALYSIS

	YEARS ENDED JUNE 30,					
	1999 COMPARED TO 1998			1998 COMPARED TO 1997		
	INCREASE (DECREASE) DUE TO CHANGE IN:			INCREASE (DECREASE) DUE TO CHANGE IN:		
	AVERAGE VOLUME(1)	AVERAGE RATE	TOTAL CHANGE	AVERAGE VOLUME(1)	AVERAGE RATE	TOTAL CHANGE
	(DOLLARS IN THOUSANDS)					
INTEREST EARNING ASSETS:						
Investment securities	$ (398)	$ (105)	$ (503)	$ (795)	$ (29)	$ (824)
Loans, net (2)	4,898	(1,708)	3,190	3,377	(362)	3,015
FHLB stock	66	(3)	63	72	1	73
Short-term investments (3)	(141)	(35)	(176)	79	4	83
Total interest income	$4,425	$(1,851)	$2,574	$2,733	$(386)	$2,347
INTEREST BEARING LIABILITIES:						
NOW	$ 391	$ 272	$ 663	$ 9	$ 44	$ 53
Money market	(141)	(116)	(257)	(64)	(7)	(71)
Savings	(32)	(23)	(55)	(23)	1	(22)
Time	968	(226)	742	468	55	523
Total interest on deposits	1,186	(93)	1,093	390	93	483
Repurchase agreements	136	(3)	133	15	(8)	7
Borrowed funds	756	(242)	514	1,093	(64)	1,029
Total interest expense	$2,078	$ (338)	$1,740	$1,498	$ 21	$1,519
Change in net interest income	$2,347	$(1,513)	$ 834	$1,235	$(407)	$ 828

- ---

(1) Non-accruing loans are excluded from the average volumes used in calculating this table.
(2) Includes loan fees (costs) of ($590) in 1999, ($10) in 1998, and $35 in 1997.
(3) Short-term investments include FHLB overnight deposits, and interest-earning deposits and dividends.

PROVISION FOR LOAN LOSSES

The loan loss provision recorded for the fiscal year ended June 30, 1999 was $610,017 as compared to $706,100 and $614,427 for 1998 and 1997, respectively. The decrease in the loan loss provision in 1999 as compared to 1998 was consistent with a decrease in delinquent and non-performing loans. The level of the resulting allowance for loan loss, however, was a lower percentage of Northeast Bancorp's total loans. See "--Financial Condition -- Allowance for Loan Losses."

NON-INTEREST INCOME

Non-interest income for the fiscal year ended June 30, 1999 was $2,716,352, as compared to $2,671,531 for the fiscal year ended June 30, 1998, and $2,086,241 for the fiscal year ended June 30, 1997. The increase in non-interest income in 1999 as compared to 1998 was primarily due to an increase on the sale of loans and in service charges and fees. Service charges and fees increased in 1999 as compared to 1998 as a result of loan and deposit growth. Gains on the sale of loans amounted to $817,084 for fiscal 1999, which represents an increase of $90,485 from fiscal 1998. The increase in gain on sale of loans in fiscal 1999, when compared to 1998, was due to an increase of $4,329,681 in loans sold, including in 1999, indirect automobile loans. The increase in non-interest income for this period was offset, in part, by a decrease in the gains received from the sale of securities. The increase in non-interest income in 1998 as compared to 1997 was primarily the result of a $525,181 increase in gains on the sale of loans in 1998. This was due to sales of residential and SBA guaranteed loans. During both 1999 and 1998, loans were sold from Northeast Bancorp's portfolio to improve its asset/liability management position while at the same time taking advantage of market prices.

During 1999, Northeast Bancorp also experienced an increase in revenue of approximately $67,888 in other income generated primarily from its trust department, insurance division, and revenues from the sale of investments to customers through its relationship with Commonwealth Financial Services, Inc.

The following table summarizes the major components of non-interest income for the periods indicated:

	YEARS ENDED JUNE 30,		
	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Fees and service charges on loans	$ 288	$ 207	$ 194
Fees for other services to customers	660	596	658
Gain on sale of securities	95	288	259
Gain on sale of loans	817	727	201
Loan servicing fees	161	227	276
Other income	695	627	498
Total	$2,716	$2,672	$2,086

NON-INTEREST EXPENSE

Non-interest expenses for the fiscal year ended June 30, 1999 were $10,569,843, as compared to $9,731,717 for the fiscal year ended June 30, 1998 and $9,718,337 for the fiscal year ended June 30, 1997. For the years ended June 30, 1999, 1998, and 1997, non-interest expenses were 3.1%, 3.3%, and 3.7%, respectively, of average assets. The largest component, salaries and employee benefits, were approximately 46.3%, 47.7%, and 47.5%, respectively, of such non-interest expenses for 1999, 1998, and 1997. The increase in non-interest expenses in 1999 was due primarily to the expenses associated with the opening of the new Lewiston, Maine branch office, the Falmouth facility, and the dissolution of FNEB.

As a result of these activities, during the 1999 fiscal year Northeast Bancorp paid:

- increased salary and compensation expenses for the additional staff hired for the new facilities;

- increased occupancy expenses for:

  -- additional lease obligations, and

  -- a one-time penalty incurred for terminating an existing lease in connection with the relocation of the benefits administration department; and

- increased costs for supplies and equipment.

Salaries and benefits also increased as the result of rising costs associated with Northeast Bancorp's health insurance plan. Such amounts include increased commissions paid to brokers in the investment sales division due to growth in sales revenue.

Due to the closure of FNEB during the fourth quarter of fiscal 1999, Northeast Bancorp has experienced one-time pretax expenses of $290,133 for goodwill, receivables, and fixed asset write-offs, as well as approximately $140,000 in pretax other one-time general expenses related to the operations of FNEB.

The increase in non-interest expenses in 1998 was due primarily to increases in operating expenses related to the growth of Northeast Bancorp's assets and the expenses associated with the acquisition of Cushnoc. These expenses were offset, in part, by a reduction in the costs of FDIC insurance premiums in 1998 as compared to 1997 when a special FDIC insurance payment was assessed on the Bank's SAIF-insured deposits.

The following table summarizes the various categories of non-interest expense for the periods indicated:

	YEARS ENDED JUNE 30,		
	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Salaries and employee benefits	$ 4,889	$4,639	$4,615
Occupancy expense	975	904	783
Equipment expenses	888	864	894
FDIC Insurance	63	60	390
Goodwill amortization	462	296	296
Other expenses	3,293	2,969	2,740
Total	$10,570	$9,732	$9,718

INCOME TAX EXPENSE

For the three years ended June 30, 1999, 1998, and 1997, income tax provisions totaling $1,432,591, $1,302,871, and $908,565, were recorded. The increases in the tax provision for 1999 from 1998, and for 1998 from 1997, were a result of increased earnings during each succeeding period. The goodwill write-off for FNEB did not impact the 1999 income tax expense since it is not a tax deductible expense. The combined effective tax rates for the years ended 1999, 1998, and 1997 were 37.4%, 35.1%, and 37.9% respectively.

ASSET/LIABILITY MANAGEMENT

Northeast Bancorp's business primarily consists of the savings and loan activities of the Bank. Accordingly, the success of Northeast Bancorp is largely dependent on its ability to manage interest rate risk. This is the risk that changes in interest rates may adversely affect net interest income.

Generally, interest rate risk results from differences in repricing intervals or maturities between interest-earning assets and interest-bearing liabilities, the components of which comprise the interest rate spread. When such differences exist, a change in the level of interest rates will most likely result in an increase or decrease in net interest income. Although Northeast Bancorp regularly manages other risks, such as credit and liquidity risk, management considers interest rate risk to be one of the most significant factors that affects earnings. Asset liability management refers to efforts to minimize the fluctuations in net interest income caused by interest rate changes. Interest rate risk management is the responsibility of the Asset/Liability Management Committee (ALCO), which reports to the board of directors of the Bank. The ALCO meets regularly to establish policies that monitor and coordinate the sources, uses, and pricing of funds and to review the Bank's progress in reducing its vulnerability to changing interest rates. The ALCO is involved in formulating the economic projections for the Bank's budget and strategic plan.

One measure of Northeast Bancorp's exposure to interest rate risk is the difference between interest rate sensitive assets and liabilities for the periods being measured, commonly referred to as the "gap" for such period. An asset or liability is considered interest rate sensitive if it will reprice or mature within the time period being analyzed. Controlling the maturity or repricing of an institution's liabilities and assets in order to minimize interest rate risk is commonly referred to as gap management. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities. When the opposite occurs, the gap is considered to be negative. During periods of increasing interest rates, negative gap would tend to adversely affect income while a positive gap would tend to result in net interest income. During periods of decreasing interest rates, the inverse would tend to occur. If the maturities of interest rate sensitive assets and liabilities were equally flexible and moved concurrently, the impact of any material or prolonged increase or decrease in interest rates or net interest income on existing assets or liabilities would be minimal. It is common to focus on the one year gap, which is the difference between the dollar amount of assets and the dollar amount of liabilities maturing or repricing within the next twelve months.

Principal among the asset/liability management strategies has been the emphasis on managing its interest rate sensitive liabilities in a manner designed to attempt to reduce exposure during periods of fluctuating

interest rates. To accomplish this, management has undertaken steps to increase the percentage of variable rate assets as a percentage of its total interest-earning assets. In recent years, the focus has been to originate adjustable rate residential and commercial real estate loans, which reprice or mature more quickly than fixed-rate real estate loans. The Bank also originates adjustable-rate consumer loans and commercial business loans. The Bank's adjustable-rate loans are primarily tied to published indices, such as the Wall Street Journal prime rate and one year U.S. Treasury Bills. Further, because Northeast Bancorp has designated its regular savings, NOW, and money market accounts as core deposits for the purpose of its internal asset/liability analysis and has assigned these deposits in the five year or greater maturity category (rather than in the one year or less category), we do not consider our gap position to be as negative as it would otherwise appear to be. We believe that the Bank is slightly asset sensitive based on our own internal analysis which matches core deposits to long term assets. We believe that a slightly asset sensitive position is appropriate for the Bank since interest rates historically tend to rise faster than they decline.

The following table presents the interest rate sensitive assets and liabilities of Northeast Bancorp at June 30, 1999, which are expected to mature or are subject to repricing in each of the time periods indicated. The tables may not be indicative of Northeast Bancorp's rate sensitive position at other points in time. The balances have been derived based on the financial characteristics of the various assets and liabilities. Adjustable and floating rate assets are included in the period in which interest rates are next scheduled to adjust rather than their scheduled maturity dates. Fixed rate loans are shown in the periods in which they are scheduled to be repaid.

INTEREST RATE SENSITIVITY ANALYSIS AS OF JUNE 30, 1999

	TERM TO REPRICING OR MATURITY						
	90 DAYS	91-180 DAYS	181 DAYS TO 365 DAYS	DUE WITHIN 1-5 YEARS	DUE AFTER 5-YEARS	TOTAL	% OF TOTAL
	(DOLLARS IN THOUSANDS)						
INTEREST-EARNING ASSETS:							
Investment securities	$ 1,727	$ 0	$ 0	$ 344	$ 15,983	$ 18,054	5.18%
FHLB Stock	0	0	0	0	5,680	5,680	1.63
Short-term investments (1)	7,441	0	0	0	0	7,441	2.13
Mortgage loans:							
Residential mortgages:							
Fixed rate loans	41	2	239	1,815	105,926	108,023	30.97
Variable loans	15,964	12,153	18,300	27,701	103	74,221	21.28
Commercial real estate	14,594	1,311	3,099	32,622	3,812	55,438	15.89
Construction	685	475	526	0	0	1,686	0.48
Other Loans:							
Commercial	12,314	54	434	16,627	5,218	34,647	9.93
Consumer and installment	1,687	134	317	17,649	23,856	43,643	12.51
Total loans	45,285	14,129	22,915	96,414	138,915	317,658	91.06
Total interest-earning assets	54,453	14,129	22,915	96,758	160,578	348,833	100.00
INTEREST-BEARING LIABILITIES:							
Customer deposits:							
NOW accounts	31,203	0	0	0	0	31,203	9.82
Money market accounts	7,156	0	0	0	0	7,156	2.25
Regular savings	22,000	0	0	0	0	22,000	6.92
Certificates of deposit	31,112	21,557	45,779	42,627	38	141,113	44.39
Total customer deposits	91,471	21,557	45,779	42,627	38	201,472	63.38

	TERM TO REPRICING OR MATURITY						
	90 DAYS	91-180 DAYS	181 DAYS TO 365 DAYS	DUE WITHIN 1-5 YEARS	DUE AFTER 5-YEARS	TOTAL	% OF TOTAL
	(DOLLARS IN THOUSANDS)						
Borrowings:							
Repurchase agreements.....	$ 11,868	$ 0	$ 0	$ 0	$ 0	$ 11,868	$ 3.73
Other borrowings.....	25,076	2,077	15,153	19,264	43,000	104,570	32.89
Total borrowings.....	36,944	2,077	15,153	19,264	43,000	116,438	36.62
Total interest-bearing liabilities.....	$128,415	$ 23,634	$ 60,932	$ 61,891	$ 43,038	$317,910	100.00%
Interest sensitivity gap.....	$(73,962)	$ (9,505)	$ (38,017)	$ 34,867	$117,540	$ 30,923	
Cumulative gap.....	$(73,962)	$(83,467)	$(121,484)	$(86,617)	$ 30,923		
Cumulative gap ratio.....	42.40	45.11	42.96	68.49	109.73		
Cumulative gap as a percentage of total assets.....	-20.30%	-22.91%	-33,34%	-23.77%	8.49%		

- ---

(1) Includes investment securities, FHLB overnight deposits, interest earning deposits, and loans held for sale.

A simple interest rate "gap" analysis by itself may not be an accurate indicator of how net interest income will be affected by changes in interest rates. Accordingly, the ALCO also evaluates how the repayment of particular assets and liabilities is impacted by changes in interest rates. Income associated with interest-earning assets and costs associated with interest-bearing liabilities may not be affected uniformly by changes in interest rates. In addition, the magnitude and duration of changes in interest rates may have a significant impact on net interest income. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Interest rates on certain types of assets and liabilities fluctuate in advance of changes in general market interest rates, while interest rates on other types may lag behind changes in general market rates. In addition, certain assets, such as adjustable rate mortgage loans, have features (generally referred to as "interest rate caps") which limit changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels also could deviate significantly from those assumed in calculating the interest rate gap. The ability of many borrowers to service their debts also may decrease in the event of an interest rate increase.

The table below presents in tabular form contractual balances of Northeast Bancorp's financial instruments that are interest rate sensitive at the expected maturity dates as well as the fair value of those financial instruments that are interest rate sensitive for the period ended June 30, 1999, with comparative summary balances for 1998. The expected maturity categories take into consideration historical prepayment speeds as well as actual amortization of principal and do not take into consideration reinvestment of cash. Principal prepayments are the amounts of principal reduction, over and above normal amortization, that Northeast Bancorp has experienced in the past twenty-four months. Northeast Bancorp's assets and liabilities that do not have a stated maturity date, as in cash equivalents and certain deposits, are considered to be long term in nature by Northeast Bancorp and are reported in the "Thereafter" column. Northeast Bancorp does not consider these financial instruments materially sensitive to interest rate fluctuations and historically the balances have remained fairly consistent over various economic conditions. The interest rate table for loans

reflects contractual maturity and does not indicate repricing in variable rate loans. Variable rate loans reprice in the fiscal years as follows:

- Fiscal year 2000 -- $76,960,496
- Fiscal year 2001 -- $13,479,884
- Fiscal year 2002 -- $22,668,642
- Fiscal year 2003 -- $9,411,503
- Fiscal year 2004 -- $13,408,882

The weighted average interest rates for the various assets and liabilities presented are actual as of June 30, 1999.

The fair value of interest bearing deposits at other banks and interest receivable approximate their book values due to their short maturities. The fair value of available for sale securities are based on bid quotations from security dealers or on bid prices published in financial newspapers. FHLB stock does not have a market and the fair value is unknown. The fair value of loans are estimated in portfolios with similar financial characteristics and takes into consideration discounted cash flows through the estimated maturity or repricing dates using estimated market discount rates that reflect credit risk. The fair value of loans held for sale is based on bid quotations from loan dealers. The fair value of demand deposits, NOW, money market, and savings accounts is the amount payable upon demand. The fair value of time deposits is based upon the discounted value of contractual cash flows, which is estimated using current rates offered for deposits of similar remaining terms. The fair value of repurchase agreements approximates the carrying value due to their short maturity. The fair value of FHLB borrowings is estimated by discounting the cash flows through maturity or the next repricing date based on current rates offered by the FHLB for borrowings with similar maturities. The fair value of the note payable approximates the carrying value due to the note payable's interest rate approximating market rates. There have been no substantial changes in Northeast Bancorp's market risk from the preceding year and the assumptions are consistent with prior year assumptions.

MARKET RISK TABLE AS OF JUNE 30, 1999

	EXPECTED MATURITY DATE						
	6/30/00	6/30/01	6/30/02	6/30/03	6/30/04	THEREAFTER	1999 TOTAL
	(DOLLARS IN THOUSANDS)						
FINANCIAL ASSETS:							
Interest Bearing							
Deposits							
Variable Rate.....	$ --	$ --	$ --	$ --	$ --	$7,130	$ 7,130
Weighted Average Interest Rate....	--	--	--	--	--	5.54%	5.54%
Available for Sale Securities.....	2,831	1,225	1,291	1,420	1,755	10,198	18,720
Weighted Average Interest Rate....	6.31%	6.60%	6.57%	6.57%	6.48%	6.58%	6.52%
FHLB Stock (1).....	--	--	--	--	--	5,681	5,681
Weighted Average Interest Rate....	--	--	--	--	--	6.55%	6.55%
Loans Held For Sale							
Fixed Rate.....	312	--	--	--	--	--	312
Weighted Average Interest Rate....	7.53%	--	--	--	--	--	7.53%
Loans							
Fixed Rate Loans...	16,181	16,877	20,539	25,376	35,080	68,100	182,153
Weighted Average Interest Rate....	8.58%	8.90%	9.00%	9.19%	9.10%	8.45%	8.75%
Variable Rate Loans.....	16,821	13,109	13,491	16,960	20,053	56,399	136,833
Weighted Average Interest Rate....	8.73%	8.63%	8.64%	8.54%	8.46%	8.54%	8.58%
Interest Receivable.....	1,991	--	--	--	--	--	1,991
FINANCIAL LIABILITIES:							
NOW/Money Market/Savings.....	--	--	--	--	--	60,359	60,359
Weighted Average Interest Rate....	--	--	--	--	--	2.41%	2.41%
Time Deposits.....	98,448	30,405	9,190	1,996	1,036	38	141,113
Weighted Average Interest Rate....	5.26%	5.47%	6.11%	5.58%	5.30%	4.97%	5.37%
Repurchase Agreements							
Fixed Rate.....	--	--	--	--	--	--	--
Weighted Average Interest Rate....	--	--	--	--	--	--	--
Variable Rate.....	11,868	--	--	--	--	--	11,868
Weighted Average Interest Rate....	4.07%	--	--	--	--	--	4.07%
FHLB Advances							
Fixed Rate.....	42,000	3,148	2,816	9,516	3,402	43,000	103,882
Weighted Average Interest Rate....	5.29%	5.23%	5.65%	5.75%	5.95%	5.29%	5.36%
Variable Rate.....	--	--	--	--	--	--	--
Weighted Average Interest Rate....	--	--	--	--	--	--	--
Note Payable							
Fixed Rate.....	306	306	76	--	--	--	688
Weighted Average Interest Rate....	8.00%	8.00%	8.00%	--	--	--	8.00%

	EXPECTED MATURITY DATE		
	1999 FAIR VALUE	1998 TOTAL	1998 FAIR VALUE
	(DOLLARS IN THOUSANDS)		
FINANCIAL ASSETS:			
Interest Bearing			
Deposits			
Variable Rate.....	$ 7,130	$ 5,330	$ 5,330
Weighted Average Interest Rate....		5.76%	
Available for Sale Securities.....	18,054	13,707	13,609
Weighted Average Interest Rate....		6.58%	
FHLB Stock (1).....	5,681	5,681	5,681
Weighted Average Interest Rate....		6.40%	
Loans Held For Sale			
Fixed Rate.....	315	370	372
Weighted Average Interest Rate....		7.08%	
Loans			
Fixed Rate Loans...	172,834	128,496	129,220
Weighted Average Interest Rate....		9.29%	
Variable Rate Loans.....	135,853	153,535	152,800
Weighted Average			

Interest Rate....		9.04%	
Interest Receivable.....	1,991	1,934	1,934
FINANCIAL LIABILITIES:			
NOW/Money Market/Savings.....	60,359	55,729	55,729
Weighted Average Interest Rate....		2.90%	
Time Deposits.....	141,352	113,086	113,488
Weighted Average Interest Rate....		5.75%	
Repurchase Agreements Fixed Rate.....	--	504	504
Weighted Average Interest Rate....		5.20%	
Variable Rate.....	11,868	4,702	4,702
Weighted Average Interest Rate....		4.09%	
FHLB Advances Fixed Rate.....	99,986	103,440	101,052
Weighted Average Interest Rate....		5.55%	
Variable Rate.....	--	1,000	1,000
Weighted Average Interest Rate....		5.95%	
Note Payable Fixed Rate.....	688	993	993
Weighted Average Interest Rate....		8.00%	

- ---------------

(1) FHLB stock does not have a market; therefore, its fair value is unknown.

Because a gap analysis may not adequately address the interest rate risk, Northeast Bancorp also utilizes a simulation model to analyze net interest income sensitivity to movements in interest rates. The simulation model projects net interest income based on both an immediate rise or fall in interest rates (rate shock) over a twelve and twenty-four month period. The model is based on the actual maturity and repricing

characteristics of interest rate sensitive assets and liabilities. The model incorporates assumptions regarding the impact of changing interest rates on the prepayment rate of certain assets and liabilities. The assumptions are based on Northeast Bancorp's historical prepayment speeds on assets and liabilities when interest rates increase or decrease by 200 basis points or greater. The model factors in projections for anticipated activity levels by product lines offered by Northeast Bancorp. The simulation model also takes into account Northeast Bancorp's increased ability to control the rates on deposit products rather than over adjustable-rate loans tied to published indices. Based on the information and assumptions in effect at June 30, 1999, management believes that a 200 basis point rate shock over a twelve month period, up or down, would not significantly affect Northeast Bancorp's annualized net interest income.

FINANCIAL CONDITION

Northeast Bancorp had total assets of $364,382,905 and $322,532,594 at June 30, 1999 and June 30, 1998, respectively, an increase of approximately 13.0%. The increase in assets is primarily due to loan growth. Loan volume has been enhanced during the 1999 fiscal year due to whole loan purchases on the secondary market, increased generation of commercial loans, and its participation in the indirect automobile lending market. The increase in loans has been funded with increased deposits and securities sold under repurchase agreements. Northeast Bancorp has focused its business development efforts on full service credit packages and financial services, as well as competitively priced mortgage packages. Northeast Bancorp believes that its level of capital is adequate. Its current capital plan, which includes the net proceeds from this offering, will support future growth and development as well as allow for additional provisions to the allowance for loan losses, if needed, without significant impairment of the financial stability of Northeast Bancorp. As of June 30, 1999 and June 30, 1998, respectively, Northeast Bancorp's total equity represented approximately 7.32% and 7.79% of its total assets.

LENDING ACTIVITIES

The Bank, as a savings institution, has historically focused its lending activities on originating and purchasing conventional mortgage loans for the purpose of constructing, financing, or refinancing one-to-four family residential properties, multifamily (i.e., more than four units) properties, and commercial properties. During the past few years, however, additional emphasis has been placed on consumer lending and small business, home equity, and commercial loans. The Bank also has developed the ability to generate, and pursues, indirect lending through local automobile dealerships and sellers of mobile homes.

LOAN PORTFOLIO COMPOSITION. At June 30, 1999 and 1998, total loans included portfolio loans of approximately $319.0 million and $282.0 million, respectively. Loans held for sale are immaterial in amount. Portfolio loans represent approximately 87.5% and 87.4% of Northeast Bancorp's total assets at June 30, 1999 and 1998, respectively. The growth in net loans for the fiscal years ended June 30, 1999 and 1998 primarily consisted of an increase in 1-4 family residential, consumer and commercial loans.

From time to time, Northeast Bancorp also has purchased mortgage loans in the secondary market to increase its overall portfolio yield, reduce the average maturity of its portfolio, diversify its geographic risk, and utilize excess liquidity. During the year ended June 30, 1999, Northeast Bancorp purchased approximately $27.9 million in fixed rate residential mortgages secured by property located primarily in the States of North Carolina and New York. During the 1998 fiscal year, Northeast Bancorp purchased approximately $66.3 million in adjustable and fixed rate residential mortgages secured by property located primarily in the State of Maine and various midwestern states. The continued expansion into new markets diversifies the credit risk and the potential economic risks of the credits held in Northeast Bancorp's purchased loan portfolio. Northeast Bancorp's local market, as well as the secondary market, continues to be very competitive for loan origination volume. The local competitive environment and customer response to favorable secondary market rates have adversely affected Northeast Bancorp's ability to increase the loan portfolio. In an effort to increase loan volume, the Bank's interest rates for its loan products have been reduced to compete in the various markets. Northeast Bancorp has experienced margin compression due to decreased loan rates and

anticipates that margin compression will continue for the foreseeable future until loan volume increases in the current rising interest rate environment.

Approximately 20% of the Bank's loan portfolio is comprised of floating rate loans based on a prime rate index. Interest income on these existing loans will increase as the prime rate increases, as well as approximately 23% of other loans in the Bank's portfolio that are based on short-term rate indices such as the one-year treasury bill. An increase in short-term interest rates also will increase deposit and FHLB advance rates, increasing the Bank's interest expense. Although the Bank has experienced net interest margin compression, the impact on net interest income will depend on, among other things, actual rates charged on the Bank's loan portfolio, deposit and advance rates paid by the Bank, and loan volume.

In 1998, Northeast Bancorp established a new automobile dealer finance department to generate indirect automobile loans, and the increase in consumer loans was due, in part, to the volume generated from this department. During the 1999 fiscal year, Northeast Bancorp sold approximately $9.8 million of indirect automobile loans. Northeast Bancorp anticipates holding approximately $15.0 million to $20.0 million of indirect automobile loans in its portfolio and, as of June 30, 1999, Northeast Bancorp held approximately $18.1 million of these loans. As Northeast Bancorp continues to grow the indirect automobile portfolio, Northeast Bancorp intends to build relationships with other institutions for future sales of its indirect automobile loans.

The following table summarizes the composition of Northeast Bancorp's loan portfolio (excluding loans held for sale) by type of loan on the dates indicated.

	YEAR ENDED JUNE 30,									
	1999		1998		1997		1996		1995	
	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
	(DOLLARS IN THOUSANDS)									
TYPE OF LOAN:										
Residential mortgage.....	$182,244	57.4	$171,903	61.1	$139,633	62.7	$116,273	62.0	$120,762	64.2
Commercial real estate...	55,438	17.5	47,053	16.7	46,443	20.8	37,270	19.9	33,000	17.5
Construction.....	1,686	0.5	2,100	0.8	2,597	1.2	2,769	1.5	2,391	1.3
Commercial.....	34,647	10.9	26,967	9.6	19,421	8.7	16,761	8.9	15,597	8.3
Consumer and other.....	43,643	13.7	33,305	11.8	14,792	6.6	14,491	7.7	16,400	8.7
Total loans.....	317,658	100	281,328	100	222,886	100	187,564	100	188,150	100
LESS:										
Allowance for loan losses.....	(2,924)		(2,978)		(2,742)		(2,761)		(2,661)	
Net deferred costs (fees).....	1,328		703		(204)		(354)		(373)	
Total loans, net.....	$316,062		$279,053		$219,940		$184,449		$185,116	

Real Estate Loans. Real estate loans represent the largest class of loans of Northeast Bancorp. Real estate loans are classified as follows:

- 1 to 4 Family Residential. Loans in this category consist primarily of owner-occupied residential loans. As of June 30, 1999 and 1998, the percentage of these loans which were variable rate loans was 40% and 54%, respectively. It has been management's intent to increase the proportion of variable rate residential real estate loans to reduce the interest rate risk. Northeast Bancorp has primarily purchased adjustable rate residential loans and sold fixed rate residential loans. However, during fiscal 1999, Northeast Bancorp purchased $27,913,995 of residential whole loans on the secondary market which consisted of 1-4 family fixed rate residential loans secured by property in North Carolina and New York. The purchase of fixed rate loans improved Northeast Bancorp's asset/liability management position during the declining rate environment earlier in the fiscal year. Interest rates began to rise late in the fiscal year. Due to this change in the interest rate environment, management will return to its strategy of increasing the percentage of variable rate loans held in its total loan portfolio in an effort to manage its interest rate risk.

- Commercial real estate. Commercial real estate loans have increased consistently with the overall increase in the loan portfolio of the Bank, representing approximately the same percentage of total loans at June 30, 1999 as at June 30, 1998. Most of these loans are variable rate mortgages. However, the aggregate dollar amount of such variable rate loans have decreased slightly from June 30, 1998 to June 30, 1999.

- Construction. Construction lending consists primarily of residential mortgages with terms of one year or less. The amount of these loans has decreased slightly from June 30, 1998 to June 30, 1999.

- Held for Sale. Loans held for sale represent residential loans intended to be sold in the secondary market. These loans are immaterial in amount.

Commercial Loans. This category of loan is comprised of loans to local businesses involved primarily in light manufacturing, service, retail, and wholesale activities. The amount of these loans held by Northeast Bancorp has increased slightly as a percentage of the total loan portfolio.

Consumer and Other Loans. This category of loans is comprised of consumer and other loans that include automobile, mobile home, boat, and personal lines of credit. The increase in these loans in recent periods is primarily due to the volume generated from the automobile dealer finance department. These loans are mostly fixed rate loans.

LOAN MATURITY SCHEDULE. The following table sets forth the maturities of loans outstanding as of June 30, 1999.

	AT JUNE 30, 1999				
	DUE IN 1 YEAR OR LESS	DUE AFTER 1 YEAR BUT BEFORE 5 YEARS	DUE AFTER 5 YEARS BUT BEFORE 10 YEARS	DUE AFTER 10 YEARS	TOTAL
	(DOLLARS IN THOUSANDS)				
MORTGAGE LOANS:					
Residential	$46,699	$29,516	$12,420	$ 93,609	$182,244
Commercial	19,004	32,622	1,156	2,656	55,438
Construction	1,686	0	0	0	1,686
NON-MORTGAGE LOANS:					
Commercial	12,802	16,626	2,139	3,080	34,647
Consumer and other	2,139	17,649	7,715	16,140	43,643
Total loans (1)	$82,330	$96,413	$23,430	$115,485	$317,658

- ---

(1) Excluding deferred fees or costs, allowance for loan losses, and loans held for sale.

SENSITIVITY OF LOANS TO CHANGES IN INTEREST RATES. The following table sets forth as of June 30, 1999, the dollar amounts of loans due after one year which had predetermined interest rates and loans due after one year which had floating or adjustable interest rates.

	DOLLAR AMOUNT OF LOANS
	JUNE 30, 1999
	(DOLLARS IN THOUSANDS)
Type of Interest Rate:	
Predetermined rate, maturity greater than one year	$175,680
Floating or adjustable rate due after one year	59,649
Total	$235,329

LOAN CLASSIFICATION

Management seeks to maintain a level of high quality assets through conservative underwriting and sound lending practices. In an effort to maintain the quality of the loan portfolio, management seeks to minimize higher risk types of lending and additional precautions have been taken when such loans are made in order to reduce Northeast Bancorp's risk of loss.

The majority of loans held in Northeast Bancorp's loan portfolio are collateralized by real estate mortgages. At June 30, 1999, approximately 58% of Northeast Bancorp's loan portfolio was collateralized by first liens on owner-occupied residential homes which have historically carried a relatively low credit risk. Northeast Bancorp also maintains a commercial real estate portfolio comprised primarily of owner-occupied commercial businesses.

Generally, construction loans present a higher degree of risk to a lender depending upon, among other things, whether the borrower has permanent financing at the end of the loan period, whether the project is an income producing transaction in the interim, and the nature of changing economic conditions including changing interest rates. While there is no assurance that Northeast Bancorp will not suffer losses on its construction loans or its commercial real estate loans, management believes that it has reduced the risks associated with such loans because construction loans are made primarily for building individual owner-occupied houses and commercial real estate loans primarily relate to owner-occupied projects where the borrower has demonstrated that its business will generate sufficient income to repay the loan.

Commercial loans also entail certain risks since they usually involve large loan balances to single borrowers or a related group of borrowers, resulting in a more concentrated loan portfolio. Further, since their repayment is usually dependent upon the successful operation of the commercial enterprise, they also are subject to adverse conditions in the economy. Commercial loans are generally riskier than residential mortgages because they are typically made on the basis of the ability to repay from the cash flow of a business rather than on the ability of the borrower or guarantor to repay. Further, the collateral underlying commercial loans may depreciate over time, and occasionally cannot be appraised with as much precision as residential real estate, and may fluctuate in value based on the success of the business. While there is no assurance that Northeast Bancorp will not suffer any losses on its commercial loans, management believes that it has reduced the risks associated therewith because, among other things, substantially all of such loans relate to projects where the borrower has demonstrated to management that its business will generate sufficient income to repay the loan.

Consumer and installment loans are primarily fixed rate products, and, as a result, they have interest rate risk when market rates increase. These loans also have credit risk with minimal security. In an effort to protect the credit quality of its indirect automobile dealer loans, Northeast Bancorp underwrites all of these loans. Management attempts to mitigate credit and interest rate risk by keeping the products offered short-term, receiving a rate of return commensurate with the risk, and lending to individuals known in its market areas.

In addition to maintaining high quality assets, management attempts to limit Northeast Bancorp's risk exposure to any one borrower or borrowers with similar or related entities. As of June 30, 1999, Northeast Bancorp had extended credit or credit availability in excess of $1 million to twelve borrowers.

Loan concentrations are defined as amounts loaned to a number of borrowers engaged in similar activities which would cause them to be similarly impacted by economic or other conditions. Northeast Bancorp, on a routine basis, evaluates these concentrations in order to make necessary adjustments in its lending practices that most clearly reflect the economic times, loan to deposit ratios, and industry trends. As of June 30, 1999, total loans to any particular group of customers engaged in similar activities or having similar economic characteristics did not exceed 10% of total loans.

The Board of Directors of Northeast Bancorp directs a substantial portion of its efforts and resources, and that of its senior management and lending officials, on loan review and underwriting procedures. In addition, Northeast Bancorp utilizes the services of an independent consultant to perform periodic loan documentation and compliance reviews as well as deposit and operations compliance reviews. Internal controls include a loan review specialist employed by Northeast Bancorp, who performs on-going reviews of new and existing loans to monitor documentation and ensure the existence and valuations of collateral.

NON-PERFORMING ASSETS AND ASSET QUALITY

The senior credit officer of Northeast Bancorp is charged with monitoring asset quality, establishing credit policies and procedures, and seeking consistent application of these procedures. A loan review process is in place with the objective of quickly identifying, evaluating, and initiating necessary corrective action for substandard loans. Combined, these components are integral elements of Northeast Bancorp's loan program which has resulted in its loan portfolio performance to date. Nonetheless, management maintains a cautious outlook in anticipating the potential effects of uncertain economic conditions (both locally and nationally) and the possibility of more stringent regulatory standards.

Loans, including impaired loans, are generally classified by Northeast Bancorp as non-accrual loans if they are past due as to maturity or payment of principal or interest for a period of more than ninety days, unless such loans are well collateralized and in the process of collection. If a loan or a portion of a loan is classified as doubtful or is partially charged off, the loan is classified as a non-accrual loan. Loans that are on a current payment status or past due less than ninety days may also be classified as non-accrual if repayment in full of principal and/or interest is in doubt. Loans are not returned to accrual status until the principal and interest payments are brought current and future payments appear certain.

Interest accrued and unpaid at the time a loan is placed in non-accrual status is charged against interest income. While a loan is classified as non-accrual and the future collectability of the recorded loan balance is doubtful, collections of interest and principal are generally applied as a reduction to principal outstanding. When the future collectability of the recorded loan balance is expected, interest income may be recognized on a cash basis. In the case where a non-accrual loan had been partially charged off, recognition of interest on a cash basis is limited to that which would have been recognized on the recorded loan balance at the contractual interest rate. Cash interest receipts in excess of that amount are recorded as recoveries to the allowance for loan losses until prior charge-offs have been fully recovered.

Real estate acquired by Northeast Bancorp as a result of foreclosure or acceptance of deeds in lieu of foreclosure is classified as foreclosed real estate. These properties are recorded on the date acquired at the lower of fair value less estimated selling costs or the recorded investment in the related loan. If the fair value after deducting the estimated selling costs of the acquired property is less than the recorded investment in the related loan, the estimated loss is charged to the allowance for loan losses at that time. The resulting carrying value established at the date of foreclosure becomes the new cost basis for subsequent accounting. After foreclosure, if the fair value less estimated selling costs of the property becomes less than its cost, the deficiency is charged to the provision for losses on foreclosed real estate. Costs relating to the developmental improvement of the property are capitalized, whereas those relating to holding the property for sale are charged as an expense.

As of June 30, 1999, Northeast Bancorp had 22 loans on non-accrual status totaling $1,144,000 or 0.36% of total loans, and at June 30, 1998, Northeast Bancorp had 28 loans on non-accrual status totalling $2,248,000, or 0.80% of total loans. At June 30, 1999 and 1998, respectively, Northeast Bancorp had other real estate owned ("OREO") of approximately $193,850 and $350,496, which consisted of two single family residences each year. Non-performing loans and OREO together represented 0.37% and 0.81% of total assets at June 30, 1999 and 1998, respectively.

The following table represents the Bank's non-performing loans as of June 30, 1999 and 1998:

	AT JUNE 30,	
	1999	1998
	(DOLLARS IN THOUSANDS)	
LOAN TYPES		
1-4 Family mortgages	$ 293	$ 783
Commercial mortgages	654	956
Commercial loans	0	509
Consumer and other	197	0
Total non-performing	$1,144	$2,248

In addition, Northeast Bancorp performs ongoing reviews of its new and existing loans to identify, evaluate, and initiate corrective action for substandard loans. As of June 30, 1999, Northeast Bancorp has identified commercial and commercial real estate loans to 7 borrowers to be monitored on its list of loans classified as substandard, representing aggregate borrowings of approximately $741,000 (exclusive of non-performing loans). These loans have been considered by management in its assessment of the allowance for loan losses and none of these borrowers have failed to comply with their present loan repayment terms. Management takes an aggressive posture in reviewing its loan portfolio to determine whether loans should be classified as substandard.

Although non-performing and delinquent loans have decreased in the past few years, management continues to allocate substantial resources to its collection area in an effort to control the amount of such non-performing loans. The Bank's delinquent loan accounts decreased as a percentage of total loans during the 1999 fiscal year. This decrease was largely due to improved collection efforts, increased charge-offs, and an increase in the Bank's loan portfolio.

The following table reflects the annual trend of total delinquencies 30 days or more past due, including non-performing loans, for the Bank as a percentage of total loans:

AT JUNE 30,			
1999	1998	1997	1996
0.76%	1.09%	1.93%	3.24%

At June 30, 1999, loans classified as non-performing included $117,169 of loan balances that are current and paying as agreed, but which continue to be so classified until the borrower has demonstrated a sustainable period of performance. Excluding these loans, the Bank's total delinquencies 30 days or more past due, as a percentage of total loans, would be 0.72% as of June 30, 1999.

The following table sets forth certain information, as of the date indicated, regarding non-accrual loans, restructured loans, and loans 90 days or more past due:

	AT JUNE 30,				
	1999	1998	1997	1996	1995
	(DOLLARS IN THOUSANDS)				
NON-ACCRUAL LOANS:					
Residential mortgage	$ 235	$ 640	$1,023	$1,043	$ 650
Commercial real estate	595	317	541	895	1,223
Commercial loans	0	468	54	308	381
Consumer and other	197	0	41	76	33
Total non-accrual loans	1,027	1,425	1,659	2,322	2,287
Accruing loans contractually past due 90 days or more	117	823	1,222	860	370
TOTAL NON-PERFORMING LOANS	1,144	2,248	2,881	3,182	2,657
Other real estate owned	194	350	563	585	1,169
TOTAL NON-PERFORMING ASSETS	$1,338	$2,598	$3,444	$3,767	$3,826
Non-performing loans to total loans	0.36%	0.80%	1.29%	1.70%	1.42%
Non-performing assets to total assets	0.37%	0.81%	1.21%	1.54%	1.65%

ALLOWANCE FOR LOAN LOSSES

In originating loans, Northeast Bancorp recognizes that loan losses will be experienced and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan and, in the case of a collateralized loan, the quality of the collateral for the loan as well as general economic conditions. The process of evaluating the allowance involves a high degree of management judgment. The methods employed to evaluate the allowance for loan losses are quantitative in nature and consider such factors as the loan mix, the level of non-performing loans, delinquency trends, past charge-off history, loan reviews and classifications, collateral, and the current economic climate.

On a regular and ongoing basis management actively monitors Northeast Bancorp's asset quality to evaluate the adequacy of the allowance for loan losses and, when appropriate, to charge-off loans against the allowance for loan losses when appropriate or to provide specific loss allowances when necessary.

Management believes that the allowance for loan losses is adequate considering the level of risk in the loan portfolio. While management believes that it uses the best information available to make its determinations with respect to the allowance, management can not assure you that future adjustments will not be necessary as a result of changing economic conditions, adverse markets for real estate, or other factors. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the allowance for loan losses. Such agencies may require additions to the allowance for loan losses based on their judgments about information available to them at the time of their examination. The Bank's most recent examination by the Office of Thrift Supervision was on November 30, 1998. At the time of the exam the regulators proposed no additions to the allowance for loan losses.

At June 30, 1999, the Bank had a total of $193,850 in OREO as compared to $350,496 at June 30, 1998. An allowance for losses on OREO was established to provide for declines in real estate values and to consider estimated selling costs. The allowance for losses on OREO totaled $27,725, $5,100, and $50,839, respectively for the years ended June 30, 1999, 1998 and 1997. Northeast Bancorp provided for this allowance through a charge against earnings of $47,000, $62,300, and $39,000 for the years ended June 30, 1999, 1998, and 1997, respectively. In 1999, 1998, and 1997, write downs of OREO totaled $24,375, $108,039, and $88,161, respectively. Management periodically receives independent appraisals to assist in its valuation of the OREO portfolio. As a result of its review of the independent appraisals and the OREO portfolio, Northeast Bancorp believes the allowance for losses on OREO is adequate to state the portfolio at lower of cost, or fair value less estimated selling costs.

The following table sets forth an analysis of Northeast Bancorp's allowance for loan losses for the periods indicated.

	YEARS ENDED JUNE 30,				
	1999	1998	1997	1996	1995
	(DOLLARS IN THOUSANDS)				
Average net loans outstanding during the period.....	$294,207	$237,791	$200,919	$183,947	$178,736
Net loans at end of period (1).....	$316,062	$279,053	$219,940	$184,449	$185,116
Allowance at beginning of period.....	$ 2,978	$ 2,742	$ 2,761	$ 2,661	$ 2,728
LOANS CHARGED-OFF DURING THE PERIOD:					
Residential mortgage.....	(232)	(196)	(319)	(151)	(162)
Commercial real estate.....	(26)	(432)	(128)	(236)	(296)
Commercial.....	(272)	(42)	(154)	(125)	(205)
Consumer and other.....	(396)	(115)	(171)	(108)	(151)
Total loans charged-off.....	(926)	(785)	(772)	(620)	(814)
RECOVERIES OF LOANS PREVIOUSLY CHARGED-OFF:					
Residential mortgage.....	12	87	43	10	7
Commercial real estate.....	109	83	49	34	1
Commercial.....	20	87	13	12	16
Consumer and other.....	121	58	34	25	32
Total recoveries.....	262	315	139	81	56
Net loans charged-off during the period.....	(664)	(470)	(633)	(539)	(758)
Provisions for loan losses.....	610	706	614	639	691
Allowance at end of period.....	$ 2,924	$ 2,978	$ 2,742	$ 2,761	$ 2,661
Ratio of net charge-offs to average loans outstanding.....	0.23%	0.20%	0.32%	0.29%	0.42%
Allowance as a percentage of total portfolio loans....	0.92	1.06	1.23	1.47	1.41
Allowance as a percentage of non-performing and non-accrual loans.....	255.59	132.47	95.18	86.77	100.15

- ---------------

(1) Excludes loans held for sale.

The level of the allowance for loan losses decreased as a percentage of total loans for 1999 as compared to 1998. This decrease in the level of allowance as a percentage of total loans reflects the increased volume of loans in 1999 as compared to 1998, the asset quality, charge-offs experienced, and credit risk of these loans, and the lower level of delinquencies experienced in 1999. The growth of loans included the purchase of residential mortgages which carry less credit risk. However, the allowance for loan losses increased as a percentage of non-performing and non-accrual loans for 1999 as compared to 1998 due to a decrease in non-performing and non-accrued loan balances.

The ratio of net charge-offs to average loans outstanding has remained relatively constant during the last five fiscal years.

At June 30, 1999, total impaired loans were $612,867, of which $241,420 had related allowances of $77,200. This compares to total impaired loans of $1,623,720, of which $927,355 had related allowances of $251,474, at June 30, 1998. During the year ended June 30, 1999, the income recognized related to impaired loans was $66,030 and the average balance of outstanding impaired loans was $1,229,987. This compares to income recognized related to impaired loans of $19,693 and the average balance of impaired loans of $1,956,488 at June 30, 1998. The Bank recognizes interest on impaired loans on a cash basis when the ability to collect the principal balance is not in doubt; otherwise, cash received is applied to the principal balance of the loan.

The following table sets forth a breakdown of the allowance for loan losses by loan category for the periods indicated. Management believes that the allowance can be allocated by category only on an approximate basis. The allocation of an allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

	AT JUNE 30,									
	1999		1998		1997		1996		1995	
	AMOUNT	% OF LOANS TO TOTAL LOANS	AMOUNT	% OF LOANS TO TOTAL LOANS	AMOUNT	% OF LOANS TO TOTAL LOANS	AMOUNT	% OF LOANS TO TOTAL LOANS	AMOUNT	% OF LOANS TO TOTAL LOANS
	(DOLLARS IN THOUSANDS)									
Residential mortgage.....	$ 378	57.4%	$ 352	61.1%	$ 308	62.7%	$ 268	62.0%	$ 658	64.2%
Commercial mortgage.....	882	17.5	762	16.7	821	20.8	799	19.9	263	17.5
Construction.....	0	0.5	0	0.8	0	1.2	0	1.5	0	1.3
Commercial.....	508	10.9	582	9.6	436	8.7	501	8.9	137	8.3
Consumer.....	497	13.7	380	11.8	159	6.6	152	7.7	279	8.7
Unallocated.....	659	0.0	902	0.0	1,018	0.0	1,041	0.0	1,324	0.0
Total allowance for loan losses.....	$2,924	100.0%	$2,978	100.0%	$2,742	100.0%	$2,761	100.0%	$2,661	100.0%

The measurement of impaired loans is based on the fair value of the loan's collateral. The measurement of non-collateral dependent loans is based on the present value of expected future cash flows discounted at the historical effective interest rate. The components for the allowance for loan losses are as follows:

	AT JUNE 30,		
	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Impaired loans.....	$ 77	$ 251	$ 369
Other.....	2,847	2,727	2,373
	$2,924	$2,978	$2,742

INVESTMENT ACTIVITIES

At June 30, 1999, 1998, and 1997, Northeast Bancorp's investment portfolio totalled approximately $18,054,000, $13,609,000, and $28,811,000, respectively. The investment portfolio consists of federal agency securities, mortgage-backed securities, bonds, and equity securities. Maturities range from one month to thirty years with a debt portfolio average maturity of approximately 25 years.

Funds generated by Northeast Bancorp as a result of increases in deposits or decreases in loans which are not immediately used by Northeast Bancorp are invested in securities held in its investment portfolio. The investment portfolio is used as a source of liquidity for Northeast Bancorp. The investment portfolio is structured so that it provides for an ongoing source of funds for meeting loan and deposit demands and for reinvestment opportunities to take advantage of changes in the interest rate environment.

Equity securities, and debt securities which may be sold prior to maturity, are classified as available for sale and are carried at market value. Northeast Bancorp's investment portfolio has been primarily classified as available for sale at June 30, 1999 and 1998. Changes in market value, net of applicable income taxes, are reported as a separate component of stockholders' equity. Gains and losses on the sale of securities are recognized at the time of the sale using the specific identification method. The amortized cost and market value of available for sale securities at June 30, 1999 was $18,720,268 and $18,054,317, respectively. The increase of $5,013,796 in the cost of securities available for sale, from June 30, 1998 to June 30, 1999, was due to the purchase of mortgage-backed securities for collateral for the increased volume in securities sold under repurchase agreements. The net unrealized loss on mortgage-backed securities has increased from $9,511 at June 30, 1998 to $626,274 at June 30, 1999 due to rising interest rates. Substantially all of the mortgage-backed securities are high grade government backed securities. As in any long term earning asset in which the interest rate is fixed, the market value of mortgage-backed securities will fluctuate based on changes in

market interest rates from the time of purchase. Since these mortgage-backed securities are backed by the U.S. Government, there is a minimal risk of loss of principal. Management believes that the yields currently received on this portfolio are satisfactory and intends to hold these securities for the foreseeable future.

Management reviews the portfolio of investments on an ongoing basis to determine if there has been an other-than-temporary decline in value. Some of the considerations management makes in the determination are market valuations of particular securities and economic analysis of the securities' sustainable market values based on the underlying companies' profitability. If the decline in value is not considered to be temporary, management writes down the value of such securities through an adjustment against earnings. Based on management's assessment of available for sale securities, there has been more than a temporary decline in fair value of certain securities. For the years ended June 30, 1999, 1998, and 1997, write-downs of available for sale securities were $95,728, $172,235, and $110,000, respectively, and are included in other expenses in the consolidated statements of income.

The following table summarizes Northeast Bancorp's investment portfolio as of the dates indicated.

INVESTMENT SECURITIES PORTFOLIO

	AT JUNE 30,		
	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
AVAILABLE FOR SALE (1):			
U.S. Government agencies	$ 598	$ 4,698	$ 2,905
Mortgage-backed securities	16,027	7,714	24,802
Other bonds	200	204	253
Equity securities	1,229	993	851
Total available for sale (2):	$18,054	$ 13,609	$28,811

- ---

(1) Carried at estimated market value. Northeast Bancorp does not have any securities being held to maturity.
(2) Cost of such securities was $18,720 as of June 30, 1999, $13,706 as of June 30, 1998, and $29,317 as of June 30, 1997.

The following table summarizes Northeast Bancorp's securities (excluding the restricted FHLB Stock) by maturity and weighted average yields at June 30, 1999. Yields on tax exempt securities are stated at their nominal rates and have not been adjusted for tax rate differences.

	WITHIN ONE YEAR		AFTER ONE YEAR BUT WITHIN 5 YEARS		AFTER FIVE YEARS BUT WITHIN 10 YEARS		AFTER 10 YEARS		TOTAL	
	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD
	(DOLLARS IN THOUSANDS)									
AT JUNE 30, 1999:										
U.S. Government agencies	$ 498	4.62%	$100	7.23%	$ 0	0.00%	$ 0	0.00%	$ 598	5.06%
Mortgage-backed securities	0	0.00	44	5.15	572	7.04	15,411	6.59	16,027	6.60
Other bonds	0	0.00	200	6.28	0	0.00	0	0.00	200	6.28
Equity securities	1,229	6.76	0	0.00	0	0.00	0	0.00	1,229	6.76
	$1,727	6.14%	$344	6.41%	$ 572	7.04%	$15,411	6.59%	$18,054	6.56%
AT JUNE 30, 1998:										
U.S. Government agencies	$ 347	5.87%	$248	5.40%	$1,103	7.02%	$ 3,000	7.17%	$ 4,698	6.95%
Mortgage-backed securities	0	0.00	99	5.15	24	8.50	7,591	6.91	7,714	6.89
Other bonds	0	0.00	204	6.28	0	0.00	0	0.00	204	6.28
Equity securities	993	2.64	0	0.00	0	0.00	0	0.00	993	2.64
	$1,340	3.48%	$551	5.68%	$1,127	7.05%	$10,591	6.98%	$13,609	6.59%

DEPOSIT ACTIVITIES AND OTHER SOURCES OF FUNDS

GENERAL. Deposit accounts are the primary source of funds of Northeast Bancorp for use in lending and other investment purposes. In addition to deposits, Northeast Bancorp draws funds from interest payments, loan principal payments, loan and securities sales, securities sold under repurchase agreements, and funds

from operations (including various types of loan fees). Scheduled loan payments of principal and interest are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and money market conditions. Northeast Bancorp utilizes, as alternative sources of funds, brokered certificates of deposit when national deposit interest rates are less than the interest rates on local market deposits. Brokered certificates of deposit are also used to supplement the growth in earning assets. Brokered certificates of deposit present the same risk as local certificates of deposit, in that both are interest rate sensitive with respect to Northeast Bancorp's ability to retain the funds. Northeast Bancorp uses borrowings on a short-term basis, if necessary, to compensate for reductions in the availability of other sources of funds, or borrowings may be used on a longer term basis for general business purposes. In this regard, Northeast Bancorp also uses FHLB advances as a source of funds when the interest rates of the advances are less than market deposit interest rates. FHLB advances are also used to fund short-term liquidity demands.

DEPOSIT ACTIVITIES. Northeast Bancorp continues to attract new local deposit relationships. These deposits are attracted principally through the offering of a broad variety of deposit instruments, including checking accounts, money market accounts, savings accounts, certificates of deposit (including jumbo certificates in denominations of $100,000 or more), and retirement savings plans. Total deposits were $219,364,035 as of June 30, 1999, and $184,024,097 as of June 30, 1998. The increase in deposits of $35,339,938 from June 30, 1998 to June 30, 1999 was primarily due to a $7,773,835 increase in NOW demand deposits and a $22,143,247 increase in time deposits. The increase in NOW deposits was attributable to the development of a demand account where the interest rate increases as deposit balances increase. Time deposits increased due to various special offerings as well as normal growth from the branch market areas. Brokered certificates of deposit represented $13,458,257 of total deposits at June 30, 1999, which was an increase of $5,883,547 compared to June 30, 1998.

Maturity terms, service fees, and withdrawal penalties are established by Northeast Bancorp on a periodic basis. The determination of rates and terms is predicated on funds acquisition and liquidity requirements, rates paid by competitors, growth goals and federal regulations.

DEPOSIT FLOWS AND AVERAGE BALANCE AND RATES. The following table sets forth the average balance and weighted average rates for Northeast Bancorp's categories of deposits for the period indicated.

	AT JUNE 30,								
	1999			1998			1997		
	AVERAGE BALANCE	AVERAGE RATE	% OF DEPOSITS	AVERAGE BALANCE	AVERAGE RATE	% OF DEPOSITS	AVERAGE BALANCE	AVERAGE RATE	% OF DEPOSITS
	(DOLLARS IN THOUSANDS)								
Non-interest bearing demand deposits	$ 17,132	0.00%	8.4	$ 15,481	0.00%	8.9	$ 13,380	0.00%	8.0
NOW and money market	40,100	2.85	19.7	29,401	2.50	16.8	30,716	2.45	18.4
Regular savings	20,068	2.57	9.9	21,289	2.68	12.2	22,141	2.67	13.3
Time deposits	125,802	5.58	62.0	108,580	5.78	62.1	100,485	5.73	60.3
Total average deposits	$203,102	4.27%	100.0	$174,751	4.34%	100.0	$166,722	4.26%	100.0

CERTIFICATES OF DEPOSIT. At June 30, 1999, certificates of deposit, including brokered deposits, represented approximately 64.3% of Northeast Bancorp's total deposits, as compared to 61.5% of total deposits at June 30, 1998. Northeast Bancorp does not have a concentration of deposits from any one source, the loss of which would have a material adverse effect on the business of Northeast Bancorp.

The following table summarizes the amount of Northeast Bancorp's certificates of deposit of $100,000 or more by time remaining until maturity at June 30, 1999.

MATURITY PERIOD -	JUNE 30, 1999
	(DOLLARS IN THOUSANDS)
Less than three months	$ 1,579
Over three months through six months	1,648
Over six months through twelve months	6,944
Over twelve months	14,181
Total	$24,352

DEPOSIT ACTIVITY. The following table sets forth the deposit flows of Northeast Bancorp during the periods indicated.

	YEARS ENDED JUNE 30,		
	1999	1998	1997
	(DOLLARS IN THOUSANDS)		
Net increase before interest credited	$28,090	$ 4,501	$1,848
Net credited	7,250	6,602	6,218
Net deposit increase	$35,340	$11,103	$8,066

BORROWINGS. The Bank relies upon deposits, loan repayments, and loan sales as its major sources of funds. When Northeast Bancorp's primary sources of funds are not sufficient to meet deposit outflows, loan originations and purchases, and other cash requirements, Northeast Bancorp may borrow funds from the FHLB of Boston or other sources. In addition, Northeast Bancorp uses securities sold under agreements to repurchase, or repurchase agreements as they are sometimes called, in order to increase available funds.

The FHLB of Boston functions as a central reserve bank providing credit for savings and loan associations and certain other member financial institutions. As a member, the Bank is required to own capital stock in the FHLB of Boston and is authorized to apply for advances on the security of such stock and certain of its home mortgages and other assets (principally securities that are obligations of or guaranteed by the United States), provided that certain standards related to creditworthiness have been met. FHLB borrowings, known as "advances," are made on a secured basis, and the terms and rates charged for FHLB advances vary in response to general economic conditions. A wide variety of borrowing plans are offered by the FHLB of Boston, each with its own maturity and interest rate. The FHLB of Boston will consider various factors, including an institution's regulatory capital position, net income, quality and composition of assets, lending policies and practices, and level of current borrowings from all sources in determining the amount of credit to extend to an institution. In addition, an institution that fails to meet the qualified thrift lender test may have restrictions imposed on its ability to obtain FHLB advances. The Bank currently meets the qualified thrift lender test. Northeast Bancorp's current advance availability, subject to the satisfaction of certain conditions, is approximately $130 million, of which $104 million has been advanced through June 30, 1999.

Northeast Bancorp has access to the following principal sources of funds:

- borrowing capacity with the FHLB,

- normal growth of Bank deposits,

- issuance of repurchase agreements for cash equivalents, and

- securities available for resale.

The following table sets forth information as to Northeast Bancorp's borrowings activity for the periods indicated.

	YEARS ENDED JUNE 30,					
	1999		1998		1997	
	AMOUNT	WEIGHTED AVERAGE RATE	AMOUNT	WEIGHTED AVERAGE RATE	AMOUNT	WEIGHTED AVERAGE RATE
	(DOLLARS IN THOUSANDS)					
PERIOD END BALANCE:						
Advances from FHLB of Boston	$103,882	5.36%	$104,440	5.55%	$80,494	5.81%
Repurchase agreements(1)	11,868	4.07	5,206	4.20	5,099	4.25
Total	$115,750	5.23%	$109,646	5.49%	$85,593	5.72%
AVERAGE OUTSTANDING DURING YEAR:						
Advances from FHLB of Boston	$100,074	5.53%	$ 85,686	5.86%	$67,037	5.95%
Repurchase agreements(1)	8,202	4.15	4,917	4.19	4,566	4.38
Total	$108,276	5.43%	$ 90,603	5.77%	$71,603	5.85%
HIGH MAXIMUM OUTSTANDING AT ANY MONTH END:						
Advances from FHLB of Boston	$106,979	5.24%	$109,962	5.61%	$81,512	5.85%
Repurchase agreements(1)	11,868	4.07	5,737	4.25	5,214	4.42
Total	$118,847	5.12%	$115,699	5.54%	$86,726	5.76%

- ---

(1) These borrowings were scheduled to mature within 180 days and were collateralized by GNMA and FHLMC securities with the market value and amortized costs at June 30, 1999 of $14,938,000, $15,525,000, at June 30, 1998 of $8,547,000, and $8,558,000 and, at June 30, 1997 of $9,161,000, and $9,300,000.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity is defined as the ability of Northeast Bancorp to generate sufficient cash to fund current loan demand, deposit withdrawals, other cash demands and disbursement needs, and otherwise to operate on an ongoing basis. Northeast Bancorp's principal sources of funds are deposits, principal and interest payments on loans, sale of loans, interest on investments, and the sale of investments. During the fiscal years ended June 30, 1999 and 1998, Northeast Bancorp received $35.3 million and $11.1 million, respectively, from deposit growth and $6.7 million and $0.1 million, respectively, from the sale of repurchase agreements (included in deposit balances in 1999 and 1998 was $13,458,257 and $7,574,710, respectively, in brokered certificates of deposit.) In addition, through the FHLB advances program Northeast Bancorp also has the ability to borrow from the FHLB to supplement its liquidity needs. Northeast Bancorp's current advance availability, subject to the satisfaction of certain conditions, is approximately $26 million over and above the 1999 end of year advances.

At June 30, 1999, stockholders' equity was approximately $26,683,115, or 7.32% of total assets, as compared to $25,139,527 at June 30, 1998, or 7.79% of total assets. Book value per common share was $9.64 as of June 30, 1999, as compared to $9.23 at June 30, 1998.

In November 1998 Square Lake Holding Corporation converted its Northeast Bancorp Series A Preferred Stock into 136,362 shares of Northeast Bancorp common stock. Square Lake Holding Corporation is a Maine corporation and a subsidiary of a Canadian corporation of which Mr. Ronald Goguen is a 95% shareholder and director. Mr. Goguen also is a director of, and, through the stock ownership of his affiliates, a principal shareholder of Northeast Bancorp.

Although no capital requirements are imposed on Northeast Bancorp, as a savings institution the Bank is subject to such requirements as established by the OTS. The OTS has issued regulations requiring savings institutions to maintain a minimum regulatory tangible capital equal to 1.5% of adjusted total assets, core capital of 3.0%, leverage capital of 4.0% and a risk-based capital standard of 8.0%. The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital

categories, in declining order, are "well capitalized", "adequately capitalized", "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." As of June 30, 1999, the Bank met the definition of a "well capitalized" institution. There are no conditions or events since that notification that management believes has changed the institution's category.

At June 30, 1999, the Bank's regulatory capital was in compliance with regulatory capital requirements as follows:

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE "WELL CAPITALIZED" UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	(DOLLARS IN THOUSANDS)					
Tier 1 (Core) Capital (to risk weighted assets).....	$25,615	10.1%	$10,159	4.0%	$15,239	6.0%
Tier 1 (Core) Capital (to total assets).....	25,615	7.1	14,533	4.0	18,166	5.0
Total Capital (to risk weighted assets).....	27,233	10.7	20,318	8.0	25,398	10.0

Management believes that there are adequate funding sources to meet its future liquidity needs for the foreseeable future. However, in order to finance the continued growth of the Bank at current levels, additional funds may be necessary in order to provide sufficient capital to fund loan growth. In this regard, Northeast Bancorp will use a portion of the net proceeds from this offering to, among other things, make contributions to the capital of the Bank to support its internal growth. Further, Northeast Bancorp may from time to time consider and evaluate a variety of additional sources of funds, including other debt financing vehicles, sales of equity securities, and other financing alternatives. There can be no assurance that Northeast Bancorp will be able to obtain such additional financing, if needed, or, if available, that it can be obtained on terms favorable to Northeast Bancorp.

RETURN ON EQUITY AND ASSETS

The following table sets forth certain selected performance ratios of Northeast Bancorp for the periods indicated:

	AT JUNE 30,		
	1999	1998	1997
Return on average assets.....	0.71%	0.83%	0.57%
Return on average equity.....	9.18	10.35	7.05
Dividend payout ratios.....	24.42	24.42	37.50
Average equity to average assets.....	7.73	7.99	8.09

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and related financial data presented herein concerning Northeast Bancorp have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on the operations of Northeast Bancorp is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, changes in interest rates have a more significant impact on the performance of Northeast Bancorp than do the effects of changes in the general rate of inflation and changes in prices. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services.

FUTURE ACCOUNTING REQUIREMENTS

The Financial Accounting Standards Board ("FASB") has issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This statement requires all derivatives to be recorded on the balance sheet at fair value and establishes standard accounting methodologies for hedging activities. The standard will result in the recognition of offsetting changes in value or cash flows of both the hedge and the hedged item in earnings or comprehensive income in the same period. The statement is effective for Northeast Bancorp's fiscal year ending June 30, 2001. Management of Northeast Bancorp does not expect this statement to have a significant effect on its financial position or results of operations based on current activities of Northeast Bancorp.

FASB also has issued Statement of Financial Accounting Standards No. 134, "Accounting for Mortgage-Backed Securities retained after the securitization of Mortgage Loans Held for Sale by a Mortgage Banking Entity" ("SFAS 134"). This statement amends SFAS No. 65 allowing mortgage-backed securities or other retained interests arising from the securitization of mortgage loans to be classified based on the mortgage banking entities' ability and intent to sell or hold those securities. Previously these securities had to be held within a trading account. This statement is effective for Northeast Bancorp's fiscal year ending June 30, 2000. The adoption of this standard is not expected to have a significant impact on the financial statements.

YEAR 2000 COMPLIANCE

Northeast Bancorp is currently addressing the Year 2000 issue. Many existing computer programs and hardware configurations use only two digits to identify a year in the date field. Since these programs did not take into consideration the upcoming change in the century, many computer applications could create erroneous results by the year 2000 if not corrected. The Year 2000 issue will affect this company and it will affect virtually all companies and organizations, including Northeast Bancorp's borrowers. Northeast Bancorp has organized a Year 2000 committee, comprised of senior officers, to research, develop and implement a plan that will correct this issue within the time lines established by Northeast Bancorp's regulators. The OTS has issued a formal regulation and comprehensive plan concerning the Year 2000 issue for financial institutions, for which the OTS has oversight. Northeast Bancorp has adopted the regulatory comprehensive plan which has the following phases:

AWARENESS PHASE. This phase consists of defining the Year 2000 problem, developing the resources necessary to perform compliance work, establishing a Year 2000 program committee, and developing an overall strategy that encompasses in-house systems, service bureaus for systems that are outsourced, vendors, auditors, customers, and suppliers (including correspondence). This phase has been completed by Northeast Bancorp's committee.

ASSESSMENT PHASE. This phase involves an assessment of the size and complexity of the problem and determining the magnitude of the effort necessary to address the Year 2000 issue. As part of this valuation, Northeast Bancorp evaluated all hardware, software, networks, automated teller machines, other various processing platforms, and customer and vendor interdependencies affected by the Year 2000 date change. This assessment was not limited to a review of information systems, it also encompassed environmental systems dependent on embedded microchips, such as security systems, elevators and vaults. Management also evaluated the Year 2000 effect on other strategic business initiatives, including the potential effect that mergers and acquisitions, major system development, corporate alliances, and system interdependencies will have on existing systems and/or acquired systems. During this phase, both management and its vendors identified resource needs and established time frames for their Year 2000 efforts. The resource needs for responding to this issue include appropriately skilled personnel, contractors, vendor support, budget allocations, and hardware capacity. Finally contingency plans should be developed to cover unforeseen obstacles during the renovation and validation phase and include plans to deal with lesser priority systems that would be fixed later in the renovation phase.

The assessment phase has been completed, but is considered an ongoing phase for Northeast Bancorp. Northeast Bancorp has instituted a comprehensive plan to communicate with all its borrowers that it considers to be at risk concerning the Year 2000 issue. Northeast Bancorp considers this plan necessary to

mitigate the risk associated with borrowers not having the ability to make loan payments due to a Year 2000 issue. Northeast Bancorp currently has estimated the following costs associated with the Year 2000 issue: (1) computer hardware replacement $40,000, (2) software replacement $42,000, (3) testing and administrative costs $94,000, and (4) potential contingency costs $15,000. As of June 30, 1999 the Company had incurred $37,333 of capitalized purchases and $92,000 of cumulative Year 2000 expenses. These costs are under periodic review and will be revised as needed. We cannot assure you that our actual cost will not exceed our estimates. During the 1999 fiscal year, Northeast Bancorp replaced its computer mainframe, software, and data communication systems as planned to accommodate the growth experienced as a result of its merger and acquisition activity and its branch expansion. The previous mainframe and software had been fully depreciated through the normal course of its depreciable life and the costs associated with the replacement of these items was part of Northeast Bancorp's general business plan for fiscal 1999. The anticipated Year 2000 expenses referred above are in addition to Northeast Bancorp's replacement costs.

RENOVATION PHASE. This phase includes code enhancements, hardware and software upgrades, system replacements, vendor certification, and other associated changes. Work will be prioritized based on information gathered during the assessment phase. Each of our service providers and vendors has been contacted and has or will provide information to us concerning their efforts to comply with the Year 2000 issue. Northeast Bancorp has completed this phase. However, we cannot assure you that these service providers and vendors will be Year 2000 compliant in a timely manner.

VALIDATION PHASE. Testing is a multifaceted process that is critical to the Year 2000 project and inherent in each phase of the project management plan. This process includes the testing of incremental changes to hardware and software components. In addition to testing upgraded components, connections with other systems must be verified, and all changes should be accepted by internal and external users. Management will establish controls to assure the effective and timely completion of all hardware and software testing prior to final implementation. As with the renovation phase, Northeast Bancorp will be in ongoing discussions with its vendors on the success of their validation efforts. Northeast Bancorp has completed testing on all of its critical systems and has completed this phase.

IMPLEMENTATION PHASE. During this phase, systems are to be validated as Year 2000 compliant and be accepted by the business users. For any system failing certification, the business effect must be assessed clearly and the organization's Year 2000 contingency plans should be implemented. Any potentially noncompliant mission-critical system should be brought to the attention of executive management immediately for resolution. In addition, this phase must ensure that any new systems or subsequent changes to verified systems are compliant with Year 2000 requirements. Northeast Bancorp has completed the validation of its systems and has completed this phase.

Northeast Bancorp recognizes the Year 2000 problem as a global issue with potentially catastrophic results if not addressed. We have and will continue to take all necessary steps to protect Northeast Bancorp and its customers concerning the Year 2000 issue. Management is confident that all the instituted phases will be completed and in place prior to the Year 2000. However, the inability of third party vendors to complete their Year 2000 remediation in a timely fashion could result in delays in processing daily transactions and could result in a material and adverse effect on our results of operations. We have developed a contingency plan to address potential failures in these systems. However, we cannot assure you that these plans will adequately protect the Bank from the adverse consequences of such failures.

BUSINESS

GENERAL

Northeast Bancorp, a Maine corporation chartered in April 1987, is a unitary savings and loan holding company whose primary subsidiary and principal asset is Northeast Bank, F.S.B. Prior to 1996, Northeast Bancorp operated under the name Bethel Bancorp. Northeast Bancorp, through its ownership of the Bank, is engaged principally in the business of originating residential real estate loans, commercial real estate and business loans, and consumer loans, and its primary source of earnings is derived from the income generated by the Bank. Although historically the Bank has primarily originated residential and commercial real estate loans, most of which are local, in the State of Maine, it also generates commercial and consumer loans and provides other services and products traditionally furnished to customers by full service banks. As of June 30, 1999, Northeast Bancorp, on a consolidated basis, had total assets of approximately $364.4 million, total deposits of approximately $219.4 million, and stockholders' equity of approximately $26.7 million.

The Bank (which was formerly known as Bethel Savings Bank F.S.B.) is a federally-chartered savings bank which was originally organized in 1872 as a Maine-chartered mutual savings bank. The Bank received its federal charter in fiscal 1984. In 1987, Bethel converted to a stock form of ownership and in subsequent years has engaged in a strategy of both geographic and product expansion.

In October 1997, Northeast Bancorp completed its combination with Cushnoc Bank & Trust, a commercial bank located in Augusta, Maine ("Cushnoc"), and merged it into the Bank. As a result of the merger, the Bank added two branches which expanded its market area to include Maine's capital city and surrounding communities, an area that management believes offers significant growth opportunities. In addition, during the last fiscal quarter, Northeast Bancorp opened a new full service branch in Lewiston, Maine. With the opening of these three branches, the Bank now has a total of 12 banking branches. In addition, the Bank has opened a facility in Falmouth, Maine from which it accepts loan applications and offers investment, insurance, and financial planning products to its customers.

The Bank has broad powers, including the power to engage in non-residential lending activities. In connection with its conversion into a federal savings bank in fiscal 1984, the Bank retained its then-authorized powers as a Maine-chartered mutual savings bank. Under applicable regulations, except as otherwise determined by the OTS, the Bank retains the authority that it was permitted to exercise as a mutual savings bank under the state law existing at the time of the conversion. Historically, Maine-chartered savings banks have had certain lending, investment, and other powers that have only recently been granted to federal savings institutions, including commercial lending authority and the ability to offer personal checking and negotiable order of withdrawal ("NOW") accounts.

From its 12 retail banking branches located throughout western, central, and the mid-coastal regions of the State of Maine, and through the Bank's subsidiary and other affiliations, the Bank offers its customers, or provides access to, a broad range of financial services and products including, but not limited to, real estate, commercial, and consumer loans and financial products, deposit and investment services, brokerage services, trust services, insurance, ATMs, debit cards, electronic transfer services, and other related products and services.

The Bank is subject to examination and comprehensive regulation by the OTS and its deposits are insured by the FDIC to the extent permitted by law. The Bank also is a member of the FHLB of Boston. Although the Bank's deposits are primarily insured through the Bank Insurance Fund, deposits at the Brunswick branch, which represent approximately 24% of the Bank's total deposits, are Savings Association Insurance Fund insured. See "Supervision and Regulation -- Insurance of Deposit Accounts and Assessments."

The principal executive offices of Northeast Bancorp and the Bank are located at 232 Center Street, Auburn, Maine, 04210, and their telephone number is (207) 777-6411.

STRATEGY

Northeast Bancorp's corporate strategy is to offer a wide array of financial products and services with an emphasis on a high level of personalized service. This strategy is designed to attract profitable long-term banking relationships with its customers and to increase the Bank's core earnings by developing stronger interest margins, non-interest income, and increasing volume of banking products and services by expanding the Bank's market areas. In keeping with this strategy, the Bank is making a concerted effort to become an all-inclusive financial center that is able to provide its customers with nearly every financial product and service that they may require. In this regard, the Bank assists its clients in assessing their financial needs through its personalized financial planning services. Once the customer's financial needs have been identified, the Bank provides the customer with financial product or service solutions designed to meet those needs. Management believes that the ability to deliver such personalized service and advice will be one of the primary competitive factors in the financial institutions industry in the future. Accordingly, over the past few years the Bank has invested a substantial amount of resources in developing its ability to offer a high level of personalized service with an emphasis on financial planning and delivery of financial advisory services that are responsive to a broad range of customer needs.

To further support the corporate strategy, the Bank has recently expanded the scope of lending and other financial services that it provides to its customers. In the past, the Bank has focused primarily on its residential mortgage lending business. As a result, its business has historically consisted of attracting deposits from the general public through its retail banking offices and applying those funds principally to the origination, retention, servicing, investing in and selling first mortgage loans on single and multi-family residential real estate. However, during the past several years, the Bank has expanded the scope of its services by placing additional emphasis on:

- consumer lending and small business, home equity, and commercial loans;

- lending funds to retail banking customers by means of home equity and installment loans;

- originating loans secured by commercial property and multi-family dwellings; and

- generating indirect dealer consumer loans used for the purchase of mobile homes and automobiles.

Northeast Bancorp also offers to its customers financial planning, investment services and all lines of insurance products through the Bank's subsidiary, Northeast Financial Services Corporation. Northeast Financial Services Corporation, which is located at Northeast Bancorp's headquarters in Auburn, Maine, offers customers access to investment and annuity products through an arrangement with Commonwealth Equity Services, Inc., an unaffiliated, fully licensed New York securities firm, which licenses the brokers who sell such products and services. It also offers a full line of insurance products to customers through its relationships with several insurance agencies, including one owned by Mr. Kendall, who is a director of Northeast Bancorp.

Trust services and employee benefit products are provided to Northeast Bancorp customers through Northeast Trust, a division of the Bank. Since 1993, employee benefit products were provided to Northeast Bancorp's customers through FNEB, a division of the Bank. During fiscal 1999, Northeast Bancorp dissolved FNEB because it did not attain sufficient revenue growth. These services are now provided to customers through the Bank's trust department. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations."

The community banking strategy of Northeast Bancorp emphasizes the development of long-term full banking relationships with customers at each branch location by providing consistent, high quality service from:

- persons with local decision-making authority;

- employees who are familiar with the customers' needs, their business environment and competitive demands;

- employees who are able to develop and customize personalized financial solutions that are tailored to the customers' needs.

We believe that our strategy of providing "one-stop shopping" for our customers' financial needs, together with our community bank approach, will continue to foster the development of profitable long-term relationships between the Bank and its customers.

With the goal of providing a full range of banking services to its customers and in an effort to develop strong long-term primary banking relationships with businesses and individuals, the Bank has expanded its commercial banking operations by selectively making commercial loans to small and medium sized companies. In this regard, the Bank's business development efforts have been directed towards full service credit packages and financial services, as well as competitively priced mortgage packages. At June 30, 1999, the Bank's loan portfolio consisted of 58% residential real estate mortgages, 17% commercial real estate mortgage, 11% commercial loans, and 14% consumer loans. At June 30, 1999, the Bank's lending limit was approximately $4.0 million. To the extent that a customer's credit needs exceed these lending limits, the Bank may seek participations in such loans with other banks.

MARKET AREA

Northeast Bancorp and the Bank are headquartered in Auburn, Maine with full service branches located in Augusta, Bethel, Brunswick, Buckfield, Harrison, Lewiston, Lisbon Falls, Mechanic Falls, Richmond, and South Paris, Maine. In addition, the Bank maintains a facility in Falmouth, Maine, from which loan applications are accepted and insurance, investment services and financial planning services are offered. As a result of its recent acquisitions and branching strategies, Northeast Bancorp's market areas cover western, central and the mid-coastal regions of the State of Maine. Northeast Bancorp's market areas are characterized by a diverse economy that have experienced moderate growth in recent years.

In order to expand its geographic market and to diversify its uses of funds, Northeast Bancorp has acquired two financial institutions in the State of Maine and has opened new branches in strategic locations within its market area. Northeast Bancorp will continue to evaluate other financial institutions as potential acquisition candidates in geographic areas that management believes would compliment its existing banking business.

MARKET FOR SERVICES AND COMPETITION

In its local markets, individuals and businesses are solicited through the personal efforts of the directors and officers of both Northeast Bancorp and the Bank. Management believes a locally-based independent bank is often perceived by the local business community as possessing a clearer understanding of local commerce and its needs. Consequently, Northeast Bancorp believes that it is able to make prudent lending decisions to customers in its market areas more quickly than its competitors without compromising asset quality or profitability.

In an effort to attract a broader base of long-term customer relationships and diversity in its banking operations, Northeast Bancorp has recently expanded its focus from primarily seeking residential loan customers to becoming a "one-stop shopping" destination point for our customers' full financial needs. Accordingly, during the past few years the Bank has significantly increased the number and type of financial products, loans, and services that it makes available to its customers.

Northeast Bancorp encounters strong competition in its market areas, both in making loans and attracting deposits. The deregulation of the banking industry and the widespread enactment of state laws which permit multi-bank holding companies, as well as the availability of nationwide interstate banking, has created a highly competitive environment for financial services providers. In one or more aspects of its business, the Bank competes with other savings banks, commercial banks, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking companies, finance companies, and other financial intermediaries operating in Maine and elsewhere. Many of the Bank's primary competitors, some of which

are affiliated with large bank holding companies or other larger financial-based institutions, have substantially greater resources and have higher lending limits.

The principal factors in competing for deposits are convenient office locations, flexible hours, interest rates and services, while those relating to loans are interest rates, the range of lending services offered and lending fees. Additionally, Northeast Bancorp believes that an emphasis on personalized financial planning and advice tailored to individual customer needs, together with the local character of the Bank's business and its "community bank" management philosophy will enhance its ability to compete successfully in its market areas. Further, Northeast Bancorp now offers a wide range of financial services to its customers, including not only basic loan and deposit services, but also investment services, trust services, and insurance products. We believe that our ability to provide such services and advice, and to provide the financial services and products required by our customers, will be an attractive alternative to consumers in our market area.

LENDING ACTIVITIES

GENERAL. The primary source of income generated by the Bank is from the interest earned from the loan portfolio. The Bank maintains diversification when considering the granting of loan requests.

The principal lending activities of the Bank are the origination and purchase of conventional mortgages for the purpose of constructing, financing, or re-financing one-to-four family residential properties and commercial properties. The majority of the properties securing the mortgage loan portfolio are located in the State of Maine. However, in an effort to diversify the geographic scope of the real estate collateral held by it, the Bank does purchase in the secondary market residential mortgage loans collateralized by properties in other states. Interest rates and origination fees charged on loans originated by the Bank are generally competitive with other financial institutions and other mortgage originators in its general market area.

Although residential and commercial real estate lending remains a strong component of the Bank's lending operations, consistent with its business strategy Northeast Bancorp also actively seeks an increased volume of commercial and consumer loans. Commercial loans are originated for commercial construction, acquisition, remodeling, and general business purposes. In this regard, the Bank, among other things, also originates loans to small businesses in association with the Small Business Administration. Consumer loans include those for the purchase of automobiles, boats, home improvements and personal investments. Northeast Bancorp also pursues quality indirect lending through local automobile dealerships.

RESIDENTIAL LENDING. The major component of the Bank's lending activities consists of the origination of single-family residential mortgage loans collateralized by owner-occupied property, most of which is located in its primary service areas. The Bank offers a variety of mortgage loan products. Its originations are generally for adjustable rate mortgages ("ARMs") or fixed rate mortgage loans having a term of 15 years or 30 years amortized on a monthly basis, with principal and interest due each month. Additionally, the Bank offers second mortgage residential loans.

The Bank offers one-year ARMs with rate adjustments tied to the weekly average rate of U.S. Treasury securities adjusted to a constant one-year maturity with specified minimum and maximum interest rate adjustments. The interest rates on a majority of these mortgages are adjusted yearly with limitations on upward adjustments of 2% per adjustment period and 6% over the life of the loan. The Bank also originates fixed-rate mortgage loans on single-family residential real estate. The Bank generally charges a higher interest rate if the property is not owner-occupied. It has been the Bank's experience that the proportion of fixed-rate and adjustable-rate loan originations depend in large part on the level of interest rates. As interest rates fall, there is generally a reduced demand for ARMs and, as interest rates rise, there is generally an increased demand for ARMs.

Fixed rate and adjustable rate mortgage loans collateralized by single family residential real estate generally have been originated in amounts of no more than 80% of appraised value. The Bank may, however, lend up to 95% of the value of the property collateralizing the loan, but if such loans are required to be made in excess of 80% of the value of the property, they must be insured by private or federally guaranteed mortgage insurance. In the case of mortgage loans, the Bank will procure mortgagee's title insurance to

protect against defects in its lien on the property which may collateralize the loan. The Bank in most cases requires title, fire, and extended casualty insurance to be obtained by the borrower, and, where required by applicable regulations, flood insurance. The Bank maintains its own errors and omissions insurance policy to protect against loss in the event of failure of a mortgagor to pay premiums on fire and other hazard insurance policies.

Although the contractual loan payment period for single-family residential real estate loans is generally for a 15 to 30 year period, such loans often remain outstanding for significantly shorter periods than their contractual terms. In addition, the Bank charges no penalty for prepayment of mortgage loans. Mortgage loans originated by the Bank customarily include a "due on sale" clause giving the Bank the right to declare a loan immediately due and payable in the event, among other matters, that the borrower sells or otherwise disposes of the real property subject to a mortgage. In general, the Bank enforces due on sale clauses. Borrowers are typically permitted to refinance or prepay loans at their option without penalty.

The Bank generally applies the same underwriting criteria to residential mortgage loans whether purchased or originated. In its loan purchases, the Bank generally reserves the right to reject particular loans from a loan package being purchased and does reject loans in a package that do not meet its underwriting criteria. In connection with loan purchases, the Bank receives various representations and warranties from the sellers of the loans regarding the quality and characteristics of the loans. In determining whether to purchase or originate a loan, the Bank assesses both the borrower's ability to repay the loan and the adequacy of the proposed collateral. On originations, the Bank obtains appraisals of the property securing the loan. On purchases, the Bank reviews the appraisal obtained by the loan seller or originator. On purchases and originations, the Bank reviews information concerning the income, financial condition, employment and credit history of the applicant.

Northeast Bancorp has adopted written, non-discriminatory underwriting standards for use in the underwriting and review of every loan considered for origination or purchase. These underwriting standards are reviewed and approved annually by its board of directors. Northeast Bancorp's underwriting standards for fixed rate residential mortgage loans generally conform to standards established by Fannie Mae ("FNMA") and the Federal Home Loan Mortgage Corporation (the "FHLMC"). A loan application is obtained or reviewed by the Bank's underwriters to determine the borrower's ability to repay, and confirmation of the more significant information is obtained through the use of credit reports, financial statements, and employment and other verifications.

The Bank generally uses appraisals to determine the value of collateral for all loans it originates. When originating a real estate mortgage loan, the Bank obtains a new appraisal of the property from an independent third party to determine the adequacy of the collateral, and such appraisal is reviewed by one of the underwriters. Otherwise, the collateral value is determined by reference to the documentation contained in the original file.

The Bank also requires that a survey be conducted and title insurance be obtained, insuring the priority of its mortgage lien. Pursuant to its underwriting standards, the Bank generally requires private mortgage insurance policies on newly originated mortgage loans with loan-to-value ratios greater than 80%. All loans are reviewed by the Bank's underwriters to ensure that its guidelines are met or that waivers are obtained in limited situations where offsetting factors exist.

COMMERCIAL REAL ESTATE LENDING. The Bank originates both multi-family and commercial real estate loans. Multi-family and commercial property loans generally are made in amounts up to 80% of the lesser of the appraised value or purchase price of the property. Although the largest multi-family or commercial loan in Northeast Bancorp's portfolio at June 30, 1999 was approximately $2.1 million, the majority of such loans have balances under $500,000.

The Bank's permanent commercial real estate loans are secured by improved property such as office buildings, medical facilities, retail centers, warehouses, apartment buildings, condominiums, and other types of buildings, which are located in its primary market area. Multi-family and commercial real estate loans

generally have fixed or variable interest rates indexed to FHLB rates with fixed notes having terms of 3-5 years. Mortgage loan maturities have terms up to 15 years.

Loans secured by multi-family and commercial real estate generally are larger and involve greater risks than one-to-four family residential mortgage loans. Because payments on loans secured by multi-family and commercial properties often are dependent on successful operation or management of the properties, repayment of such loans may be subject to a greater extent to adverse conditions in the real estate market or the economy. Northeast Bancorp seeks to minimize these risks in a variety of ways, including limiting the size of its multi-family and commercial real estate loans and generally restricting such loans to its primary market area. In determining whether to originate multi-family or commercial real estate loans, Northeast Bancorp also considers such factors as the financial condition of the borrower and the debt service coverage of the property. Northeast Bancorp intends to continue to make multi-family and commercial real estate loans as the market demands and economic conditions permit.

COMMERCIAL LENDING. The Bank offers a variety of commercial loan services including term loans, lines of credit, equipment, and receivables financing. A broad range of short-to-medium term commercial loans, both collateralized and uncollateralized, are made available to businesses for working capital (including inventory and receivables), business expansion (including acquisitions of real estate and improvements), and the purchase of equipment and machinery. Equipment loans are typically originated on both a one year line of credit basis and on a fixed-term basis ranging from one to five years. The purpose of a particular loan generally determines its structure.

The Bank's commercial loans primarily are underwritten in Northeast Bancorp's market areas on the basis of the borrowers' ability to service such debt from income. As a general practice, the Bank takes as collateral a security interest in any available real estate, equipment, or other chattel, although such loans may be made on an uncollateralized basis. Collateralized working capital loans are primarily collateralized by short-term assets whereas term loans are primarily collateralized by long-term assets.

Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from the borrower's wages and other income and which are collateralized by real property whose value tends to be easily ascertainable, commercial loans typically are made on the basis of the borrower's ability to make repayment from the cash flow of their business and generally are collateralized by business assets, such as accounts receivable, equipment, and inventory. As a result, the availability of funds for the repayment of commercial loans may be substantially dependent on the success of the business itself. Further, the collateral underlying the loans, which may depreciate over time, usually cannot be appraised with as much precision as residential real estate, and may fluctuate in value based on the success of the business.

CONSUMER LOANS. Consumer loans made by the Bank have included automobiles, recreation vehicles, boats, second mortgages, home improvements, home equity lines of credit, personal (collateralized and uncollateralized), and deposit account collateralized loans. The Bank's consumer loan portfolio consists primarily of loans to individuals for various consumer purposes, but includes some business purpose loans which are payable on an installment basis. A majority of these loans are for terms of less than 60 months and although generally collateralized by liens on various personal assets of the borrower, they may be originated without collateral. Consumer loans are made at fixed and variable interest rates and may be made based on up to a 5 year amortization schedule.

Consumer loans are attractive to Northeast Bancorp because they typically have a shorter term and carry higher interest rates than that charged on other types of loans. Consumer loans, however, do pose additional risks of collectability when compared to traditional types of loans granted by commercial banks such as residential mortgage loans. In many instances, the Bank is required to rely on the borrower's ability to repay since the collateral may be of reduced value at the time of collection. Accordingly, the initial determination of the borrower's ability to repay is of primary importance in the underwriting of consumer loans.

In 1998, the Bank entered the indirect automobile lending market. Indirect automobile lending consists of automobile loans made by the Bank through the purchase of contracts from automobile dealers. Generally,

the Bank will obtain fixed-rate automobile loans indirectly through various automobile dealerships located in its market areas. The indirect origination of consumer loan products generally requires funding of dealer reserves. These reserves are maintained for the benefit of the dealer who originated such loans, but such funding is subject to performance of certain loan conditions. The dealer is generally responsible to the Bank for the amount of the reserve only if a loan giving rise to the reserve becomes delinquent or the loan has been prepaid.

CONSTRUCTION LOANS. The Bank originates residential construction contractor loans to finance the construction of single-family dwellings. Most of the residential construction loans are made to individuals who intend to erect owner-occupied housing on a purchased parcel of real estate. The Bank construction loans to individuals typically range in size from $100,000 to $200,000. Construction loans also are made to contractors to erect single-family dwellings for resale. Construction loans are generally offered on the same basis as other residential real estate loans, except that a larger percentage down payment is typically required.

The Bank also may make residential construction loans to real estate developers for the acquisition, development, and construction of residential subdivisions. The Bank has limited involvement with this type of loan. Such loans may involve additional risk attributable to the fact that funds will be advanced to fund the project under construction, which is of uncertain value prior to completion and because it is relatively difficult to evaluate accurately the total amount of funds required to complete a project.

The Bank finances the construction of individual, owner-occupied houses on the basis of written underwriting and construction loan management guidelines. Construction loans are structured either to be converted to permanent loans with the Bank at the end of the construction phase or to be paid off upon receiving financing from another financial institution. Construction loans on residential properties are generally made in amounts up to 80% of appraised value. Construction loans to developers generally have terms of up to 12 months. Loan proceeds on builders' projects are disbursed in increments as construction progresses and as inspections warrant. The maximum loan amounts for construction loans are based on the lesser of the current appraisal value or the purchase price for the property.

Construction loans are generally considered to involve a higher degree of risk than long-term financing collateralized by improved, occupied real estate. A lender's risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at the completion of construction and estimated cost (including interest) of construction. If the estimate of construction cost proves to be inaccurate, the lender could be required to advance funds beyond the amount originally committed in order to permit completion of the project. If the estimate of anticipated value proves to be inaccurate, the lender may have collateral which has value insufficient to assure full repayment.

Loans collateralized by subdivisions and multi-family residential real estate generally are larger than loans collateralized by single-family, owner-occupied housing and also generally involve a greater degree of risk. Payments on these loans depend to a large degree on the results of operations and management of the properties, and repayment of such loans may be more subject to adverse conditions in the real estate market or the economy.

LOAN SOLICITATION AND PROCESSING

Loan originations are derived from a number of sources. Residential loan originations can be attributed to real estate broker referrals, mortgage loan brokers, direct solicitation by the Bank's loan officers, present savers and borrowers, builders, attorneys, walk-in customers and, in some instances, other lenders. Loan applications, whether originated through the Bank or through mortgage brokers, are underwritten and closed based on the same standards, which generally meet FNMA underwriting guidelines. Consumer and commercial real estate loan originations emanate from many of the same sources. The legal lending limit of the Bank, as of June 30, 1999, was approximately $4 million.

The loan underwriting procedures followed by the Bank conform to regulatory specifications and are designed to assess the borrower's ability to make principal and interest payments and the value of any assets or property serving as collateral for the loan. Generally, as part of the process, a bank loan officer meets with

each applicant to obtain the appropriate employment and financial information as well as any other required loan information. Upon receipt of the borrower's completed loan application, the Bank then obtains reports with respect to the borrower's credit record, and orders and reviews an appraisal of any collateral for the loan (prepared for the Bank through an independent appraiser). The loan information supplied by the borrower is independently verified. Loan officers or other loan production personnel in a position to directly benefit monetarily through loan solicitation fees from individual loan transactions do not have approval authority. Once a loan application has been completed and all information has been obtained and verified, the loan request is submitted to a final review process. As part of the loan approval process, all uncollateralized loans of $100,000 or more and all collateralized loans of $500,000 or more require preapproval by the Bank's loan committee, which is currently comprised of five directors of the Bank and meets on such basis as is deemed necessary to promptly service loan demand. All loans of $2,000,000 or more require preapproval by the Bank's Board of Directors, and borrowers requesting amounts which will result in a loan relationship of $2,000,000 or more also must be approved by the board of directors of the Bank.

Loan applicants are notified promptly of the decision of the Bank by telephone and a letter. If the loan is approved, the commitment letter specifies the terms and conditions of the proposed loan including the amount of the loan, interest rate, amortization term, a brief description of the required collateral, and required insurance coverage. Prior to closing any long-term loan, the borrower must provide proof of fire and casualty insurance on the property serving as collateral which insurance must be maintained during the full term of the loan. Title insurance is required on loans collateralized by real property. Interest rates on committed loans are normally locked in at the time of application for a 30 to 45 day period. The commitment issued at the time of approval will be for the time remaining, based on the application date.

ACTIVITIES OF SUBSIDIARIES

Northeast Financial Services Corporation, a Maine corporation and wholly-owned subsidiary of the Bank, was originally formed in 1982 as a vehicle through which the Bank could participate in selected real estate development projects. At June 30, 1999, investment in, and loans to, Northeast Financial Services Corporation constituted 0.13% of Northeast Bancorp's total assets. Generally, any proposed development project will be examined for its profit potential and its ability to enhance the communities served by the Bank. At the present time, there are no definitive plans for additional real estate development projects.

Northeast Financial also supports the Bank's non-banking financial services through its relationship with Commonwealth Financial Services, Inc., a fully licensed New York securities firm, and a variety of insurance agencies, including Kendall Insurance Agency, which allows the Bank to deliver insurance products to its customers, and for which the Bank receives a flat fee from the various relationships for referrals. Northeast Financial has not invested any assets in its business relationship with Commonwealth.

EMPLOYEES

At June 30, 1999, Northeast Bancorp and the Bank together employed 128 full-time and 27 part-time employees. None of these employees are covered by a collective bargaining agreement and we believe that our employee relations are good.

PROPERTY OF NORTHEAST BANCORP

The principal executive and administrative offices of Northeast Bancorp and the Bank are located at 232 Center Street, Auburn, Maine and consist of two floors, containing a lobby, executive and customer service offices, teller stations, and vault operations. These office facilities are subject to a lease which expires in 2007, with an option to renew the lease for two additional ten-year terms. This lease requires rental payments of $96,072 per year.

The Bank has 12 branching locations, including the banking facility located at its executive offices. The branches located in Augusta (Western Avenue), Bethel, Brunswick, Buckfield, Harrison, Lisbon, and Mechanic Falls, Maine, and the facility located in Falmouth, Maine, are owned by the Bank in fee simple. In addition to the Auburn facilities, the branches located in Augusta (Bangor Street) Lewiston, and South

Paris, Maine are leased by the Bank. The Bank also owns in fee simple certain real property and improvements located in Auburn, Maine at which various accounting and operations functions of Northeast Bancorp and the Bank are performed. The facilities owned or occupied under lease by the Bank and its subsidiaries are considered by management to be adequate.

LEGAL PROCEEDINGS

Northeast Bancorp and the Bank are periodically parties to or otherwise involved in legal proceedings arising in the normal course of business, such as claims to enforce liens, foreclose on loan defaults, claims involving the making and servicing of real property loans, and other issues incidental to the Bank's business. Management does not believe that there is any proceeding threatened or pending against Northeast Bancorp or the Bank which, if determined adversely, would have a material effect on the business or financial position of Northeast Bancorp or the Bank.

CERTAIN RELATIONSHIPS AND 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 Northeast Bancorp (or an 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, 1999 and 1998, the total dollar amount of extensions of credit to directors and executive officers identified above, and their associates were $3,500,973 and $2,219,800, respectively, which represented approximately 13.1% and 8.8% respectively, of total stockholders' 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.

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, the trust department has placed approximately $14 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.

Except as described in this prospectus, outside of normal customer relationships none of the directors or officers of Northeast Bancorp, and no shareholder holding over 5% of the common stock of Northeast Bancorp 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 Northeast or the Bank, other than such as arises by virtue of such position or ownership interest in Northeast Bancorp or the Bank.

DESCRIPTION OF PREFERRED SECURITIES

The Trust will issue the preferred securities and the common securities under the terms of the trust agreement for the Trust. The preferred securities will represent preferred undivided beneficial interests in the assets of the Trust which entitle holders of the preferred securities, in certain circumstances, to a preference over common securities with respect to distributions and amounts payable on redemption or liquidation, as well as other benefits as described in the trust agreement.

This summary of the provisions of the preferred securities and the trust agreement is not complete. You should read the form of trust agreement which is filed as an exhibit to the registration statement of which this prospectus is a part. Wherever particular defined terms of the trust agreement are referred to in this prospectus, such defined terms are incorporated herein by reference. A copy of the form of the trust agreement is available upon request from the trustees.

GENERAL

The preferred securities will be limited to $10,500,000 aggregate liquidation amount (as defined in the trust agreement) outstanding (which amount may be increased by up to $1,575,000 aggregate liquidation amount of preferred securities for exercise of the underwriter's over-allotment option). See "Underwriting." The preferred securities will rank equally, and payments will be made pro rata, with the common securities except as described under "--Subordination of Common Securities." The junior subordinated debentures will be registered in the name of the Trust and held by the property trustee in trust for the benefit of the holders of the preferred securities and common securities. The guarantee that Northeast will execute will be a guarantee on a subordinated basis with respect to the preferred securities but will not guarantee payment of distributions or amounts payable on redemption or liquidation of the preferred securities when the Trust does not have funds on hand available to make such payments. See "Description of Guarantee."

DISTRIBUTIONS

PAYMENT OF DISTRIBUTIONS. You will receive distributions on each preferred security at the annual rate of % of the stated liquidation amount of $10 per preferred security. The liquidation amount is the amount that holders of the preferred securities are entitled to receive if the Trust is dissolved and its assets are distributed to the holders of its securities. The Trust will pay distributions quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, to record holders at the close of business on the 15th day of the month in which the relevant distribution payments occur. Each date on which distributions will be paid is referred to as a distribution date in this prospectus. Distributions on the preferred securities will be cumulative. Distributions will accumulate from , 1999. The first distribution date for the preferred securities will be , 1999. The amount of distributions payable for any period less than a full distribution period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. Distributions payable for each full distribution period will be computed by dividing the rate per annum by four. If any date on which distributions are payable on the preferred securities is not a business day, then payment will be made on the next succeeding day that is a business day (without any additional interest or other payment because of the delay), except that, if such business day falls in the next calendar year, such payment will be made on the immediately preceding business day.

EXTENSION PERIOD. So long as Northeast Bancorp is not in default on the interest payments on the junior subordinated debentures, Northeast Bancorp has the right to defer the payment of interest on the junior subordinated debentures at any time, or from time to time, by extending the interest payment period for an "extension period" not exceeding 20 consecutive quarters with respect to each extension period, provided that no extension period may extend beyond the maturity date of the junior subordinated debentures. As a consequence of any such deferral, the Trust also would defer quarterly distributions on the preferred securities during the extension period. Distributions payable to holders of the preferred securities will continue to accumulate additional distributions thereon at an annual rate of %, compounded quarterly during the extension period. Such additional distributions will be computed on the basis of a 360-day year of twelve 30-

day months and the actual days elapsed in a partial month in such period. Additional distributions payable for each full distribution period will be computed by dividing the rate per annum by four. The term "distributions" includes any such additional distributions payable unless otherwise stated.

If Northeast Bancorp defers interest payments on the junior subordinated debentures, Northeast Bancorp would be prohibited from: (1) making any payment of principal of, or interest or premium, if any, on or repaying, repurchasing, or redeeming any debt securities of Northeast Bancorp that rank equally in all respects with or junior in interest to the junior subordinated debentures, or (2) declaring or paying any dividends or distributions on, or redeeming, purchasing, acquiring or making a liquidation payment with respect to, any of Northeast Bancorp's capital stock.

These prohibitions, however, do not apply to:

- repurchases, redemptions, or other acquisitions of shares of capital stock of Northeast Bancorp in connection with any employment contract, benefit plan, or other similar arrangement, a dividend reinvestment or stockholder stock purchase plan, or the issuance of Northeast Bancorp capital stock (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable extension period;

- a reclassification, exchange, or conversion of any class or series of Northeast Bancorp's capital stock (or any capital stock of its subsidiaries) for any class or series of Northeast Bancorp's capital stock, or of any class or series of Northeast Bancorp's indebtedness for any class or series of Northeast Bancorp's capital stock;

- the purchase of fractional interests in shares of Northeast Bancorp's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;

- any declaration of a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or the redemption or repurchase of rights pursuant thereto; or

- any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock.

Before the end of an extension period, Northeast Bancorp may further defer the payment of interest. No extension period may exceed 20 consecutive quarterly periods or extend beyond the maturity date of the junior subordinated debentures. Upon the termination of any such extension period and the payment of all amounts then due, Northeast Bancorp may elect to begin a new extension period. No interest shall be due and payable during an extension period, except at the end of the extension period. Northeast Bancorp must give the trustees notice of its election of an extension period at least one business day prior to the earlier of (1) the date the distributions on the preferred securities would have been payable but for the election to begin the extension period and (2) the date the property trustee is required to give notice to holders of the preferred securities of the record date or the date such distributions are payable, but in any event not less than one business day prior to the record date. The property trustee will give notice to holders of the preferred securities of Northeast Bancorp's election to begin a new extension period. Subject to the foregoing, there is no limitation on the number of times that Northeast Bancorp may elect to begin an extension period. See "Description of Junior Subordinated Debentures -- Option To Extend Interest Payment Period" and "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount."

Northeast Bancorp currently does not intend to exercise its right to defer payments of interest by extending the interest payment period on the junior subordinated debentures.

SOURCE OF DISTRIBUTIONS. The Trust's funds available for distribution to you will be limited to payments received under the junior subordinated debentures in which the Trust will invest the proceeds from the issuance and sale of its preferred securities and common securities. See "Description of Junior Subordinated Debentures." The Trust pays distributions through the property trustee. The property trustee holds amounts received from the junior subordinated debentures in the payment account for the benefit of the holders of the

preferred securities and the common securities. If Northeast Bancorp does not make payments on the junior subordinated debentures, the Trust will not have funds available to pay distributions or other amounts payable on the preferred securities. The payment of distributions and other amounts payable on the preferred securities (if and to the extent the Trust has funds legally available for and cash sufficient to make such payments) is guaranteed by Northeast Bancorp. See "Description of Guarantee."

REDEMPTION

GENERAL. The junior subordinated debentures will mature on , 2029. Northeast Bancorp will have the right, subject to receipt of prior regulatory approval if then required, to redeem the junior subordinated debentures (1) on or after , 2004, in whole at any time or in part from time to time, or (2) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of a Tax Event, Investment Company Event, or Capital Treatment Event (each as defined below). See "-- Liquidation Distribution Upon Dissolution." A redemption of the junior subordinated debentures would cause a mandatory redemption of a proportionate amount of the preferred securities and common securities at the redemption price.

If Northeast Bancorp repays or redeems the junior subordinated debentures, Northeast Bancorp must give the property trustee not less than 30 nor more than 60 days notice so that the property trustee can redeem a proportionate amount of the preferred securities and the common securities. The redemption price for each preferred security shall equal $10 plus accumulated but unpaid distributions through the redemption date and the related amount of the premium, if any, paid by Northeast Bancorp upon the concurrent redemption of such junior subordinated debentures. See "Description of Junior Subordinated Debentures -- Redemption." If less than all the junior subordinated debentures are to be repaid or redeemed on a redemption date, then the proceeds from the repayment or redemption shall be allocated to the redemption pro rata of the preferred securities and the common securities.

If a Tax Event, an Investment Company Event, or a Capital Treatment Event occurs and Northeast Bancorp does not elect to:

- redeem the junior subordinated debentures and thereby cause a mandatory redemption of the preferred securities and the common securities, or

- liquidate the Trust and distribute the junior subordinated debentures to holders of the preferred securities and the common securities as described below under "-- Liquidation Distribution Upon Dissolution,"

such preferred securities will remain outstanding and Northeast Bancorp will pay the additional amounts described below upon the occurrence of a Tax Event.

"Tax Event" means the receipt by the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the preferred securities, there is more than an insubstantial risk that:

- the Trust is, or will be within 90 days of the delivery of such opinion, subject to United States federal income tax with respect to income received or accrued on the junior subordinated debentures;

- interest payable by Northeast Bancorp on the junior subordinated debentures is not, or within 90 days of the delivery of such opinion, will not be, deductible by Northeast Bancorp, in whole or in part, for United States federal income tax purposes; or

- the Trust is, or will be within 90 days of the delivery of such opinion, subject to more than a de minimis amount of other taxes, duties, or other governmental charges.

See "Certain Federal Income Tax Consequences -- Pending Tax Litigation Affecting the Preferred Securities" for a discussion of pending United States Tax Court litigation that, if decided adversely to the taxpayer, could give rise to a Tax Event, which may permit Northeast Bancorp to redeem the junior subordinated debentures prior to , 2004.

If a Tax Event described in the first or third bullet points described above has occurred and is continuing and the Trust is holding all of the junior subordinated debentures, Northeast Bancorp will pay on the junior subordinated debentures any additional amounts as may be necessary in order that the amount of distributions then deemed payable by the Trust on the outstanding preferred securities and common securities will not be reduced as a result of any additional taxes, duties, or other governmental charges to which the Trust has become subject as a result of a Tax Event.

"Investment Company Event" means the receipt by the Trust of an opinion of counsel experienced in such matters to the effect that, as a result of the occurrence of a change in law or regulation or a written change (including any announced prospective change) in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date that the preferred securities are originally issued.

"Capital Treatment Event" means the reasonable determination by Northeast Bancorp that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement, action or decision is announced on or after the date of issuance of the preferred securities, there is more than an insubstantial risk that Northeast Bancorp will not be entitled to treat an amount equal to the liquidation amount of the preferred securities as Tier 1 Capital (or the then equivalent thereof) for the purposes of capital adequacy guidelines of the Office of Thrift Supervision or any successor regulatory authority with jurisdiction over savings and loan holding companies, or any capital adequacy guidelines as then in effect and applicable to Northeast Bancorp. Currently no capital adequacy guidelines apply to savings and loan holding companies such as Northeast Bancorp.

REDEMPTION PROCEDURES

Preferred securities redeemed on each redemption date shall be redeemed at a price equal to $10 plus accumulated but unpaid distributions, with the applicable proceeds from the contemporaneous redemption of the junior subordinated debentures. Redemptions of the preferred securities shall be made and the redemption price will be payable on each redemption date only to the extent that the Trust has funds on hand available for the payment of such redemption price. See also " -- Subordination of Common Securities."

The property trustee will mail to each holder of the preferred securities a notice of redemption at least 30 days but not more than 60 days before the redemption date. If the Trust gives a notice of redemption of the preferred securities, then, by 12:00 noon, Eastern time, on the redemption date, to the extent funds are available, in the case of preferred securities held in book-entry form, the property trustee will deposit irrevocably with DTC funds sufficient to pay the applicable redemption price and will give DTC irrevocable instructions and authority to pay the redemption price to the beneficial owners of the preferred securities. With respect to preferred securities not held in book-entry form, the property trustee, to the extent funds are available, will irrevocably deposit with the paying agent for the preferred securities funds sufficient to pay the applicable redemption price and will give such paying agent irrevocable instructions and authority to pay the redemption price to the holders of the preferred securities upon surrender of their certificates evidencing the preferred securities. Notwithstanding the foregoing, distributions payable on or prior to the redemption date for any preferred securities called for redemption shall be payable to the holders of the preferred securities on the relevant record dates for the related distribution dates.

Once the notice of redemption is given and funds deposited as required, then upon the date of such deposit all rights of the holders of such preferred securities so called for redemption will cease, except the right of the holders of such preferred securities to receive the redemption price, but without interest on such redemption price. At that time, those preferred securities will cease to be outstanding. If any date fixed for redemption is not a business day, then payment of the redemption price will be made on the next succeeding day which is a business day (without any interest or other payment in respect of any such delay), except that, if such business day falls in the next calendar year, such payment will be made on the immediately preceding business day. If payment of the redemption price for the preferred securities called for redemption is improperly withheld or refused and not paid either by the Trust or by Northeast Bancorp under the guarantee as described under "Description of Guarantee," then distributions on such preferred securities will continue to accumulate at the then applicable rate, from the redemption date originally established by the Trust to the date of actual payment. In this case, the actual payment date will be considered the date fixed for redemption for purposes of calculating the redemption price.

Subject to applicable law (including, without limitation, United States federal securities laws), Northeast Bancorp or its affiliates may at any time and from time to time purchase outstanding preferred securities by tender, in the open market, or by private agreement, and may resell such securities.

If the Trust redeems less than all the preferred securities and common securities, then the aggregate liquidation amount of such preferred securities to be redeemed will be allocated pro rata to the preferred securities and the common securities based upon the relative liquidation amounts of such classes. The particular preferred securities to be redeemed shall be selected on a pro rata basis not more than 60 days prior to the redemption date by the property trustee from the outstanding preferred securities not previously called for redemption, or in accordance with DTC's customary procedures, if the preferred securities are then held in the form of a global preferred security. The property trustee shall promptly notify the securities registrar for the preferred securities in writing of the preferred securities selected for redemption and, in the case of any preferred securities selected for partial redemption, the liquidation amount of the preferred securities to be redeemed. For all purposes of the trust agreement, unless the context otherwise requires, all provisions relating to the redemption of preferred securities shall relate, in the case of any preferred securities redeemed or to be redeemed only in part, to the portion of the aggregate liquidation amount of preferred securities which has been or is to be redeemed.

Unless Northeast Bancorp defaults in paying the redemption price on the junior subordinated debentures, on and after the redemption date, interest will cease to accrue on the junior subordinated debentures or portions thereof called for redemption. Unless payment of the redemption price in respect to the preferred securities is withheld or refused and not paid by the Trust or Northeast Bancorp pursuant to the guarantee, distributions will cease to accumulate on the preferred securities or portions of such securities called for redemption.

SUBORDINATION OF COMMON SECURITIES

Payment of distributions on, and the redemption price of, and the liquidation distribution in respect of, the preferred securities and common securities, as applicable, shall be made on a proportionate basis, based on the liquidation amount of such preferred securities and common securities. However, if an event of default has occurred and is continuing on any distribution date or redemption date due to the failure of Northeast Bancorp to pay any amounts in respect of the junior subordinated debentures, then no payments may be made on the common securities, unless all unpaid amounts due on the preferred securities have been paid in full or provided for, as appropriate, including payment in full in cash of all accumulated and unpaid distributions on all the outstanding preferred securities and payment of the full amount of such redemption price on all the outstanding preferred securities then called for redemption.

In the case of any event of default under the trust agreement with respect to the preferred securities (as described below under "-- Events of Default; Notice") resulting from an event of default under the indenture with respect to the junior subordinated debentures (as described below under "Description of the Junior Subordinated Debentures -- Debenture Events of Default"), Northeast Bancorp, as the holder of the

common securities, will have no right to act with respect to any such event of default under the trust agreement until the effects of all such events of default with respect to such preferred securities have been cured, waived, or otherwise eliminated. See "-- Events of Default; Notice" and "Description of Junior Subordinated Debentures -- Debenture Events of Default." Until all such events of default under the trust agreement with respect to the preferred securities have been so cured, waived, or otherwise eliminated, the property trustee will act solely on behalf of the holders of the preferred securities and not on behalf of the holders of the common securities, and only the holders of the preferred securities will have the right to direct the property trustee to act on their behalf.

LIQUIDATION DISTRIBUTION UPON DISSOLUTION

The amount payable on the preferred securities in the event of any liquidation of the Trust is $10 per preferred security plus accumulated and unpaid distributions, subject to certain exceptions, which may be in the form of a distribution of such amount in junior subordinated debentures.

Northeast Bancorp, as holder of all the outstanding common securities, has the right at any time to dissolve the Trust and, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, cause the junior subordinated debentures to be distributed to the holders of the preferred securities and common securities in liquidation of the Trust.

Pursuant to the trust agreement, the Trust will automatically dissolve upon expiration of its term and will dissolve earlier on the first to occur of:

- certain events of bankruptcy, dissolution, or liquidation of Northeast Bancorp or another holder of the common securities;

- the distribution of a proportionate amount of the junior subordinated debentures to the holders of the preferred securities and the common securities, if the holders of common securities have given written direction to the property trustee to dissolve the Trust (which direction, subject to the foregoing restrictions, is optional and wholly within the discretion of the holders of common securities);

- the entry of an order for the dissolution of the Trust by a court of competent jurisdiction; and

- the redemption of all the preferred securities in connection with the redemption of all the junior subordinated debentures as described under "-- Redemption".

If an early dissolution of the Trust occurs as described in any of the first three bullet points above, the Trust will be liquidated by the property trustee as expeditiously as the property trustee determines to be possible by distributing, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, to the holders of the preferred securities and the common securities a proportionate amount of the junior subordinated debentures, unless such distribution is not practical.

If distribution of the junior subordinated debentures is not practical, the holders of the preferred securities and the common securities will be entitled to receive out of the assets of the Trust available for distribution to holders, after satisfaction of liabilities to creditors of the Trust as provided by applicable law, an amount equal to, in the case of holders of preferred securities, the aggregate of the liquidation amount plus accumulated and unpaid distributions thereon to the date of payment. If such liquidation distribution can be paid only in part because the Trust has insufficient assets available to pay in full the aggregate liquidation distribution, then the amounts payable directly by the Trust on its preferred securities shall be paid on a pro rata basis.

The holders of the common securities will be entitled to receive distributions upon any such liquidation pro rata with the holders of the preferred securities, except that if an event of default under the junior subordinated debentures has occurred and is continuing the preferred securities shall have a priority over the common securities. See "-- Subordination of Common Securities."

After the liquidation date fixed for any distribution of junior subordinated debentures in exchange for preferred securities:

- the preferred securities will no longer be deemed to be outstanding;

- DTC or its nominee, as the registered holder of preferred securities, will receive a registered global certificate or certificates representing the junior subordinated debentures to be delivered upon such distribution with respect to preferred securities held by DTC or its nominee; and

- any certificates representing the preferred securities not held by DTC or its nominee will be deemed to represent the junior subordinated debentures having a principal amount equal to the stated liquidation amount of the preferred securities and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid distributions on the preferred securities until such certificates are presented to the security registrar for the preferred securities for transfer or reissuance.

If Northeast Bancorp does not redeem the junior subordinated debentures prior to maturity or liquidate the Trust and distribute the junior subordinated debentures to holders of the preferred securities, then the preferred securities will remain outstanding until the junior subordinated debentures are paid and the liquidation distribution has been made to the holders of the preferred securities.

There can be no assurance as to the market prices for the preferred securities or the junior subordinated debentures that may be distributed in exchange for preferred securities if a dissolution and liquidation of the Trust were to occur. Accordingly, the preferred securities that an investor may purchase, or the junior subordinated debentures that the investor may receive on dissolution and liquidation of the Trust, may trade at a discount to the price that was paid to purchase the preferred securities offered hereby.

EVENTS OF DEFAULT; NOTICE

Any one of the following events constitutes an event of default under the trust agreement with respect to the preferred securities (whatever the reason for such event of default and whether it is voluntary or involuntary or is effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule, or regulation of any administrative or governmental body):

- the occurrence of an event of default with respect to the junior subordinated debentures (see "Description of Junior Subordinated Debentures -- Debenture Events of Default");

- default by the Trust in paying any distribution when it becomes due and payable, and continuation of such default for a period of 30 days;

- default by the Trust in paying any redemption price of any preferred security or common security when it becomes due and payable;

- default in performing, or breach, in any material respect, of any covenant or warranty of the trustees in the trust agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with the immediately preceding two bullet points), and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the trustees and Northeast Bancorp by the holders of at least 25% in aggregate liquidation amount of the outstanding preferred securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" under the trust agreement; or

- the occurrence of certain events of bankruptcy or insolvency with respect to the property trustee if a successor property trustee has not been appointed within 90 days of such event.

Within five business days after an event of default actually known to the property trustee occurs, the property trustee will transmit notice of such event of default to the holders of common and preferred securities and the administrators, unless such event of default has been cured or waived. Northeast Bancorp, as depositor, and the administrators are required to file annually with the property trustee a certificate as to whether or not they are in compliance with all the conditions and covenants applicable to them under the trust agreement.

If an event of default with respect to the junior subordinated debentures has occurred and is continuing as a result of any failure by Northeast Bancorp to pay any amounts in respect of the junior subordinated debentures when due, the preferred securities will have a preference over the common securities with respect to payments of any amounts as described above. See "-- Subordination of Common Securities," "-- Liquidation Distribution Upon Dissolution" and "Description of Junior Subordinated Debentures -- Debenture Events of Default."

REMOVAL OF TRUSTEES; APPOINTMENT OF SUCCESSORS

The holders of at least a majority in aggregate liquidation amount of the outstanding preferred securities may remove any trustee for cause or, if an event of default with respect to the junior subordinated debentures has occurred and is continuing, with or without cause. If a trustee is removed by the holders of the outstanding preferred securities, the successor may be appointed by the holders of at least 25% in aggregate liquidation amount of preferred securities. If a trustee resigns, such trustee will appoint its successor. If a trustee fails to appoint a successor, the holders of at least 25% in aggregate liquidation amount of the outstanding preferred securities may appoint a successor. If a successor has not been appointed by such holders, then any holder of preferred securities or the common securities or the other trustee may petition a court in the State of Delaware to appoint a successor. Any Delaware trustee must meet the applicable requirements of Delaware law. Any property trustee must be a national or state-chartered bank, and at the time of appointment have securities rated in one of the three highest rating categories by a nationally recognized statistical rating organization and have capital and surplus of at least $50,000,000. No resignation or removal of a trustee and no appointment of a successor trustee shall be effective until the acceptance of appointment by the successor trustee in accordance with the provisions of the trust agreement.

The holders of the preferred securities will not in any event, however, have the right to vote, appoint, remove, or replace the administrators of the Trust. Such voting rights are vested exclusively in Northeast Bancorp as holder of all of the common securities.

MERGER OR CONSOLIDATION OF TRUSTEES

Any entity into which the property trustee or the Delaware trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion, or consolidation to which such trustee is a party, or any entity succeeding to all or substantially all the corporate trust business of such trustee, will be the successor of such trustee under the trust agreement, provided such entity is otherwise qualified and eligible.

MERGERS, CONSOLIDATIONS, AMALGAMATIONS, OR REPLACEMENTS OF THE TRUST

The Trust may not merge with or into, consolidate, convert into, amalgamate, or be replaced by, or convey, transfer, or lease its properties and assets substantially as an entirety to, any entity, except as described below or as otherwise set forth in the trust agreement. The Trust may, at the request of the holders of the common securities and with the consent of the holders of at least a majority in aggregate liquidation amount of the outstanding preferred securities, merge with or into, consolidate, convert into, amalgamate, or be replaced by or convey, transfer, or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any state, so long as:

- such successor entity either (1) expressly assumes all the obligations of the Trust with respect to the preferred securities, or (2) substitutes for the preferred securities other securities having substantially the same terms as the preferred securities so long as the substitute preferred securities have the same priority as the preferred securities with respect to distributions and payments upon liquidation, redemption, and otherwise;

- a trustee of such successor entity, possessing the same powers and duties as the property trustee, is appointed to hold the junior subordinated debentures;

- such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer, or lease does not cause the preferred securities (including any substitute preferred securities) to be downgraded by any nationally recognized statistical rating organization, if then rated;

- such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer, or lease does not adversely affect the rights, preferences, and privileges of the holders of the preferred securities (including any substitute preferred securities) in any material respect;

- such successor entity has a purpose substantially identical to that of the Trust;

- prior to such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer, or lease, the Trust has received an opinion from independent counsel experienced in such matters to the effect that (1) such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer, or lease does not adversely affect the rights, preferences, and privileges of the holders of the preferred securities (including any substitute preferred securities) in any material respect, and (2) following such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer, or lease, neither the Trust nor such successor entity will be required to register as an investment company under the Investment Company Act; and

- Northeast Bancorp or any permitted successor or assignee owns all the common securities of such successor entity and guarantees the obligations of such successor entity under the substitute preferred securities at least to the extent provided by the guarantee.

Notwithstanding the foregoing, the Trust may not, except with the consent of holders of 100% in aggregate liquidation amount of the preferred securities, consolidate, convert into, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to, any other entity or permit any other entity to consolidate, amalgamate, merge with or into, or replace it, if such consolidation, conversion, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Trust or the successor entity to be taxable as a corporation for United States federal income tax purposes.

VOTING RIGHTS; AMENDMENT OF TRUST AGREEMENT

Except as provided above and under " -- Removal of Trustees; Appointment of Successors" and "Description of Guarantee -- Amendments and Assignment" and as otherwise required by law and the trust agreement, the holders of the preferred securities will have no voting rights.

The trust agreement may be amended from time to time by the holders of a majority of the common securities and the property trustee, without the consent of the holders of the preferred securities, to:

- cure any ambiguity, correct or supplement any provisions in the trust agreement that may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the trust agreement, provided that any such amendment does not adversely affect in any material respect the interests of any holder of common and preferred securities; or

- modify, eliminate, or add to any provisions of the trust agreement to such extent as may be necessary to ensure that the Trust will not be taxable as a corporation for United States federal income tax purposes at any time that any preferred securities or common securities are outstanding or to ensure that the Trust will not be required to register as an "investment company" under the Investment Company Act.

Any such amendments of the trust agreement will become effective when notice of such amendment is given to the holders of preferred securities and the common securities.

The trust agreement may be amended by the holders of a majority of the common securities and the property trustee with:

- the consent of holders representing not less than a majority in aggregate liquidation amount of the outstanding preferred securities, and

- receipt by the trustees of an opinion of counsel to the effect that such amendment or the exercise of any power granted to the trustees in accordance with such amendment will not cause the Trust to be taxable as a corporation for United States federal income tax purposes or affect the Trust's exemption from status as an "investment company" under the Investment Company Act.

However, without the consent of each holder of preferred securities or the common securities affected thereby, the trust agreement may not be amended to:

- change the amount or timing of any distribution on the preferred securities or the common securities or otherwise adversely affect the amount of any distribution required to be made in respect of the preferred securities or the common securities as of a specified date; or

- restrict the right of a holder of preferred securities or the common securities to institute suit for the enforcement of any such payment on or after such date.

As long as any junior subordinated debentures are held by the Trust, the property trustee will not:

- direct the time, method, and place of conducting any proceeding for any remedy available to the property trustee, or execute any trust or power conferred on the debenture trustee with respect to the junior subordinated debentures;

- waive any past default that is waivable under Section 5.13 of the indenture;

- exercise any right to rescind or annul a declaration that the principal of all of the junior subordinated debentures shall be due and payable; or

- consent to any amendment, modification, or termination of the indenture or the junior subordinated debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the holders of at least a majority in aggregate liquidation amount of the outstanding preferred securities, except that, if a consent under the indenture would require the consent of each holder of junior subordinated debentures affected thereby, no such consent will be given by the property trustee without the prior consent of each holder of the preferred securities.

The property trustee may not revoke any action previously authorized or approved by a vote of the holders of the preferred securities except by subsequent vote of the holders of the preferred securities. The property trustee will notify each holder of preferred securities of any notice of default with respect to the junior subordinated debentures. In addition to obtaining the approvals of the holders of the preferred securities described above, before taking any of the actions listed above, the property trustee will obtain an opinion of counsel experienced in such matters to the effect that the Trust will not be taxable as a corporation for United States federal income tax purposes on account of such action.

Any required approval of holders of preferred securities may be given at a meeting of holders of preferred securities convened for such purpose or pursuant to written consent. The property trustee will cause a notice of any meeting at which holders of preferred securities are entitled to vote, or of any matter upon which action by written consent of such holders is to be taken, to be given to each registered holder of preferred securities in the manner set forth in the trust agreement.

No vote or consent of the holders of preferred securities will be required to redeem and cancel preferred securities in accordance with the trust agreement.

Notwithstanding that holders of preferred securities are entitled to vote or consent under any of the circumstances described above, any of the preferred securities that are owned by Northeast Bancorp, the trustees, or any affiliate of Northeast Bancorp or any trustees, will, for purposes of such vote or consent, be treated as if they were not outstanding.

EXPENSES AND TAXES

In the indenture, Northeast Bancorp, has agreed to pay all debts and other obligations (other than with respect to the preferred securities) and all costs and expenses of the Trust (including costs and expenses

relating to the organization of the Trust, the fees and expenses of the Trustees, and the costs and expenses relating to the operation of the Trust) and to pay any and all taxes and all costs and expenses with respect thereto (other than United States withholding taxes) to which the Trust might become subject. These obligations of Northeast Bancorp under the indenture are for the benefit of, and shall be enforceable by, any creditor to whom any such debts, obligations, costs, expenses, and taxes are owed whether or not such creditor has received notice thereof. Any such creditor may enforce such obligations of Northeast Bancorp directly against Northeast Bancorp, and Northeast Bancorp has irrevocably waived any right or remedy to require that any creditor take any action against the Trust or any other person before proceeding against Northeast Bancorp. Northeast Bancorp also has agreed in the indenture to execute such additional agreements as may be necessary or desirable to give full effect to the foregoing.

BOOK ENTRY, DELIVERY, AND FORM

The preferred securities will be issued in the form of one or more fully registered global securities which will be deposited with, or on behalf of, DTC and registered in the name of a DTC nominee. Unless and until it is exchangeable in whole or in part for the preferred securities in definitive form, a global security may not be transferred except as a whole by DTC to a nominee of DTC or by a nominee of DTC to DTC or another nominee of DTC or by DTC or any such nominee to a successor of DTC or a nominee of such successor.

Ownership of beneficial interests in a global security will be limited to participants that have accounts with DTC or its nominee or persons that may hold interests through such participants. Northeast Bancorp expects that, upon the issuance of a global security, DTC will credit, on its book-entry registration and transfer system, the participants' accounts with their respective principal amounts of the preferred securities represented by such global security. Ownership of beneficial interests in such global security will be shown on, and the transfer of such ownership interests will be effected only through, records maintained by DTC (with respect to interests of participants) and on the records of participants (with respect to interests of the preferred securities held through the participants). Beneficial owners of the preferred securities will not receive written confirmation from DTC of their purchase, but are expected to receive written confirmations from the participants through which the beneficial owner entered into the transaction. Transfers of ownership interests will be accomplished by entries on the books of participants acting on your behalf.

So long as DTC, or its nominee, is the registered owner of a global security, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the preferred securities represented by such global security for all purposes under the trust agreement. Except as provided below, owners of beneficial interests in a global security will not be entitled to receive physical delivery of the preferred securities in definitive form and will not be considered the owners or holders of the preferred securities under the trust agreement. Accordingly, persons owning a beneficial interest in such a global security must rely on the procedures of DTC and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder of preferred securities under the trust agreement. Northeast Bancorp understands that, under DTC's existing practices, in the event that Northeast Bancorp requests any action of holders, or an owner of a beneficial interest in such a global security desires to take any action which a holder is entitled to take under the trust agreement, DTC would authorize the participants holding the relevant beneficial interests to take such action, and such participants would authorize beneficial owners owning the preferred securities through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them. Redemption notices will also be sent to DTC. If less than all of the preferred securities are being redeemed, Northeast Bancorp understands that it is DTC's existing practice to determine by lot the amount of the interest of each participant to be redeemed.

Distributions on the preferred securities registered in the name of DTC or its nominee will be made to DTC or its nominee, as the case may be, as the registered owner of the global security representing such preferred securities. Neither Northeast Bancorp, nor the trustees, the administrators, any paying agent, or any other agent of Northeast Bancorp or the trustees will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the global security for such preferred securities or for maintaining, supervising, or reviewing any records relating to such beneficial ownership interests.

Disbursements of distributions to participants shall be the responsibility of DTC. DTC's practice is to credit participants' accounts on a payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by participants to beneficial owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such participant and not of DTC, Northeast Bancorp, the trustees, the paying agent, or any other agent of Northeast Bancorp, subject to any statutory or regulatory requirements as may be in effect from time to time.

DTC may discontinue providing its services as securities depository with respect to the preferred securities at any time by giving reasonable notice to Northeast Bancorp or the trustees. If DTC notifies Northeast Bancorp that it is unwilling to continue as such, or if it is unable to continue or ceases to be a clearing agency registered under the Exchange Act and a successor depository is not appointed by the Northeast Bancorp within ninety days after receiving such notice or becoming aware that DTC is no longer so registered, Northeast Bancorp will issue the preferred securities in definitive form upon registration of transfer of, or in exchange for, such global security. In addition, Northeast Bancorp may at any time and in its sole discretion determine not to have the preferred securities represented by one or more global securities and, in such event, will issue preferred securities in definitive form in exchange for all of the global securities representing such preferred securities.

DTC has advised Northeast Bancorp and the Trust as follows:

- DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act;

- DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book entry changes to accounts of its participants, thereby eliminating the need for physical movement of certificates;

- participants include securities brokers and dealers (such as the underwriter), banks, trust companies and clearing corporations and may include certain other organizations;

- certain of such participants (or their representatives), together with other entities, own DTC; and

- indirect access to the DTC system is available to others such as banks, brokers, dealers and trust companies that clear through, or maintain a custodial relationship with a participant, either directly or indirectly.

SAME-DAY SETTLEMENT AND PAYMENT

Settlement for the preferred securities will be made by the underwriter in immediately available funds.

Secondary trading in preferred securities of corporate issuers is generally settled in clearinghouse or next-day funds. In contrast, the preferred securities will trade in DTC's Same-Day Funds Settlement System, and secondary market trading activity in the preferred securities will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlement in immediately available funds on trading activity in the preferred securities.

PAYMENT AND PAYING AGENCY

Payments in respect of the preferred securities will be made to DTC, which will credit the relevant accounts at DTC on the applicable distribution dates or, if the preferred securities are not held by DTC, such payments will be made by check mailed to the address of the holder entitled thereto as such address appears on the securities register for the preferred securities and common securities. The paying agent will initially be the property trustee and any co-paying agent chosen by the property trustee and acceptable to the administrators. The paying agent will be permitted to resign as paying agent upon 30 days' written notice to

the property trustee and the administrators. If the property trustee is no longer the paying agent, the property trustee will appoint a successor (which must be a bank or trust company reasonably acceptable to the administrators) to act as paying agent.

REGISTRAR AND TRANSFER AGENT

The property trustee will act as registrar and transfer agent for the preferred securities.

Registration of transfers of preferred securities will be effected without charge by or on behalf of the Trust, but only upon payment of any tax or other governmental charges that may be imposed in connection with any transfer or exchange. The Trust will not be required to register or cause to be registered the transfer of the preferred securities after the preferred securities have been called for redemption.

OBLIGATIONS AND DUTIES OF THE PROPERTY TRUSTEE

The property trustee, other than during the occurrence and continuance of an event of default under the trust agreement, undertakes to perform only such duties as are specifically set forth in the trust agreement and, after such event of default, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the property trustee is under no obligation to exercise any of the powers vested in it by the trust agreement at the request of any holder of preferred securities unless it is offered reasonable indemnity against the costs, expenses, and liabilities that might be incurred thereby.

For information concerning the relationships between Bankers Trust Company, which will serve as the property trustee, and Northeast Bancorp, see "Description of Junior Subordinated Debentures -- Information Concerning the Debenture Trustee."

MISCELLANEOUS

The administrators and the property trustee are authorized and directed to conduct the affairs of and to operate the Trust in such a way that: (1) the Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act or taxable as a corporation for United States federal income tax purposes, and (2) the junior subordinated debentures will be treated as indebtedness of Northeast Bancorp for United States federal income tax purposes. In this connection, the property trustee and the holders of common securities are authorized to take any action, not inconsistent with applicable law, the certificate of trust of the Trust, or the trust agreement, that the property trustee and the holders of common securities determine in their discretion to be necessary or desirable for such purposes, as long as such action does not materially adversely affect the interests of the holders of the preferred securities.

Holders of the preferred securities have no preemptive or similar rights.

The Trust may not borrow money, issue debt, or mortgage or pledge any of its assets.

GOVERNING LAW

The trust agreement will be governed by and construed in accordance with the laws of the State of Delaware.

DESCRIPTION OF JUNIOR SUBORDINATED DEBENTURES

The junior subordinated debentures will be issued under the indenture between Bankers Trust Company, acting as the debenture trustee, and Northeast Bancorp. The indenture is qualified as an indenture under the Trust Indenture Act of 1939. This summary of certain terms and provisions of the junior subordinated debentures and the indenture is not complete. Investors should read the form of indenture that is filed as an exhibit to the registration statement of which this prospectus is a part. Whenever particular defined terms of the indenture (as amended or supplemented from time to time) are referred to in this prospectus, such defined terms are incorporated herein by reference. A copy of the form of indenture is available from the debenture trustee upon request.

GENERAL

Concurrently with the issuance of the preferred securities, the Trust will invest the proceeds thereof, together with the consideration paid by Northeast Bancorp for the common securities, in the junior subordinated debentures issued by Northeast Bancorp. The junior subordinated debentures are unsecured debt obligations under the indenture and are limited in aggregate principal amount to $. The junior subordinated debentures will bear interest, accruing from , 1999, at the annual rate of % of the principal amount thereof. Northeast Bancorp will pay interest quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, to the person in whose name each junior subordinated debenture is registered at the close of business on the 15th day of the month in which the relevant interest payment is payable (whether or not a business day). The first interest payment date for the junior subordinated debenture will be , 1999. It is anticipated that, until the liquidation, if any, of the Trust, each junior subordinated debenture will be registered in the name of the Trust and held by the property trustee in trust for the benefit of you and holders of the common securities.

The amount of interest payable for any period less than a full interest period will be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The amount of interest payable for any full interest period will be computed by dividing the rate per annum by four. If any date on which interest is payable on the junior subordinated debentures is not a business day, then payment of the interest payable on such date will be made on the next succeeding day that is a business day (without any interest or other payment in respect of any such delay), or, if such business day falls in the next calendar year, such payment will be made on the immediately preceding business day.

Accrued interest that is not paid on the applicable interest payment date will bear additional interest on the amount thereof (to the extent permitted by law) at the rate per annum of %, compounded quarterly and computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The amount of additional interest payable for any full interest period will be computed by dividing the rate per annum by four.

The term "interest" as used herein includes: (1) quarterly interest payments, (2) interest on quarterly interest payments not paid on the applicable interest payment date, and (3) any additional sums Northeast Bancorp pays on the junior subordinated debentures following a Tax Event (as defined under "Description of Preferred Securities -- Redemption") that may be required so that distributions payable by the Trust will not be reduced by any additional taxes, duties, or other governmental charges resulting from such Tax Event. The interest payment provisions for the junior subordinated debenture correspond with the distribution provisions with the preferred securities. See "Description of Preferred Securities -- Distributions".

The junior subordinated debentures will mature on , 2029, subject to the right of Northeast Bancorp to shorten the maturity date once at any time to any date not earlier than , 2004, subject to receipt of any prior regulatory approval if then required under applicable capital guidelines or regulatory policies. In the event Northeast Bancorp elects to shorten the maturity of the junior subordinated debentures, Northeast Bancorp will give notice to the registered holders of the junior subordinated debentures, the debenture trustee, and the Trust of such shortening no less than 90 days prior to the effectiveness thereof. The property trustee must give notice to the holders of the preferred securities and the common securities of the shortening of the stated maturity at least 30 but not more than 60 days before such date.

The junior subordinated debentures will be unsecured and will rank junior and be subordinate in right of payment to all senior indebtedness of Northeast Bancorp. The junior subordinated debentures will not be subject to a sinking fund. The indenture does not limit the ability of Northeast Bancorp to incur or issue other secured or unsecured debt, including senior indebtedness, whether under the indenture or any existing or other indenture that Northeast Bancorp may enter into in the future or otherwise. See "-- Subordination."

OPTION TO EXTEND INTEREST PAYMENT PERIOD

As long as no event of default under the junior subordinated debenture has occurred and is continuing, Northeast Bancorp has the right to defer interest payments in the junior subordinated debentures at any time, or from time to time, by extending the interest payment period for a period not exceeding 20 consecutive quarters, but not beyond the stated maturity of the junior subordinated debentures. During any such extension period Northeast Bancorp shall have the right to make partial payments of interest on any interest payment date. At the end of such extension period, Northeast Bancorp must pay all interest then accrued and unpaid (together with interest thereon at the annual rate of %, compounded quarterly and computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period, to the extent permitted by applicable law). The amount of additional interest payable for any full interest period will be computed by dividing the rate per annum by four. During an extension period, interest will continue to accrue and holders of junior subordinated debentures (or holders of preferred securities while such securities are outstanding) will be required to accrue and recognize interest income for United States federal income tax purposes. See "Certain Federal Income Tax Consequences -- Interest Income and Original Issue Discount."

During any such extension period, Northeast Bancorp may not:

- make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of Northeast Bancorp that rank equally in all respects with or junior in interest to the junior subordinated debentures; or

- declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, except that we may:

  (a) repurchase, redeem, or make other acquisitions of shares of capital stock of Northeast Bancorp in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of any one or more employees, officers, directors, or consultants, in connection with a dividend reinvestment or stockholder stock purchase plan or in connection with the issuance of capital stock of Northeast Bancorp (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable extension period;

  (b) take any necessary actions in connection with any reclassification, exchange, or conversion of any class or series of Northeast Bancorp's capital stock (or any capital stock of a subsidiary of Northeast Bancorp) for any class or series of Northeast Bancorp's capital stock or of any class or series of Northeast Bancorp's indebtedness for any class or series of Northeast Bancorp's capital stock;

  (c) purchase fractional interests in shares of Northeast Bancorp's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;

  (d) declare a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholders rights plan, or the redemption or repurchase of rights pursuant thereto; or

  (e) declare a dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock.

Before the end of any such extension period, Northeast Bancorp may further defer the payment of interest, provided that no extension period may exceed 20 consecutive quarterly periods or extend beyond the

maturity date of the junior subordinated debentures. Upon the termination of any such extension period and the payment of all amounts then due, Northeast Bancorp may elect to begin a new extension period subject to the above conditions. No interest shall be due and payable during an extension period, except at the end of the extension period. Northeast Bancorp must give the trustees notice of its election of such extension period at least one business day prior to the earlier of: (1) the date the distributions on the preferred securities would have been payable but for the election to begin such extension period, and (2) the date the property trustee is required to give notice to holders of the preferred securities of the record date or the date such distribution is payable, but in any event not less than one business day prior to such record date. The property trustee will give notice to holders of the preferred securities of Northeast Bancorp's election to begin a new extension period. There is no limitation on the number of times that Northeast Bancorp may elect to begin an extension period.

REDEMPTION

Northeast Bancorp may redeem the junior subordinated debentures prior to maturity at its option (1) on or after , 2004, in whole at any time or in part from time to time, or (2) in whole, but not in part, at any time within 90 days following the occurrence and during the continuation of a Tax Event, Investment Company Event, or Capital Treatment Event (each as defined under "Description of Preferred Securities -- Redemption"). In either case, the redemption price will equal the outstanding principal amount on the junior subordinated debentures to be redeemed, plus any accrued and unpaid interest, including any additional interest on any additional sums paid by Northeast Bancorp following a Tax Event as described under "-- Additional Sums". The proceeds of any such redemption will be used by the Trust to redeem the preferred securities.

Northeast Bancorp will mail a notice of redemption at least 30 days but not less than 60 days before the redemption date to each holder of the junior subordinated debentures to be redeemed at its registered address. Unless Northeast Bancorp defaults in paying the redemption price for the junior subordinated debentures, on and after the redemption date interest will cease to accrue on such junior subordinated debentures or portions of the junior subordinated debentures called for redemption.

ADDITIONAL SUMS

For so long as the Trust is the holder of all junior subordinated debentures, if the Trust is required to pay any additional taxes, duties, or other governmental charges as a result of the occurrence of a Tax Event, Northeast Bancorp will pay as additional sums on the junior subordinated debentures such amounts as may be required so that the net amounts received and retained by the Trust after paying additional taxes, duties, or other governmental charges will not be less than the amount the Trust would have received had such additional taxes, duties, or governmental charges not been imposed. See "Description of Preferred Securities -- Redemption."

REGISTRATION, DENOMINATION, AND TRANSFER

The junior subordinated debentures will initially be registered in the name of the Trust. If the junior subordinated debentures are distributed to holders of preferred securities, it is anticipated that the depositary arrangements for the junior subordinated debentures will be substantially identical to those in effect for the preferred securities. See "Description of Preferred Securities -- Book Entry, Delivery and Form."

Although DTC has agreed to the procedures described above, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. If DTC is at any time unwilling or unable to continue as depositary and a successor depositary is not appointed by Northeast Bancorp within 90 days of receipt of notice from DTC to such effect, Northeast Bancorp will cause the junior subordinated debentures to be issued in definitive form.

Payments on junior subordinated debentures represented by a global security will be made to Cede & Co., the nominee for DTC, as the registered holder of the junior subordinated debentures, as described under "Description of Preferred Securities -- Book Entry, Delivery and Form." If junior subordinated debentures

are issued in certified form, principal and interest will be payable, the transfer of the junior subordinated debentures will be registrable, and junior subordinated debentures will be exchangeable for junior subordinated debentures of other authorized denominations of a like aggregate principal amount, at the corporate trust office of the debenture trustee in New York, New York or at the offices of any paying agent or transfer agent appointed by Northeast Bancorp, provided that payment of interest may be made at the option of Northeast Bancorp by check mailed to the address of the persons entitled thereto. However, a holder of $1 million or more in aggregate principal amount of junior subordinated debentures may receive payments of interest (other than interest payable at the stated maturity) by wire transfer of immediately available funds upon written request to the debenture trustee not later than 15 calendar days prior to the date on which the interest is payable.

Junior subordinated debentures are issuable only in registered form without coupons in integral multiples of $10. The junior subordinated debentures will be exchangeable for other junior subordinated debentures of like tenor, of any authorized denominations, and of a like aggregate principal amount.

Junior subordinated debentures may be presented for exchange as provided above, and may be presented for registration of transfer (with the form of transfer endorsed thereon, or a satisfactory written instrument of transfer, duly executed), at the office of the securities registrar appointed under the indenture or at the office of any transfer agent designated by Northeast Bancorp for such purpose without service charge and upon payment of any taxes and other governmental charges as described in the indenture. Northeast Bancorp will appoint the debenture trustee as securities registrar under the indenture. Northeast Bancorp may at any time designate additional transfer agents with respect to the junior subordinated debentures.

In the event of any redemption, neither Northeast Bancorp nor the debenture trustee will be required to:

- issue, register the transfer of, or exchange junior subordinated debentures during a period beginning at the opening of business 15 days before the day of selection for redemption of the junior subordinated debentures to be redeemed and ending at the close of business on the day of mailing of the relevant notice of redemption, or

- register the transfer or exchange of any junior subordinated debentures so selected for redemption, except, in the case of any junior subordinated debentures being redeemed in part, any portion thereof not to be redeemed.

Any monies deposited with the debenture trustee or any paying agent, or then held by Northeast Bancorp in trust, for the payment of the principal of (and premium, if any) or interest on any junior subordinated debenture and remaining unclaimed for two years after the principal (and premium, if any) or interest has become due and payable shall, at the request of Northeast Bancorp, be repaid to Northeast Bancorp and the holder of such junior subordinated debenture shall thereafter look, as a general unsecured creditor, only to Northeast Bancorp for payment thereof.

RESTRICTIONS ON CERTAIN PAYMENTS; CERTAIN COVENANTS OF THE COMPANY

Northeast Bancorp has covenanted that at any time (1) there has occurred any event (a) of which Northeast Bancorp has actual knowledge that with the giving of notice or the lapse of time, or both, would constitute an event of default under the junior subordinated debentures, and (b) that Northeast Bancorp has not taken reasonable steps to cure, (2) if the junior subordinated debentures are held by the Trust, Northeast Bancorp is in default with respect to its payment of any obligations under the guarantee, or (3) Northeast Bancorp has given notice of its election of an extension period as provided in the junior subordinated indenture and has not rescinded such notice, or such extension period, or any extension thereof, is continuing, then Northeast Bancorp will not:

- make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of Northeast Bancorp that rank equally in all respects with or junior in interest to the junior subordinated debentures; or

- declare or pay any dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of Northeast Bancorp's capital stock of Northeast Bancorp, except that Northeast Bancorp may:

  (a) repurchase, redeem, or make other acquisitions of shares of capital stock of Northeast Bancorp in connection with any employment contract, benefit plan, or other similar arrangement with or for the benefit of any one or more employees, officers, directors, or consultants, in connection with a dividend reinvestment or stockholder stock purchase plan or in connection with the issuance of capital stock of Northeast Bancorp (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable extension period or other event referred to below;

  (b) take any necessary action in connection with any reclassification, exchange, or conversion of any class or series of Northeast Bancorp's capital stock (or any capital stock of any subsidiary of Northeast Bancorp) for any class or series of Northeast Bancorp's capital stock or of any class or series of Northeast Bancorp's indebtedness for any class or series of Northeast Bancorp's capital stock;

  (c) purchase fractional interests in shares of Northeast Bancorp's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;

  (d) declare a dividend in connection with any stockholder's rights plan, or the issuance of rights, stock or other property under any stockholder's rights plan, or redeem or repurchase rights pursuant thereto; or

  (e) declare a dividend in the form of stock, warrants, options, or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options, or other rights is the same stock as that on which the dividend is being paid or ranks equally with or junior to such stock.

Northeast Bancorp has covenanted in the indenture:

- to continue to hold, directly or indirectly, 100% of the common securities, provided that certain successors that are permitted pursuant to the indenture may succeed to Northeast Bancorp's ownership of the common securities;

- as holder of the common securities, not to voluntarily dissolve, wind-up, or liquidate the Trust, other than:

  (a) in connection with a distribution of junior subordinated debentures to the holders of the preferred securities in liquidation of the Trust; or

  (b) in connection with certain mergers, consolidations, conversions, or amalgamations permitted by the trust agreement; and

- to use reasonable efforts, consistent with the terms and provisions of the trust agreement, to cause the Trust to continue not to be taxable as a corporation for United States federal income tax purposes.

MODIFICATION OF INDENTURE

Northeast Bancorp and the debenture trustee may, from time to time without the consent of any of the holders of the outstanding junior subordinated debentures, amend, waive, or supplement the provisions of the indenture to:

- evidence the succession of another corporation or association to Northeast Bancorp and the assumption by such person of the obligations of Northeast Bancorp under the junior subordinated debentures;

- add further covenants, restrictions, or conditions for the protection of holders of the junior subordinated debentures;

- cure ambiguities or correct the junior subordinated debentures in the case of defects or inconsistencies in the provisions thereof, so long as any such cure or correction does not adversely affect the interest of the holders of the junior subordinated debentures in any material respect;

- facilitate the issuance of the junior subordinated debentures in certified or other definitive form;

- evidence or provide for the appointment of a successor debenture trustee; or

- qualify, or maintain the qualification of, the indenture under the Trust Indenture Act.

The indenture contains provisions permitting Northeast Bancorp and the debenture trustee, with the consent of the holders of not less than a majority in principal amount of the junior subordinated debentures, to modify most of the terms of the indenture. However, each holder of the outstanding junior subordinated debentures affected by any proposed modification must agree to:

- change the stated maturity date of the junior subordinated debentures;

- reduce the principal amount of the junior subordinated debentures;

- reduce the rate of interest on the junior subordinated debentures or any premium payable upon the redemption thereof, or change the place of payment where, or the currency in which, any such amount is payable;

- impair the right to institute suit for the enforcement of any junior subordinated debenture; or

- reduce the percentage of principal amount of junior subordinated debentures, the holders of which are required to consent to any such modification of the indenture.

Furthermore, so long as any of the preferred securities remain outstanding, no such modification may be made that adversely affects the holders of such preferred securities in any material respect, and no termination of the indenture may occur, and no waiver of any event of default under the junior subordinated debentures or compliance with any covenant under the indenture may be effective, without the prior consent of the holders of at least a majority of the aggregate liquidation amount of the outstanding preferred securities unless and until the principal of (and premium, if any, on) the junior subordinated debentures and all accrued and unpaid interest thereon have been paid in full and certain other conditions are satisfied.

DEBENTURE EVENTS OF DEFAULT

The indenture provides that any of the following events with respect to the junior subordinated debentures that has occurred and is continuing constitutes an event of default with respect to the junior subordinated debentures:

- failure to pay any interest on the junior subordinated debentures when due and continuance of such default for a period of 30 days (subject to the deferral of any due date in the case when Northeast Bancorp extends any interest payment);

- failure to pay any principal of, or premium, if any, on the junior subordinated debentures when due whether at maturity, upon redemption, by a declaration, or otherwise;

- failure to observe or perform in any material respect certain other covenants contained in the indenture for 90 days after written notice to Northeast Bancorp from the debenture trustee or the holders of at least 25% in aggregate outstanding principal amount of the outstanding junior subordinated debentures; or

- Northeast Bancorp consents to the appointment of a receiver or other similar official in any liquidation, insolvency, or similar proceeding with respect to Northeast Bancorp or all or substantially all its property; or a court or other governmental agency shall enter a decree or order appointing a receiver or similar official and such decree or order shall remain unstayed and undischarged for a period of 60 days.

As described in "Description of Preferred Securities -- Events of Default; Notice," the occurrence of an event of default in respect of the junior subordinated debentures also will constitute an event of default in respect of the preferred securities and the common securities .

The holders of at least a majority in aggregate principal amount of outstanding junior subordinated debentures have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the debenture trustee. The debenture trustee, or the holders of not less than 25% in aggregate principal amount of outstanding junior subordinated debentures, may declare the principal due and payable immediately upon an event of default under the junior subordinated debentures, and, should the debenture trustee or such holders of junior subordinated debentures fail to make such declaration, the holders of at least 25% in aggregate liquidation amount of the outstanding preferred securities shall have such right. The holders of a majority in aggregate principal amount of outstanding junior subordinated debentures may annul such declaration and waive the default:

- if all defaults (other than the non-payment of the principal of junior subordinated debentures which has become due solely by such acceleration) have been cured or waived, and

- a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration, together with the costs of the debenture trustee, has been deposited with the debenture trustee.

Should the holders of junior subordinated debentures fail to annul such declaration and waive such default, the holders of a majority in aggregate liquidation amount of the outstanding preferred securities shall have such right.

The holders of at least a majority in aggregate principal amount of the outstanding junior subordinated debentures affected thereby may, on behalf of the holders of all the junior subordinated debentures, waive any past default, except a default in the payment of principal or premium, if any, or interest (unless this default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the debenture trustee) or a default in respect of a covenant or provision which under the indenture cannot be modified or amended without the consent of the holder of each outstanding junior subordinated debenture affected by the default. See " -- Modification of Junior Subordinated Indenture." Northeast Bancorp is required to file annually with the debenture trustee a certificate as to whether or not Northeast Bancorp is in compliance with all the conditions and covenants applicable to it under the indenture.

If an event of default in respect of the junior subordinated debentures occurs and is continuing, the property trustee will have the right to declare the principal of, and the interest on, the junior subordinated debentures, and any other amounts payable under the indenture, to be due and payable and to enforce its other rights as a creditor with respect to the junior subordinated debentures.

ENFORCEMENT OF CERTAIN RIGHTS BY HOLDERS OF PREFERRED SECURITIES

Registered holders of preferred securities may sue Northeast Bancorp directly for payment to such holders of amounts owed on the junior subordinated debentures equal to the aggregate liquidation amount of the preferred securities held by such holder if:

- An event of default under the junior subordinated debentures has occurred and is continuing, and

- such event is attributable to the failure of Northeast Bancorp to pay interest on or principal of the junior subordinated debentures when due.

In addition, if holders of at least 25% in liquidation amount of the preferred securities direct the property trustee to enforce its rights under the indenture but the property trustee does not enforce its rights as directed, holders of 25% in liquidation amount of the preferred securities may sue Northeast Bancorp directly to enforce the property trustee rights.

In connection with such direct lawsuit, Northeast Bancorp will have a right of set-off under the indenture to the extent of any payment made by Northeast Bancorp to the holders of such preferred securities in any such lawsuit. Northeast Bancorp may not amend the indenture to remove the right to bring a direct action against Northeast Bancorp without the prior written consent of all of the outstanding preferred securities.

You will not be able to exercise directly any remedies available to the holders of the junior subordinated debentures except under the circumstances described in the preceding paragraphs. See "Description of Preferred Securities -- Events of Default; Notice."

CONSOLIDATION, MERGER, SALE OF ASSETS, AND OTHER TRANSACTIONS

The indenture provides that Northeast Bancorp may not consolidate with or merge into any other entity, or convey, transfer, or lease its properties and assets substantially as an entirety to any entity, and no entity may consolidate with or merge into Northeast Bancorp, or convey, transfer or lease its properties and assets substantially as an entirety to Northeast Bancorp, unless:

- in the event Northeast Bancorp consolidates with or merges into another entity or conveys or transfers its properties and assets substantially as an entirety to any entity, the successor entity is organized under the laws of the United States or any state or the District of Columbia, and such successor entity expressly assumes the obligations of Northeast Bancorp in respect of the junior subordinated debentures;

- immediately after giving effect thereto, no event of default with respect to the junior subordinated debentures, and no event which, after notice or lapse of time or both, would constitute an event of default with respect to the junior subordinated debentures, has occurred and is continuing; and

- certain other conditions as prescribed in the indenture are satisfied.

The provisions of the indenture do not afford holders of the junior subordinated debentures protection in the event of a highly leveraged or other transaction involving Northeast Bancorp that may adversely affect holders of the junior subordinated debentures.

SATISFACTION AND DISCHARGE

The indenture will cease to be of further effect and Northeast Bancorp will be deemed to have satisfied and discharged the indenture when:

- all junior subordinated debentures not previously delivered to the debenture trustee for cancellation (1) have become due and payable, or (2) will become due and payable at the stated maturity date within one year;

- Northeast Bancorp deposits or causes to be deposited with the debenture trustee funds, in trust, for the purpose and in an amount sufficient to pay and discharge the entire indebtedness on the junior subordinated debentures not previously delivered to the debenture trustee for cancellation, for the principal, premium, if any, and interest to the date of the deposit or to the stated maturity date or redemption date; and

- Northeast Bancorp has paid all other sums payable by it under indenture and Northeast Bancorp has delivered applicable certificates and opinions that indicate that Northeast Bancorp has complied with all of its obligations.

SUBORDINATION

The junior subordinated debentures will be subordinate and junior in right of payment, to the extent set forth in the indenture, to all senior indebtedness (as defined below) of Northeast Bancorp. If Northeast Bancorp defaults in the payment of any principal, premium, if any, or interest, if any, or any other amount payable on any senior indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for redemption or by declaration of acceleration or otherwise, then, unless and until such default has

been cured or waived, or has ceased to exist or all senior indebtedness has been paid, no direct or indirect payment (in cash, property, securities, by set-off or otherwise) may be made or agreed to be made on the junior subordinated debentures, or in respect of any redemption, repayment, retirement, purchase, or other acquisition of any of the junior subordinated debentures.

As used herein, "senior indebtedness" means, whether recourse is to all or a portion of the assets of Northeast Bancorp and whether or not contingent:

- every obligation of Northeast Bancorp for money borrowed;
- every obligation of Northeast Bancorp evidenced by bonds, debentures, notes, or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses;
- every reimbursement obligation of Northeast Bancorp with respect to letters of credit, bankers' acceptances, or similar facilities issued for the account of Northeast Bancorp;
- every obligation of Northeast Bancorp issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business);
- every capital lease obligation of Northeast Bancorp;
- every obligation of Northeast Bancorp for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts, and similar arrangements; and
- every obligation of the type referred to above of another person and all dividends of another person the payment of which, in either case, Northeast Bancorp has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise.

However, senior indebtedness shall not include the following:

- any obligations which, by their terms, are expressly stated to rank equally in right of payment with, or to not be superior in right of payment to, the junior subordinated debentures;
- any senior indebtedness of Northeast Bancorp which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, was without recourse to Northeast Bancorp;
- any indebtedness of Northeast Bancorp to any of its subsidiaries;
- indebtedness to any executive officer or director of Northeast Bancorp; or
- any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with Northeast Bancorp that is a financing entity of Northeast Bancorp in connection with the issuance of such financing entity of securities that are similar to the preferred securities.

As of June 30, 1999, the senior indebtedness of Northeast Bancorp was approximately $687,500. All senior indebtedness (including any interest thereon accruing after the commencement of any proceeding described below) shall first be paid in full before any payment or distribution, whether in cash, securities, or other property, is made on the account of the junior subordinated debentures in the event of:

- certain events of bankruptcy, dissolution, or liquidation of Northeast Bancorp or another holder of the common securities:
- any proceeding for the liquidation, dissolution, or other winding-up of Northeast Bancorp, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings;
- any assignment by Northeast Bancorp for the benefit of creditors; or
- any other marshaling of the assets of Northeast Bancorp.

In such event, any payment or distribution on account of the junior subordinated debentures, whether in cash, securities, or other property, that would otherwise (but for the subordination provisions) be payable or

deliverable in respect of the junior subordinated debentures will be paid or delivered directly to the holders of senior indebtedness in accordance with the priorities then existing among such holders until all senior indebtedness (including any interest thereon accruing after the commencement of any such proceedings) has been paid in full.

In the event of any such proceeding, after payment in full of all sums owing with respect to senior indebtedness, the holders of junior subordinated debentures, together with the holders of any obligations of Northeast Bancorp ranking on a parity with the junior subordinated debentures, will be entitled to be paid from the remaining assets of Northeast Bancorp the amounts at the time due and owing on the junior subordinated debentures and such other obligations before any payment or other distribution, whether in cash, property, or otherwise, will be made on account of any capital stock or obligations of Northeast Bancorp ranking junior to the junior subordinated debentures and such other obligations. If any payment or distribution on account of the junior subordinated debentures of any character or any security, whether in cash, securities or other property is received by any holder of any junior subordinated debentures in contravention of any of the terms hereof and before all the senior indebtedness has been paid in full, such payment or distribution or security will be received in trust for the benefit of, and must be paid over or delivered and transferred to, the holders of the senior indebtedness at the time outstanding in accordance with the priorities then existing among such holders for application to the payment of all senior indebtedness remaining unpaid to the extent necessary to pay all such senior indebtedness in full.

By reason of such subordination, in the event of the insolvency of Northeast Bancorp, holders of senior indebtedness may receive more, ratably, and holders of the junior subordinated debentures may receive less, ratably, than the other creditors of Northeast Bancorp. Such subordination will not prevent the occurrence of any event of default in respect of the junior subordinated debentures.

Further, because Northeast Bancorp is a holding company, the creditors of its subsidiaries also will have priority over Northeast Bancorp and you in any distribution of its subsidiaries' assets in a bankruptcy, liquidation, reorganization, or dissolution, except to the extent that Northeast Bancorp is recognized as a creditor of its subsidiaries. The junior subordinated debentures will be effectively subordinated to all existing and future liabilities of Northeast Bancorp's subsidiaries, and you should look only to Northeast Bancorp's assets for payments on the junior subordinated debentures.

The indenture places no limitation on the amount of additional senior indebtedness that may be incurred by Northeast Bancorp. Northeast Bancorp expects from time to time to incur additional senior indebtedness.

INFORMATION CONCERNING THE DEBENTURE TRUSTEE

The debenture trustee has and is subject to all the duties and responsibilities specified with respect to the debenture trustee under the Trust Indenture Act. Subject to such provisions, the debenture trustee is under no obligation to exercise any of the powers vested in it by the indenture at the request of any holder of junior subordinated debentures, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities that might be incurred by such request. The debenture trustee is not required to expend or risk its own funds or otherwise incur personal financial liability in the performance of its duties if the debenture trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

Bankers Trust Company, the debenture trustee, may serve from time to time as trustee under other indentures or trust agreements with Northeast Bancorp or its subsidiaries relating to other issues of their securities. In addition, Northeast Bancorp and certain of its affiliates may have other banking relationships with Bankers Trust Company and its affiliates.

GOVERNING LAW

The indenture and the junior subordinated debentures will be governed by and construed in accordance with the laws of the State of New York.

DESCRIPTION OF GUARANTEE

The guarantee will be executed and delivered by Northeast Bancorp concurrently with the issuance of preferred securities by the Trust for your benefit. Bankers Trust Company will act as guarantee trustee under the guarantee. The guarantee trustee will hold the guarantee for the benefit of the holders of the preferred securities. This summary of certain provisions of the guarantee is not complete. Investors should read the form of guarantee that is filed as an exhibit to the registration statement of which this prospectus is a part. Whenever particular defined terms of the guarantee are referred to in this prospectus, such defined terms are incorporated herein by reference. A copy of the form of guarantee is available upon request from the guarantee trustee.

GENERAL

The guarantee will be an irrevocable guarantee of payment on a subordinated basis of the Trust's obligations under the preferred securities, but will apply only to the extent that the Trust has funds sufficient to make such payments, and is not a guarantee of collection.

In accordance with the guarantee, Northeast Bancorp irrevocably and unconditionally agrees to pay in full on a subordinated basis, to the extent set forth in the guarantee and described herein, the Guarantee Payments (as defined below) to the holders of the preferred securities, as and when due, regardless of any defense, right of set-off, or counterclaim that the Trust may have or assert, other than the defense of payment. The following payments on the preferred securities (the "Guarantee Payments"), to the extent not paid by or on behalf of the Trust, will be covered by the guarantee:

- any accrued and unpaid distributions required to be paid on such preferred securities, to the extent that the Trust has funds on hand available to make the payment;

- the redemption price with respect to any preferred securities called for redemption, to the extent that the Trust has funds on hand available to make the payment; and

- upon a voluntary or involuntary dissolution, winding-up, or liquidation of the Trust (unless the junior subordinated debentures are distributed to holders of the preferred securities), the lesser of:

  (a) the aggregate of the liquidation amount and all accumulated and unpaid distributions to the date of payment, to the extent that the Trust has funds on hand available to make payment, and

  (b) the amount of assets of the Trust remaining available for distribution to holders of the preferred securities on liquidation of the Trust.

The obligation of Northeast Bancorp to make a Guarantee Payment may be satisfied by direct payment of the required amounts by Northeast Bancorp to you or by causing the Trust to pay such amounts to you.

The guarantee does not apply to any payment of distributions due if the Trust lacks funds legally available for payment. If Northeast Bancorp does not make payments on the junior subordinated debentures held by the Trust, the Trust will not be able to pay any distributions on the preferred securities and will not have funds legally available for payment. In that event, holders of the preferred securities will not be able to rely on the guarantee for payment. The guarantee will rank subordinate and junior in right of payment to all senior indebtedness of Northeast Bancorp. See " -- Status of the Guarantee." The guarantee does not limit the incurrence or issuance of other secured or unsecured debt of Northeast Bancorp, including senior indebtedness, whether under the indenture, any other indenture that Northeast Bancorp may enter into in the future or otherwise.

Northeast Bancorp has, through the guarantee, the trust agreement, the junior subordinated debentures and the indenture, taken together, fully, irrevocably and unconditionally guaranteed all the Trust's obligations under the preferred securities on a subordinated basis. No single document standing alone or operating in conjunction with fewer than all the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable, and unconditional guarantee

of the Trust's obligations in respect of the preferred securities. See "Relationship Among the Preferred Securities, the Junior Subordinated Debentures, and the Guarantee."

STATUS OF THE GUARANTEE

The guarantee will constitute an unsecured obligation of Northeast Bancorp and will rank subordinate and junior in right of payment to all senior indebtedness of Northeast Bancorp in the same manner as the junior subordinated debentures.

The guarantee will constitute a guarantee of payment and not of collection. This means that the guaranteed party may institute a legal proceeding directly against Northeast Bancorp, as the guarantor, to enforce its rights under the guarantee without first instituting a legal proceeding against any other person or entity. The guarantee will not be discharged except by payment of the guarantee payments in full to the extent not paid by the Trust or distribution to the holders of the preferred securities of the junior subordinated debentures.

Since the right of Northeast Bancorp to participate in any distribution of assets of a subsidiary, including the Bank, upon liquidation or reorganization or otherwise is subject to prior claims of creditors of the subsidiary, the obligations of Northeast Bancorp under the guarantee are therefore effectively subordinated to all existing and future liabilities of Northeast Bancorp's subsidiaries, including the Bank.

AMENDMENTS AND ASSIGNMENT

Except with respect to any changes which do not materially adversely affect the rights of holders of the preferred securities (in which case no consent will be required), the guarantee may not be amended without the prior approval of the holders of not less than a majority of the aggregate liquidation amount of the outstanding preferred securities. The manner of obtaining any such approval will be as set forth under "Description of Preferred Securities -- Voting Rights; Amendment of Trust Agreement." All guarantees and agreements contained in the guarantee shall bind the successors, assigns, receivers, trustees and representatives of Northeast Bancorp and shall inure to the benefit of the holders of the preferred securities then outstanding.

EVENTS OF DEFAULT

An event of default under the guarantee will occur upon the failure of Northeast Bancorp to perform any of its payment or other obligations under the guarantee, or to perform any non-payment obligation if such non-payment default remains unremedied for 30 days. The holders of not less than a majority in aggregate liquidation amount of the outstanding preferred securities have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the guarantee trustee in respect of the guarantee or to direct the exercise of any trust or power conferred upon the guarantee trustee under the guarantee.

Any registered holder of preferred securities may institute a legal proceeding directly against Northeast Bancorp to enforce its rights under the guarantee without first instituting a legal proceeding against the Trust, the guarantee trustee, or any other person or entity.

Northeast Bancorp, as guarantor, is required to file annually with the guarantee trustee a certificate as to whether or not Northeast Bancorp is in compliance with all the conditions and covenants applicable to it under the Guarantee.

INFORMATION CONCERNING THE GUARANTEE TRUSTEE

The guarantee trustee, other than during the occurrence and continuance of a default by Northeast Bancorp in performance of the guarantee, undertakes to perform only such duties as are specifically set forth in the guarantee and, after the occurrence of an event of default with respect to the guarantee, must exercise the same degree of care and skill as a prudent person would exercise or use in the conduct of his or her own affairs. Subject to this provision, the guarantee trustee is under no obligation to exercise any of the powers

vested in it by the guarantee at the request of any holder of the preferred securities unless it is offered reasonable indemnity against the costs, expenses and liabilities that might be incurred by such request.

For information concerning the relationship between Bankers Trust Company, as guarantee trustee, and Northeast Bancorp, see "Description of Junior Subordinated Debentures -- Information Concerning the Debenture Trustee."

TERMINATION OF THE GUARANTEE

The guarantee will terminate and be of no further force and effect upon:

- full payment of the redemption price of the preferred securities;

- full payment of the amounts payable with respect to the preferred securities upon liquidation of the Trust; or

- distribution of junior subordinated debentures to the holders of the preferred securities in exchange for all of the preferred securities.

The guarantee will continue to be effective or will be reinstated, as the case may be, if at any time any holder of the preferred securities must restore payment of any sums paid under the preferred securities or the guarantee.

GOVERNING LAW

The guarantee will be governed by and construed in accordance with the laws of the State of New York.

RELATIONSHIP AMONG THE PREFERRED SECURITIES, THE JUNIOR SUBORDINATED DEBENTURES, AND THE GUARANTEE

FULL AND UNCONDITIONAL GUARANTEE

Northeast Bancorp has irrevocably guaranteed, on a subordinated basis, payments of distributions and other amounts due on the preferred securities if the Trust has funds available for such payments, as and to the extent set forth under "Description of Guarantee." Northeast Bancorp believes that, taken together, its obligations under the junior subordinated debentures, the indenture, the trust agreement, and the guarantee provide, in the aggregate, a full, irrevocable, and unconditional guarantee of payment of distributions and other amounts due on the preferred securities. No single document standing alone or operating in conjunction with fewer than all the other documents constitutes such guarantee. It is only the combined operation of these documents that has the effect of providing a full, irrevocable, and unconditional guarantee of the Trust's obligations in respect of the preferred securities.

If and to the extent that Northeast Bancorp does not make payments on the junior subordinated debentures, the Trust will not have sufficient funds to pay distributions or other amounts due on the preferred securities. The guarantee does not cover payments of distributions when the Trust does not have sufficient funds to pay such distributions. In such event, the remedy of a holder of the preferred securities is to institute a legal proceeding directly against Northeast Bancorp for enforcement of payment of Northeast Bancorp's obligations under junior subordinated debentures having a principal amount equal to the liquidation amount of the preferred securities held by such holder.

The obligations of Northeast Bancorp under the junior subordinated debentures and the guarantee are subordinate and junior in right of payment to all senior indebtedness.

SUFFICIENCY OF PAYMENTS

As long as Northeast Bancorp makes payments on the junior subordinated debentures when they are due, such payments will be sufficient to cover distributions and other payments distributable on the preferred securities, primarily because:

- the aggregate principal amount of the junior subordinated debentures will be equal to the sum of the aggregate liquidation amount of the preferred securities and common securities;

- the interest rate and the interest payment dates and other payment dates on the junior subordinated debentures will match the distribution rate, distribution dates and other payment dates for the preferred securities;

- Northeast Bancorp will pay for any and all costs, expenses, and liabilities of the Trust except the Trust's obligations to holders of the preferred securities and the common securities; and

- the trust agreement further provides that the Trust will not engage in any activity that is not consistent with the limited purposes of the Trust.

Notwithstanding anything to the contrary in the indenture, Northeast Bancorp has the right to set-off any payment it is otherwise required to make thereunder against and to the extent Northeast Bancorp has theretofore made, or is concurrently on the date of such payment making, a payment under the guarantee.

ENFORCEMENT RIGHTS OF HOLDERS OF PREFERRED SECURITIES

A holder of any preferred security may institute a legal proceeding directly against Northeast Bancorp to enforce its rights under the guarantee without first instituting a legal proceeding against the guarantee trustee, the Trust, or any other person or entity. See "Description of Guarantee."

A default or event of default under any senior indebtedness of Northeast Bancorp would not constitute a default or event of default in respect of the preferred securities, the junior subordinated debentures, or the guarantee. However, in the event of payment defaults under, or acceleration of, senior indebtedness of Northeast Bancorp, the subordination provisions of the indenture provide that no payments may be made in respect of the junior subordinated debentures until such senior indebtedness has been paid in full or any payment default thereunder has been cured or waived. See "Description of Junior Subordinated Debentures -- Subordination." If Northeast Bancorp fails to make required payments on the junior subordinated debentures, such failure would constitute an event of default under the preferred securities.

LIMITED PURPOSE OF TRUST

The preferred securities represent preferred undivided beneficial interests in the assets of the Trust. The Trust exists for the sole purpose of issuing the preferred securities and common securities and investing the proceeds thereof in the junior subordinated debentures. A principal difference between the rights of a holder of a preferred security and a holder of a junior subordinated debenture is that a holder of a junior subordinated debenture is entitled to receive from Northeast Bancorp payments on junior subordinated debentures held, while a holder of preferred securities is entitled to receive distributions or other amounts distributable with respect to the preferred securities from the Trust (or from Northeast Bancorp under the guarantee) only if and to the extent the Trust has funds available for the payment of such distributions.

RIGHTS UPON DISSOLUTION

Upon any voluntary or involuntary dissolution of the Trust, other than any such dissolution involving the distribution of the junior subordinated debentures, after satisfaction of liabilities to creditors of the Trust as required by applicable law, the holders of the preferred securities will be entitled to receive, out of assets held by the Trust, the liquidation distribution in cash. See "Description of Preferred Securities -- Liquidation Distribution Upon Dissolution." Upon any voluntary or involuntary liquidation or bankruptcy of Northeast Bancorp, the Trust, as registered holder of the junior subordinated debentures, would be a subordinated creditor of Northeast Bancorp, subordinated and junior in right of payment to all senior indebtedness as set

forth in the indenture, but entitled to receive payment in full of all amounts payable with respect to the junior subordinated debentures before any stockholders of Northeast Bancorp receive payments or distributions. Since Northeast Bancorp is the guarantor under the guarantee and has agreed under the indenture to pay for all costs, expenses, and liabilities of the Trust (other than the obligations of the Trust to the holders of the preferred securities and common securities), the positions of a holder of the preferred securities and a holder of such junior subordinated debentures relative to other creditors and to stockholders of Northeast Bancorp in the event of liquidation or bankruptcy of Northeast Bancorp are expected to be substantially the same.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

GENERAL

The preferred securities and payments on the preferred securities generally are subject to taxation. Therefore, you should consider the tax consequences of owning and receiving payment on the preferred securities before purchasing them. Northeast Bancorp has engaged Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., Tampa, Florida, as special tax counsel ("Tax Counsel"), to review the following discussion. They have given Northeast Bancorp their written opinion that the following discussion correctly describes the United States federal income tax treatment (a) regarding the characterization of the Trust, (b) regarding the characterization of the junior subordinated debentures, and (c) of the purchase, ownership, and disposition of the preferred securities.

The following discussion is general and may not apply to your particular circumstances for any of the following (or other) reasons:

- This summary is based on federal tax laws in effect on the date of this prospectus, including Treasury regulations under such laws, and administrative and judicial interpretations thereof. Changes to any of these laws, regulations, or interpretations may affect the tax consequences discussed below.

- This summary discusses only preferred securities acquired at original issuance at the original offering price and held as a capital asset (within the meaning of federal tax law). It does not address all the tax consequences that may be relevant to investors, nor does it address the tax consequences to investors that may be subject to special tax treatment, such as banks, thrift institutions, real estate investment trusts, regulated investment companies, insurance companies, brokers and dealers in securities or currencies, certain securities traders, tax-exempt organizations, and certain other financial institutions. This discussion also does not discuss tax consequences that may be relevant to an investor in light of their particular circumstances, such as an investor holding a preferred security as a position in a "straddle," or as part of a "synthetic security," "hedging," as part of a "conversion" or other integrated investment.

- This summary does not address:

  (a) the income tax consequences to shareholders in, or partners or beneficiaries of, a holder of the preferred securities,

  (b) the United States federal alternative minimum tax consequences of the purchase, ownership or disposition of the preferred securities, or

  (c) any state, local or foreign tax consequences of the purchase, ownership and disposition of preferred securities.

The authorities on which this summary is based are subject to various interpretations, and the opinions of Tax Counsel are not binding on the Internal Revenue Service (the "IRS") or the courts, either of which could take a contrary position. Moreover, no rulings have been or will be sought from the IRS with respect to the transactions described herein. Accordingly, there can be no assurance that the IRS will not challenge the opinions expressed herein or that a court would not sustain such a challenge.

YOU ARE ADVISED TO CONSULT YOUR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE PREFERRED SECURITIES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES FEDERAL OR OTHER TAX LAWS.

US HOLDERS

IN GENERAL. For purposes of the following discussion, a "US Holder" generally is a holder of the preferred securities who or which is

- a citizen or individual resident (or is treated as a citizen or individual resident) of the United States for income tax purposes;

- a corporation or partnership created or organized (or treated as created or organized for income tax purposes) in or under the laws of the United States or any political subdivision thereof;

- an estate the income of which is includible in its gross income for United States federal income tax purposes without regard to its source; or

- a trust if (a) a court within the United States is able to exercise primary supervision over the administration of the trust and (b) one or more United States persons have the authority to control all substantial decisions of the trust.

CHARACTERIZATION OF THE TRUST. Tax Counsel has rendered its opinion that, (1) under then current law and based on the representations, facts, and assumptions set forth in this prospectus, and (2) assuming full compliance with the terms of the trust agreement (and other relevant documents), and (3) based on certain assumptions and qualifications referred to in the opinion, upon the issuance of the preferred securities the Trust will be characterized for United States federal income tax purposes as a grantor trust and will not be characterized as an association taxable as a corporation. Accordingly, for United States federal income tax purposes, each US Holder purchasing the preferred securities generally will be considered the owner of an undivided interest in the junior subordinated debentures owned by the Trust, and each US Holder will be required to include all income or gain recognized for United States federal income tax purposes with respect to its allocable share of the junior subordinated debentures on its own income tax return.

CHARACTERIZATION OF THE JUNIOR SUBORDINATED DEBENTURES. Under current law, the junior subordinated debentures are debt of Northeast Bancorp for United States federal income tax purposes. Northeast Bancorp, along with the Trust and each investor (by acceptance of a beneficial interest in a preferred security) agree to treat the junior subordinated debentures as Northeast Bancorp's debt and the preferred securities as evidence of a beneficial ownership in the Trust. We cannot assure you, however, that such position will not be challenged by the IRS or, if challenged, that a challenge will not be successful. The remainder of this discussion assumes that the junior subordinated debentures will be classified as debt of Northeast Bancorp for federal income tax purposes.

INTEREST INCOME AND ORIGINAL ISSUE DISCOUNT. Under the terms of the junior subordinated debentures, Northeast Bancorp has the ability to defer payments of interest from time to time by extending the interest payment period for a period not exceeding 20 consecutive quarters, but not beyond the maturity of the junior subordinated debentures. Treasury regulations provide that debt instruments like the junior subordinated debentures will not be considered issued with original issue discount ("OID") even if their issuer can defer payments of interest if the likelihood of such deferral is "remote."

Northeast Bancorp has concluded, and this discussion assumes, that, as of the date of this prospectus, the likelihood of deferring payments of interest under the terms of the junior subordinated debentures is "remote" within the meaning of the applicable Treasury regulations. This conclusion is based in part on the fact that exercising that option would prevent Northeast Bancorp from declaring dividends on its common stock and would prevent Northeast Bancorp from making any payments with respect to debt securities that rank equally with or junior to the junior subordinated debentures. Therefore, the junior subordinated debentures should not be treated as issued with OID by reason of Northeast Bancorp's deferral option. Rather, US Holders will

be taxed on stated interest on the junior subordinated debentures when it is paid or accrued in accordance with the holder's method of accounting for income tax purposes. It should be noted, however, that no published rulings or any other published authorities of the IRS have addressed this issue. Accordingly, it is possible that the IRS could take a position contrary to the interpretation described herein.

If Northeast Bancorp exercises its option to defer payments of interest, the junior subordinated debentures would be treated as redeemed and reissued for OID purposes. The sum of the remaining interest payments (and any de minimis OID) on the junior subordinated debentures would thereafter be treated as OID. The OID would accrue, and be includible in a US Holder's taxable income, on an economic accrual basis (regardless of the US Holder's method of accounting for income tax purposes) over the remaining term of the junior subordinated debentures (including any period of interest deferral), without regard to the timing of payments under the junior subordinated debentures. Subsequent distributions of interest on the junior subordinated debentures generally would not be taxable. The amount of OID that would accrue in any period would generally equal the amount of interest that accrued on the junior subordinated debentures in that period at the stated interest rate. Consequently, during any period of interest deferral, US Holders will include OID in gross income in advance of the receipt of cash, and if a US Holder disposes of a preferred security prior to the record date for payment of distributions on the junior subordinated debentures following that period, such US Holder will be subject to income tax on OID accrued through the date of disposition (and not previously included in income), but will not receive cash from the Trust with respect to the OID.

If the possibility of Northeast Bancorp's exercise of its option to defer payments of interest is not remote, the junior subordinated debentures would be treated as initially issued with OID in an amount equal to the aggregate stated interest (plus any de minimis OID) over the term of the junior subordinated debentures. A US Holder will include that OID in its taxable income, over the term of the junior subordinated debentures, on an economic accrual basis.

CHARACTERIZATION OF INCOME. Because the income underlying the preferred securities will not be characterized as dividends for income tax purposes, if the investor is a corporate holder of the preferred securities such investor will not be entitled to a dividends-received deduction for any income that it recognizes with respect to the preferred securities.

MARKET DISCOUNT AND BOND PREMIUM. Under certain circumstances holders of the preferred securities may be considered to have acquired their undivided interests in the junior subordinated debentures with market discount or acquisition premium (as each phrase is defined for United States federal income tax purposes).

RECEIPT OF JUNIOR SUBORDINATED DEBENTURES OR CASH UPON LIQUIDATION OF THE TRUST. Under certain circumstances described above (See "Description of the Preferred Securities -- Liquidation Distribution Upon Dissolution"), the Trust may distribute the junior subordinated debentures to investors in exchange for the preferred securities and in liquidation of the Trust. Except as discussed below, such a distribution would not be a taxable event for United States federal income tax purposes, and each US Holder would have an aggregate adjusted basis in its junior subordinated debentures for United States federal income tax purposes equal to such holder's aggregate adjusted basis in its preferred securities. For United States federal income tax purposes, a US Holder's holding period in the junior subordinated debentures received in such a liquidation of the Trust would include the period during which the preferred securities were held by the US Holder. If, however, the relevant event is a Tax Event which results in the Trust being treated as an association taxable as a corporation, the distribution would likely constitute a taxable event to US Holders of the preferred securities for United States federal income tax purposes.

Under certain circumstances described herein (see "Description of the Preferred Securities"), Northeast Bancorp may redeem the junior subordinated debentures for cash and the proceeds of such redemption distributed to investors in redemption of their preferred securities. Such a redemption would be taxable for United States federal income tax purposes, and a US Holder would recognize gain or loss as if it had sold the preferred securities for cash. See " -- Sales of Preferred Securities" below.

SALES OF PREFERRED SECURITIES. A US Holder that sells preferred securities will recognize gain or loss equal to the difference between its adjusted basis in the preferred securities and the amount realized on the sale of such preferred securities. A US Holder's adjusted basis in the preferred securities generally will be its initial purchase price, increased by OID previously included (or currently includible) in such holder's gross income to the date of disposition, and decreased by payments received on the preferred securities (other than any interest received with respect to the period prior to the effective date of Northeast Bancorp's first exercise of its option to defer payments of interest). Any such gain or loss generally will be capital gain or loss, and generally will be a long-term capital gain or loss if the preferred securities have been held for more than one year prior to the date of disposition.

If a holder disposes of their preferred securities between record dates for payments of distributions thereon, such holder will be required to include accrued but unpaid interest (or OID) on the junior subordinated debentures through the date of disposition in its taxable income for United States federal income tax purposes (notwithstanding that the holder may receive a separate payment from the purchaser with respect to accrued interest). Such holder may deduct that amount from the sales proceeds received (including the separate payment, if any, with respect to accrued interest) for the preferred securities (or as to OID only, to add such amount to such holder's adjusted tax basis in its preferred securities). To the extent the selling price is less than the holder's adjusted tax basis (which will include accrued but unpaid OID, if any), a holder will recognize a capital loss. Subject to certain limited exceptions, capital losses cannot be applied to offset ordinary income for United States federal income tax purposes.

PENDING TAX LITIGATION AFFECTING THE PREFERRED SECURITIES

Recently, a taxpayer filed a petition in the United States Tax Court contesting the IRS' disallowance of interest deductions that taxpayer claimed in respect of securities issued in 1993 and 1994 that are, in some respects, similar to the preferred securities of the Trust. (Enron Corp. v. Commissioner, Docket No. 6149-98, filed April 1, 1998). An adverse decision by the Tax Court concerning the deductibility of such interest may cause a Tax Event. Such a Tax Event would give Northeast Bancorp the right to redeem the Junior Subordinated Debentures. See "Description of Junior Subordinated Debentures -- Redemption" and "Description of Preferred Securities -- Liquidation Distribution Upon Dissolution".

NON-US HOLDERS

The following discussion applies only to a Non-US Holder.

Payments to a Non-US Holder on a preferred security will generally not be subject to withholding of income tax, provided that:

- the beneficial owner of the preferred security does not (directly or indirectly, actually or constructively) own 10% or more of the total combined voting power of all classes of stock of Northeast Bancorp entitled to vote;

- the beneficial owner of the preferred security is not a controlled foreign corporation that is related to Northeast Bancorp through stock ownership; and

- either (a) the beneficial owner of the preferred securities certifies to the Trust or its agent, under penalties of perjury, that it is a Non-US Holder and provides its name and address, or (b) a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business, and holds the preferred security in such capacity, certifies to the Trust or its agent, under penalties of perjury, that such a statement has been received from the beneficial owner by it or by another financial institution between it and the beneficial owner in the chain of ownership, and furnishes the Trust or its agent with a copy thereof.

As discussed above, it is possible that changes in the law affecting the income taxes of junior subordinated debentures could adversely affect the ability of Northeast Bancorp to deduct interest payable on the junior subordinated debentures. Such changes also could cause the junior subordinated debentures to be classified as equity, rather than debt of Northeast Bancorp for United States federal income tax purposes. This might

cause the income derived from the junior subordinated debentures to be characterized as dividends, generally subject to a 30% income tax (on a withholding basis) when paid to a Non-US Holder, rather than as interest which, as discussed above, generally is exempt from income tax in the hands of a person who is a Non-US Holder.

A Non-US Holder of a preferred security will generally not be subject to withholding of income tax on any gain realized upon the sale or other disposition of a preferred security.

A Non-US Holder that holds the preferred securities in connection with the active conduct of a United States trade or business will be subject to income tax on all income and gains recognized with respect to its proportionate share of the junior subordinated debentures.

INFORMATION REPORTING

In general, information reporting requirements will apply to payments made on, and proceeds from the sale of, the preferred securities held by a noncorporate US Holder within the United States. In addition, payments made on, and payments of the proceeds from the sale of, the preferred securities to or through the United States office of a broker are subject to information reporting unless the holder thereof certifies as to its Non-US Holder status or otherwise establishes an exemption from information reporting and backup withholding. See " -- Backup Withholding." Taxable income on the preferred securities for a calendar year should be reported to US Holders on the appropriate forms by the following January 31st.

BACKUP WITHHOLDING

Payments made on, and proceeds from the sale of, the preferred securities may be subject to a "backup" withholding tax of 31% unless the holder complies with certain identification or exemption requirements. Any amounts so withheld will be allowed as a credit against the holder's income tax liability, or refunded, provided the required information is provided to the IRS.

THE PRECEDING DISCUSSION IS ONLY A SUMMARY AND DOES NOT ADDRESS ALL THE CONSEQUENCES TO A PARTICULAR PERSON OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF THE PREFERRED SECURITIES. YOU ARE URGED TO CONTACT YOUR OWN TAX ADVISORS TO DETERMINE YOUR PARTICULAR TAX CONSEQUENCES.

CERTAIN ERISA CONSIDERATIONS

Northeast Bancorp and certain of its affiliates may each be considered a "party in interest" within the meaning of the Employee Retirement Income Security Act of 1974 or a "disqualified person" within the meaning of Section 4975 of the Internal Revenue Code with respect to many employee benefit plans ("Plans") that are subject to ERISA and individual retirement accounts ("IRAs"). The purchase of the preferred securities by an employee benefit plan or IRA that is subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of Section 4975(e)(1) of the Internal Revenue Code and with respect to which Northeast Bancorp, affiliate is a service provider (or otherwise is a party in interest or a disqualified person) may constitute or result in a prohibited transaction under ERISA or Section 4975 of the Internal Revenue Code, unless the preferred securities are acquired pursuant to and in accordance with an applicable exemption. Any pension or other employee benefit plan, fiduciary, or IRA holder, proposing to acquire any preferred securities should consult with its legal counsel.

SUPERVISION AND REGULATION

GENERAL

Northeast Bancorp is a savings and loan holding company that is regulated and subject to examination by the OTS. The Bank is a federally chartered savings bank and is subject to the regulations, examinations, and reporting requirements of the OTS. The Bank is a member of the Federal Home Loan Bank of Boston and the Bank's deposits are insured by the FDIC through the savings association insurance fund. As the

administrator of the savings association insurance fund, the FDIC has certain regulatory and full examination authority over OTS regulated savings associations.

The Bank also is subject to regulation by the Board of Governors of the Federal Reserve System governing reserves to be maintained against deposits and certain other matters. The Bank's relationship with its depositors and borrowers also is regulated to a great extent by both federal and state laws. Any change in applicable laws or regulations, or a change in the ways these laws and regulations are interpreted by regulatory agencies or courts, may have a material adverse impact on the business of Northeast Bancorp and the Bank.

The following information is a summary of some of the laws and regulations applicable to Northeast Bancorp and the Bank. The applicable statutes and regulations are summarized and do not purport to be complete, and are qualified in their entirety by reference to the particular statutes and regulations.

FEDERAL REGULATION OF SAVINGS AND LOAN HOLDING COMPANIES

GENERAL LIMITATIONS. Northeast Bancorp is a unitary savings and loan holding company within the meaning of the Home Owners' Loan Act of 1933 ("HOLA") and is registered with the OTS. Northeast Bancorp is subject to OTS regulations, examinations, supervision and reporting requirements. Further, the OTS has enforcement authority over Northeast Bancorp and its non-savings institution subsidiaries. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution.

As a unitary savings and loan holding company, Northeast Bancorp generally is not restricted under existing laws as to the types of business activities in which it may engage, provided that the Bank continues to be a qualified thrift lender. See "Supervision and Regulation -- Federal Regulations of Savings Associations -- Qualified Thrift Lender Test." Nevertheless, various activities conducted by savings and loan holding companies require OTS authorization.

The HOLA prohibits a savings and loan holding company from directly or indirectly acquiring control (including through an acquisition by merger, consolidation or purchase of assets) of any savings association, or any other savings and loan holding company, without prior OTS approval. In considering whether to grant approval for any such transaction, the OTS will take into consideration a number of factors, including:

- competitive effects of the transaction;
- financial and managerial resources;
- future prospects of the holding company and its bank or thrift subsidiaries following the transaction;
- the effect of the acquisition on the risk to the insurance fund;
- the convenience and needs of the community to be served; and
- compliance history of such subsidiaries with the Community Reinvestment Act.

Further, a savings and loan holding company may not acquire more than 5% of the voting shares of any savings association unless by merger, consolidation or purchase of assets, each of which requires prior OTS approval. In addition, under other provisions of HOLA, a savings and loan holding company may acquire up to 15% of the voting shares of certain undercapitalized savings associations.

MULTIPLE SAVINGS AND LOAN HOLDING COMPANIES. At the present time, Northeast Bancorp is a unitary savings and loan holding company. Upon acquisition by Northeast Bancorp of a separate subsidiary savings association, Northeast Bancorp would become a multiple savings and loan holding company and would be subject to extensive limitations on the types of business activities in which it could engage. A holding company that acquires another institution and maintains it as a separate subsidiary or whose sole subsidiary fails to meet the qualified thrift lender test will become subject to the activities limitations applicable to multiple savings bank holding companies. In general, a multiple savings bank holding company (or subsidiary

thereof that is not an insured institution) may not commence, or continue for more than a limited period of time after becoming a multiple savings bank holding company (or a subsidiary thereof), any business activity other than:

- furnishing or performing management services for a subsidiary insured institution;
- conducting an insurance agency or an escrow business;
- holding, managing or liquidating assets owned by or acquired from a subsidiary insured institution;
- holding or managing properties used or occupied by a subsidiary insured institution;
- acting as trustee under deeds of trust;
- those activities previously directly authorized by the OTS by regulation as of March 5, 1987 to be engaged in by multiple savings bank holding companies; or
- subject to prior approval of the OTS, those activities authorized by the Federal Reserve Board as permissible investments for bank holdings companies.

These restrictions do not apply to a multiple savings bank holding company if (a) all, or all but one, of its insured institution subsidiaries were acquired in emergency thrift acquisitions or assisted acquisitions and (b) all of its insured institution subsidiaries are qualified thrift lenders.

The OTS is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions: (a) the approval of interstate supervisory acquisitions by savings and loan holding companies, and (b) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary with regard to the extent to which they permit interstate savings and loan holding company acquisitions.

SAFETY AND SOUNDNESS. Under federal law, the Director of the OTS is authorized to take action when it determines that there is reasonable cause to believe that the continuation by a savings bank holding company of any particular activity constitutes a serious risk to the financial safety, soundness or stability of a savings bank holding company's subsidiary savings institution. The Director of the OTS has oversight authority for all holding company affiliates, not just the insured institution. Specifically, the Director of the OTS may, as necessary:

- limit the payment of dividends by the savings institution to its parent holding company;
- limit transactions between the savings institution, the holding company and the subsidiaries or affiliates of either; or
- limit any activities of the savings institution that might create a serious risk that the liabilities of the holding company and its affiliates may be imposed on the savings institution.

FEDERAL REGULATION OF SAVINGS INSTITUTIONS

BUSINESS ACTIVITIES. The activities of savings institutions are governed by the HOLA and, in certain respects, the Federal Deposit Insurance Act and the rules and regulations issued by the OTS and the FDIC pursuant to these acts. These laws and regulations delineate the nature and extent of the activities in which savings associations may engage.

CAPITAL REQUIREMENTS. The OTS capital regulations have three components: a leverage limit, a tangible capital requirement, and a risk-based capital requirement. The OTS has broad discretion to impose capital requirements in excess of minimum applicable ratios.

The leverage limit requires that a savings association maintain core capital of at least 3% of its adjusted total assets. For purposes of this requirement, total assets are adjusted to exclude intangible assets and investments in certain subsidiaries, and to include the assets of certain other subsidiaries, certain intangibles arising from prior period supervisory transactions, and permissible mortgage servicing rights. Core capital

includes common shareholders' equity and retained earnings, noncumulative perpetual preferred stock and related surplus and minority interests in consolidated subsidiaries, minus intangibles, plus certain mortgage servicing rights, certain goodwill arising from prior regulatory accounting practices, and certain investments in subsidiaries.

Certain mortgage servicing rights are not deducted in computing core and tangible capital. Prior to August 10, 1998, generally, the lower of 90% of the fair market value of readily marketable mortgage servicing rights, or the current unamortized book value as determined under GAAP could be included in core and tangible capital up to a maximum of 50% of core capital computed before the deduction of any disallowed servicing assets and disallowed purchased credit card relationships. Effective August 10, 1998, the OTS increased the maximum amount of mortgage servicing rights that are includable in regulatory capital from 50% to 100% of core capital.

In determining core capital, all investments in and loans to subsidiaries engaged in activities not permissible for national banks, which are generally more limited than activities permissible for savings associations and their subsidiaries, must be deducted. Certain exceptions are provided, including exceptions for mortgage banking subsidiaries and subsidiaries engaged in agency activities for customers (unless determined otherwise by the FDIC on safety and soundness grounds). Generally, all subsidiaries engaged in activities permissible for national banks are required to be consolidated for purposes of calculating capital compliance by the parent savings association.

The tangible capital requirement mandates that a savings association maintain tangible capital of at least 1.5% of adjusted total assets. For purposes of this requirement, adjusted total assets are calculated on the same basis as the leverage limit. Tangible capital is defined in the same manner as core capital, except that all intangible assets must be deducted.

The risk-based requirement promulgated by the OTS pursuant to the HOLA, tracks the standard applicable to national banks, except that the OTS may determine to reflect interest rate and other risks not specifically included in the national bank standard. However, such deviations from the national bank standard may not result in a materially lower risk-based requirement for savings associations than for national banks. The risk-based standard adopted by the OTS is similar to the Office of the Comptroller of the Currency standard for national banks.

The risk-based standards of the OTS require maintenance of core capital equal to at least 4% of risk-weighted assets and total capital equal to at least 8% of risk-weighted assets. Total capital includes core capital plus supplementary capital (to the extent it does not exceed core capital). Supplementary capital includes (a) cumulative perpetual preferred stock; (b) mutual capital certificates, income capital certificates and net worth certificates; (c) nonwithdrawable accounts and pledged deposits to the extent not included in core capital; (d) perpetual and mandatory convertible subordinated debt and maturing capital instruments meeting specified requirements; (e) general loan and lease loss allowances, up to a maximum of 1.25% of risk-weighted assets; and (f) up to 45% of unrealized gains on certain equity investments.

In determining the amount of risk-weighted assets, savings associations must assign balance sheet assets to one of four risk-weight categories, reflecting the relative credit risk inherent in the asset. Off-balance-sheet items are assigned to one of the four risk-weight categories after a credit conversion factor is applied.

OTS regulations add an interest rate risk component to the 8% risk-based capital requirement discussed above. Only savings associations with more than a normal level of interest rate risk are subject to these requirements. Specifically, savings associations with interest rate risk exposure in excess of 2% (measured in accordance with an OTS Model and Guidelines) must deduct an interest rate risk component from total capital prior to calculating their risk-based capital ratios. The interest rate risk component is calculated as one-half of the difference between the institution's measured interest rate risk and 2%, multiplied by the estimated economic value of the institution's assets. This deduction will have the effect of requiring savings associations with interest rate risk exposure of more than 2% to hold more capital than those with less than 2% exposure. On August 21, 1995, the OTS adopted and approved an appeal process, but delayed the interest rate risk capital deduction indefinitely.

LOANS TO ONE BORROWER. Under the HOLA, savings institutions are generally subject to the national bank limits on loans to a single or related group of borrowers. Generally, a savings association may lend to a single borrower or group of related borrowers, on an unsecured basis, in an amount not greater than 15% of its unimpaired capital and unimpaired surplus. An additional amount, not greater than 10% of the savings association's unimpaired capital and unimpaired surplus, may be loaned if the loan is secured by readily marketable collateral, which is defined to include certain financial instruments and bullion, but generally does not include real estate. The OTS by regulation has amended the loans to one borrower rule to permit savings associations meeting certain requirements to extend loans to one borrower in additional amounts under circumstances limited essentially to loans to develop or complete residential housing units. The OTS also may impose more stringent limits on an association's loans to one borrower, if it determines that such limits are necessary to protect the safety and soundness of the institution.

QUALIFIED THRIFT LENDER TEST. In general, savings associations are required to maintain at least 65% of their portfolio assets in certain qualified thrift investments (which consist primarily of loans and other investments related to residential real estate and certain other assets). A savings association that fails the qualified thrift lender test is subject to substantial restrictions on activities and to other significant penalties. Recent legislation permits a savings association to qualify as a qualified thrift lender not only by maintaining 65% of portfolio assets in qualified thrift investments but also, in the alternative, by qualifying under the HOLA as a domestic building and loan association.

Recent legislation also expands the qualified thrift lender test to provide savings associations with greater authority to lend and diversify their portfolios. In particular, credit card and education loans may now be made by savings associations without regard to any percentage-of-assets limit, and commercial loans may be made in an amount up to 10% of total assets, plus an additional 10% for small business loans. Loans for personal, family and household purposes (other than credit card, small business and educational loans) are now included without limit with other assets that, in the aggregate, may account for up to 20% of total assets. At June 30, 1999, the Bank was in compliance with current qualified thrift lender requirements.

LIMITATION ON CAPITAL DISTRIBUTIONS. OTS regulations impose limitations upon all capital distributions by savings institutions, including:

- cash dividends;

- payments to repurchase or otherwise acquire its shares;

- payments to stockholders of another institution in a cash-out merger; and

- other distributions charged against capital.

OTS rules establish three tiers of institutions, which are based primarily on an institution's capital level. An institution, such as the Bank, that exceeds all fully phased-in capital requirements before and after a proposed capital distribution and has not been advised by the OTS that it is in need of more than normal supervision, could, after prior notice but without the approval of the OTS, make capital distributions during a calendar year equal to the greater of: (i) 100% of its net earnings to date during the calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (the excess capital over its fully phased-in capital requirements) at the beginning of the calendar year; or (ii) 75% of its net earnings for the previous four quarters; provided that the institution would not be undercapitalized, as the term is defined in the OTS Prompt Corrective Action regulations, following the capital distribution. Any additional capital distributions would require prior regulatory approval. In the event the Bank's capital fell below its fully phased-in requirement or the OTS notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

LIQUIDITY. The Bank is required to maintain an average daily balance of specified liquid assets equal to a quarterly average of not less than a specified percentage (currently 4%) of its net withdrawable deposit accounts plus borrowings payable in one year or less. Monetary penalties may be imposed for failure to meet

these liquidity requirements. The Bank has never been subject to monetary penalties for failure to meet its liquidity requirements.

COMMUNITY REINVESTMENT ACT AND FAIR LENDING LAWS. Savings associations have a responsibility under the Community Reinvestment Act and related regulations of the OTS to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices on the basis of characteristics specified in those statutes. A savings institution's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in regulatory restrictions on its activities. Failure of a savings association to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OTS, as well as other federal regulatory agencies and the Department of Justice. The Bank received a satisfactory Community Reinvestment Act rating under the current regulations in its most recent federal examination by the OTS.

THE BANK SECRECY ACT AND MONEY LAUNDERING LAWS. The Bank Secrecy Act was enacted by Congress in 1970. This act requires every financial institution within the United States to file a Currency Transaction Report with the Internal Revenue Service for each transaction in currency of more than $10,000 not exempted by the United States Treasury Department.

The Money Laundering Prosecution Improvements Act requires financial institutions, typically banks, to verify and record the identity of the purchaser upon the issuance or sale of bank checks or drafts, cashier's checks, traveler's checks, or money orders involving $3,000 or more in cash. Institutions also must verify and record the identity of the originator and beneficiary of certain funds transfers.

BRANCHING. Subject to certain statutory restrictions in the HOLA and the Federal Deposit Insurance Act, the Bank is authorized to branch on a nationwide basis. Branching by savings associations also is subject to other regulatory requirements, including compliance with the Community Reinvestment Act and its implementing regulations.

TRANSACTIONS WITH RELATED PARTIES. The Bank's authority to engage in transactions with related parties or "affiliates" (i.e., any company that controls or is under common control with the Bank, including Northeast Bancorp and any non-savings institution subsidiaries) or to make loans to certain insiders of the Bank or Northeast Bancorp, is limited by Sections 23A and 23B of the Federal Reserve Act. Section 23A limits the aggregate amount of transactions with any individual affiliate to 10% of the capital and surplus of the savings institution and also limits the aggregate amount of transactions with all affiliates to 20% of the savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in Section 23A and the purchase of low quality assets from affiliates is generally prohibited. Section 23B provides that certain transactions with affiliates, including loans and asset purchases, must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies.

LOANS TO OFFICERS, DIRECTORS, AND PRINCIPAL STOCKHOLDERS. Sections 22(g) and 22(h) of the Federal Reserve Act and the rules and regulations issued under that act are applicable to loans from a savings association to any of the following persons:

- an executive officer of a savings association;

- a director of a savings association;

- a principal stockholder of a savings association (i.e., any person who directly or indirectly, or acting through or in concert with one or more persons, owns, controls, or has power to vote more than 10% of any class of voting securities of a savings association);

- any company controlled by an executive officer, director or principal stockholder of a savings association; and

- any political or campaign committee which is controlled by, or which will benefit any executive officer, director or principal stockholder.

Among other things, such loans must be made on terms substantially the same as those prevailing on comparable transactions made to unaffiliated individuals, and may not involve more than the normal risk of repayment or present other unfavorable features. Certain extensions of credit to such persons must first be approved in advance by a disinterested majority of a savings association's entire board of directors. Section 22(h) of the Federal Reserve Act prohibits loans to any such individuals where the aggregate amount exceeds an amount equal to 15% of an insured institution's unimpaired capital and surplus, plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral, or when the aggregate amount on all such extensions of credit outstanding to all such persons would exceed the Bank's unimpaired capital and unimpaired surplus. Section 22(g) establishes additional limitations on loans to executive officers.

CHANGES IN DIRECTORS AND SENIOR EXECUTIVE OFFICERS. Section 32 of the Federal Deposit Insurance Act, as amended by the 1996 Act, requires a depository institution or holding company of a depository institution to give 30 days prior written notice to its primary federal regulator of any proposed appointment of a director or senior executive officer if the institution is not in compliance with the minimum capital requirements or otherwise is in a troubled condition. The regulator then has the opportunity to disapprove the proposed appointment.

PERMISSIBLE LOANS AND INVESTMENTS. Federally chartered savings banks, such as the Bank, are authorized to originate, invest in, sell, purchase, service, participate, and otherwise deal in: (1) loans made on the security of residential and nonresidential real estate (up to 400% of the Bank's capital), (2) commercial loans (up to 20% of assets, the last 10% of which must be small business loans), (3) consumer loans (subject to certain percentage of asset limitations), and (4) credit card loans. The lending authority of federally chartered associations is subject to various OTS requirements, including, as applicable, requirements governing loan-to-value ratio, percentage-of-assets limits, and loans to one borrower limits. In September 1996, the OTS substantially revised its investment and lending regulations eliminating many of their specific requirements in favor of a more general standard of safety and soundness.

Federally chartered savings associations may invest, without limitation, in the following assets: (1) obligations of the United States government or certain agencies thereof; (2) stock issued by or bonds of the FHLB or the FNMA; (3) obligations issued or guaranteed by the FNMA, the Student Loan Marketing Association, the GNMA, or any agency of the United States Government; (4) certain mortgages, obligations, or other securities that have been sold by the FHLMC; (5) stock issued by a national housing partnership corporation; (6) demand, time, or savings deposits, shares, or accounts of any insured depository institution; (7) certain "liquidity" investments approved by the OTS to meet liquidity requirements; (8) shares of registered investment companies, the portfolios of which are limited to investments that a federal association is otherwise authorized to make; (9) certain mortgage-backed securities; (10) general obligations of any state of the United States or any political subdivision or municipality thereof, provided that not more than 10% of a savings association's capital may be invested in the general obligations of any one issuer; (11) loans secured by residential real property; (12) credit card loans; and (13) educational loans. Federally chartered savings associations may invest in secured or unsecured loans for commercial, corporate, business, or agricultural purposes, up to 20% of assets, provided that the last 10% is invested in small business loans. The HOLA also limits a federal savings association's aggregate nonresidential real property loans to 400% of the savings association's capital as determined pursuant to the OTS's capital requirements. See "Supervision and Regulation -- Federal Regulation of Savings Associations -- Capital Requirements." The OTS may allow a savings association to exceed the aggregate limitation, if the OTS determines that exceeding the limitation would pose no significant risk to the safe and sound operations of the association and would be consistent with prudent operating practices. Federally chartered savings associations also are authorized by the HOLA to make investments in consumer loans, business development credit corporations, certain commercial paper and corporate debt securities, service corporations, and small business investment companies. All of these types of investments are subject to percentage-of-assets and various other limitations.

SERVICE CORPORATIONS. The HOLA authorizes federally chartered savings associations, such as the Bank, to invest in the capital stock, obligations, or other securities of service corporations. The HOLA authorizes a savings association to invest up to a total of 3% of its assets in service corporations. The last 1% of the 3% statutory investment limit applicable to service corporations must be primarily invested in community development investments drawn from a broad list of permissible investments that include, among other things: (1) government guaranteed loans, (2) loans for investment in small businesses, (3) investments in revitalization, and rehabilitation projects, and (4) investments in low- and moderate-income housing developments.

Service corporations are authorized to engage in a variety of preapproved activities, some of which (e.g., securities brokerage and real estate development) are ineligible activities for the parent savings association. The OTS regulations implementing the service corporation authority contained in the HOLA also provide that activities reasonably related to the activities of a federally chartered savings association may be approved on a case-by-case basis by the Director of the OTS.

OPERATING SUBSIDIARIES. All federal savings associations are authorized to establish or acquire one or more operating subsidiaries. Operating subsidiaries are subject to examination and supervision by the OTS to the same extent as the parent thrift. An operating subsidiary is a corporation that meets all of the following requirements: (1) it engages only in activities that a federal savings association is permitted to engage in directly; (2) the parent savings association owns, directly or indirectly, more than 50% of the subsidiary's voting stock; and (3) no person or entity other than the parent thrift may exercise effective operating control over the subsidiary. While a savings association's investment in its service corporations is generally limited to an amount that does not exceed 3% of the parent savings association's total assets, OTS regulations do not limit the amount that a parent savings association may invest in its operating subsidiaries. Operating subsidiaries may be incorporated and operated in any geographical location where its parent may operate. An operating subsidiary that is a depository institution may accept deposits in any location, provided that the subsidiary has federal deposit insurance.

ENFORCEMENT. Under the Federal Deposit Insurance Act, the OTS has primary enforcement responsibility over savings institutions and has the authority to bring enforcement action against all "institution-affiliated parties," including stockholders, and any attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institutions, receivership, conservatorship or the termination of deposit insurance. Civil penalties cover a wide range of violations and actions, and range up to $25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as $1 million per day. Under the act, the FDIC has the authority to recommend to the Director of OTS that enforcement action be taken with respect to a particular savings institution. If action is not taken by the Director, the FDIC has authority to take such actions under certain circumstances.

STANDARDS FOR SAFETY AND SOUNDNESS. The Federal Deposit Insurance Act requires each federal banking agency to prescribe for all insured depository institutions standards relating to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, and compensation fees and benefits and such other operational and managerial standards as the agency deems appropriate. The federal banking agencies adopted a final regulation and Interagency Guidelines Prescribing Standards for Safety and Soundness to implement the safety and soundness standards required under the act. These guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. Further, the guidelines address (a) internal controls and information systems; (b) internal audit system; (c) credit underwriting; (d) loan documentation; (e) interest rate risk exposure; (f) asset growth; and (g) compensation, fees and benefits. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by these guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard, as required by the Federal Deposit Insurance Act. The final regulations establish deadlines for the submission and review of such safety and soundness compliance plans.

PROMPT CORRECTIVE REGULATORY ACTION

Under the OTS Prompt Corrective Action regulations, the OTS is required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of capitalization. Generally, a savings institution that has total risk-based capital ratio of less than 8.0% or a leverage ratio of less than 4.0% (3.0% if the institution has a composite rating of 1) or a Tier 1 risk-based capital ratio that is less than 4.0% is considered to be undercapitalized. A savings institution that has total risk-based capital of less than 6.0%, a Tier 1 risk-based capital ratio of less than 3.0% or a leverage ratio that is less than 3.0% is considered to be "significantly undercapitalized" and a savings institution that has a tangible capital to assets ratio equal to or less than 2.0% is deemed to be "critically undercapitalized."

Subject to a narrow exception, the OTS is required to appoint a receiver or conservator for an institution that is "critically undercapitalized." The regulation also provides that a capital restoration plan must be filed with the OTS within 45 days of the date an institution receives notices that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." In addition, numerous mandatory supervisory actions become immediately applicable to the institution, including, but not limited to, restrictions on growth, investment activities, capital distributions, and affiliate transactions. The OTS also could take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

INSURANCE OF DEPOSIT ACCOUNTS AND ASSESSMENTS

The Bank's deposits are insured by the FDIC through the bank insurance fund ("BIF") and the savings association insurance fund ("SAIF"), for up to $100,000 for each insured account holder, the maximum amount currently permitted by law.

The FDIC establishes premium assessment rates for BIF and SAIF deposit insurance. There is no statutory limit on the maximum assessment and the percent of increase in the assessment that the FDIC may impose in any one year, provided, however, that the FDIC may not collect more than is necessary to reach or maintain the BIF and SAIF designated reserve ratios and must rebate any excess collected. Under the FDIC's risk-based insurance system, BIF and SAIF-assessable deposits are now subject to premiums of between 0 to 27 cents per $100 of deposits, depending upon the institution's capital position and other supervisory factors.

To arrive at a risk-based assessment for each bank and thrift, the FDIC places the institution in one of nine risk categories using a two-step process based first on capital ratios and then on relevant supervisory information. Each institution is assigned to one of three groups (well-capitalized, adequately capitalized, or undercapitalized) based on its capital ratios. A well-capitalized institution is one that has at least a 10% total risk-based capital ratio (the ratio of total capital to risk-weighted assets), a 6% Tier 1 risk-based capital ratio (the ratio of tier 1 core capital to risk-weighted assets), and a 5% Tier 1 leverage ratio (the ratio of core capital to adjusted total assets). An adequately capitalized institution has at least an 8% total risk-based capital ratio, a 4% tier 1 core risk-based capital ratio, and a 4% Tier 1 leverage ratio. An undercapitalized institution is one that does not meet either the definition of well-capitalized or adequately capitalized.

The FDIC also assigns each institution to one of three supervisory subgroups based on an evaluation of the risk posed by the institution. These supervisory evaluations modify premium rates within each of the three capital groups. The nine risk categories and the corresponding BIF and SAIF assessment rates are as follows:

	SUPERVISORY SUBGROUP		
	A	B	C
Meets numerical standards for:			
Well-capitalized	0	3	17
Adequately capitalized	3	10	24
Undercapitalized	10	24	27

For purposes of assessments of FDIC insurance premiums, Northeast Bancorp believes that the Bank is a well-capitalized institution as of June 30, 1999. FDIC regulations prohibit disclosure of the supervisory subgroup to which an insured institution is assigned.

As an insurer, the FDIC issues regulations and conducts examinations of its insured members. Insurance of deposits by the FDIC may be terminated by the FDIC, after notice and hearing, upon a finding that an institution (a) has engaged in unsafe and unsound practices, (b) is in an unsafe and unsound condition to continue operations, or (c) has violated any applicable law, regulation, rule, order or condition imposed by the OTS or the FDIC. When conditions warrant, the FDIC may impose less severe sanctions as an alternative to termination of insurance.

BROKERED DEPOSITS

Only a well-capitalized depository institution may accept brokered deposits without prior regulatory approval. Under implementing regulations, well-capitalized banks may accept brokered deposits without restriction, adequately capitalized banks may not accept brokered deposits without a waiver from the FDIC (subject to certain restrictions on payments of rates), while undercapitalized banks may not accept brokered deposits.

FEDERAL HOME LOAN BANK SYSTEM

The Bank is a member of the Federal Home Loan Bank System, which consists of 12 regional banks. FHLBs provide a central credit facility primarily for member institutions. The Bank, as a member of the FHLB of Boston, is required to acquire and hold shares of capital stock in that institution in an amount at least equal to 1% of the aggregate principal amount of the Bank's unpaid residential mortgage loans and similar obligations at the beginning of each year (but not less than $500), or 5% of its advances from the FHLB of Boston, whichever is greater.

FEDERAL RESERVE SYSTEM

The Federal Reserve Board regulations require savings institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). As of June 30, 1999, the Bank was in compliance with these requirements. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements imposed by the OTS.

FEDERAL SECURITIES LAWS

Northeast Bancorp's common stock is registered with the SEC under the Securities Exchange Act of 1934. Accordingly, Northeast Bancorp is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Securities Exchange Act.

MAINE LAW

Northeast Bancorp and the Bank are headquartered in, and qualified to do business in the State of Maine. Accordingly, the Maine Bureau of Banking has the authority to impose certain regulations and the power to examine both the Bank and Northeast Bancorp. In addition to approvals from federal regulatory agencies, Northeast Bancorp may be required to seek approval of the Maine Bureau of Banking prior to engaging in certain extraordinary transactions.

LEGISLATION

Federal legislation and regulation have significantly affected the operations of federally insured savings associations, such as the Bank, and other federally regulated financial institutions in the past several years and have increased competition among savings associations, commercial banks, and other financial institutions. Congress has been considering legislation in various forms that would require federal thrifts, such as the

Bank, to convert their charters to national or state bank charters. The Bank cannot determine whether, or in what form, such legislation may eventually be enacted, and there can be no assurance of the effect that any legislation that is enacted would have on Northeast Bancorp, the Bank, and its affiliates. The operations of regulated depository institutions will continue to be subject to changes in applicable statutes and regulations from time to time and could adversely affect Northeast Bancorp, the Bank, and its affiliates.

UNDERWRITING

Subject to the terms and conditions of the underwriting agreement, dated , 1999 among Northeast Bancorp, the Trust, and Advest, Inc., the underwriter named therein, the Trust has agreed to sell to the underwriter, and the underwriter has agreed to purchase from the Trust, $10,500,000 aggregate liquidation amount of preferred securities at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus.

The underwriting agreement provides that the obligations of the underwriter is subject to certain conditions precedent and that the underwriter will purchase all of the preferred securities offered hereby if any of such preferred securities are purchased.

The underwriter has advised Northeast Bancorp and the Trust that the underwriter proposes to offer the preferred securities directly to the public at the public offering price set forth on the cover page of this prospectus and to certain dealers at such price less a concession not to exceed $ per preferred security. The underwriter may allow, and such dealers may reallow, a concession not in excess of $ per preferred security to certain other dealers. After the public offering, the public offering price and the other selling terms may be changed by the underwriter. No such change shall affect the amount of proceeds to be received by the Trust as set forth on the cover page of this prospectus.

Northeast Bancorp and the Trust have granted to the underwriter an option exercisable during the 30 day period beginning from the date of the underwriting agreement to purchase up to an additional $1,575,000 aggregate liquidation amount of the preferred securities, solely to cover over-allotments, if any, at the public offering price as set forth on the cover page. To the extent that the underwriter exercises such option, the Trust will be obligated, pursuant to the option, to sell such preferred securities to the underwriter. If purchased, the underwriter will offer such additional preferred securities on the same terms as those on which the $10,500,000 aggregate liquidation amount of the preferred securities are being offered.

In view of the fact that all of the proceeds from the sale of the preferred securities will be used to purchase the junior subordinated debentures issued by Northeast Bancorp, the underwriting agreement provides that Northeast Bancorp will pay as compensation for the underwriter's arranging the investment therein of such proceeds an amount of $ per preferred security (or $ ($ if the over-allotment option is exercised in full) in the aggregate). The expenses of this offering (exclusive of the underwriting fees) are estimated at $ and are payable by Northeast Bancorp.

Because the National Association of Securities Dealers, Inc. ("NASD") is expected to view the preferred securities as interests in a direct participation program, the offering of the preferred securities is being made in compliance with the applicable provisions of Rule 2810 of the NASD's Conduct Rules.

Subject to certain limitations, Northeast Bancorp, the Trust, and the underwriter have agreed to indemnify each other against certain liabilities including liabilities under the Securities Act, or to contribute to payments that Northeast Bancorp, the Trust, or the underwriter may be required to make in respect thereof.

The foregoing is a summary of the principal terms of the underwriting agreement and is not complete. Reference is made to a copy of the underwriting agreement which is on file as an exhibit to the registration statement.

In connection with this offering, the underwriter and any selling group members and their respective affiliates may engage in transactions effected in accordance with Rule 104 of the Securities and Exchange Commission's Regulation M that are intended to stabilize, maintain, or otherwise affect the market price of the preferred securities. Such transactions may include over-allotment transactions in which the underwriter

creates a short position for its own account by selling more preferred securities than it is committed to purchase from the Trust. In such a case, to cover all or part of the short position, the underwriter may exercise the over-allotment option described above or may purchase preferred securities in the open market following completion of the initial offering of the preferred securities. The underwriter also may engage in stabilizing transactions in which it bids for, and purchases, shares of the preferred securities at a level above that which might otherwise prevail in the open market for the purpose of preventing or retarding a decline in the market price of the preferred securities. The underwriter also may reclaim any selling concessions allowed to a dealer if the underwriter repurchases shares distributed by that dealer. Any of the foregoing transactions may result in the maintenance of a price for the preferred securities at a level above that which might otherwise prevail in the open market. Neither Northeast Bancorp nor the underwriter makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the preferred securities. The underwriter is not required to engage in any of the foregoing transactions and, if commenced, such transactions may be discontinued at any time without notice.

The preferred securities are a new issue of securities with no established trading market. Northeast Bancorp and the Trust have been advised by the underwriter that it intends to make a market in the preferred securities. However, the underwriter is not obligated to do so and such market making may be interrupted or discontinued at any time without notice at the sole discretion of the underwriter. We have applied to have the preferred securities listed on the American Stock Exchange. Accordingly, no assurance can be given as to the development or liquidity of any market for the preferred securities.

The underwriter has in the past, and may in the future, perform various services for Northeast Bancorp, including investment banking services, for which they have and may receive customary fees. The underwriter also served as managing underwriter for a secondary offering of Northeast Bancorp's common stock in 1998.

VALIDITY OF SECURITIES

The validity of the guarantee and the junior subordinated debentures and certain tax matters will be passed upon for Northeast Bancorp by Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., Tampa, Florida, and certain legal matters will be passed upon for the Underwriter by Tyler Cooper & Alcorn, LLP, Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A. will rely as to certain matters of Maine law on the opinion of Lipman & Katz, P.A. Certain matters of Delaware law relating to the validity of the preferred securities, the enforceability of the trust agreement, and the creation of the Trust will be passed upon by Richards, Layton & Finger, P.A., special Delaware counsel to Northeast Bancorp and the Trust. Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., and Tyler Cooper & Alcorn, LLP will rely as to certain matters of Delaware law on the opinion of Richards, Layton & Finger, P.A.

EXPERTS

Baker Newman & Noyes Limited Liability Company, independent auditors, have audited our consolidated financial statements included in this Prospectus and Registration Statement as of June 30, 1999 and 1998 and for each of the three years in the period ended June 30, 1999, as set forth in their report, which is included elsewhere in this Prospectus and Registration Statement. Our financial statements are included in reliance on Baker Newman & Noyes Limited Liability Company's report, given on their authority as experts in accounting and auditing.

WHERE CAN YOU FIND MORE INFORMATION

Northeast Bancorp is subject to the reporting requirements of the Securities Exchange Act of 1934 and, as a result, Northeast Bancorp files reports, proxy statements, and other information with the Securities and Exchange Commission. You may read, without charge, or copy, at prescribed rates, any document that Northeast Bancorp files with the SEC at the public reference facilities maintained by the SEC in Washington, D.C. and at its regional offices in New York, New York and Chicago, Illinois. Please call the SEC at 1-800-732-0330 for further information on the public reference rooms and their copy charges. Northeast Bancorp's

electronic filings with the SEC also are available to the public over the Internet at a World Wide Web Site maintained by the SEC at http://www.sec.gov. Further, Northeast Bancorp's common stock trades on the American Stock Exchange and, as a result, reports, proxy statements, and other information concerning Northeast Bancorp also can be inspected at the offices of The American Stock Exchange at 86 Trinity Place, New York, New York 10006.

In addition, Northeast Bancorp and the Trust have jointly filed with the SEC a Registration Statement on Form S-2 under the Securities Act of 1933 covering the preferred securities, the junior subordinated debentures, and the guarantee. This prospectus, which is part of the Registration Statement, does not contain all the information included in the Registration Statement. For further information with respect to Northeast Bancorp, the Trust, or the securities offered in this prospectus, you should refer to the Registration Statement and its exhibits. This prospectus summarizes material provisions of contracts and other documents to which we refer you. Since the prospectus may not contain all the information that you may find important, you should review the full text of these documents. We have included copies of these documents as exhibits to the Registration Statement. The full Registration Statement may be obtained from the SEC as indicated above or from us.

DOCUMENTS INCORPORATED BY REFERENCE

The SEC allows us to "incorporate by reference" into this prospectus some information in documents that are filed by Northeast Bancorp with the SEC. This means we can disclose important information to you by referring to another document filed separately with the SEC. Any information that we incorporate by reference is considered part of this prospectus. We incorporate by reference in this prospectus the following document of Northeast Bancorp listed below:

- Annual Report on Form 10-K for the fiscal year ended June 30, 1999, filed with the SEC on September 28, 1999;

We also incorporate by reference any filings that Northeast Bancorp makes with the SEC under Section 13(a) or 15(d) of the Securities Exchange Act of 1934 prior to the termination of this offering. Any information incorporated by reference this way will automatically be deemed to update and supercede any information previously disclosed in this prospectus or in an earlier filed document also incorporated by reference in this prospectus.

You may request a copy of any or all documents which are incorporated by reference to this prospectus and we will provide it to you at no cost. You should make your request in writing or by telephone to Richard E. Wyman, Jr., Northeast Bancorp, 158 Court Street, Auburn, Maine 04210.

This prospectus does not contain or incorporate by reference any separate financial statements of the Trust. We do not consider that financial statements of the Trust are material to holders of the preferred securities because the Trust is a newly formed special purpose entity, has no operating history or independent operations, and is not engaged in and does not propose to engage in any activity other than holding the junior subordinated debentures of Northeast Bancorp and issuing the preferred securities and the common securities. For more information, see the information under the captions "Prospectus Summary -- NBN Capital Trust," "Description of the Preferred Securities," "Description of Junior Subordinated Debentures" and "Description of Guarantee." In addition, we do not expect that the Trust will be filing reports under the Securities Exchange Act of 1934 with the SEC.

NORTHEAST BANCORP AND SUBSIDIARY

Audited Consolidated Financial Statements

Years Ended June 30, 1999, 1998 and 1997
With Independent Auditors' Report

INDEX TO FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Northeast Bancorp and Subsidiary

We have audited the consolidated statements of financial condition of Northeast Bancorp and Subsidiary as of June 30, 1999 and 1998, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended June 30, 1999. These financial statements are the responsibility of Northeast Bancorp's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Northeast Bancorp and Subsidiary as of June 30, 1999 and 1998, and the consolidated results of their operations and their cash flows for each of the three years in the period ended June 30, 1999, in conformity with generally accepted accounting principles.

Baker Newman & Noyes
Limited Liability Company

Portland, Maine
July 30, 1999

NORTHEAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
JUNE 30, 1999 AND 1998

	1999	1998
ASSETS		
Cash and due from banks	$ 4,963,985	$ 6,821,574
Interest bearing deposits	345,585	421,392
Federal Home Loan Bank overnight deposits	6,784,000	4,909,000
Total cash and cash equivalents	12,093,570	12,151,966
Trading account securities, at market value	--	50,000
Available for sale securities, at market value (notes 2, 7 and 9)	18,054,317	13,608,823
Loans held for sale	311,600	369,500
Loans receivable (notes 3 and 7):		
Mortgage loans:		
Residential real estate	182,244,336	171,903,751
Construction loans	3,187,642	3,521,427
Commercial real estate	55,437,983	47,052,134
	240,869,961	222,477,312
Undisbursed portion of construction loans	(1,501,993)	(1,421,847)
Net deferred loan origination costs	220,337	7,270
Total mortgage loans	239,588,305	221,062,735
Commercial loans	34,814,252	27,068,416
Consumer and other loans	44,583,690	33,899,799
	318,986,247	282,030,950
Less allowance for loan losses	(2,924,000)	(2,978,000)
Net loans	316,062,247	279,052,950
Premises and equipment -- net (note 4)	5,037,026	4,473,885
Other real estate owned -- net (note 5)	193,850	350,496
Accrued interest receivable -- loans	1,803,379	1,710,704
Accrued interest receivable -- investments	187,281	222,994
Federal Home Loan Bank stock, at cost (note 7)	5,680,500	5,680,500
Goodwill, net of accumulated amortization of $1,662,588 in 1999 and $1,532,807 in 1998 (note 13)	1,462,346	1,923,915
Other assets (note 14)	3,496,789	2,936,861
Total assets	$364,382,905	$322,532,594
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits (note 6):		
Demand	$ 17,891,552	$ 15,209,219
NOW	31,203,347	23,429,512
Money market	7,156,424	11,993,110
Regular savings	21,999,615	20,305,953
Brokered time deposits	13,458,257	7,574,710
Certificates of deposit under $100,000	103,302,505	86,156,463
Certificates of deposit $100,000 or more	24,352,335	19,355,130
Total deposits	219,364,035	184,024,097
FHLB Borrowings (note 7)	103,881,716	104,439,952
Note payable (note 8)	687,500	993,055
Securities sold under repurchase agreements (notes 2 and 9)	11,867,839	5,205,594
Other liabilities	1,898,700	2,730,369
Total liabilities	337,699,790	297,393,067
Commitments and contingent liabilities (notes 8, 16 and 17)		
Stockholders' equity (notes 10, 12 and 16):		
Series A cumulative convertible preferred stock; $1 par value, 1,000,000 shares authorized; 45,454 shares issued and outstanding at June 30, 1998	--	999,988
Common stock, $1 par value, 15,000,000 shares authorized; 2,768,624 and 2,614,285 shares issued and outstanding at June 30, 1999 and 1998, respectively	2,768,624	2,614,285
Additional paid-in capital	10,208,299	9,258,107
Retained earnings	14,145,720	12,331,595
Accumulated other comprehensive income (loss) (note 2)	(439,528)	(64,448)
Total stockholders' equity	26,683,115	25,139,527
Total liabilities and stockholders' equity	$364,382,905	$322,532,594

See accompanying notes.

NORTHEAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Interest and dividend income:			
Interest on loans	$25,178,587	$21,988,864	$18,973,560
Interest on Federal Home Loan Bank overnight deposits	328,981	514,113	429,531
Interest and dividends on available for sale securities	957,558	1,461,024	2,277,573
Dividends on Federal Home Loan Bank stock	364,245	300,664	227,360
Other interest and dividend income	27,422	18,346	27,697
Total interest and dividend income	26,856,793	24,283,011	21,935,721
Interest expense:			
Deposits (note 6)	8,680,297	7,586,717	7,103,375
Repurchase agreements	339,556	206,651	199,453
Borrowed funds	5,530,389	5,016,703	3,988,060
Total interest expense	14,550,242	12,810,071	11,290,888
Net interest income before provision for loan losses	12,306,551	11,472,940	10,644,833
Provision for loan losses (note 3)	610,017	706,100	614,427
Net interest income after provision for loan losses	11,696,534	10,766,840	10,030,406
Noninterest income:			
Fees and service charges on loans	288,720	206,961	194,020
Fees for other services to customers	660,045	596,110	657,705
Net securities gains (note 2)	84,133	285,716	171,080
Gain on trading activities	10,732	1,797	88,350
Gain on sales of loans	817,084	726,599	201,418
Loan servicing fees	160,811	227,409	275,496
Other income	694,827	626,939	498,172
Total noninterest income	2,716,352	2,671,531	2,086,241
Noninterest expense:			
Salaries and employee benefits (notes 15 and 16)	$ 4,889,172	$ 4,638,813	$ 4,614,802
Occupancy expense (note 4)	975,086	903,978	783,434
Equipment expense (note 4)	888,423	863,580	893,605
FDIC insurance expense (note 10)	63,441	60,097	390,494
Other (notes 2, 13 and 15)	3,753,721	3,265,249	3,036,002
Total noninterest expense	10,569,843	9,731,717	9,718,337
Income before income taxes	3,843,043	3,706,654	2,398,310
Income tax expense (note 14)	1,432,591	1,302,871	908,565
Net income	$ 2,410,452	$ 2,403,783	$ 1,489,745
Earnings per share (notes 11 and 16):			
Basic	$ .88	$ 1.00	$ .63
Diluted	$ .86	$ .86	$ .56

See accompanying notes.

NORTHEAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	PREFERRED STOCK SERIES A AND B	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	TREASURY STOCK	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL
Balance at June 30, 1996.....	$1,999,980	$1,421,950	$ 7,516,227	$(52,277)	$10,315,041	$(837,354)	$20,363,567
Net income.....	--	--	--	--	1,489,745	--	1,489,745
Other comprehensive income net of tax:							
Net unrealized income on investments available for sale, net of reclassification adjustment (note 19).....	--	--	--	--	--	503,179	503,179
Total comprehensive income.....	--	--	--	--	--	--	1,992,924
Issuance of common stock through exercise of stock options and purchase of treasury stock.....	--	20,000	83,450	(28,420)	--	--	75,030
Exercise of stock warrants...	--	19,940	88,005	67,055	--	--	175,000
Treasury stock issued -- employee stock bonus.....	--	--	(268)	13,642	--	--	13,374
Issuance of common stock.....	--	1,019	12,468	--	--	--	13,487
Dividends on preferred stock.....	--	--	--	--	(139,997)	--	(139,997)
Dividends on common stock at $0.21 per share.....	--	--	--	--	(397,805)	--	(397,805)
Balance at June 30, 1997.....	1,999,980	1,462,909	7,699,882	--	11,266,984	(334,175)	22,095,580
Net income.....	--	--	--	--	2,403,783	--	2,403,783
Other comprehensive income net of tax:							
Net unrealized income on investments available for sale, net of reclassification adjustment (note 19).....	--	--	--	--	--	269,727	269,727
Total comprehensive income.....	--	--	--	--	--	--	2,673,510
Issuance of common stock.....	--	939	15,730	--	--	--	16,669
Conversion of preferred stock Series B (note 12).....	(999,992)	214,284	785,708	--	--	--	--
Stock split in the form of a dividend.....	--	740,807	--	--	(741,902)	--	(1,095)
Stock options exercised and treasury stock purchased...	--	32,200	158,500	(44,988)	--	--	145,712
Treasury stock sold.....	--	--	--	44,988	--	--	44,988
Exercise of stock warrants...	--	163,146	598,287	--	--	--	761,433
Dividends on preferred stock.....	--	--	--	--	(125,827)	--	(125,827)
Dividends on common stock at $0.21 per share.....	--	--	--	--	(471,443)	--	(471,443)
Balance at June 30, 1998.....	999,988	2,614,285	9,258,107	--	12,331,595	(64,448)	25,139,527
Net income.....	--	--	--	--	2,410,452	--	2,410,452
Other comprehensive income net of tax:							
Net unrealized loss on investments available for sale, net of reclassification adjustment (note 19).....	--	--	--	--	--	(375,080)	(375,080)
Total comprehensive income.....	--	--	--	--	--	--	2,035,372
Issuance of common stock.....	--	1,477	14,780	--	--	--	16,257
Stock options exercised.....	--	16,500	71,786	--	--	--	88,286
Dividends on preferred stock.....	--	--	--	--	(25,667)	--	(25,667)
Dividends on common stock at $0.21 per share.....	--	--	--	--	(570,660)	--	(570,660)
Conversion of preferred stock Series A (note 12).....	(999,988)	136,362	863,626	--	--	--	--
Balance at June 30, 1999.....	$ --	$2,768,624	$10,208,299	$ --	$14,145,720	$(439,528)	$26,683,115

See accompanying notes.

NORTHEAST BANCORP AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 1999, 1998 AND 1997

	1999	1998	1997
Cash flows from operating activities:			
Net income	$ 2,410,452	$ 2,403,783	$ 1,489,745
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	610,017	706,100	614,427
Provision for losses on other real estate owned	47,000	62,300	39,000
Deferred income tax expense (benefit)	86,398	(14,949)	(72,290)
Depreciation of premises and equipment and other	755,956	617,628	665,193
Goodwill amortization and impairment provision	461,569	296,374	296,374
Net gain on sale of available for sale securities	(84,133)	(285,716)	(171,080)
Net gains on sales of loans	(817,084)	(726,599)	(201,418)
Originations of loans held for sale	(17,476,548)	(7,251,700)	(2,178,115)
Proceeds from sale of loans held for sale	17,908,553	7,287,744	2,430,823
Net change in trading account securities	50,000	(25,000)	172,621
Other	(118,171)	41,035	(103,988)
Change in other assets and liabilities:			
Interest receivable	(56,962)	(293,605)	(125,996)
Other assets and liabilities	(1,241,063)	466,597	(17,869)
Net cash provided by operating activities	2,535,984	3,283,992	2,837,427
Cash flows from investing activities:			
Proceeds from the sale of available for sale securities	6,930,743	27,974,991	12,377,154
Purchases of available for sale securities	(15,992,030)	(15,666,889)	(12,129,135)
Proceeds from maturities and principal payments on available for sale securities	4,086,624	3,588,092	3,256,713
Proceeds from sale of loans	11,278,496	17,479,139	--
Purchases of loans	(27,913,995)	(66,283,950)	(25,425,642)
Net increase in loans	(20,629,306)	(10,509,720)	(10,910,942)
Additions to premises and equipment	(1,424,307)	(363,562)	(1,043,176)
Proceeds from sale of other real estate owned	422,787	214,884	519,871
Purchase of Federal Home Loan Bank stock	--	(1,559,500)	(1,362,700)
Net cash used by investing activities	(43,240,988)	(45,126,515)	(34,717,857)
Cash flows from financing activities:			
Net increase in deposits	$ 35,339,938	$ 11,102,811	$ 8,066,043
Net (repayments) borrowings from the Federal Home Loan Bank	(558,236)	23,945,481	27,856,994
Net increase in repurchase agreements	6,662,245	106,972	1,335,656
Dividends paid	(596,327)	(597,270)	(537,802)
Treasury stock purchased	--	(44,988)	(28,420)
Treasury stock sold	--	44,988	--
Stock options exercised	88,286	190,700	103,450
Warrants exercised	--	761,433	175,000
Issuance of common stock	16,257	16,669	13,487
Stock split -- payment for fractional shares	--	(1,095)	--
Principal payments on note payable	(305,555)	(305,556)	(203,581)
Net cash provided by financing activities	40,646,608	35,220,145	36,780,827
Net (decrease) increase in cash and cash equivalents	(58,396)	(6,622,378)	4,900,397
Cash and cash equivalents, beginning of year	12,151,966	18,774,344	13,873,947
Cash and cash equivalents, end of year	$ 12,093,570	$ 12,151,966	$ 18,774,344
Supplemental schedule of cash flow information:			
Interest paid	$ 14,610,453	$ 12,727,917	$ 11,159,387
Income taxes paid	1,524,000	972,000	641,000
Supplemental schedule of noncash investing and financing activities:			
Transfer from loans to other real estate owned	$ 301,537	$ 56,861	$ 538,019
Change in valuation allowance for unrealized losses on available for sale securities, net of tax	375,080	269,727	503,179
Net change in deferred taxes for unrealized losses on available for sale securities	193,222	138,949	259,214
Transfer of nonmarketable investment security to other assets	45,000	--	--

See accompanying notes.

NORTHEAST BANCORP AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 1999, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Northeast Bancorp and Subsidiary (the Company) conform to generally accepted accounting principles and general practice within the banking industry.

Business

Northeast Bancorp provides a full range of banking services to individual and corporate customers throughout south central and western Maine through its wholly owned subsidiary, Northeast Bank, F.S.B. The bank is subject to competition from other financial institutions. The bank is subject to the regulations of the Federal Deposit Insurance Corporation (FDIC) and the Office of Thrift Supervision (OTS) and undergoes periodic examinations by these agencies.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Northeast Bancorp, a savings and loan holding company, and its wholly-owned subsidiary, Northeast Bank, F.S.B. (including the Bank's wholly-owned subsidiary, Northeast Financial Services, Inc.) All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The financial statements have been prepared in conformity with generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the balance sheet and income and expenses for the period. Actual results could differ significantly from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the carrying value of real estate acquired through foreclosure, management obtains independent appraisals for significant properties.

A substantial portion of the Company's loans are secured by real estate in the State of Maine. In addition, all of the real estate acquired through foreclosure is located in the same market. Accordingly, the ultimate collectibility of a substantial portion of the Company's loan portfolio and the recovery of the carrying amount of real estate acquired through foreclosure are susceptible to changes in market conditions in Maine.

Merger

On October 24, 1997, the Company merged with Cushnoc Bank and Trust Company in a transaction accounted for as a pooling of interests. All financial information includes the accounts of Cushnoc Bank and Trust Company for all periods presented prior to the date of the merger (See note 15). Cushnoc Bank and Trust Company had a fiscal year based on the twelve months ending December 31. Upon consummation of the merger, Cushnoc Bank and Trust Company was merged into the Company's banking subsidiary, Northeast Bank, F.S.B.

Cash and Cash Equivalents

For purposes of presentation in the cash flow statements, cash and cash equivalents consist of cash and due from banks, Federal Home Loan Bank overnight deposits and interest bearing deposits. The Company is

required to maintain a certain reserve balance in the form of cash or deposits with the Federal Reserve Bank. At June 30, 1999, the reserve balance was approximately $1,211,000.

Available for Sale Securities

Marketable equity securities, and debt securities which may be sold prior to maturity, are classified as available for sale and are carried at market value. Market value is determined based on bid prices published in financial newspapers or bid quotations received from securities dealers. Changes in market value, net of applicable income taxes, are reported as a separate component of stockholders' equity. When a decline in market value of a security is considered other than temporary, the loss is charged to other expense in the consolidated statements of income and is treated as a writedown of the security's "cost". Gains and losses on the sale of securities are recognized on the trade date using the specific identification method.

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is carried at cost.

Loans Held for Sale and Mortgage Banking Activities

Loans originated for sale are specifically identified and carried at the lower of aggregate cost or market value, estimated based on bid quotations from loan dealers. The carrying value of loans held for sale approximates the market value at June 30, 1999 and 1998. Gains and losses on sales of loans are determined using the specific identification method and are reflected as gain on sales of loans in the consolidated statements of income.

The Company recognizes as separate assets the rights to service mortgage loans for others, and performs an assessment of capitalized mortgage servicing rights for impairment based on the current fair value of those rights. The Company capitalizes mortgage servicing rights at their allocated cost (based on the relative fair values of the rights and the related loans) upon the sale of the related loans.

The Company's mortgage servicing rights asset at June 30, 1999 and 1998 was approximately $569,000 and $363,000, respectively, and is included in other assets in the consolidated statements of financial position. Mortgage servicing rights are amortized on an accelerated method over the estimated weighted average life of the loans. The Company's assumptions with respect to prepayments, which affect the estimated average life of the loans, are adjusted periodically to reflect current circumstances. The Company evaluates the estimated life of its servicing portfolio based on data which is disaggregated to reflect note rate, type and term on the underlying loans.

Loans

Loans are carried at the principal amounts outstanding plus net premiums paid and net deferred loan costs. Loan origination fees and certain direct loan origination costs are deferred and recognized in interest income as an adjustment to the loan yield over the life of the related loans. Loan premiums paid to acquire loans are recognized as a reduction of interest income over the estimated life of the loans. Loans are generally placed on nonaccrual status when they are past due 90 days as to either principal or interest, or when in management's judgment the collectibility of interest or principal of the loan has been significantly impaired. When a loan has been placed on nonaccrual status, previously accrued and uncollected interest is reversed against interest on loans. A loan can be returned to accrual status when collectibility of principal is reasonably assured and the loan has performed for a period of time, generally six months. Loans are classified as impaired when it is probable that the Company will not be able to collect all amounts due according to the contractual

terms of the loan agreement. Factors considered by management in determining impairment include payment status and collateral value.

Allowance for Loan Losses

The allowance for loan losses is established through a provision for loan losses charged to operations. Loan losses are charged against the allowance when management believes that the collectibility of the loan principal is unlikely. Recoveries on loans previously charged off are credited to the allowance.

The allowance is an amount that management believes will be adequate to absorb possible loan losses based on evaluations of collectibility and prior loss experience. The evaluation takes into consideration such factors as changes in the nature and volume of the portfolio, overall portfolio quality, specific problem loans, and current and anticipated economic conditions that may affect the borrowers' ability to repay.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, changing economic conditions and the economic prospects of the borrowers might necessitate future additions to the allowance. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line and accelerated methods over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred and the cost of major renewals and betterments are capitalized.

Long-lived assets are evaluated periodically for impairment. An assessment of recoverability is performed prior to any writedown of the asset. If circumstances suggest that their value may be impaired, then an expense would be charged in the then current period.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

Other Real Estate Owned

Other real estate owned is comprised of properties acquired through foreclosure proceedings, or acceptance of a deed or title in lieu of foreclosure. Other real estate owned is carried at the lower of cost or fair value of the collateral less estimated selling expenses. Losses arising from the acquisition of such properties are charged against the allowance for loan losses. Operating expenses and any subsequent provisions to reduce the carrying value are charged against current period earnings. Gains and losses upon disposition are reflected in earnings as realized.

Goodwill

Goodwill arising from acquisitions is being amortized on a straight-line basis over ten to fifteen year periods. Goodwill is reviewed for possible impairment when events or changed circumstances may affect the underlying basis of the asset (See note 13).

Advertising Expense

Advertising costs are expensed as incurred. Advertising costs were approximately $218,000, $172,000 and $187,000 for the years ended June 30, 1999, 1998 and 1997, respectively.

Stock-Based Compensation

Compensation expense for the Stock Option Plans is accounted for in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. The Stock Option Plans are noncompensatory plans and no expense is recognized. Shares not yet awarded are not considered outstanding for purposes of computing earnings per share.

Comprehensive Income

In 1999, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income. No adjustments to recorded amounts were required by adoption of this statement. Accumulated other comprehensive income or loss consists solely of net unrealized gains or losses on investment securities available for sale.

New Accounting Pronouncements Not Yet Implemented

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, is scheduled to be effective in fiscal 2001. SFAS No. 134, Accounting for Mortgage-Backed Securities Retained After the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise, is scheduled to be effective in fiscal 2000. Management of the Company does not expect these statements to have a significant effect on the Company's financial position or results of operations based on the Company's current activities.

2. AVAILABLE FOR SALE SECURITIES

A summary of the cost and approximate fair values of available for sale securities at June 30, 1999 and 1998 follows:

	1999		1998	
	COST	FAIR VALUE	COST	FAIR VALUE
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies.....	$ 596,626	$ 598,445	$ 4,696,659	$ 4,698,266
Corporate bonds.....	201,916	199,527	202,952	203,484
Mortgage-backed securities.....	16,653,302	16,027,028	7,723,843	7,714,332
Equity securities.....	1,268,424	1,229,317	1,083,018	992,741
	$18,720,268	$18,054,317	$13,706,472	$13,608,823

The gross unrealized gains and unrealized losses on available for sale securities are as follows:

	JUNE 30, 1999		JUNE 30, 1998	
	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES
Debt securities issued by the U.S. Treasury and other U.S. Government corporations and agencies.....	$ 2,752	$ 933	$ 4,157	$ 2,550
Corporate bonds.....	681	3,070	789	257
Mortgage-backed securities.....	3,287	629,561	27,730	37,241
Equity securities.....	15,631	54,738	16,676	106,953
	$22,351	$688,302	$49,352	$147,001

At June 30, 1999, investment securities with a market value of approximately $14,938,000 were pledged as collateral to secure outstanding repurchase agreements.

At June 30, 1999 and 1998, included in accumulated other comprehensive income (loss) as a reduction to stockholders' equity are net unrealized losses of $665,951 and $97,649, respectively, net of the deferred tax effect of $226,423 and $33,201, respectively.

The cost and fair values of available for sale securities at June 30, 1999 by contractual maturity are shown below. Actual maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	COST	FAIR VALUE
Due in one year.....	$ 496,626	$ 497,820
Due after one year through five years.....	301,916	300,152
	798,542	797,972
Mortgage-backed securities (including securities with interest rates ranging from 5.15% to 9.0% maturing September 2003 to March 2029).....	16,653,302	16,027,028
Equity securities.....	1,268,424	1,229,317
	$18,720,268	$18,054,317

Realized gains and losses on available for sale securities for the year ended June 30, 1999 were $85,891 and $1,758, respectively, for the year ended June 30, 1998 were $288,196 and $2,480, respectively, and for the year ended June 30, 1997 were $171,205 and $125, respectively.

Based on management's assessment of available for sale securities, there has been more than a temporary decline in fair value of certain securities. For the years ended June 30, 1999, 1998 and 1997, write-downs of available for sale securities were $95,728, $172,235 and $110,000, respectively, and are included in other expense in the consolidated statements of income.

3. LOANS RECEIVABLE

The Company's lending activities are predominantly conducted in south central and western Maine. However, the Company does purchase residential mortgage loans in the open market out of this geographical area. The Company grants single-family and multi-family residential loans, commercial real estate loans, commercial loans and a variety of consumer loans. In addition, the Company grants loans for the construction of residential homes, multi-family properties, commercial real estate properties and for land development.

Also, the Company participates in indirect lending arrangements for automobile, equipment and mobile home loans. The Company's indirect lending activities are conducted in south central and western Maine. Most loans granted by the Company are collateralized by real estate. The ability and willingness of residential and commercial real estate, commercial and construction loan borrowers to honor their repayment commitments is generally dependent on the health of the real estate sector in the borrowers' geographic area and/or the general economy.

In the ordinary course of business, the Company has loan transactions with its officers, directors and their associates and affiliated companies ("related parties") at substantially the same terms as those prevailing at the time for comparable transactions with others. Such loans amounted to $3,500,973 and $2,219,800 at June 30, 1999 and 1998, respectively. In 1999, new loans granted to related parties totaled $2,008,528; payments and reductions amounted to $727,355.

Included in the loan portfolio are unamortized premiums on purchased loans of approximately $742,000 and $1,016,000 at June 30, 1999 and 1998, respectively.

Activity in the allowance for loan losses was as follows:

	YEARS ENDED JUNE 30,		
	1999	1998	1997
Balance at beginning of year	$2,978,000	$2,741,809	$2,760,872
Provision charged to operating expenses	610,017	706,100	614,427
Loans charged off	(926,364)	(785,111)	(772,250)
Recoveries on loans charged off	262,347	315,202	138,760
Net loans charged off	(664,017)	(469,909)	(633,490)
Balance at end of year	$2,924,000	$2,978,000	$2,741,809

Commercial and commercial real estate loans with balances greater than $25,000 are considered impaired when it is probable that the Company will not collect all amounts due in accordance with the contractual terms of the loan. Loans that are returned to accrual status are no longer considered to be impaired. Certain loans are exempt from individual impairment evaluation, including large groups of smaller-balance homogenous loans that are collectively evaluated for impairment, such as consumer and residential mortgage loans and commercial loans with balances less than $25,000.

The allowance for loan losses includes impairment reserves related to loans that are identified as impaired, which are based on discounted cash flows using the loan's effective interest rate, the fair value of the collateral for collateral-dependent loans, or the observable market price of the impaired loan. When foreclosure is probable, impairment is measured based on the fair value of the collateral. Loans that experience insignificant payment delays (less than 60 days) and insignificant shortfalls in payment amounts (less than 10%) generally are not classified as impaired. Restructured loans are reported as impaired in the year of restructuring. Thereafter, such loans may be removed from the impaired loan disclosure if the loans were paying a market rate of interest at the time of restructuring and are performing in accordance with their renegotiated terms.

At June 30, 1999, total impaired loans were $612,867 of which $241,420 had related allowances of $77,200. During the year ended June 30, 1999, the income recognized related to impaired loans was $66,030 and the average balance of outstanding impaired loans was $1,229,987. At June 30, 1998, total impaired loans were $1,623,720 of which $927,355 had related allowances of $251,474. During the year ended June 30, 1998, the income recognized related to impaired loans was $19,693 and the average balance of outstanding impaired loans was $1,956,488. At June 30, 1997, total impaired loans were $1,661,698 of which $844,457 had related allowances of $369,474. During the year ended June 30, 1997, the income recognized related to

impaired loans was $50,690 and the average balance of outstanding impaired loans was $1,330,983. The Company recognizes interest on impaired loans on a cash basis when the ability to collect the principal balance is not in doubt; otherwise, cash received is applied to the principal balance of the loan.

Loans on nonaccrual status, including impaired loans described above, at June 30, 1999 and 1998 totaled approximately $1,144,000 and $2,248,000, respectively. Interest income that would have been recorded under the original terms of such loans, net of interest income actually recognized for the years ended June 30, 1999, 1998 and 1997, totaled approximately $71,000, $165,000 and $203,000, respectively.

The Company has no material outstanding commitments to lend additional funds to customers whose loans have been placed on nonaccrual status or the terms of which have been modified.

The Company was servicing for others mortgage loans of approximately $64,690,000, $55,581,000 and $42,509,000 at June 30, 1999, 1998 and 1997, respectively.

4. PREMISES AND EQUIPMENT

Premises and equipment at June 30, 1999 and 1998 are summarized as follows:

	1999	1998
Land	$1,012,503	$1,037,503
Buildings	2,586,996	2,503,254
Leasehold and building improvements	1,272,732	1,130,270
Furniture, fixtures and equipment	3,818,358	4,480,402
	8,690,589	9,151,429
Less accumulated depreciation	3,653,563	4,677,544
Net premises and equipment	$5,037,026	$4,473,885

Depreciation and amortization of premises and equipment, included in occupancy and equipment expense, was $754,665, $615,591 and $660,871 for the years ended June 30, 1999, 1998 and 1997, respectively.

5. OTHER REAL ESTATE OWNED

The following table summarizes the composition of other real estate owned at June 30:

	1999	1998
Real estate properties acquired in settlement of loans	$221,575	$355,596
Less allowance for losses	27,725	5,100
	$193,850	$350,496

Activity in the allowance for losses on other real estate owned was as follows:

	1999	1998	1997
Balance at beginning of year	$ 5,100	$ 50,839	$100,000
Provision for losses on other real estate owned	47,000	62,300	39,000
Other real estate owned write-downs	(24,375)	(108,039)	(88,161)
Balance at end of year	$ 27,725	$ 5,100	$ 50,839

6. DEPOSITS

Deposits at June 30 are summarized as follows:

	WEIGHTED AVERAGE RATE AT JUNE 30, 1999	1999 AMOUNT	1999 PERCENT	1998 AMOUNT	1998 PERCENT
Demand	0.00%	$ 17,891,552	8.2%	$ 15,209,219	8.3%
NOW	2.66	31,203,347	14.2	23,429,512	12.7
Money market	2.16	7,156,424	3.3	11,993,110	6.5
Regular savings	2.15	21,999,615	10.0	20,305,953	11.0
Certificates of deposit:					
1.00 - 3.75%	2.35	1,093,801	.5	360,674	.2
3.76 - 5.75%	5.12	103,086,863	47.0	55,603,422	30.2
5.76 - 7.75%	6.10	36,924,752	16.8	57,105,075	31.0
7.76 - 9.75%	8.00	7,681	.0	17,132	.1
	4.47%	$219,364,035	100.0%	$184,024,097	100.0%

At June 30, 1999, scheduled maturities of certificates of deposit are as follows:

	2000	2001	2002	2003	2004	THEREAFTER
1.00 - 3.75%	$ 1,090,387	$ 3,414	$ --	$ --	$ --	$ --
3.76 - 5.75%	76,299,359	22,282,660	2,072,149	1,358,661	1,036,081	37,953
5.76 - 7.75%	21,051,009	8,118,697	7,117,931	637,115	--	--
7.76 - 9.75%	7,681	--	--	--	--	--

Interest expense on deposits for the years ended June 30, 1999, 1998 and 1997 is summarized as follows:

	1999	1998	1997
NOW	$ 932,896	$ 269,412	$ 216,437
Money market	209,733	466,453	536,623
Regular savings	514,917	569,901	592,148
Certificates of deposit	7,022,751	6,280,951	5,758,167
	$8,680,297	$7,586,717	$7,103,375

7. FEDERAL HOME LOAN BANK BORROWINGS

A summary of borrowings from the Federal Home Loan Bank are as follows:

JUNE 30, 1999		
PRINCIPAL AMOUNTS	INTEREST RATES	MATURITY DATES
$ 42,000,000	4.64% - 6.27%	2000
3,148,288	4.98 - 6.40	2001
2,815,780	5.38 - 6.49	2002
9,515,546	5.69 - 6.64	2003
3,402,102	5.55 - 6.67	2004
9,000,000	5.25 - 6.65	2005
34,000,000	4.89 - 5.68	2008
$103,881,716		

JUNE 30, 1998		
PRINCIPAL AMOUNTS	INTEREST RATES	MATURITY DATES
$ 43,745,440	5.55% - 6.00%	1999
4,000,000	5.88 - 6.27	2000
1,212,676	5.56 - 6.40	2001
1,138,627	6.21 - 6.49	2002
9,631,854	5.69 - 6.64	2003
1,711,355	6.36 - 6.67	2004
9,000,000	5.25 - 6.65	2005
34,000,000	4.89 - 5.68	2008
$104,439,952		

Residential mortgages on one to four family owner occupied homes, free of liens, pledges and encumbrances, investment securities not otherwise pledged, and the Company's Federal Home Loan Bank stock equal to at least 200% of the borrowings from that bank have been pledged under a blanket agreement to secure these borrowings. The Company is required to own stock of the Federal Home Loan Bank of Boston in order to borrow from the Federal Home Loan Bank. Several of the Federal Home Loan Bank borrowings held at June 30, 1999 are adjustable and, therefore, the rates are subject to change.

At June 30, 1999, the Company had approximately $2,100,000 available under a line of credit arrangement with the FHLB. Also, in addition to the FHLB advances outstanding at June 30, 1999, the Company had approximately $24,000,000 available for long-term advances with the FHLB.

8. NOTE PAYABLE

The note payable at June 30, 1999 and 1998 consists of a loan from an unrelated financial institution relating to the acquisition of a bank. The note is payable in eighteen equal quarterly principal payments of $76,389. Interest is payable monthly at 8%. The Company has pledged Northeast Bank F.S.B. common stock and a $400,000 key man life insurance policy as collateral for the loan.

The loan agreement contains certain covenants which limit capital expenditures of the Company and the amount of nonperforming loans, requires minimum loan loss reserves, capital and return on assets, and the Company is required to obtain approval from the lender before the Company can commit to a merger or consolidation with another entity. At June 30, 1999, the Company was in compliance with these covenants.

9. SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

During 1999 and 1998, the Company sold securities under agreements to repurchase. The weighted average interest rate on repurchase agreements was 4.07% and 4.20% at June 30, 1999 and 1998, respectively. These borrowings, which were scheduled to mature within 180 days, were collateralized by GNMA securities with a market value of $14,938,000 and amortized cost of $15,525,000 at June 30, 1999, and a market value of $8,547,000 and amortized cost of $8,558,000 at June 30, 1998. The average balance of repurchase agreements was $8,202,000 and $4,917,000 during the years ended June 30, 1999 and 1998, respectively. The maximum amount outstanding at any month-end during 1999 and 1998 was $11,868,000 and $5,737,000, respectively. Securities sold under these agreements were under the control of the Company during 1999 and 1998.

10. CAPITAL AND REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory -- and possibly additional discretionary -- actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

The prompt corrective action regulations define specific capital categories based on an institution's capital ratios. The capital categories, in declining order, are "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized."

As of June 30, 1999 and 1998, the most recent notification from the Office of Thrift Supervision (OTS) categorized the Bank as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized" the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 capital as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's category.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios established by the Federal Deposit Insurance Corporation (FDIC) as set forth in the table below. The Bank is also subject to certain capital requirements established by the OTS. At June 30, 1999 and 1998, the Bank ratios exceeded the OTS regulatory requirements. Management believes that the Bank meets all capital adequacy requirements to which it is subject as of June 30, 1999 and 1998.

The Company is also subject to similar capital adequacy requirements and the regulatory requirements of federal banking agencies.

The following tables illustrate the actual and required amounts and ratios for the Company and the Bank as set forth by the FDIC at the dates indicated.

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE "WELL CAPITALIZED" UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	(DOLLARS IN THOUSANDS)					
As of June 30, 1999:						
Tier 1 (Core) capital (to risk weighted assets):						
Northeast Bancorp.....	$25,635	10.1%	>=$10,160	>=4.0%	>=$15,239	>= 6.0%
Northeast Bank.....	25,615	10.1	>= 10,159	>=4.0	>= 15,239	>= 6.0
Tier 1 (Core) capital (to total assets):						
Northeast Bancorp.....	$25,635	7.1%	>=$14,533	>=4.0%	>=$18,167	>= 5.0%
Northeast Bank.....	25,615	7.1	>= 14,533	>=4.0	>= 18,166	>= 5.0
Total capital (to risk weighted assets):						
Northeast Bancorp.....	$27,253	10.7%	>=$20,319	>=8.0%	>=$25,399	>=10.0%
Northeast Bank.....	27,233	10.7	>= 20,318	>=8.0	>= 25,398	>=10.0

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE "WELL CAPITALIZED" UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
	(DOLLARS IN THOUSANDS)					
As of June 30, 1998:						
Tier 1 (Core) capital (to risk weighted assets):						
Northeast Bancorp.....	$22,211	10.2%	>=$ 8,713	>=4.0%	>=$13,070	>= 6.0%
Northeast Bank.....	22,695	10.4	>= 8,711	>=4.0	>= 13,067	>= 6.0
Tier 1 (Core) capital (to total assets):						
Northeast Bancorp.....	$22,211	6.9%	>=$12,839	>=4.0%	>=$16,049	>= 5.0%
Northeast Bank.....	22,695	7.1	>= 12,837	>=4.0	>= 16,046	>= 5.0
Total capital (to risk weighted assets):						
Northeast Bancorp.....	$23,891	11.0%	>=$17,427	>=8.0%	>=$21,784	>=10.0%
Northeast Bank.....	24,374	11.2	>= 17,422	>=8.0	>= 21,778	>=10.0

The Company may not declare or pay a cash dividend on, or repurchase, any of its capital stock if the effect thereof would cause the capital of the Company to be reduced below the capital requirements imposed by the regulatory authorities. The amount of dividends paid per share on common stock in the consolidated statements of changes in stockholders' equity for the years ended June 30, 1998 and 1997 have been restated for the effects of the stock split effected in the form of a dividend in December 1997.

In September of 1996, Congress enacted comprehensive legislation amending the FDIC BIF-SAIF deposit insurance assessments on savings and loan institution deposits. The legislation imposed a one-time assessment on institutions holding SAIF deposits at March 31, 1995. As a result of this legislation, the Company incurred a special assessment of approximately $297,000 during 1997. This assessment is included in FDIC insurance expense in the 1997 consolidated statement of income.

11. EARNINGS PER SHARE

Basic earnings per share (EPS) are computed by dividing net income available to common stockholders by the weighted average number of shares outstanding. The following table shows the weighted average number of shares outstanding for each of the last three years. The 1998 and 1997 amounts have been restated to reflect the three-for-two stock split effected in the form of a dividend in December 1997. EPS amounts for 1997 have also been restated to give effect to Statement of Financial Accounting Standards No. 128, Earnings Per Share, adopted by the Company in fiscal 1998. Shares issuable relative to stock options granted and outstanding warrants have been reflected as an increase in the shares outstanding used to calculate diluted EPS, after applying the treasury stock method. The number of shares outstanding for Basic and Diluted EPS are presented as follows:

	1999	1998	1997
Average shares outstanding, used in computing Basic EPS	2,710,117	2,277,165	2,152,564
Effect of Dilutive Securities:			
Stock warrants and options outstanding	26,188	41,797	122,937
Options and warrants exercised	8,177	167,116	42,063
Convertible preferred stock	50,062	309,165	350,646
Average equivalent shares outstanding, used in computing Diluted EPS	2,794,544	2,795,243	2,668,210

There is a difference between net income and net income available to common stockholders which is used in the calculation of Basic EPS. The following table illustrates the difference:

	1999	1998	1997
Net income	$2,410,452	$2,403,783	$1,489,745
Preferred stock dividends	(25,667)	(125,827)	(139,997)
Net income available to common stockholders	$2,384,785	$2,277,956	$1,349,748

12. PREFERRED STOCK

In November of 1998, the preferred stock, Series A, was converted to common stock at a three to one ratio. There were no warrants attached to the Series A preferred stock. In April of 1998, the preferred stock, Series B, was converted into common stock at a three to one ratio. The Series B preferred stock was issued with warrants attached and during 1998, 163,146 warrants were exercised for a total capital contribution of $761,443. At June 30, 1998, all Series B preferred stock warrants had been exercised. No preferred stock is outstanding at June 30, 1999.

13. OTHER EXPENSES

Other expenses includes the following for the years ended June 30, 1999, 1998 and 1997:

	1999	1998	1997
Merger expense(note 15)	$ --	$ 318,061	$ --
Professional fees	471,083	310,390	398,704
General insurance	81,830	104,391	125,670
Printing and office supplies	300,888	265,954	263,648
Real estate owned expenses	44,219	50,912	64,907
Provision for losses on OREO	47,000	62,300	39,000
Goodwill amortization	461,569	296,374	296,374
Write-down of investment securities	95,728	172,235	110,000
Other	2,251,404	1,684,632	1,737,699
	$3,753,721	$3,265,249	$3,036,002

The goodwill amortization for 1999 included an impairment write-down of approximately $165,000.

14. INCOME TAXES

The current and deferred components of income tax expense (benefit) were as follows for the years ended June 30, 1999, 1998 and 1997:

	1999	1998	1997
Federal:			
Current	$1,290,783	$1,265,879	$942,244
Deferred	86,398	(14,949)	(72,290)
	1,377,181	1,250,930	869,954
State and local -- current	55,410	51,941	38,611
	$1,432,591	$1,302,871	$908,565

Total income tax expense is different from the amounts computed by applying the U.S. federal income tax rates in effect to income before income taxes. The reasons for these differences are as follows for the years ended June 30, 1999, 1998 and 1997:

	1999		1998		1997	
	AMOUNT	% OF PRETAX INCOME	AMOUNT	% OF PRETAX INCOME	AMOUNT	% OF PRETAX INCOME
Expected income tax expense at federal tax rate	$1,306,635	34.0%	$1,260,262	34.0%	$815,425	34.0%
State tax, net of federal tax benefit	36,571	1.0	34,281	.9	25,483	1.1
Non-deductible goodwill	98,358	2.6	42,192	1.1	42,192	1.8
Dividend received deduction	(19,367)	(.5)	(7,848)	(.2)	(6,873)	(.3)
Low income/rehabilitation credit	(20,000)	(.5)	(20,000)	(.5)	(20,000)	(.8)
Other	30,394	.8	(6,016)	(.2)	52,338	2.1
	$1,432,591	37.4%	$1,302,871	35.1%	$908,565	37.9%

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at June 30, 1999 and 1998 are presented below:

	1999	1998
Deferred tax assets:		
Loans, principally due to allowance for loan losses	$ 994,000	$1,013,000
Deferred gain on loan sales	46,000	51,000
Interest on nonperforming loans	24,000	56,000
Difference in tax and financial statement bases of investments	331,000	154,000
Difference in tax and financial statement amortization of deductible goodwill	107,000	100,000
Other	99,000	57,000
Total deferred tax assets	1,601,000	1,431,000
Deferred tax liabilities:		
Loan loss reserve -- tax basis	(74,000)	(89,000)
Mortgage servicing rights	(193,000)	(124,000)
Other	(41,000)	(53,000)
Total deferred tax liabilities	(308,000)	(266,000)
Net deferred tax assets, included in other assets	$1,293,000	$1,165,000

The Company has sufficient refundable taxes paid in available carryback years to fully realize its recorded deferred tax asset. Accordingly, no valuation allowance has been recorded at June 30, 1999 and 1998.

Tax legislation requires that all thrift institutions recapture all or a portion of their tax bad debt reserves added since the base year (last taxable year beginning before January 1, 1988). The Company has previously recorded a deferred tax liability equal to the tax bad debt recapture and as such, the rules will have no effect on net income or federal income tax expense. The unrecaptured base year reserves will not be subject to recapture as long as the Company continues to carry on the business of banking. In addition, the balance of the pre-1988 tax bad debt reserves continue to be subject to provisions of present law that require recapture in the case of certain excess distributions to stockholders. For federal income tax purposes, the Company has designated approximately $2,400,000 of net worth as a reserve for tax bad debts on loans. The use of this amount for purposes other than to absorb losses on loans would result in taxable income and financial statement tax expense at the then current tax rate, since no deferred taxes have been provided for base year reserve recapture.

15. MERGER

In October 1997, the Company issued approximately 188,000 shares of its common stock for all the outstanding common stock of Cushnoc Bank and Trust Company, of Augusta, Maine (Cushnoc). Cushnoc shareholders received 2.089 shares of the Company's common stock for each share of Cushnoc common stock. The merger qualified as a tax-free reorganization and was accounted for as a pooling of interests. Accordingly, the Company's consolidated financial statements were restated for all periods prior to the business combination to include the results of operations, financial position and cash flows of Cushnoc. No adjustments were necessary to conform Cushnoc's methods of accounting to the methods used by the Company. There were no significant intercompany transactions prior to consummation of the merger. The costs associated with the merger totaled approximately $435,000, with $117,000 included in salaries and employee benefits and $318,000 included in other expense in the 1998 consolidated statement of income.

The results of operations previously reported by the separate companies and the combined amounts presented in the accompanying consolidated financial statements are summarized below:

	THROUGH OCTOBER 24, 1997	YEAR ENDED JUNE 30, 1997
Interest Income:		
Northeast Bancorp	$7,280,300	$20,029,140
Cushnoc Bank	613,733	1,906,581
Combined	$7,894,033	$21,935,721
Net Income (Loss):		
Northeast Bancorp	$ 432,319	$ 1,507,103
Cushnoc Bank	29,435	(17,358)
Combined	$ 461,754	$ 1,489,745

There were no other changes in stockholders' equity prior to consummation of the merger in fiscal 1998 that were material to the financial position of the Company.

16. EMPLOYEE BENEFIT PLANS

Profit Sharing Plan

The Company has a profit sharing plan which covers substantially all full-time employees. Contributions and costs are determined as a percent of each covered employee's salary and are at the Board of Directors discretion. Expenses related to the profit sharing plan for the years ended June 30, 1999, 1998 and 1997 were $53,590, $43,500 and $130,000, respectively.

401(k) Plan

The Company offers a contributory 401(k) plan which is available to all full-time salaried and hourly-paid employees who are regularly scheduled to work 1,000 hours or more in a Plan year, have attained age 21, and have completed one year of employment. Employees may contribute between 1% and 15% of their base compensation to which the Company will match 50% up to the first 6% contributed. For the years ended June 30, 1999, 1998 and 1997, the Company contributed approximately $74,115, $60,700 and $38,300, respectively.

Stock Option Plans

The Company has adopted Stock Option Plans in 1987, 1989 and 1992. Both "incentive stock options" and "nonqualified stock options" may be granted pursuant to the Option Plans. Under the Option Plans, incentive stock options may only be granted to employees of the Company and nonqualified stock options may be granted to employees and nonemployee directors. All options granted under the Option Plans will be required to have an exercise price per share equal to at least the fair market value per share of common stock on the date the option is granted. Options immediately vest upon being granted. The options are exercisable for a maximum of ten years after the options are granted in the case of all incentive stock options, three years for nonqualified stock options in the 1987 plan and five years for nonqualified stock options in the 1989 and 1992 plans.

In accordance with the Stock Option Plans, a total of 354,000 shares of unissued common stock were reserved for issuance pursuant to incentive stock options with 6,250 shares at June 30, 1999 available to be granted and 90,000 shares of unissued common stock were reserved for issuance pursuant to nonqualified stock options with 1,000 shares at June 30, 1999 available to be granted.

The number of shares and the exercise prices in the following table for 1998 and 1997 have been retroactively restated for the stock split effected in the form of a dividend in December 1997. A summary of the qualified and non-qualified option activity for the years ended June 30 follows:

	1999		1998		1997	
	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	SHARES	WEIGHTED-AVERAGE EXERCISE PRICE
Outstanding at beginning of year	123,000	$10.44	130,500	$ 6.01	139,500	$5.11
Granted	11,500	9.92	41,250	18.50	22,500	8.33
Exercised	(16,500)	5.35	(46,000)	5.11	(30,000)	3.45
Expired	(7,750)	18.50	(2,750)	10.18	(1,500)	8.33
Outstanding at end of year	110,250	$10.59	123,000	$10.44	130,500	$6.01
Options exercisable at year end	110,250	$10.59	123,000	$10.44	130,500	$6.01

The following table summarizes information about stock options outstanding at June 30, 1999:

	OPTIONS OUTSTANDING		
RANGE OF EXERCISE PRICES	NUMBER OUTSTANDING AT JUNE 30, 1999	WEIGHTED-AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED-AVERAGE EXERCISE PRICE
$3.58	15,000	.5 year	$ 3.58
$7.50 to $10.50	61,250	6.0	7.90
$15.31 to $18.50	34,000	8.5	18.41
$3.58 to $18.50	110,250	7.0	$10.59

The per share weighted average fair value of stock options granted during 1999 and 1998 was $3.44 and $6.24, respectively, on the date of the grants using the Black Scholes option-pricing model as a valuation technique with the following average assumptions: expected dividend yield, 2.13% and 1.40%; risk-free interest rate, 5.79% and 5.46%; expected life, 8 years and 8 years; and expected volatility, 27.82% and 22.49%, respectively.

For financial statement purposes, the Company measures the compensation costs of its stock option plans under Accounting Principles Board (APB) Opinion No. 25, whereby no compensation cost is recorded if, at the grant date, the exercise price of the options is equal to the fair market value of the Company's common stock. Had the Company determined cost based on the fair value at the grant date for its stock options under SFAS No. 123, Accounting for Stock-Based Compensation, the Company's net income and earnings per share for the year ended June 30, 1999 and June 30, 1998 would have been reduced to the pro forma amounts indicated below.

	NET INCOME	EARNINGS PER SHARE BASIC	EARNINGS PER SHARE DILUTED
JUNE 30, 1999:			
As reported	$2,410,452	$0.88	$0.86
Pro forma	2,376,947	0.87	0.85
JUNE 30, 1998:			
As reported	$2,403,783	$1.00	$0.86
Pro forma	2,225,811	0.92	0.80

The pro forma amounts reflect only stock options granted in 1997 and subsequent years. Therefore, the full impact of calculating the cost for stock options under Statement No. 123 is not reflected in the pro forma amounts presented above because the cost for options granted prior to July 1, 1995 is not considered under the requirements of Statement No. 123.

Stock Purchase Plan

The Company has a stock purchase plan which covers substantially all full-time employees with one year of service. Offerings under the Plan are made quarterly at the market value of the Company's common stock on the offering termination date. The maximum number of shares which may be purchased under the plan is 156,000 shares.

17. COMMITMENTS, CONTINGENT LIABILITIES AND OTHER OFF-BALANCE-SHEET RISKS

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The contract amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Financial instruments with contract amounts which represent credit risk:

	1999	1998
Commitments to originate loans:		
Residential real estate mortgages	$ 9,392,000	$ 6,392,000
Commercial real estate mortgages, including multi-family residential real estate	10,314,000	1,510,000
Commercial business loans	4,725,000	3,460,000
	24,431,000	11,362,000
Unused lines of credit	18,941,000	14,585,000
Standby letters of credit	1,501,000	329,000
Unadvanced portions of construction loans	1,502,000	1,422,000

At June 30, 1999, $925,000 of the stand-by letters of credit have been granted to related parties.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are issued to support private borrowing

arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Derivative Financial Instruments

The Company has only limited involvement with derivative financial instruments and they are used for trading purposes. The derivative financial instruments used by the Company are covered call and put contracts on its equity securities portfolio. Gains and losses from entering into these types of contracts have been immaterial to the results of operations of the Company. The total value of securities under call and put contracts at any one time is immaterial to the Company's financial position, liquidity, or results of operations.

Legal Proceedings

The Company and its subsidiary are parties to litigation and claims arising in the normal course of business. Management believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's consolidated financial position.

Lease Obligations

The Company leases certain properties and equipment used in operations under terms of operating leases which include renewal options. Rental expense under these leases approximated $373,000, $380,000 and $246,000 for the years ended June 30, 1999, 1998 and 1997, respectively.

Approximate future minimum lease payments over the remaining terms of the leases at June 30, 1999 are as follows:

2000	$ 266,000
2001	251,000
2002	251,000
2003	194,000
2004	182,000
2005 and after	828,000
	$1,972,000

18. CONDENSED PARENT INFORMATION

Condensed financial statements for Northeast Bancorp at June 30, 1999 and 1998 and for each of the years in the three year period ended June 30, 1999 are presented below.

BALANCE SHEETS

	JUNE 30,	
	1999	1998
ASSETS		
Cash (deposited with subsidiary)	$ 80,758	$ 1,104,504
Investment in subsidiary	26,051,816	23,908,576
Goodwill, net	611,845	713,819
Other assets	632,094	413,620
Total assets	$27,376,513	$26,140,519
LIABILITIES AND STOCKHOLDERS' EQUITY		
Note payable	$ 687,500	$ 993,055
Other liabilities	5,898	7,937
	693,398	1,000,992
Stockholders' equity	26,683,115	25,139,527
Total liabilities and stockholders' equity	$27,376,513	$26,140,519

STATEMENTS OF INCOME

	YEARS ENDED JUNE 30,		
	1999	1998	1997
Income:			
Dividends from banking subsidiary	$ 98,314	$ --	$ --
Other income	758	76,556	16,232
Total income	99,072	76,556	16,232
Expenses:			
Amortization expense	101,974	101,974	101,973
Interest on note payable	65,100	89,884	112,753
Occupancy expense	--	46,611	65,257
General and administrative expenses	95,558	97,969	86,457
Total expenses	262,632	336,438	366,440
Loss before income tax benefit and equity in undistributed net income of subsidiary	(163,560)	(259,882)	(350,208)
Income tax benefit	55,692	53,967	82,371
Loss before equity in undistributed net income of subsidiary	(107,868)	(205,915)	(267,837)
Equity in undistributed net income of subsidiary	2,518,320	2,609,698	1,757,582
Net income	$2,410,452	$2,403,783	$1,489,745

STATEMENTS OF CASH FLOWS

	YEARS ENDED JUNE 30,		
	1999	1998	1997
Cash flows from operating activities:			
Net income	$ 2,410,452	$ 2,403,783	$ 1,489,745
Adjustments to reconcile net income to net cash used by operations:			
Depreciation and amortization	101,974	110,658	114,775
Treasury stock bonused	--	--	13,374
Undistributed earnings of subsidiary	(2,518,320)	(2,609,698)	(1,757,582)
(Increase) decrease in other assets	(218,474)	(46,502)	17,467
Decrease in other liabilities	(2,039)	(4,911)	(56,337)
Net cash used by operating activities	(226,407)	(146,670)	(178,558)
Cash flows from investing activities:			
Proceeds from sale of premises and equipment to subsidiary	--	367,696	245,167
Purchase of premises and equipment	--	(368)	(7,086)
Net cash provided by investing activities	--	367,328	238,081
Cash flows from financing activities:			
Principal payments on note payable	(305,555)	(305,556)	(201,389)
Stock options exercised	88,286	190,700	103,450
Proceeds from issuance of common stock	16,257	16,669	13,487
Treasury stock purchased	--	(44,988)	(28,420)
Treasury stock sold	--	44,988	--
Dividends paid to stockholders	(596,327)	(597,270)	(537,802)
Warrants exercised	--	761,433	175,000
Stock split -- payment for fractional shares	$ --	$ (1,095)	$ --
Net cash (used) provided by financing activities	(797,339)	64,881	(475,674)
Net (decrease) increase in cash	(1,023,746)	285,539	(416,151)
Cash, beginning of year	1,104,504	818,965	1,235,116
Cash, end of year	$ 80,758	$ 1,104,504	$ 818,965
Supplemental schedule of cash flow information:			
Interest paid	$ 67,100	$ 91,921	$ 111,490

19. OTHER COMPREHENSIVE INCOME

Beginning in 1999, SFAS No. 130, Reporting Comprehensive Income, requires display in financial statements of amounts of total comprehensive income and accumulated other comprehensive income. The components of other comprehensive income for the years ended 1999, 1998 and 1997 are as follows:

	1999	1998	1997
Unrealized gains (losses) arising during the period, net of tax effect of $197,195 in 1999, $177,534 in 1998 and $279,981 in 1997	$(382,733)	$344,624	$543,492
Less: reclassification adjustment for gains, net of write-downs, included in net income, net of tax effect of $3,942 in 1999, $38,584 in 1998 and $20,767 in 1997	7,653	(74,897)	(40,313)
Other comprehensive income	$(375,080)	$269,727	$503,179

20. SEGMENT REPORTING

Northeast Bancorp through its subsidiary, Northeast Bank and it's subsidiary Northeast Financial Services, Inc., provide a broad range of financial services to individuals and companies in western and south central Maine. These services include lending, demand, savings and time deposits, cash management and trust services. While the Company's senior management team monitors the operations of the subsidiaries, the subsidiaries are primarily organized to operate in the banking industry. Substantially all income and services are derived from banking products and services in Maine. Accordingly, the Company's subsidiaries are considered by management to be aggregated in one reportable operating segment.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value estimates, methods and assumptions are set forth below for the Company's significant financial instruments.

Cash and Cash Equivalents

The fair value of cash, due from banks, interest bearing deposits and FHLB overnight deposits approximates their relative book values, as these financial instruments have short maturities.

Available for Sale Securities

The fair value of available for sale securities is estimated based on bid prices published in financial newspapers or bid quotations received from securities dealers. Fair values are calculated based on the value of one unit without regard to any premium or discount that may result from concentrations of ownership of a financial instrument, possible tax ramifications, or estimated transaction costs. If these considerations had been incorporated into the fair value estimates, the aggregate fair value amounts could have changed.

Federal Home Loan Bank Stock

This financial instrument does not have a market nor is it practical to estimate the fair value without incurring excessive costs.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan. The estimates of maturity are based on the Company's historical experience with repayments for each loan classification, modified, as required, by an estimate of the effect of current economic conditions, lending conditions and the effects of estimated prepayments.

Fair value for significant non-performing loans is based on estimated cash flows and is discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows and discount rates are judgmentally determined using available market information and historical information.

The fair value of loans held for sale is estimated based on bid quotations received from loan dealers.

Management has made estimates of fair value using discount rates that it believes to be reasonable. However, because there is no market for many of these financial instruments, management has no basis to determine whether the fair value presented would be indicative of the value negotiated in an actual sale.

Accrued Interest Receivable

The fair value of this financial instrument approximates the book value as this financial instrument has a short maturity. It is the Company's policy to stop accruing interest on loans past due by more than ninety days. Therefore this financial instrument has been adjusted for estimated credit loss.

Deposits

The fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings, NOW accounts and money market accounts, is equal to the amount payable on demand. The fair values of certificates of deposit are based on the discounted value of contractual cash flows. The discount rate is estimated using the rates currently offered for deposits of similar remaining maturities.

The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market. If that value was considered, the fair value of the Company's net assets could increase.

Borrowed Funds, Note Payable and Repurchase Agreements

The fair value of the Company's borrowings with the Federal Home Loan Bank is estimated by discounting the cash flows through maturity or the next repricing date based on current rates available to the Company for borrowings with similar maturities. The fair value of the note payable approximates the carrying value, as the interest rate approximates market rates. The fair value of repurchase agreements approximates the carrying value, as these financial instruments have a short maturity.

Commitments to Originate Loans

The Company has not estimated the fair value of commitments to originate loans due to their short term nature and their relative immateriality.

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These values do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Other significant assets and liabilities that are not considered financial instruments include the deferred tax asset, premises and equipment, other real estate owned and intangible assets, including the customer base. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

The following table presents the estimated fair value of the Company's significant financial instruments at June 30, 1999 and 1998:

	JUNE 30, 1999		JUNE 30, 1998	
	CARRYING VALUE	ESTIMATED FAIR VALUE	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial assets:				
Cash and cash equivalents.....	$ 12,094,000	$ 12,094,000	$ 12,152,000	$ 12,152,000
Available for sale securities.....	18,054,000	18,054,000	13,609,000	13,609,000
Loans held for sale.....	312,000	315,000	370,000	372,000
Loans.....	316,062,000	308,687,000	279,053,000	282,020,000
Interest receivable.....	1,991,000	1,991,000	1,934,000	1,934,000
Financial liabilities:				
Deposits (with no stated maturity).....	78,251,000	78,251,000	70,938,000	70,938,000
Time deposits.....	141,113,000	141,352,000	113,086,000	113,488,000
Borrowed funds.....	103,882,000	99,986,000	104,440,000	102,052,000
Note payable.....	688,000	688,000	993,000	993,000
Repurchase agreements.....	11,868,000	11,868,000	5,206,000	5,206,000

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED IN THIS PROSPECTUS. WE HAVE NOT, AND THE UNDERWRITER HAS NOT, AUTHORIZED ANY OTHER PERSON TO PROVIDE YOU WITH DIFFERENT INFORMATION. THIS PROSPECTUS IS NOT AN OFFER TO SELL, NOR IS IT AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED. THE INFORMATION IN THIS PROSPECTUS IS COMPLETE AND ACCURATE AS OF THE DATE ON THE FRONT COVER PAGE, BUT THE INFORMATION MAY HAVE CHANGED SINCE THAT DATE.

TABLE OF CONTENTS

$10,500,000

NBN CAPITAL TRUST

% PREFERRED SECURITIES

(LIQUIDATION AMOUNT $10 PER PREFERRED SECURITY)

GUARANTEED, AS DESCRIBED HEREIN, BY

NORTHEAST BANCORP

PROSPECTUS

ADVEST, INC.

, 1999

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the expenses expected to be incurred in connection with this offering, other than underwriting discounts and commissions. All amounts, except the SEC registration fee, are estimated.

SEC Registration Fee	$ 3,357
NASD Filing Fees	1,708
AMEX Listing Fees	15,000
Accounting Fees and Expenses	*
Legal Fees and Expenses	*
Printing and Expenses	*
Blue Sky Fees and Expenses	*
Trustee Fees and Expenses	*
Miscellaneous	*
Total	$ *

- ---------------

* To be filed by amendment.

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Section 719 of the Maine Business Corporation Act provides as follows:

1. A corporation shall have power to indemnify or, if so provided in the bylaws, shall in all cases indemnify, any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, trustee, partner, fiduciary, employee or agent of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by that person in connection with such action, suit or proceeding; provided that no indemnification may be provided for any person with respect to any matter as to which that person shall have been finally adjudicated:

A. Not to have acted honestly or in the reasonable belief that such person's action was not in or not opposed to the best interests of the corporation or its shareholders or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interest of that plan or trust, or its participants or beneficiaries; or

B. With respect to any criminal action or proceeding, to have had reasonable cause to believe that person's conduct was unlawful.

The termination of any action, suit or proceeding by judgment, order or conviction adverse to that person, or by settlement or plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act honestly or in the reasonable belief that such person's action was in or not opposed to the best interest of the corporation or its shareholders or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interests of that plan or trust or its participants or beneficiaries and, with respect to any criminal action or proceeding, had reasonable cause to believe that person's conduct was unlawful.

1-A. Notwithstanding any provision of subsection 1, a corporation shall not have the power to indemnify any person with respect to any claim, issue or matter asserted by or in the right of the

corporation as to which that person is finally adjudicated to be liable to the corporation unless the court in which the action, suit or proceeding was brought shall determine that, in view of all the circumstances of the case, that person is fairly or reasonably entitled to indemnity for such amounts as the court shall deem reasonable.

2. Any provision of subsection 1, 1-A or 3 to the contrary notwithstanding, to the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsection 1 or 1-A, or in defense of any claim, issue or matter therein, that director, officer, employee or agent shall be indemnified against expenses, including attorneys' fees, actually and reasonably incurred by that director, officer, employee or agent in connection therewith. The right to indemnification granted by this subsection may be enforced by a separate action against the corporation, if an order for indemnification is not entered by a court in the action, suit or proceeding wherein that director, officer, employee or agent was successful on the merits or otherwise.

3. Any indemnification under subsection 1, unless ordered by a court or required by the bylaws, shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances and in the best interest of the corporation. That determination shall be made by the board of directors by a majority vote of a quorum consisting of directors who were not parties to that action, suit or proceeding, or if such a quorum is not obtainable, or even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or by the shareholders. Such a determination once made may not be revoked and, upon the making of that determination, the director, officer, employee or agent may enforce the indemnification against the corporation by a separate action notwithstanding any attempted or actual subsequent action by the board of directors.

4. Expenses incurred in defending a civil, criminal, administrative or investigative action, suit or proceeding may be authorized and paid by the corporation in advance of the final disposition of that action, suit or proceeding made in accordance with the procedure established in subsection 3 that, based solely on the facts then known to those making the determination and without further investigation, the person seeking indemnification satisfied the standard of conduct prescribed by subsection 1, or if so provided by the bylaws, these expenses shall in all cases be authorized and paid by the corporation in advance of the final disposition of that action, suit or proceeding upon receipt by the corporation of:

A. A written undertaking by or on behalf of the officer, director, employee or agent to repay that amount if that person is finally adjudicated:

(1) Not to have acted honestly or in the reasonable belief that such person's action was in or not opposed to the best interests of the corporation or its shareholders or, in the case of a person serving as a fiduciary of an employee benefit plan or trust, in or not opposed to the best interests of such plan or trust or its participants or beneficiaries;

(2) With respect to any criminal action or proceeding, to have had reasonable cause to believe that the person's conduct was unlawful; or

(3) With respect to any claim, issue or matter asserted in any action, suit or proceeding brought by or in the right of the corporation, to be liable to the corporation, unless the court in which that action, suit or proceeding was brought permits indemnification in accordance with subsection 2; and

B. A written affirmation by the officer, director, employee or agent that the person has met the standard of conduct necessary for indemnification by the corporation as authorized in this section.

The undertaking required under paragraph A shall be an unlimited general obligation of the person seeking the advance, but need not be secured and may be accepted without reference to financial ability to make the repayment.

5. The indemnification and entitlement to advances of expenses provided by this section shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in that person's official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee, agent, trustee, partner or fiduciary and shall inure to the benefit of the heirs, executors and administrators of such a person. A right to indemnification required by the bylaws may be enforced by a separate action against the corporation, if an order for indemnification has not been entered by a court in any action, suit or proceeding in respect to which indemnification is sought.

6. A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, trustee, partner, fiduciary, employee or agent of another corporation, partnership, joint venture, trust, pension or other employee benefit plan or other enterprise against any liability asserted against that person and incurred by that person in any such capacity, or arising out of that person's status as such, whether or not the corporation would have the power to indemnify that person against such liability under this section.

7. For purposes of this section, references to the "corporation" shall include, in addition to the surviving corporation or new corporation, any participating corporation in a consolidation or merger.

Northeast Bancorp's Bylaws provide for the indemnification of directors and officers. The general effect of the Bylaw provisions is to indemnify any director or officer against any liability arising from any action or suit to the full extent permitted by Maine law as referenced above. Advances against expenses may be made under the Bylaws and any other indemnification agreement that may be entered into by Northeast Bancorp and the indemnity coverage provided thereunder may include liabilities under the federal securities laws as well as in other contexts. Reference is made to Article X of Northeast Bancorp's Bylaws filed as Exhibit 3.2 hereto.

Northeast Bancorp has purchased and maintains insurance on behalf of any person who is or was a director or officer against any loss arising from any claim asserted against any such person and incurred by such person in any such capacity, subject to certain exclusions.

Under the Amended and Restated Trust Agreement of NBN Capital Trust (the "Trust Agreement"), Northeast Bancorp will agree to indemnify each of the trustees of the Trust or any predecessor trustee for the trust, and to hold each trustee harmless against, any loss, damage, claim, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the Trust Agreement, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under the Trust Agreement.

Pursuant to the Underwriting Agreement, Northeast Bancorp, the Trust, and the underwriter have agreed to indemnify each other under certain circumstances and conditions against and from certain liabilities, including liabilities under the Securities Act of 1933, as amended. Reference is made to Section 11 of the Underwriting Agreement filed as Exhibit 1.1 hereto.

ITEM 16. EXHIBITS.

EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
1.1	--	Form of Underwriting Agreement.*
3.1	--	Articles of Incorporation of Northeast Bancorp, as amended November 10, 1998, incorporated by reference to Exhibit 3.1 of Northeast Bancorp's Form 10-KSB for the fiscal quarter ended December 31, 1998 previously filed with the Commission.

EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
3.2	--	Bylaws of Northeast Bancorp, incorporated herein by reference to Exhibit 3.2 to Amendment No. 1 to Northeast Bancorp's Registration Statement on Form S-4 (Registration No. 333-31797) previously filed with the Commission.
4.1	--	Form of Indenture with respect to Northeast Bancorp's % Junior Subordinated Debentures.*
4.2	--	Form of Junior Subordinated Debentures (included in Exhibit 4.1).*
4.3	--	Trust Agreement of NBN Capital Trust (including Certificate of Trust of NBN Capital Trust).*
4.4	--	Form of Amended and Restated Trust Agreement of NBN Capital Trust.*
4.5	--	Form of % Preferred Securities of NBN Capital Trust (included in Exhibit 4.4).*
4.6	--	Form of Guarantee Agreement.*
5.1	--	Opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., Re: Validity of Securities.*
5.2	--	Opinion of Richards, Layton & Finger, P.A.*
8.1	--	Opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., Re: Tax Opinion.*
10.1	--	1987 Stock Option Plan of Northeast Bancorp (formerly known as Bethel Bancorp), incorporated herein by reference to Exhibit 10.4 to the Bethel Bancorp's Registration Statement on Form S-1 (Registration No. 33-12815) previously filed with the Commission.
10.2	--	1989 Stock Option Plan of Northeast Bancorp (formerly known as Bethel Bancorp), incorporated by reference to Exhibit 10.6 to Bethel Bancorp's Form 10-Q for the quarter ended September 30, 1994 previously filed with the Commission.
10.4	--	1992 Stock Option Plan of Northeast Bancorp (formerly known as Bethel Bancorp), incorporated by reference to Exhibit 10.7 to Bethel Bancorp's Form 10-K for the fiscal year ended June 30, 1992 previously filed with the Commission.
10.5	--	1994 Stock Purchase Plan incorporated by reference to the definitive proxy statement of Northeast Bancorp previously filed with the Commission on September 23, 1994.
11.1	--	Statement regarding computation of per share earnings, incorporated herein by reference to Exhibit 11 to Northeast Bancorp's Form 10-K for the fiscal year ended June 30, 1999 previously filed with the Commission.
12.1	--	Calculation of Earnings to Fixed Charges.*
21.1	--	Subsidiaries of Northeast Bancorp, incorporated herein by reference to Exhibit 21 to Northeast Bancorp's Form 10-K for the fiscal year ended June 30, 1998 previously filed with the Commission.
23.1	--	Consent of Baker Newman & Noyes Limited Liability Company.*
23.2	--	Consent of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A. (included in Exhibit 5.1).*
23.3	--	Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.2).*
24.1	--	Power of Attorney (contained in Signature section of this Registration Statement).*
25.1	--	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939, as amended, of Bankers Trust Company, as trustee under the Junior Subordinated Indenture, the Amended and Restated Trust Agreement, and the Guarantee Agreement relating to the NBN Capital Trust.*
27.1	--	Financial Data Schedule (for SEC use only), incorporated herein by reference to Exhibit 27 to Northeast Bancorp's Form 10-K for the fiscal year ended June 30, 1998 previously filed with the Commission.

---

* Exhibit filed herewith.

ITEM 17. UNDERTAKINGS.

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers, and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer, or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer, or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

(b) The undersigned registrant hereby undertakes that:

(1) For purposes of determining liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of the registration statement in reliance on Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all the requirements for filing a Form S-2 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Auburn, State of Maine, on the 12th day of October, 1999.

NORTHEAST BANCORP

By: /s/ JAMES D. DELAMATER
James D. Delamater
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints John W. Trinward, D.M.D., and James D. Delamater and each or any one of them, his or her true and lawful attorney-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully to all intents and purposes as he or she might or would do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed below by the following persons in the capacities and on the date(s) indicated.

SIGNATURE	TITLE	DATE
/s/ JOHN B. BOUCHARD John B. Bouchard	Director	October 12, 1999
/s/ A. WILLIAM CANNAN A. William Cannan	Director and Executive Vice President	October 12, 1999
/s/ JAMES D. DELAMATER James D. Delamater	Director, President and Chief Executive Officer (Principal Executive Officer)	October 12, 1999
/s/ RONALD J. GOGUEN Ronald J. Goguen	Director	October 12, 1999
/s/ JUDITH W. HAYES Judith W. Hayes	Director	October 12, 1999
/s/ PHILIP C. JACKSON Philip C. Jackson	Director and Vice President	October 12, 1999
/s/ RONALD C. KENDALL Ronald C. Kendall	Director	October 12, 1999

SIGNATURE	TITLE	DATE
/s/ JOHN ROSMARIN John Rosmarin	Director	October 12, 1999
/s/ JOHN SCHIAVI John Schiavi	Director	October 12, 1999
/s/ JOHN W. TRINWARD John W. Trinward	Director and Chairman of the Board	October 12, 1999
/s/ STEPHEN W. WIGHT Stephen W. Wight	Director	October 12, 1999
/s/ DENNIS A. WILSON Dennis A. Wilson	Director	October 12, 1999
/s/ RICHARD E. WYMAN, JR. Richard E. Wyman, Jr.	Chief Financial Officer (Principal Financial and Accounting Officer)	October 12, 1999

Pursuant to the requirements of the Securities Act of 1933, the Trust certifies that it has reasonable grounds to believe that it meets all of the requirements for filing a Form S-2 and has duly caused the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Auburn, State of Maine, on the 12th day of October, 1999.

NBN CAPITAL TRUST

BY: NORTHEAST BANCORP, as Depositor

By: /s/ JAMES D. DELAMATER
James D. Delamater
President and Chief Executive Officer

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
1.1 --	Form of Underwriting Agreement.*
3.1 --	Articles of Incorporation of Northeast Bancorp, as amended November 10, 1998, incorporated by reference to Exhibit 3.1 of Northeast Bancorp's Form 10-KSB for the fiscal quarter ended December 31, 1998 previously filed with the Commission.
3.2 --	Bylaws of Northeast Bancorp, incorporated herein by reference to Exhibit 3.2 to Amendment No. 1 to Northeast Bancorp's Registration Statement on Form S-4 (Registration No. 333-31797) previously filed with the Commission.
4.1 --	Form of Indenture with respect to Northeast Bancorp's % Junior Subordinated Debentures.*
4.2 --	Form of Junior Subordinated Debentures (included in Exhibit 4.1).*
4.3 --	Trust Agreement of NBN Capital Trust (including Certificate of Trust of NBN Capital Trust).*
4.4 --	Form of Amended and Restated Trust Agreement of NBN Capital Trust.*

EXHIBIT NUMBER		DESCRIPTION OF EXHIBIT
4.5	--	Form of % Preferred Securities of NBN Capital Trust (included in Exhibit 4.4).*
4.6	--	Form of Guarantee Agreement.*
5.1	--	Opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., Re: Validity of Securities.*
5.2	--	Opinion of Richards, Layton & Finger, P.A.*
8.1	--	Opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., Re: Tax Opinion.*
10.1	--	1987 Stock Option Plan of Northeast Bancorp (formerly known as Bethel Bancorp), incorporated herein by reference to Exhibit 10.4 to the Bethel Bancorp's Registration Statement on Form S-1 (Registration No. 33-12815) previously filed with the Commission.
10.2	--	1989 Stock Option Plan of Northeast Bancorp (formerly known as Bethel Bancorp), incorporated by reference to Exhibit 10.6 to Bethel Bancorp's Form 10-Q for the quarter ended September 30, 1994 previously filed with the Commission.
10.4	--	1992 Stock Option Plan of Northeast Bancorp (formerly known as Bethel Bancorp), incorporated by reference to Exhibit 10.7 to Bethel Bancorp's Form 10-K for the fiscal year ended June 30, 1992 previously filed with the Commission.
10.5	--	1994 Stock Purchase Plan incorporated by reference to the definitive proxy statement of Northeast Bancorp previously filed with the Commission on September 23, 1994.
11.1	--	Statement regarding computation of per share earnings, incorporated herein by reference to Exhibit 11 to Northeast Bancorp's Form 10-K for the fiscal year ended June 30, 1999, previously filed with the Commission.
12	--	Calculation of Earnings to Fixed Charges.*
21.1	--	Subsidiaries of Northeast Bancorp, incorporated herein by reference to Exhibit 21 to Northeast Bancorp's Form 10-K for the fiscal year ended June 30, 1998 previously filed with the Commission.
23.1	--	Consent of Baker Newman & Noyes Limited Liability Company*
23.2	--	Consent of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A. (included in Exhibit 5.1).*
23.3	--	Consent of Richards, Layton & Finger, P.A. (included in Exhibit 5.2).*
24.1	--	Power of Attorney (contained in Signature section of this Registration Statement).*
25.1	--	Form T-1 Statement of Eligibility and Qualification under the Trust Indenture Act of 1939, as amended, of Bankers Trust Company, as trustee under the Junior Subordinated Indenture, the Amended and Restated Trust Agreement, and the Guarantee Agreement relating to the NBN Capital Trust.*
27.1	--	Financial Data Schedule (for SEC use only), incorporated herein by reference to Exhibit 27 to Northeast Bancorp's Form 10-K for the fiscal year ended June 30, 1998 previously filed with the Commission.

- ---

- -- * Exhibit filed herewith.

EXHIBIT 1.1

$ 10,500,000

NBN CAPITAL TRUST

NORTHEAST BANCORP

_____% Preferred Securities
(Liquidation Amount $10 per Preferred Security)

UNDERWRITING AGREEMENT

_____, 1999

ADVEST, INC.
One Rockefeller Plaza, 20th Floor
New York, New York 10020

Ladies and Gentlemen:

NBN Capital Trust (the "Trust"), a statutory business trust organized under the Business Trust Act (the "Delaware Act") of the State of Delaware (Chapter 38, Title 12, of the Delaware Code, 12 Del. C. Section 3801 et seq.), and Northeast Bancorp, a Maine corporation (the "Company"), as depositor of the Trust and as guarantor, hereby confirm their agreement with you, as the underwriter ("Underwriter"), as follows:

1. INTRODUCTION. Upon the terms and conditions set forth in this Underwriting Agreement (this "Agreement"), the Trust agrees to, and the Company agrees to cause the Trust to, issue and sell to the Underwriter, an aggregate liquidation amount of $10,500,000 (the "Firm Securities") of the Trust's ____% preferred securities (the "Preferred Securities") . The Trust also proposes to, and the Company also proposes to cause the Trust to, issue and sell to the Underwriter, at the Underwriter's option, up to an additional $1,575,000 aggregate liquidation amount of Preferred Securities (the "Option Securities") as set forth herein. The term "Preferred Securities" as used herein, unless indicated otherwise, shall mean the Firm Securities and the Option Securities.

The Preferred Securities and the Common Securities (as defined herein) are to be issued pursuant to the terms of an Amended and Restated Trust Agreement to be dated as of _____, 1999 (the "Trust Agreement"), among the Company, as depositor, and, together with the Trust, the "Offerors," and Bankers Trust Company ("Trust Company"), a New York banking corporation, as property trustee ("Property Trustee") and Bankers Trust (Delaware) ("Trust Delaware"), a Delaware

banking corporation, as Delaware trustee ("Delaware Trustee"), the administrators as named therein and the holders from time to time of undivided beneficial interests in the assets of the Trust. The Preferred Securities will be guaranteed by the Company on a subordinated basis and subject to certain limitations with respect to distributions and payments upon liquidation, redemption or otherwise (the "Guarantee") pursuant to the Guarantee Agreement to be dated as of _____, 1999 (the "Guarantee Agreement"), between the Company and the Trust Company, as Trustee (the "Guarantee Trustee"). The assets of the Trust will consist of ____% junior subordinated deferrable interest debentures of the Company due _____ 2029 (the "Subordinated Debentures"), which will be issued under a Junior Subordinated Indenture to be dated as of _____, 1999 (the "Indenture"), between the Company and the Trust Company, as Trustee (the "Indenture Trustee"). Under certain circumstances, the Subordinated Debentures will be distributable to the holders of undivided beneficial interests in the assets of the Trust. The entire proceeds from the sale of the Preferred Securities will be combined with the entire proceeds from the sale by the Trust to the Company of the Trust's common securities (the "Common Securities"), and will be used by the Trust to purchase an equivalent amount of the Subordinated Debentures.

2. REPRESENTATIONS AND WARRANTIES. Each of the Offerors represents and warrants to, and agrees with, the Underwriter as follows:

(a) The Offerors meet the requirements for the use of Form S-2 under the Securities Act. The Offerors have filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-2 (Nos. 333-____ and 333-____ 01) and a related preliminary prospectus for the registration of the Preferred Securities, the Guarantee and the Subordinated Debentures under the Securities Act of 1933, as amended (the "Securities Act"), and the rules and regulations thereunder (the "Securities Act Regulations"). The Offerors have prepared and filed such amendments thereto, if any, and such amended preliminary prospectuses, if any, as may have been required to the date hereof, and will file such additional amendments thereto and such amended prospectuses as may hereafter be required. The registration statement has been declared effective under the Securities Act by the Commission. The registration statement as amended at the time it became effective (including the prospectus and all information deemed to be a part of the registration statement at the time it became effective pursuant to Rule 430A(b) of the Securities Act Regulations) is hereinafter called the "Registration Statement," except that, if the Company files a post-effective amendment to such registration statement which becomes effective prior to the Closing Date (as defined below), "Registration Statement" shall refer to such registration statement as so amended. Each prospectus included in the registration statement, or amendments thereof, before it became effective under the Securities Act and any prospectus filed with the Commission by the Company with the consent of the Underwriter pursuant to Rule 424(a) of the Securities Act Regulations (including the documents incorporated by reference therein) is hereinafter called the "Preliminary Prospectus." The term "Prospectus" means the final prospectus (including the documents incorporated by reference therein, if any), as first filed with the Commission pursuant to paragraph (1) or (4) of Rule 424(b) of the Securities Act Regulations. The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus.

(b) The Company is duly incorporated and validly existing as a corporation in good standing under the laws of the State of Maine with full power and authority (corporate and other) to own, lease, and operate its properties and conduct its business as described in the Prospectus (as defined in Section 2(a) of this Agreement); the Company is a unitary savings and loan holding company regulated by the Office of Thrift Supervision under the Home Owners Loan Act; the Company has no subsidiaries except those described in the Registration Statement (each a "Subsidiary"); the Company owns, directly or indirectly, beneficially and of record all of the outstanding capital stock of each Subsidiary free and clear of any claim, lien, encumbrance or security interest, except as described in the Prospectus. The Company and each of its Subsidiaries is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which any of them own or lease properties, has an office, or in which the business conducted by any of them make such qualification necessary, except where the failure to so qualify would not have a material adverse effect on the condition (financial or otherwise), business, assets, properties, results of operations, or net worth of the Company and its Subsidiaries taken as a whole ("Material Adverse Effect"); and no proceeding has been instituted in any jurisdiction revoking, limiting or curtailing, or seeking to revoke, limit or curtail, such power and authority or qualification.

(c) The Preferred Securities have been duly and validly authorized for issuance and sale to the Underwriter pursuant to this Agreement and, when executed and authenticated in accordance with the terms of the Trust Agreement and delivered to the Underwriter against payment of the consideration set forth herein, will constitute valid and legally binding obligations of the Trust enforceable in accordance with their terms and entitled to the benefits provided by the Trust Agreement (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, readjustment of debt, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally or general equity principles (whether considered in a proceeding in equity or at law)). The Trust Agreement has been duly authorized and, when duly executed by the Trust and delivered by the Trust, will have been duly executed and delivered by the Trust and, assuming due authorization and execution of the Trust Agreement by each other party thereto, will constitute the valid and legally binding instrument of the Trust, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, readjustment of debt, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally or general equity principles (whether considered in a proceeding in equity or at law)). The Subordinated Debentures have been duly and validly authorized for delivery by the Company and, when duly authenticated in accordance with the terms of the Indenture and delivered to the Trust against payment of the consideration set forth herein, will constitute valid and legally binding obligations of the Company enforceable against the Company in accordance with their terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, readjustment of debt, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally or general equity principles (whether considered in a proceeding in equity or at law)) and entitled to the benefits provided by the Indenture. The Indenture has been duly authorized and, when duly executed by the Company and delivered by the Company, will have been duly executed and delivered by the Company and, assuming due authorization and execution of the Indenture by each

other party thereto, will constitute the valid and legally binding instrument of the Company, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, readjustment of debt, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally or general equity principles (whether considered in a proceeding in equity or at law)). The Guarantee Agreement has been duly authorized and, when duly executed by the Company and delivered by the Company, will have been duly executed and delivered by the Company and, assuming due authorization and execution of the Guarantee by each other party thereto, will constitute the valid and legally binding instrument of the Company, enforceable in accordance with its terms (except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, receivership, readjustment of debt, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally or general equity principles (whether considered in a proceeding in equity or at law)). The Trust Agreement, the Guarantee Agreement, and the Indenture have been duly qualified under the Trust Indenture Act; and the Preferred Securities, the Common Securities, the Trust Agreement, the Guarantee Agreement, the Subordinated Debentures and the Indenture conform in all material respects to the descriptions thereof contained in the Registration Statement and the Prospectus.

(d) Neither the Trust nor the Company or any Subsidiary, is, or with the giving of notice or lapse of time or both will be, in violation or breach of, or in default under, nor will the execution or delivery of, or the performance and consummation of the transactions contemplated by this Agreement (including the offer, sale, or delivery of the Preferred Securities), conflict with, or result in a violation or breach of, or constitute a default under, any provision of the organizational documents of the Trust or the Articles of Incorporation (as amended or restated), Bylaws (as amended or restated) of the Company, or other governing documents of the Trust, the Company or any Subsidiary, or of any provision of any material agreement, contract, mortgage, deed of trust, lease, loan agreement, indenture, note, bond, or other evidence of indebtedness, or other material agreement or instrument to which the Trust, the Company or any Subsidiary is a party or by which any of them is bound or to which any of their properties is subject, nor will the performance by the Offerors of their obligations hereunder violate any rule, regulation, order, or decree, applicable to the Trust, the Company or any Subsidiary of any court or any regulatory body, administrative agency, or other governmental body having jurisdiction over the Trust, the Company or any Subsidiary or any of their respective properties, or any order of any court or governmental agency or authority entered in any proceeding to which the Trust, the Company or any Subsidiary was or is now a party or by which it is bound, except, with respect to any of the foregoing, as described in the Prospectus or which are not reasonably likely to have a Material Adverse Effect. No consent, approval, filing, authorization, registration, qualification, or order, including with or by any bank regulatory agency, is required for the execution, delivery, and performance of this Agreement or the consummation of the transactions contemplated by this Agreement, other than such that have been obtained or made, except as described in the Prospectus and except for compliance with the Securities Act, the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the Blue Sky Laws applicable to the public offering of the Preferred Securities by the Underwriter, the clearance of such offering and the underwriting arrangements evidenced hereby with the National Association of Securities Dealers, Inc. ("NASD"), and the listing of the Preferred Securities on the American Stock

Exchange ("AMEX"). This Agreement has been duly authorized, executed and delivered by the Company and the Trust and constitutes a valid and binding obligation of the Company and the Trust and is enforceable against the Company and the Trust in accordance with its terms (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, readjustment of debt, moratorium, fraudulent conveyance or similar laws relating to or affecting creditors' rights generally or general equity principles (whether considered in a proceeding in equity or at law) and except as the enforceability of rights to indemnity and contribution under this Agreement may be limited by applicable securities laws or public policy underlying such laws).

(e) The Commission has not issued any order preventing or suspending the use of any Preliminary Prospectus, and each Preliminary Prospectus complies in all material respects with the requirements of the Securities Act and the Securities Act Regulations. As of the effective date of the Registration Statement, and at all times subsequent thereto up to the Closing Date or any Option Closing Date (as defined below), the Registration Statement and the Prospectus, and any amendments or supplements thereto, contained or will contain all material statements that are required to be stated therein in accordance with the Securities Act and the Securities Act Regulations and conformed or will conform in all material respects to the requirements of the Securities Act and the Securities Act Regulations, and neither the Registration Statement nor the Prospectus, nor any amendment or supplement thereto included or will include any untrue statement of a material fact or omitted or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that no representation or warranty is made as to information contained in or omitted from the Registration Statement, the Prospectus or any amendment or supplement in reliance upon and in conformity with written information furnished to the Company and the Trust by or on behalf of the Underwriter.

(f) Baker, Newman & Noyes, Limited Liability Company, which has audited, reviewed, and expressed its opinion with respect to certain of the financial statements and schedules filed with the Commission as a part of the Registration Statement and included or to be included, as the case may be, in the Prospectus and in the Registration Statement, and whose report is included in the Prospectus and the Registration Statement, are independent accountants as required by the Securities Act and the Securities Act Regulations.

(g) The financial statements and schedules and the related notes thereto included or to be included, as the case may be, in the Registration Statement, the Preliminary Prospectus, and the Prospectus present fairly the financial position of the entities purported to be shown thereby as of the respective dates of such financial statements and schedules, and the results of operations and changes in equity and in cash flows of the entities purported to be shown thereby for the respective periods covered thereby, all in conformity with generally accepted accounting principles consistently applied throughout the periods involved, except as may be disclosed in the Prospectus. All adjustments necessary for a fair presentation of the results of such periods have been made. The Company had an outstanding capitalization as set forth under "Capitalization" in the Prospectus as of the date indicated therein and there has been no material change therein since such date except as disclosed in the Prospectus. The financial, operating, and statistical information set forth in the

Prospectus under captions "Prospectus Summary," "Selected Consolidated Financial Information," "Use of Proceeds," and "Capitalization" are fairly presented and prepared on a basis consistent with the audited financial statements of the Company.

(h) There is no litigation or, to the knowledge of the Trust or the Company, any governmental proceeding, action, or investigation pending or threatened, to which the Trust, the Company or any Subsidiary is or may be a party or to which property owned or leased by the Company or any Subsidiary is or may be subject, or related to environmental or discrimination matters, which is required to be disclosed in the Registration Statement or the Prospectus by the Securities Act or the Securities Act Regulations and is not so disclosed, or which questions the validity of this Agreement or any action taken or to be taken pursuant hereto.

(i) Either the Company or a Subsidiary, as the case may be, has good and marketable title in fee simple to all items of real property and good and marketable title to all the personal properties and assets reflected as owned by the Company or a Subsidiary in the Prospectus (or elsewhere in the Registration Statement), in each case clear of all liens, mortgages, pledges, charges, or encumbrances of any kind or nature except those, if any, reflected in the financial statements described above (or elsewhere in the Registration Statement) or which are not material to the Company and its Subsidiaries taken as a whole; all properties held or used by the Company or a Subsidiary under leases, licenses, franchises or other agreements are held by them under valid, existing, binding, and enforceable leases, franchises, licenses, or other agreements with respect to which it is not in default, except where the failure to do so, or such default, is not reasonably likely to have a Material Adverse Effect.

(j) Neither the Trust nor the Company or any Subsidiary has taken or will take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, stabilization or manipulation, under the Exchange Act or otherwise, of the price of the Preferred Securities.

(k) Except as reflected in or contemplated by the Registration Statement, since the respective dates as of which information is given in the Registration Statement and prior to the Closing Date and Option Closing Date (as such terms are hereinafter defined):

(i) neither the Company nor any Subsidiary has or will have incurred any material liabilities or obligations, direct or contingent, or entered into any material transaction not in the ordinary course of business without the prior consent of the Underwriter;

(ii) neither the Company nor any Subsidiary has or will have paid or declared any dividend or other distribution with respect to its capital stock (other than the payment of regular quarterly dividends by the Company to its stockholders consistent with past practices) and neither the Company nor any Subsidiary has or will be delinquent in the payment of principal or interest on any material outstanding debt obligations; and

(iii) there has not been and will not be any material change in the capital stock or any material change in the indebtedness of the Company or any Subsidiary (except as may result from the closing of the transactions contemplated by this Agreement or as described in the Prospectus), or any adverse change in the condition (financial or otherwise), or any development involving a prospective adverse change in their respective businesses (resulting from litigation or otherwise), properties, condition (financial or otherwise), net worth, or results of operations which is reasonably likely to have a Material Adverse Effect.

(l) There is no contract or other document, transaction, or relationship required to be described in the Registration Statement, or to be filed as an exhibit to the Registration Statement, by the Securities Act or by the Securities Act Regulations that has not been described or filed as required.

(m) All documents delivered or to be delivered by the Offerors or any of their representatives in connection with the issuance and sale of the Preferred Securities were on the dates on which they were delivered, or will be on the dates on which they are to be delivered, true, complete, and correct in all material respects.

(n) The Company and each Subsidiary have filed all necessary federal and all state and foreign income and franchise tax returns and paid all taxes shown as due thereon; and no tax deficiency has been asserted or threatened against the Company or any Subsidiary that would have a Material Adverse Effect, except as described in the Prospectus.

(o) Neither the Trust nor the Company or any Subsidiary has, directly or indirectly, at any time:

(i) made any unlawful contribution to any candidate for political office, or failed to disclose any contribution in violation of law; or

(ii) made any payment to any federal, state, local, or foreign government officer or official, or other person charged with similar public or quasi-public duties, other than payments required or permitted by the laws of the United States or any jurisdiction thereof or applicable foreign jurisdictions.

(p) The Company or a Subsidiary owns or possesses adequate rights to use all material patents, patent applications, trademarks, service marks, trade names, trademark registrations, servicemark registrations, copyrights, and licenses necessary for the conduct of the business of the Company and the Subsidiaries or ownership of their respective properties, and neither the Company nor any Subsidiary has received notice of conflict with the asserted rights of others in respect thereof which has not been resolved.

(q) The Company and each Subsidiary have in place and effective such policies of insurance, with limits of liability in such amounts, as are normal and prudent in the ordinary scope

of business similar to that of the Company and such Subsidiary in the respective jurisdiction in which they conduct business.

(r) The Company and each Subsidiary have and hold, and at the Closing Date or Option Closing Date will have and hold, and are operating in substantial compliance with, and have fulfilled and performed all of their material obligations with respect to, all permits, certificates, franchises, grants, easements, consents, licenses, approvals, charters, registrations, authorizations, and orders (collectively, "Permits") required under all laws, rules, and regulations in connection with their respective businesses, and all of such Permits are in full force and effect except any such Permits the absence of which is not likely to have a Material Adverse Effect; and there is no pending proceeding, and neither the Company nor any Subsidiary has received notice of any threatened proceeding, relating to the revocation or modification of any such Permits. Neither the Company nor any Subsidiary is (by virtue of any action, omission to act, contract to which it is a party or by which it is bound, or any occurrence or state of facts whatsoever) in violation of any applicable federal, state, municipal, or local statutes, laws, ordinances, rules, regulations and/or orders issued pursuant to foreign, federal, state, municipal, or local statutes, laws, ordinances, rules, or regulations (including those relating to any aspect of banking, bank holding companies, environmental protection, occupational safety and health, and equal employment practices) heretofore or currently in effect, except such violation that has been fully cured or satisfied without recourse or that is not reasonably likely to have a Material Adverse Effect.

(s) The provisions of any employee pension benefit plan ("Pension Plan") as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), in which the Company or any Subsidiary is a participating employer are in substantial compliance with ERISA, and neither the Company nor any Subsidiary is in violation of ERISA. The Company, each Subsidiary, or the plan sponsor thereof, as the case may be, has duly and timely filed the reports required to be filed by ERISA in connection with the maintenance of any Pension Plans in which the Company or any Subsidiary is a participating employer, and no facts, including any "reportable event" as defined by ERISA and the regulations thereunder, exist in connection with any Pension Plan in which the Company or any Subsidiary is a participating employer which might constitute grounds for the termination of such plan by the Pension Benefit Guaranty Corporation or for the appointment by the appropriate U.S. District Court of a trustee to administer any such plan. The provisions of any employee benefit welfare plan, as defined in Section 3(1) of ERISA, in which the Company or any Subsidiary is a participating employer, are in substantial compliance with ERISA, and the Company, any Subsidiary, or the plan sponsor thereof, as the case may be, has duly and timely filed the reports required to be filed by ERISA in connection with the maintenance of any such plans.

(t) Neither the Company nor the Trust is an open-end investment company, unit investment trust or face-amount certificate company that is, or is required to be, registered under Section 8 of the Investment Company Act of 1940, as amended, or subject to regulation under such Act.

(u) Northeast Bank, F.S.B. holds deposits that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the legal limits.

(v) Neither this Agreement nor any certificate delivered or to be delivered by the Offerors or any Subsidiary, to the extent appropriate contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

Any certificate signed by any director or officer of the Company or the Trust, as the case may be, and delivered to the Underwriter or to counsel for the Underwriter shall be deemed a representation and warranty of the Company or the Trust, as the case may be, to the Underwriter as to the matters covered thereby as of the date thereof.

Any certificate delivered by the Company or the Trust, as the case may be, to their respective counsel for purposes of enabling such counsel to render an opinion pursuant to Section 8 will also be furnished to the Underwriter and counsel for the Underwriter and shall be deemed to be additional representations and warranties to the Underwriter by the Company and the Trust as to the matters covered thereby as of the date thereof.

3. PURCHASE, SALE AND DELIVERY TO UNDERWRITER; CLOSING. On the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Trust and the Company, as the case may be, agree that the Trust will issue and sell to the Underwriter, and the Underwriter agrees to purchase from the Trust the Firm Securities at a purchase price of $10.00 per Firm Security.

Payment of the purchase price for, and delivery of, the Firm Securities shall be made at the offices of Tyler Cooper & Alcorn, LLP, City Place, Hartford, Connecticut, or at such other place as shall be agreed upon by the Underwriter, the Trust and the Company, at 9:00 A.M. local time on the fourth business day following the date of this Agreement, or such other time not later than ten (10) business days after such date as shall be agreed upon by the Underwriter, the Trust and the Company (such time and date of payment and delivery being herein called the "Closing Date").

As compensation (the "Underwriting Commission") for the commitments of the Underwriter contained in this Section 3, the Company hereby agrees to pay to the Underwriter an amount equal to ____% of the public offering price of the Preferred Securities. Such payment will be made on the Closing Date with respect to the Firm Securities and on the Option Closing Date (as defined below) with respect to the Option Securities.

Payment for the Firm Securities shall be made to the Trust by wire transfer of immediately available funds, against delivery to the Underwriter of the Firm Securities to be purchased by it. The Firm Securities shall be issued in the form of one or more fully registered global securities (the "Global Securities") in book-entry form in such denominations and registered in the name of the nominee of The Depository Trust Company (the "DTC") or in such names as the Underwriter may

request in writing at least two (2) business days before the Closing Date. The Global Securities representing the Firm Securities shall be made available for examination by the Underwriter and counsel to the Underwriter not later than 9:30 A.M. Eastern Time on the last business day prior to the Closing Date.

In addition, on the basis of the representations, warranties, and agreements contained herein, but subject to the terms and conditions set forth herein, the Trust hereby grants to the Underwriter an option to purchase from the Trust the Option Securities at the same purchase price per Preferred Security to be paid for the Firm Securities, for use solely in covering any over-allotments made by the Underwriter in the sale and distribution of the Firm Securities. The option granted hereunder may be exercised at any time (but not more than once) within thirty (30) days after the date of this Agreement, upon notice by the Underwriter to the Trust which sets forth the aggregate liquidation amount of Option Securities as to which the Underwriter is exercising the option, and the time and place at which the certificate representing the Option Securities will be delivered. Such time of delivery may not be earlier than the Closing Date and herein is called the "Option Closing Date." The Option Closing Date shall be determined by the Underwriter, but if at any time other than the Closing Date, shall not be earlier than three (3) nor later than five (5) full business days after delivery of such notice to exercise. Certificates for the Option Securities will be made available for inspection at least 24 hours prior to the Option Closing Date at the offices of the DTC, or its designated custodian, or at such other location as specified by the Underwriter. The manner of payment for a delivery of the Option Securities shall be the same as for the Firm Securities as specified in this Section 3.

4. REPRESENTATIONS AND WARRANTIES OF THE UNDERWRITER. The Underwriter represents and warrants to the Company that the information set forth in the third and ninth paragraphs of the section in the Prospectus entitled "Underwriting" was the only written information furnished to the Company by and on behalf of the Underwriter expressly for use in connection with the preparation of the Registration Statement, and is correct and complete in all material respects and does not include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

5. OFFERING BY THE UNDERWRITER. The Trust and the Company are advised by the Underwriter that the Underwriter proposes to make a public offering of the Preferred Securities, on the terms and conditions set forth in the Registration Statement from time to time as and when the Underwriter deems advisable after the Registration Statement becomes effective. Because the NASD is expected to view the Preferred Securities as interests in a direct participation program, the offering of the Preferred Securities is being made in compliance with the applicable provisions of Rule 2810 of the NASD's Conduct Rules.

6. AGREEMENTS OF THE OFFERORS. Each of the Offerors covenants and agrees with the Underwriter that:

(a) If any information shall have been omitted from the Registration Statement in reliance upon Rule 430A, the Company, at the earliest possible time, will furnish the Underwriter with a copy of the Prospectus to be filed by the Offerors with the Commission to comply with Rule 424(b) and Rule 430A under the Securities Act, and will file such Prospectus with the Commission in compliance with such Rules. Upon compliance with such Rules, the Company will so advise the Underwriter promptly. The Company will advise the Underwriter and counsel to the Underwriter promptly of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of the institution of any proceedings for that purpose, or of any notification received by the Company of the suspension of qualification of the Preferred Securities for sale in any jurisdiction or the initiation or threatening of any proceedings for that purpose, or of any notification received by the Company of the suspension of qualification of the Preferred Securities for sale in any jurisdiction or the initiation or threatening of any proceedings for that purpose. The Company also will advise the Underwriter and counsel to the Underwriter promptly of any request of the Commission for amendment or supplement of the Registration Statement, of any Preliminary Prospectus, or of the Prospectus, or for additional information, and the Offerors will not file any amendment or supplement to the Registration Statement (either before or after it becomes effective), to any Preliminary Prospectus, or to the Prospectus (including a prospectus filed pursuant to Rule 424(b)) if the Underwriter has not been furnished with a copy prior to such filing or if the Underwriter reasonably objects to such filing.

(b) For the period during which a Prospectus relating to the Preferred Securities is required to be delivered under the Securities Act, the Offerors shall comply with all requirements imposed on them by the Securities Act, as now and hereafter amended, and by the Securities Act Regulations, as from time to time in force, so far as is necessary to permit the continuance of sales or dealings in the Preferred Securities as contemplated by the provisions hereof and the Prospectus. If any event occurs as a result of which the Prospectus, including any subsequent amendment or supplement, would include an untrue statement of a material fact, or would omit to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, or if it becomes necessary at any time to amend the Prospectus, including any amendment or supplement thereto, to comply with the Securities Act, the Company promptly will advise the Underwriter and counsel to the Underwriter thereof and the Offerors will promptly prepare and file with the Commission an amendment or supplement that will correct such statement or omission or an amendment that will effect such compliance; and, if the Underwriter is required to deliver a prospectus nine (9) months or more after the effective date of the Registration Statement, the Company, upon request of the Underwriter but at the expense of the Underwriter, will prepare promptly such prospectus or prospectuses as may be necessary to permit compliance with the requirements of Section 10(a) (3) of the Securities Act.

(c) The Offerors will not, prior to the Option Closing Date or thirty (30) days after the date of this Agreement, whichever occurs first, without the prior consent of the Underwriter, incur any material liability or obligation, direct or contingent, or enter into any material transaction, other than in the ordinary course of business, or any transaction with a related party which is required

to be disclosed in the Prospectus pursuant to Item 404 of Regulation S-K under the Securities Act, except as disclosed in or as contemplated by the Prospectus.

(d) The Company will make generally available to its security holders and the Underwriter an earnings statement of the Company as soon as practicable, but in no event later than fifteen (15) months after the end of the Company's current fiscal quarter, covering a period of twelve (12) consecutive calendar months beginning after the effective date of the Registration Statement, but beginning not later than four (4) months after such effective date, which will satisfy the provisions of the last subsection of Section 11(a) of the Securities Act and Rule 158 promulgated thereunder.

(e) During such period as a prospectus is required by law to be delivered in connection with sales by an underwriter or dealer, the Company will furnish to the Underwriter, at the expense of the Company, copies of the Registration Statement, the Prospectus, any Preliminary Prospectus, and all amendments and supplements to any such documents, in each case as soon as available and in such quantities as the Underwriter may reasonably request, for the purposes contemplated by the Securities Act.

(f) The Offerors will use their reasonable best efforts to take or cause to be taken in cooperation with the Underwriter and counsel to the Underwriter all actions required in qualifying or registering the Preferred Securities for sale under the Blue Sky Laws of such jurisdictions as the Underwriter may reasonably designate, provided the Offerors shall not be required to qualify generally as foreign corporations or as a dealer in securities or to consent generally to the service of process under the law of any such state (except with respect to the offering and sale of the Preferred Securities), and will continue such qualifications or registrations in effect so long as reasonably requested by the Underwriter to effect the distribution of the Preferred Securities (including, without limitation, compliance with all undertakings given pursuant to such qualifications or registrations). In each jurisdiction where any of the Preferred Securities shall have been qualified as provided above, the Offerors will file such reports and statements as may be required to continue such qualification for a period of not less than one (1) year from the date of this Agreement.

(g) The Company will furnish to holders of Preferred Securities annual reports containing financial statements audited by independent public accountants. During the period ending three (3) years after the date of this Agreement, (i) as soon as practicable after the end of the fiscal year, the Company will furnish to the Underwriter a copy of the annual report of the Company containing the audited consolidated balance sheet of the Company as of the close of such fiscal year and corresponding audited consolidated statements of earnings, stockholders' equity and cash flows for the year then ended, and (ii) the Company will file promptly and will furnish to the Underwriter at or before the filing thereof copies of all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13, 14, or 15 of the Exchange Act. During such three-year period the Company also will furnish to the Underwriter one copy of the following:

(i) as soon as practicable after the filing thereof, each other report, written statement, or other document filed by the Company with the Commission;

(ii) as soon as practicable after the filing thereof, all reports, statements, other documents and financial statements furnished by the Company to AMEX pursuant to requirements of or agreements with AMEX; and

(iii) as soon as available, each report, written statement, or other document of the Company mailed to its stockholders as a group and in such capacity as stockholders.

(h) The Offerors will use their reasonable best efforts to satisfy or cause to be satisfied the conditions to the obligations of the Underwriter in Section 8 hereof.

(i) The Offerors shall deliver the requisite notice of issuance to the AMEX and shall take all reasonable necessary or appropriate action within their power to maintain the authorization for trading of the Preferred Securities on the AMEX for a period of at least thirty-six (36) months after the date of this Agreement.

(j) The Trust shall comply in all respects with the undertakings given by the Trust in connection with the qualification or registration of the Preferred Securities for offering and sale under the Blue Sky Laws.

(k) The Trust shall apply the proceeds from its sale of the Preferred Securities, combined with the entire proceeds from the sale by the Trust to the Company of the Trust's Common Securities, to purchase an equivalent amount of Subordinated Debentures. All the proceeds to be received by the Company from the sale of the Subordinated Debentures will be used in the manner and for the purposes specified under the heading "Use of Proceeds" in the Prospectus. The Offerors shall file, and will furnish or cause to be furnished to the Underwriter and counsel to the Underwriter copies of all reports as may be required in accordance with Rule 463 under the Securities Act.

(l) Except for the sale of Preferred Securities pursuant to this Agreement, neither the Company nor any Subsidiary shall, directly or indirectly, offer, sell, contract to sell, issue, distribute, grant any option, right, or warrant to purchase or otherwise dispose of any shares of the Preferred Securities or substantially similar securities of the Trust, in the open market or otherwise, for a period of one hundred eighty (180) days after the later of the effective date of the Registration Statement or the date of this Agreement, without the express prior written consent of the Underwriter.

7. PAYMENT OF EXPENSES AND FEES.

(a) Whether or not the transactions contemplated hereunder are consummated, or if this Agreement is terminated for any reason, the Company will pay or cause to be paid the costs, fees, and expenses incurred in connection with the offering of the Preferred Securities as follows:

(i) All costs, fees, and expenses incurred in connection with the performance of the obligations of the Company and the Trust hereunder, including all fees and expenses of the Company's and the Trust's accountants and counsel, all costs and expenses incurred in connection with the preparation, printing, filing, and distribution (including delivery and shipping costs) of the Registration Statement, each Preliminary Prospectus, and the Prospectus (including all amendments and exhibits thereto and the financial statements therein), and agreements and supplements provided for herein, this Agreement and other underwriting documents, including various Underwriter's letters, and the Preliminary and Supplemental Blue Sky Memoranda;

(ii) All filing and registration fees and expenses, including the legal fees and disbursements of counsel, incurred in connection with qualifying or registering all or any part of the Preferred Securities, the Guarantee and the Subordinated Debentures for offer and sale under the Blue Sky Laws;

(iii) All fees and expenses of the Offerors' registrar and transfer agent; all transfer taxes, if any, and all other fees and expenses incurred in connection with the sale and delivery of the Preferred Securities to the Underwriter;

(iv) The filing fees of the NASD and applicable fees charged by AMEX for inclusion of the Preferred Securities for quotation on the AMEX; and

(v) All other costs and expenses incident to the performance of the obligations of the Company and the Trust hereunder which are not otherwise provided for in this Section 7 (a).

8. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITER. The obligations of the Underwriter under this Agreement shall be subject to the accuracy of the representations and warranties on the part of the Company and the Trust set forth herein as of the Closing Date, and if applicable, as of the Option Closing Date, as the case may be, to the accuracy of the statements of the Offerors' directors and officers, to the performance by the Company and the Trust of their obligations hereunder, and to the following additional conditions, except to the extent expressly waived in writing by the Underwriter:

(a) The Registration Statement and all post-effective amendments thereto shall have been declared effective by the Commission no later than 5:30 p.m. Eastern Time, on the date of this Agreement, or such later time as shall have been consented to by the Underwriter, but in any event not later than 5:30 p.m., Eastern Time, on the third full business day following the date hereof; if the Offerors omitted information from the Registration Statement at the time it became effective in reliance on Rule 430A under the Securities Act, the Prospectus shall have been filed with the

Commission in compliance with Rule 424(b) and Rule 430A under the Securities Act; no stop order suspending the effectiveness of the Registration Statement or any amendment or supplement thereto shall have been issued; to the knowledge of the Offerors or the Underwriter, no proceeding for the issuance of such an order shall have been initiated or shall be pending or threatened or contemplated by the Commission; and any request of the Commission for additional information (to be included in the Registration Statement or the Prospectus or otherwise) shall have been disclosed to the Underwriter and complied with to the Underwriter's satisfaction.

(b) The Preferred Securities, the Guarantee and the Subordinated Debentures shall have been qualified or registered for sale, or subject to an available exemption from such qualification or registration, under the Blue Sky Laws of such jurisdictions as shall have been reasonably specified by the Underwriter and the offering contemplated by this Agreement shall have been cleared by the NASD.

(c) Since the dates as of which information is given in the Registration Statement:

(i) There shall not have been any adverse change, or any development involving a prospective adverse change, in the ability of the Company or any Subsidiary to conduct their respective businesses (whether by reason of any court, legislative, or other governmental action, order, decree, or otherwise), or in the general affairs, condition (financial and otherwise), business, properties, management, financial position or earnings, results of operations, or net worth of the Company or any Subsidiary, whether or not arising from transactions in the ordinary course of business, except for those changes or developments which are not reasonably likely to have a Material Adverse Effect; and

(ii) Neither the Company nor any Subsidiary shall have sustained any loss or interference from any labor dispute, strike, fire, flood, windstorm, accident, or other calamity (whether or not insured) or from any court or governmental action, order, or decree that is reasonably likely to have a Material Adverse Effect;

which, in any such case described under Section 8 (c) (i) or (ii) above, is in the reasonable opinion of the Underwriter so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Preferred Securities on the terms and in the manner contemplated in the Registration Statement and the Prospectus.

(d) There shall have been furnished to the Underwriter on the Closing Date and the Option Closing Date, except as otherwise expressly provided below:

(i) An opinion of Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A., counsel to the Company, dated as of the Closing Date and any Option Closing Date, in form and substance substantially in the form attached hereto as Exhibit A;

(ii) An opinion, dated the Closing Date and the Option Closing Date, of White & Case, counsel to the Trust Company and Trust Delaware, substantially in the form attached hereto as Exhibit B;

(iii) An opinion, dated the Closing Date and the Option Closing Date, of Richards, Layton & Finger, P.A. , special Delaware counsel to the Company and the Trust, substantially to the effect and in the form attached hereto as Exhibit C;

(iv) An opinion, dated the Closing Date and the Option Closing Date, of Richards, Layton & Finger, P.A. substantially to the effect and in the form attached hereto as Exhibit D; and

(v) An opinion, dated the Closing Date and the Option Closing Date, of Tyler Cooper & Alcorn, LLP, counsel to the Underwriter, as to such matters as the Underwriter shall reasonably request.

In rendering such opinions, the counsel involved may either (a) rely upon an opinion or opinions, dated as of the Closing Date or the Option Closing Date, as appropriate, of other counsel retained by them or their client as to the laws of any jurisdiction in which counsel is not licensed to practice, provided a copy of each such opinion is delivered to the Underwriter and counsel shall state in their opinion that both they and the Underwriter are justified in relying thereon; or (b) assume that the laws of the jurisdiction in question are identical in all respects material to the opinion being rendered by such counsel, provided that such assumption is expressly disclosed in the opinion. Insofar as such opinions involve factual matters, such counsel may rely, to the extent such counsel deems proper, upon certificates of officers of the Company, its Subsidiaries and the Trust and certificates of public officials.

(e) At the time this Agreement is executed and also on the Closing Date and the Option Closing Date, as the case may be, there shall be delivered to the Underwriter a letter from Baker, Newman & Noyes, Limited Liability Company, the Company's independent accountants, the first letter to be dated the date of this Agreement, the second letter to be dated the Closing Date, and the third letter to be dated the Option Closing Date, if any, which shall be in form and substance reasonably satisfactory to the Underwriter and shall contain information as of a date within five days of the date of such letter. There shall not have been any change set forth in any letter referred to in this Section 8(e) that makes it impracticable or inadvisable in the judgment of the Underwriter to proceed with the public offering or purchase of the Preferred Securities as contemplated hereby.

(f) On the Closing Date and on the Option Closing Date, a certificate signed by the Chairman of the Board, the President, a Vice Chairman of the Board or any Executive or Senior Vice President and the principal financial or accounting officer of the Company, dated the Closing Date or the Option Closing Date, as the case may be, to the effect that the signers of such certificate have carefully examined the Registration Statement and this Agreement and that:

(i) The representations and warranties of the Offerors in this Agreement are true and correct in all material respects on and as of the Closing Date or the Option Closing Date, as the case may be, with the same effect as if made on the Closing Date or the Option Closing Date, as the case may be, and the Offerors have complied in all material respects with all the agreements and satisfied in all material respects all the conditions on their part to be performed or satisfied at or prior to the Closing Date or the Option Closing Date, as the case may be;

(ii) The Commission has not issued an order preventing or suspending the use of the Prospectus or any Preliminary Prospectus or any amendment thereto; no stop order suspending the effectiveness of the Registration Statement has been issued; and, to the knowledge of the respective signatories, no proceeding for that purpose has been instituted or is pending or contemplated under the Securities Act;

(iii) Each of the respective signatories of the certificate has carefully examined the Registration Statement, the Prospectus, and any amendments or supplements thereto, and such documents contain all material statements and information required to be made therein, and neither the Registration Statement nor any amendment or supplement thereto includes any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading and, since the date on which the Registration Statement was initially filed, no event has occurred that was required to be set forth in an amended or supplemented prospectus or in an amendment to the Registration Statement that has not been so set forth; provided, however, that no representation need be made as to information contained in or omitted from the Registration Statement or any amendment or supplement in reliance upon and in conformity with written information furnished to the Company and the Trust by or on behalf of the Underwriter; and

(iv) Since the date on which the Registration Statement was initially filed with the Commission, there has not been any material adverse change or a development involving a prospective material adverse change in the business, properties, financial condition, or earnings of the Company and its Subsidiaries taken as a whole, whether or not arising from transactions in the ordinary course of business, except as disclosed in the Registration Statement as heretofore amended or (but only if the Underwriter expressly consents thereto in writing) as disclosed in an amendment or supplement thereto filed with the Commission and delivered to the Underwriter after the execution of this Agreement; since such date and except as so disclosed or in the ordinary course of business, neither the Company nor any Subsidiary has incurred any liability or obligation, direct or indirect, or entered into any transaction that is material to the Company or such Subsidiary, as the case may be, not contemplated in the Prospectus; since such date and except as so disclosed there has not been any material change in the outstanding capital stock of the Company, or any change that is material to the Company and its Subsidiaries taken as a whole in the short-term debt or long-term debt of the Company or any Subsidiary; since such date and except as so disclosed, neither the Company nor any of its Subsidiaries have incurred any material contingent obligations, and no material litigation is pending or, to their knowledge, threatened against the Company or any Subsidiary; and, since such date and except as so disclosed, neither the Company nor any of its

Subsidiaries have sustained any material loss or interference from any strike, fire, flood, windstorm, accident or other calamity (whether or not insured) or from any court or governmental action, order, or decree.

(g) Prior to the Closing Date and any Option Closing Date, the Company shall have furnished to the Underwriter such further information, certificates and documents as the Underwriter may reasonably request in connection with the offering of the Preferred Securities.

If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled, this Agreement may be terminated by the Underwriter by notice from the Underwriter to the Company at any time without liability on the part of the Underwriter or the Company, except for expenses to be paid by the Company pursuant to Section 7 of this Agreement or reimbursed by the Company pursuant to Section 9 of this Agreement and except to the extent provided in Section 11 of this Agreement.

9. REIMBURSEMENT OF UNDERWRITER'S EXPENSES. If the sale of the Preferred Securities to the Underwriter on the Closing Date is not consummated because the offering is terminated or indefinitely suspended by the Company or by the Underwriter for any reason permitted by this Agreement, other than the Underwriter's inability to legally act as Underwriter, the Company will reimburse the Underwriter for the Underwriter's reasonable out-of-pocket expenses, including fees and disbursements of its counsel, that shall have been incurred by the Underwriter in connection with the proposed purchase and sale of the Preferred Securities. Any such termination or suspension shall be without liability of any party to the other except that the provisions of this Section 9, and Sections 7 and 11 of this Agreement shall remain effective and shall apply.

10. MAINTAIN EFFECTIVENESS OF REGISTRATION STATEMENT. The Underwriter and the Company will use their respective best efforts to prevent the issuance of any stop order or other such order suspending the effectiveness of the Registration Statement and, if such stop order is issued, to obtain the lifting thereof as soon as possible.

11. INDEMNIFICATION AND CONTRIBUTION.

(a) The Offerors agree to indemnify and hold harmless the Underwriter and each person, if any, who controls the Underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages, expenses, liabilities, or actions in respect thereof ("Claims"), joint or several, to which the Underwriter or each such controlling person may become subject under the Securities Act, the Exchange Act, the Securities Act Regulations, Blue Sky Laws or other federal or state statutory laws or regulations, at common law or otherwise (including payments made in settlement of any litigation, if such settlement is effected with the written consent of the Company, which consent shall not be unreasonably withheld), insofar as such Claims arise out of or are based upon the inaccuracy or breach of any representation, warranty, or covenant of the Company or the Trust contained in this Agreement, any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the

Prospectus, or any amendment or supplement thereto, or in any application filed under any Blue Sky Law or other document executed by the Offerors for that purpose or based upon written information furnished by the Offerors and filed in any state or other jurisdiction to qualify or register any or all of the Preferred Securities under the securities laws thereof (any such document, application, or information being hereinafter called a "Blue Sky Application"), or arise out of or are based upon the omission or alleged omission to state in any of the foregoing a material fact required to be stated therein or necessary to make the statements therein not misleading. The Company agrees to reimburse the Underwriter and each such controlling person promptly for any legal fees or other expenses incurred by the Underwriter or any such controlling person in connection with investigating or defending any such Claim or appearing as a third-party witness in connection with any such Claim; provided, however, that the Company will not be liable in any such case to the extent that:

(i) Any such Claim arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in the Registration Statement, the Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto or in any Blue Sky Application in reliance upon and in conformity with the written information furnished by or on behalf of the Underwriter to the Offerors expressly for use therein pursuant to Section 4 of this Agreement; or

(ii) Such statement or omission was contained or made in any Preliminary Prospectus and corrected in the Prospectus and (1) any such Claim suffered or incurred by the Underwriter (or any person who controls the Underwriter) resulted from an action, claim, or suit by any person who purchased Preferred Securities that are the subject thereof from the Underwriter in the offering of the Preferred Securities, and (2) the Underwriter failed to deliver a copy of the Prospectus (as then amended if the Offerors shall have amended the Prospectus) to such person at or prior to the confirmation of the sale of such Preferred Securities in any case where such delivery is required by the Securities Act, unless such failure was due to failure by the Company and the Trust to provide copies of the Prospectus (as so amended) to the Underwriter as required by this Agreement.

(b) The Underwriter agrees to indemnify and hold harmless each of the Offerors, each of their directors, each of their officers who sign the Registration Statement, and each person who controls the Company or the Trust within the meaning of the Securities Act, against any Claim to which the Offerors, or any such director, officer, or controlling person may become subject under the Securities Act, the Exchange Act, the Securities Act Regulations, Blue Sky Laws, or other federal or state statutory laws or regulations, at common law or otherwise (including in settlement of any litigation, if such settlement is effected with the written consent of the Underwriter, which consent shall not be unreasonably withheld), insofar as such Claim arises out of or is based upon any untrue or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, or in any Blue Sky Application, or arises out of or is based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue

statement or omission or alleged omission was made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or any amendment or supplement thereto, or in any Blue Sky Application, in reliance upon and in conformity with the written information furnished by or on behalf of the Underwriter to the Offerors pursuant to Section 4 of this Agreement. The Underwriter will severally reimburse any legal fees or other expenses reasonably incurred by the Offerors, or any such director, officer, or controlling person in connection with investigating or defending any such Claim, and from any and all Claims resulting from failure of the Underwriter to deliver a copy of the Prospectus, if the person asserting such Claim purchased Preferred Securities from the Underwriter and a copy of the Prospectus (as then amended if the Offerors shall have amended the Prospectus) was not sent or given by or on behalf of the Underwriter to such person, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Preferred Securities to such person, and if the Prospectus (as so amended) would have cured the defect giving rise to such Claim (unless such failure was due to a failure by the Company and the Trust to provide sufficient copies of the Prospectuses (as so amended) to the Underwriter).

(c) Promptly after receipt by an indemnified party under Sections 11 (a) or (b) of this Agreement of notice of the commencement of any action in respect of a Claim, such indemnified party will, if a Claim in respect thereof is to be made against an indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof. In case any such action is brought against any indemnified party, and such indemnified party notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled to participate in and, to the extent that it may wish, jointly with all other indemnifying parties, similarly notified, assume the defense thereof, with counsel reasonably satisfactory to such indemnified party; provided, however, if the defendants in any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to the indemnified party and/or other indemnified parties that are different from or additional to those available to the indemnifying party, the indemnified party or parties shall have the right to select separate counsel to assume such legal defenses and to otherwise participate in the defense of such action on behalf of such indemnified party or parties.

(d) Upon receipt of notice from the indemnifying party to such indemnified party of the indemnifying party's election to assume the defense of such action and upon approval by the indemnified party of counsel selected by the indemnifying party, the indemnifying party will not be liable to such indemnified party under Sections 11 (a) or (b) of this Agreement for any legal fees or other expenses subsequently incurred by such indemnified party in connection with the defense thereof, unless:

(i) the indemnified party shall have employed separate counsel in connection with the assumption of legal defenses in accordance with the proviso to the last sentence of Section 11 (c) hereof (it being understood, however, that the indemnified party shall not be liable for the legal fees and expenses of more than one separate counsel (plus local counsel), approved by the Underwriter if the Underwriter or its controlling persons are the indemnified parties); or

(ii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after the indemnified party's notice to the indemnifying party of commencement of the action;

(e) If the indemnification provided for in this Section 11 is unavailable to an indemnified party or insufficient to hold harmless an indemnified party under Sections 11 (a) or (b) of this Agreement in respect of any Claim referred to therein, then each indemnifying party, in lieu of indemnifying such indemnified party, shall, subject to the limitations hereinafter set forth, contribute to the amount paid or payable by such indemnified party as a result of such Claim:

(i) in such proportion as is appropriate to reflect the relative benefits received by the Offerors on the one hand and the Underwriter on the other hand from the offering of the Preferred Securities; or

(ii) if the allocation provided by Section 11 (e) (i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in Section 11 (e) (i) above, but also the relative fault of the Offerors on the one hand and the Underwriter on the other hand in connection with the statements or omissions that resulted in such Claim, as well as any other relevant equitable considerations.

The respective relative benefits received by the Offerors on the one hand and the Underwriter on the other hand shall be deemed to be in such proportion that the Underwriter is responsible for that portion of a Claim represented by the percentage that the amount of the Underwriting Commission bears to the public offering price of the Preferred Securities, and the Company (including the Company's directors, officers, and controlling persons) is responsible for the remaining portion of such Claim.

The relative fault of the Offerors on the one hand and the Underwriter on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Offerors on the one hand or the Underwriter on the other hand and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such untrue statement or omission. The amount paid or payable by a party as a result of the Claims referred to above shall be deemed to include, subject to the limitations set forth in Sections 11 (c) and (d) of this Agreement, any legal or other fees or expenses reasonably incurred by such party in connection with investigating or defending any action or claim.

(f) The Offerors and the Underwriter agree that it would not be just and equitable if contribution pursuant to this Section 11 were determined by pro rata or per capita allocation or by any other method or allocation that does not take into account the equitable considerations referred to in Section 11 (e) of this Agreement. Notwithstanding the other provisions of this Section 11, the Underwriter shall not be required to contribute any amount in excess of the amount by which the total price at which the Preferred Securities underwritten by it and distributed to the public exceeds

the amount of any damages which the Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

(g) The obligations of the Company, the Trust and the Underwriter under this Section 11 shall be in addition to any liability that the Company, the Trust or the Underwriter may otherwise have.

12. EFFECTIVE DATE. This Agreement shall become effective immediately on the date hereof.

13. TERMINATION. Without limiting the right to terminate this Agreement pursuant to any other provision hereof, this Agreement may be terminated by the Underwriter prior to the Closing Date and the option from the Trust referred to in Section 3 of this Agreement, if exercised, may be canceled by the Underwriter at any time prior to the Option Closing Date, if:

(a) The Offerors shall have failed, refused, or been unable, at or prior to the Closing Date or Option Closing Date, as the case may be, to perform any material agreement on its part to be performed hereunder;

(b) Any other condition to the obligations of the Underwriter hereunder is not fulfilled in all material respects; or

(c) In the Underwriter's reasonable judgment, payment for and delivery of the Preferred Securities is rendered impracticable or inadvisable because:

(i) Additional governmental restrictions, not in force and effect on the date hereof, shall have been imposed upon trading in securities generally or minimum or maximum prices shall have been generally established on any national securities exchange or over-the-counter market, or trading in securities generally shall have been suspended on any national securities exchange or on the Nasdaq Stock Market, or a general banking moratorium shall have been established by federal or state authorities;

(ii) Any event shall have occurred or shall exist that makes untrue or incorrect in any material respect any statement or information contained in the Registration Statement or that is not reflected in the Registration Statement but should be reflected therein to make the statements or information contained therein not misleading in any material respect; or

(iii) Any outbreak or escalation of major hostilities or other national or international calamity or any substantial change in political, financial or economic conditions shall have occurred or shall have accelerated to such extent, in the Underwriter's reasonable judgment, as to have a material adverse effect on the general securities market of the United States or make it

impracticable or inadvisable to proceed with completion of the sale and payment for the Preferred Securities as provided in this Agreement.

Any termination pursuant to this Section 13 shall be without liability on the part of the Underwriter to the Company or on the part of the Company to the Underwriter (except for expenses to be paid by the Company pursuant to Section 7 of this Agreement or reimbursed by the Company pursuant to Section 9 of this Agreement and except as to indemnification and contribution to the extent provided in Section 11 of this Agreement).

14. REPRESENTATIONS AND INDEMNITIES TO SURVIVE DELIVERY. The respective indemnity and contribution agreements of the Company and the Underwriter, and the representations, warranties, covenants, other written statements of the Offerors and of their directors and officers set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, the Offerors, or any of its or their partners, officers, directors, or any controlling person, as the case may be, and will survive delivery of and payment for the Preferred Securities sold hereunder. The respective indemnity and contribution agreements of the Company and the Underwriter, the provisions of Section 7(a) and Section 9 of this Agreement, and the representations and warranties of the Offerors will survive the termination or cancellation of this Agreement.

15. NOTICES. All communications hereunder shall be in writing and, if sent to the Underwriter, will be mailed, delivered, or telecopied (with receipt confirmed) to Advest, Inc., at One Rockefeller Plaza, 20th Floor, New York, NY 10020, Attention: Thomas G. Rudkin, Managing Director (Fax No. (212) 584-4292) with a copy to William W. Bouton, III, Tyler Cooper & Alcorn, LLP, City Place, Hartford, CT 06103-3488, (Fax No. (860) 278-3802); and if sent to the Company or the Trust will be mailed, delivered, or telecopied (with receipt confirmed) to Northeast Bancorp, 232 Center Street, Auburn, ME 04210, Attention: James D. Delamater, President and CEO (Fax No. (207) 777-5936) with a copy to Richard A. Denmon, Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A.,One Harbour Place, 777 South Harbor Island Boulevard, Tampa FL 33602 (Fax No. (813) 229-4133).

16. SUCCESSORS. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors or assigns, and to the benefit of the directors and officers (and their personal representatives) and controlling persons referred to in Section 11 of this Agreement, and no other person shall acquire or have any right or obligation hereunder. The terms "successors" or "assigns," as used in this Agreement, shall not include any purchaser of the Preferred Securities from any Underwriter merely by reason of such purchase.

17. PARTIAL UNENFORCEABILITY. If any section, subsection, clause, or provision of this Agreement is for any reason determined to be invalid or unenforceable, such determination shall not affect the validity or enforceability of any other section, subsection, clause, or provision hereof.

18. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

19. ENTIRE AGREEMENT. This Agreement embodies the entire agreement among the parties hereto with respect to the transactions contemplated herein, and there have been and are no agreements among the parties with respect to such transactions other than as set forth or provided for herein.

20. COUNTERPARTS. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

If the foregoing is in accordance with your understanding of our agreement, kindly sign and return to us the enclosed counterparts hereof, whereupon it will become a binding agreement among the Company, the Trust and the Underwriter in accordance with its terms.

Very truly yours,

NORTHEAST BANCORP

By: ----------

Title: ----------

NBN CAPITAL TRUST

By: NORTHEAST BANCORP
as Depositor

By: ----------

Title: ----------

ADVEST, INC.

By: ----------

Title: ----------

EXHIBIT A

The opinion of special counsel to the Company to be delivered pursuant to Section 8(d) (i) of the Underwriting Agreement shall be substantially to the effect that:

1. The Company is a corporation existing and in good standing under the laws of the State of Maine, with requisite corporate power and authority to own its properties and conduct its business as described in the Registration Statement, except for such power and authority the absence of which would not have a Material Adverse Effect, and is registered as unitary thrift holding company with the Office of Thrift Supervision.

2. Each Subsidiary of the Company has been duly incorporated or organized and is validly existing as a corporation or savings and loan association in good standing under the laws of the jurisdiction of organization, with full corporate power and authority to own, lease, and operate its properties and conduct its business as described in the Registration Statement; the Company and each Subsidiary are qualified to do business as foreign corporations under the corporation laws of each jurisdiction in which the Company or such Subsidiary, as the case may be, owns or leases properties, has an office, or in which business is conducted and such qualification is required, except where the failure to so qualify would not have a Material Adverse Effect.

3. The Company has full corporate power and authority to execute, deliver, and perform the Underwriting Agreement; the Underwriting Agreement has been duly authorized, executed and delivered by the Company, and constitutes a legal, valid, and binding obligation of the Company and is enforceable against each of the Company and the Trust in accordance with its terms.

4. The Trust Agreement has been duly authorized, executed and delivered by the Company, and is a valid and binding obligation of the Company, enforceable against the Company in accordance with its terms.

5. The Guarantee Agreement has been duly authorized, executed and delivered by the Company and is a valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

6. The Indenture has been duly authorized, executed and delivered by the Company, has been duly qualified under the Trust Indenture Act, and is a valid and binding agreement of the Company, enforceable against the Company in accordance with its terms.

7. The Subordinated Debentures have been duly authorized, executed and delivered by the Company and when duly authenticated in accordance with the Indenture and delivered and paid for in accordance with the Debenture Purchase Agreement, will be valid and binding obligations of the Company, entitled to the benefits of the Indenture and enforceable against the Company in accordance with their terms.

8. The Trust is not an "investment company" or an entity "controlled" by an "investment company," as such terms are defined in Investment Company Act of 1940, as amended.

9. The statements set forth in the Registration Statement under the captions "Supervision and Regulation," "Description of Preferred Securities," "Description of Junior Subordinated Debentures," "Description of Guarantee" and "Relationship Among the Preferred Securities, the Junior Subordinated Debentures and the Guarantee," insofar as they purport to describe the provisions of the laws referred to therein, fairly summarize the legal matters described therein.

10. The statements of law or legal conclusions and opinions set forth in the Registration Statement under the caption "Certain Federal Income Tax Consequences," subject to the assumptions and conditions described therein, constitute such counsel's opinion.

11. The Registration Statement was declared effective under the Securities Act as of the date and time specified in such opinion and, to such counsel's knowledge and information, no stop order suspending the effectiveness of the Registration Statement has been issued under the Securities Act and no proceedings therefor have been initiated or threatened by the Commission.

12. The Registration Statement and the Prospectus and any amendment or supplement thereto made by the Company prior to the Closing Date or any Option Closing Date (other than the financial statements and financial and statistical data included therein, as to which no opinion need be rendered), when it or they became effective or were filed with the Commission, as the case may be, and in each case at the Closing Date or any Option Closing Date, complied as to form in all material respects with the requirements of the Securities Act, the Trust Indenture Act and the applicable rules and regulations under said acts.

13. Except as disclosed or contemplated by the Registration Statement, such counsel knows of no material legal or governmental proceedings pending to which the Company or any Subsidiary is a party or of which any property of the Company or any Subsidiary is the subject which would affect the consummation of the transactions contemplated in this Agreement, the Indenture or the Preferred Securities; and such counsel knows of no such proceedings which are threatened or contemplated by governmental authorities or threatened by others.

14. Such counsel knows of no contracts, indentures, mortgages, loan agreements, notes, leases or other instruments required to be described in the Registration Statement or to be filed as exhibits thereto other than those described therein or filed or incorporated by reference as exhibits thereto, and such instruments as are summarized in the Registration Statement are fairly summarized in all material respects.

15. To counsel's knowledge, no approval, authorization, consent, registration, qualification or other order of any public board or body is required in connection with the execution and delivery of this Agreement, the Trust Agreement, the Guarantee Agreement, and the Indenture or the issuance and sale of the Preferred Securities or the consummation by the

Company of the other transactions contemplated by this Agreement, the Trust Agreement, the Guarantee Agreement, or the Indenture, except such as have been obtained under the Securities Act, the Exchange Act and the Trust Indenture Act or such as may be required under the blue sky or securities laws of various states in connection with the offering and sale of the Preferred Securities (as to which such counsel need express no opinion).

16. The execution and delivery of this Agreement, the Trust Agreement, the Guarantee Agreement, and the Indenture, the issue and sale of the Preferred Securities and the Subordinated Debentures, the compliance by the Company with the provisions of the Preferred Securities, the Subordinated Debentures, the Indenture and this Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or constitute a breach of, or default under, the articles of incorporation or bylaws of the Company or a breach or default under any contract, indenture, mortgage, loan agreement, note, lease or other instrument known to such counsel to which either the Company or any Subsidiary is a party or by which any of them or any of their respective properties may be bound except for such breaches as would not have a Material Adverse Effect, nor will such action result in a violation on the part of the Company or any Subsidiary of any applicable law or regulation or of any administrative, regulatory or court decree known to such counsel.

Counsel will also provide a representation that, although counsel will not pass on or assume any responsibility for the accuracy, completeness, or fairness of the statements contained in the Registration Statement or Prospectus and although counsel has not undertaken to verify independently the accuracy or completeness of the statements in the Registration Statement or Prospectus, nothing has come to counsel's attention to lead it to believe that: (i) the Registration Statement (other than the financial statements and financial and statistical data included therein, as to which no opinion need be rendered), at the time it became effective, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein, not misleading, or (2) the Prospectus (other than the financial statements and financial and statistical data included therein, as to which no opinion need be rendered), at the time it was filed with the Commission or at the Closing Date or any Option Closing Date, contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

EXHIBIT B

The opinion of counsel to the Trust Company and Trust Delaware to be delivered pursuant to Section 8(d) (ii) of the Underwriting Agreement shall be substantially to the effect that:

1. The Trust Company is duly incorporated and is validly existing in good standing as a banking corporation with trust powers under the laws of the State of New York.

2. The Indenture Trustee has the requisite power and authority to execute, deliver and perform its obligations under the Indenture, and has taken all necessary corporate action to authorize the execution, delivery and performance by it of the Indenture.

3. The Guarantee Trustee has the requisite power and authority to execute, deliver and perform its obligations under the Guarantee Agreement, and has taken all necessary corporate action to authorize the execution, delivery and performance by it of the Guarantee Agreement.

4. The Property Trustee has the requisite power and authority to execute and deliver the Trust Agreement, and has taken all necessary corporate action to authorize the execution and delivery of the Trust Agreement.

5. Each of the Indenture and the Guarantee Agreement has been duly executed and delivered by the Indenture Trustee and the Guarantee Trustee, respectively, and constitutes a legal, valid and binding obligation of the Indenture Trustee and the Guarantee Trustee, respectively, enforceable against the Indenture Trustee and the Guarantee Trustee, respectively in accordance with its respective terms, except that certain payment obligations may be enforceable solely against the assets of the Trust and except that such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, fraudulent conveyance and transfer or other similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing (regardless of whether such enforceability is considered in a proceeding in equity or at law), and by the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

6. The Subordinated Debentures delivered on the date hereof have been duly authenticated by the Indenture Trustee in accordance with the terms of the Indenture.

Exhibit C

(LETTERHEAD OF RICHARDS, LAYTON & FINGER)

_____, 1999

ADVEST, INC.
One Rockefeller Plaza, 20th Floor
New York, New York 10020

RE: NBN Capital Trust

Ladies and Gentlemen:

We have acted as special Delaware counsel for Northeast Bancorp, a Maine corporation (the "Company"), and NBN Capital Trust, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of _____, 1999 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on _____, 1999;

(b) The Trust Agreement of the Trust, dated as of _____,1999, among the Company, as depositor, and the trustees of the Trust named therein;

(c) The Amended and Restated Trust Agreement of the Trust, dated as of _____, 1999 (including Exhibits A, C and D thereto) (the "Trust Agreement"), among the Company, as depositor, the trustees of the Trust named therein (the "Trustees"), the administrators named therein and the holders, from time to time, of undivided beneficial interests in the assets of the Trust;

(d) The Underwriting Agreement, dated _____, 1999, among the Company, the Trust and ADVEST, INC. (the "Underwriting Agreement");

(e) The Prospectus, dated _____, 1999 (the "Prospectus"), relating to the ___% Preferred Securities of the Trust, representing undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"); and

(f) A Certificate of Good Standing for the Trust, dated _____, 1999, obtained from the Secretary of State.

Capitalized terms used herein and not otherwise defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (f) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (f) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement constitutes the entire agreement among the parties thereto with respect to the subject matter thereof, including with respect to the creation, operation and termination of the Trust, and that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent as provided in paragraph 1 below, the due creation, due formation or due organization, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, formation or organization, (iii) the legal capacity of each natural person who is a party to the documents examined by us, (iv) except to the extent provided in paragraphs 2 and 4 below, that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) except to the extent provided in paragraph 5 below, that each of the parties to the documents examined by us has duly authorized, executed and delivered such documents, (vi) the receipt by each Person to whom a Preferred Security is to be issued by the Trust (the "Preferred Security Holders") of a Preferred Securities Certificate for the Preferred Security and the payment for the Preferred Security acquired by it, in accordance with the Trust Agreement, and as described in the Prospectus, (vii) that the Preferred Securities

are issued and sold to the Preferred Security Holders in accordance with the Trust Agreement, and as described in the Prospectus, (viii) the receipt by the Person (the "Common Security Holder") to whom a Common Security of the Trust representing common undivided beneficial interests in the assets of the Trust (each, a "Common Security" and collectively, the "Common Securities") (the Common Securities and the Preferred Securities are hereinafter collectively referred to as the "Trust Securities") is to be issued by the Trust of a Common Securities Certificate for the Common Security and the payment for the Common Security acquired by it, in accordance with the Trust Agreement, and as described in the Prospectus, and (ix) that the Common Securities are issued and sold to the Common Security Holder in accordance with the Trust Agreement, and as described in the Prospectus. We have not participated in the preparation of the Prospectus and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and expectations set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act, and all filings required under the laws of the State of Delaware with respect to the creation and valid existence of the Trust as a business trust have been made.

2. Under the Delaware Business Trust Act and the Trust Agreement, the Trust has the trust power and authority to own its property and to conduct its business, all as described in the Prospectus.

3. The Trust Agreement constitutes a valid and binding obligation of the Company and the Trustees, and is enforceable against the Company and the Trustees, in accordance with its terms.

4. Under the Delaware Business Trust Act and the Trust Agreement, the Trust has the trust power and authority (i) to execute and deliver, and to perform its obligations

under, the Underwriting Agreement, and (ii) to issue and perform its obligations under the Trust Securities.

5. Under the Delaware Business Trust Act and the Trust Agreement, the execution and delivery by the Trust of the Underwriting Agreement, and the performance by the Trust of its obligations thereunder, have been duly authorized by all necessary trust action on the part of the Trust.

6. The Preferred Securities have been duly authorized by the Trust Agreement and are duly and validly issued and, subject to the qualifications set forth herein, fully paid and nonassessable undivided beneficial interests in the assets of the Trust and are entitled to the benefits of the Trust Agreement. The Preferred Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated, pursuant to the Trust Agreement, (i) to provide indemnity and/or security in connection with and pay taxes or governmental charges arising from transfers or exchanges of Preferred Securities Certificates and the issuance of replacement Preferred Securities Certificates, and (ii) to provide security or indemnity in connection with requests of or directions to the Property Trustee to exercise its rights and powers under the Trust Agreement.

7. Under the Delaware Business Trust Act and the Trust Agreement, the issuance of the Trust Securities is not subject to preemptive rights.

8. The Common Securities have been duly authorized by the Trust Agreement and are duly and validly issued undivided beneficial interests in the assets of the Trust and are entitled to the benefits of the Trust Agreement.

9. The issuance and sale by the Trust of the Trust Securities, the purchase by the Trust of the Junior Subordinated Debentures, the execution, delivery and performance by the Trust of the Underwriting Agreement, the consummation by the Trust of the transactions contemplated by the Underwriting Agreement and the compliance by the Trust with its obligations thereunder will not violate (i) any of the provisions of the Certificate or the Trust Agreement, or (ii) any applicable Delaware law or Delaware administrative regulation.

The opinion expressed in paragraph 3 above is subject, as to enforcement, to the effect upon the Trust Agreement of (i) bankruptcy, insolvency, moratorium, receivership, reorganization, liquidation, fraudulent conveyance or transfer and other similar laws relating to or affecting the rights and remedies of creditors generally, (ii) principles of equity, including

applicable law relating to fiduciary duties (regardless of whether considered and applied in a proceeding in equity or at law), and (iii) the effect of applicable public policy on the enforceability of provisions relating to indemnification or contribution.

We consent to your relying as to matters of Delaware law upon this opinion in connection with the Underwriting Agreement. We also consent to Carlton, Fields, Ward, Emmanuel, Smith & Cutler, P.A.'s and Tyler Cooper & Alcorn, LLP's relying as to matters of Delaware law upon this opinion in connection with opinions to be rendered by them on the date hereof pursuant to the Underwriting Agreement. Further, we consent to Bankers Trust Company's and Bankers Trust (Delaware)'s relying as to matters of Delaware law upon this opinion in connection with the matters set forth herein. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

Exhibit D

(LETTERHEAD OF RICHARD, LAYTON & FINGER, P.A.)

_____, 1999

ADVEST, INC.
One Rockefeller Plaza, 20th Floor
New York, New York 10020

Re: NBN Capital Trust

Ladies and Gentlemen:

We have acted as Delaware counsel to Bankers Trust (Delaware), a Delaware banking corporation ("Bankers Trust"), in connection with NBN Capital Trust (the "Trust"), a Delaware business trust created pursuant to a Certificate of Trust of the Trust, dated as of _____, 1999, as filed in the office of the Secretary of State of the State of Delaware on _____, 1999, and the Trust Agreement of the Trust, dated as of _____, 1999, as amended and restated by the Amended and Restated Trust Agreement of the Trust, dated as of _____, 1999 (the "Trust Agreement"), by and among Northeast Bancorp, a Maine corporation (the "Company"), as depositor, the trustees of the Trust named therein, the administrators named therein and the holders, from time to time, of undivided beneficial interests in the assets of the Trust. This opinion is being delivered to you pursuant to Section 8(d)(iv) of the Underwriting Agreement, dated _____, 1999, among the Company, the Trust and ADVEST, INC. Capitalized terms used herein and not otherwise defined are used as defined in, or by reference in, the Trust Agreement.

We have examined a copy of the Trust Agreement. We have also examined originals or copies of such other documents and such corporate records, certificates and other statements of governmental officials and corporate officers and other representatives of the corporations or entities referred to herein as we have deemed necessary or appropriate for the purposes of this opinion. Moreover, as to certain facts material to the opinions expressed herein, we have relied upon the representations and warranties contained in the documents referred to in this paragraph.

Based upon the foregoing and upon an examination of such questions of law as we have considered necessary or appropriate, and subject to the assumptions, exceptions and qualifications set forth below, we advise you that, in our opinion:

1. Bankers Trust is duly incorporated and is validly existing in good standing as a banking corporation with trust powers under the laws of the State of Delaware.

2. Bankers Trust has the requisite power and authority to execute and deliver the Trust Agreement, and has taken all necessary corporate action to authorize the execution and delivery of the Trust Agreement.

The foregoing opinions are subject to the following assumptions, exceptions and qualifications:

A. We are admitted to practice law in the State of Delaware and we do not hold ourselves out as being experts on the law of any other jurisdiction. The foregoing opinions are limited to the laws of the State of Delaware (excluding state securities or blue sky laws), and we have not considered and express no opinion on the laws, rules and regulations of any other jurisdiction. We express no opinion with respect to federal laws (including, without limitation, federal securities laws).

B. We have assumed the due authorization, execution and delivery by the parties thereto (other than Bankers Trust) of the Trust Agreement and that each such party has the power and authority to execute, deliver and perform such document.

C. We have assumed that all signatures on documents submitted to us are genuine, that all documents submitted to us as originals are authentic and that all documents submitted to us as copies or specimens conform with the originals, which facts we have not independently verified.

D. We express no opinion as to the creation, attachment, perfection or priority of any mortgage or security interest or as to the nature or validity of title to any property.

This opinion may be relied upon by you in connection with the matters set forth herein. Otherwise, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other person or entity for any purpose.

Very truly yours,

EXHIBIT 4.1

JUNIOR SUBORDINATED INDENTURE

Between

NORTHEAST BANCORP

and

BANKERS TRUST COMPANY

(as Trustee)

dated as of

_____, 1999

NBN CAPITAL TRUST

Certain Sections of this Junior Subordinated Indenture relating to Sections 310 through 318 of the Trust Indenture Act of 1939:

Trust Indenture Act Section		Junior Subordinated Indenture Section
Section 310	(a) (1)	6.9
	(a) (2)	6.9
	(a) (3)	Not Applicable
	(a) (4)	Not Applicable
	(a) (5)	6.9
	(b)	6.8, 6.10
Section 311	(a)	6.13
	(b)	6.13
	(b) (2)	7.3(a)
Section 312	(a)	7.1, 7.2(a)
	(b)	7.2(b)
	(c)	7.2(c)
Section 313	(a)	7.3(a)
	(a)	7.3(b)
	(a) (4)	7.3(a)
	(b)	7.3(a)
	(c)	7.3(a)
	(d)	7.3(c)
Section 314	(a)	7.4
	(b)	7.4
	(c) (1)	1.2
	(c) (2)	1.2
	(c) (3)	Not Applicable
	(e)	1.2
Section 315	(a)	6.1(a)
	(b)	6.2, 7.3
	(c)	6.1(b)
	(d)	6.1(c)
	(e)	5.14
Section 316	(a)	5.12
	(a) (1) (A)	5.12
	(a) (1) (B)	5.13
	(a) (2)	Not Applicable
	(b)	5.8
	(c)	1.4(f)
Section 317	(a) (1)	5.3
	(a) (2)	5.4
	(b)	10.3
Section 318	(a)	1.7

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Indenture.

TABLE OF CONTENTS

JUNIOR SUBORDINATED INDENTURE

THIS JUNIOR SUBORDINATED INDENTURE, dated as of _____, 1999 between NORTHEAST BANCORP, a Maine corporation (the "Company"), having its principal office at 232 Center Street, Auburn, Maine 04210 and BANKERS TRUST COMPANY, as Trustee, having its principal office at Four Albany Street, 4th Floor, New York, New York 10006 (the "Trustee").

RECITALS OF THE COMPANY

WHEREAS, the Company has duly authorized the execution and delivery of this Indenture to provide for the issuance of its unsecured junior subordinated deferrable interest debentures due _____, 2029 (the "Securities") of substantially the tenor hereinafter provided, including Securities issued to evidence loans made to the Company from the proceeds from the issuance from time to time by NBN Capital Trust, a Delaware business trust (the "Issuer Trust") of undivided preferred beneficial interests in the assets of such Issuer Trust (the "Preferred Securities") and common undivided interests in the assets of such Issuer Trust (the "Common Securities" and, collectively with the Preferred Securities, the "Trust Securities"), and to provide the terms and conditions upon which the Securities are to be authenticated, issued and delivered; and

WHEREAS, all things necessary to make this Indenture a valid agreement of the Company, in accordance with its terms, have been done.

NOW THEREFORE, THIS INDENTURE WITNESSETH:

For and in consideration of the premises and the purchase of the Securities by the Holders (as such term is defined in Section 1.1 hereof) thereof, it is mutually covenanted and agreed, for the equal and proportionate benefit of all Holders of the Securities or of any series thereof, and intending to be legally bound hereby, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.1 Definitions.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article I have the meanings assigned to them in this Article, and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(d) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles as in effect at the time of computation;

(e) whenever the context may require, any gender shall be deemed to include the other;

(f) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Indenture; and

(g) the words "hereby", "herein", "hereof" and "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

"25% Capital Limitation" means the limitation imposed by the Federal Reserve that the proceeds of certain qualifying securities similar to the Trust Securities will qualify as Tier 1 capital of the Company up to an amount not to exceed, when taken together with all cumulative preferred stock of the Company, if any, 25% of the Company's Tier 1 capital, or any subsequent limitation adopted by the Office of Thrift Supervision.

"Act" when used with respect to any Holder has the meaning specified in Section 1.4.

"Additional Interest" means the interest, if any, that shall accrue on any interest on the Securities of any series the payment of which has not been made on the applicable Interest Payment Date and which shall accrue at the rate per annum specified or determined as specified in such Security.

"Additional Sums" has the meaning specified in Section 10.6.

"Additional Taxes" means any additional taxes, duties and other governmental charges to which the Issuer Trust has become subject from time to time as a result of a Tax Event.

"Administrator" means, in respect of the Issuer Trust, each Person appointed in accordance with the Trust Agreement, solely in such Person's capacity as Administrator of the Issuer Trust and not in such Person's individual capacity, or any successor Administrator appointed as therein provided.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the

purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Member" means any member of, or participant in, the Depositary.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Global Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"Authenticating Agent" means any Person authorized by the Trustee pursuant to Section 6.14 to act on behalf of the Trustee to authenticate Securities.

"Board of Directors" means the board of directors of the Company or the executive committee of the board of directors of the Company (or any other committee of the board of directors of the Company performing similar functions) or, for purposes of this Indenture, a committee designated by the board of directors of the Company (or such committee), comprised of two or more members of the board of directors of the Company or officers of the Company, or both.

"Board Resolution" means a copy of a resolution or action by written consent certified by the Secretary or any Assistant Secretary of the Company to have been duly adopted or approved by the Board of Directors, or such committee of the Board of Directors or officers of the Company to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Trustee.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the State of Maine or the City of New York are authorized or required by law or executive order to remain closed, or (c) a day on which the Corporate Trust Office of the Trustee, or, with respect to the Securities initially issued to the Issuer Trust, the "Corporate Trust Office" (as defined in the Trust Agreement) of the Property Trustee or the Delaware Trustee under the Trust Agreement, is closed for business.

"Capital Treatment Event" means, in respect of the Issuer Trust, the reasonable determination by the Company that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement, action or decision is announced on or after the date of the issuance of the Preferred Securities of the Issuer Trust, there is more than an insubstantial risk that the Company will not be entitled to treat an amount equal to the Liquidation Amount (as such term is defined in the Trust Agreement) of such Preferred Securities as "Tier 1 Capital" (or the then equivalent thereof), except as otherwise restricted under the 25% Capital

Limitation, for purposes of the risk-based capital adequacy guidelines of the Office of Thrift Supervision, as then in effect and applicable to the Company.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act, or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties on such date.

"Common Securities" has the meaning specified in the first recital of this Indenture.

"Common Stock" means the common stock, $1.00 par value per share, of the Company.

"Company" means the Person named as the "Company" in the preamble of this instrument until a successor entity shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Company" shall mean such successor entity.

"Company Request" and "Company Order" mean, respectively, the written request or order signed in the name of the Company by any Chairman of the Board of Directors, any Vice Chairman of the Board of Directors, its Chief Executive Officer, President or a Vice President, and by its Chief Financial Officer, its Treasurer, its Clerk or an Assistant Clerk, and delivered to the Trustee.

"Corporate Trust Office" means the principal office of the Trustee at which at any particular time its corporate trust business shall be administered, which office at the date hereof is located at Four Albany Street, 4th Floor, New York, New York 10006.

"Creditor" has the meaning specified in Section 6.7.

"Defaulted Interest" has the meaning specified in Section 3.8.

"Delaware Trustee" means, with respect to the Issuer Trust, the Person identified as the "Delaware Trustee" in the Trust Agreement, solely in its capacity as Delaware Trustee of the Issuer Trust under the Trust Agreement and not in its individual capacity, or its successor in interest in such capacity, or any successor Delaware trustee appointed as therein provided.

"Depositary" means, with respect to the Securities issuable or issued in whole or in part in the form of one or more Global Securities, the Person designated as Depositary by the Company pursuant to Section 3.1 (or any successor thereto).

"Discount Security" means any security that provides for an amount less than the principal amount thereof to be due and payable upon a declaration of acceleration of the Maturity thereof pursuant to Section 5.2.

"Dollar" or "$" means the currency of the United States of America that, as at the time of payment, is legal tender for the payment of public and private debts.

The term "entity" includes a bank, corporation, association, company, limited liability company, joint-stock company or business trust.

"Event of Default," has the meaning specified in Article V.

"Exchange Act" means the Securities Exchange Act of 1934 and any successor statute thereto, in each case as amended from time to time.

"Expiration Date" has the meaning specified in Section 1.4.

"Extension Period" has the meaning specified in Section 3.12.

"Global Security" means a Security in the form prescribed in Section 2.4 evidencing all or part of the Securities, issued to the Depositary or its nominee, and registered in the name of such Depositary or its nominee.

"Guarantee" means, with respect to the Issuer Trust, the Guarantee Agreement, dated _____, 1999, executed by the Company for the benefit of the holders of the Preferred Securities issued by the Issuer Trust as modified, amended or supplemented from time to time.

"Holder" means a Person in whose name a Security is registered in the Securities Register.

"Indenture" means this instrument as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

"Institutional Accredited Investor" means an institutional accredited investor within the meaning of Rule 501(a) (1), (2), (3) or (7) of Regulation D under the Securities Act.

"Interest Payment Date" means the Stated Maturity of an installment of interest on such Securities.

"Investment Company Act" means the Investment Company Act of 1940 and any successor statute thereto, in each case as amended from time to time.

"Investment Company Event" means the receipt by the Issuer Trust of an Opinion of Counsel, rendered by counsel experienced in such matters, to the effect that, as a result of the occurrence of a change in law or regulation or a written change (including any announced prospective change) in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the

Issuer Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Preferred Securities of the Issuer Trust.

"Issuer Trust" has the meaning specified in the first recital of this Indenture.

"Liquidation Amount" has the meaning assigned in the Trust Agreement.

"Maturity" when used with respect to any Security means the date on which the principal of such Security becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Notice of Default" means a written notice of the kind specified in Section 5.1(c).

"Office of Thrift Supervision" means the Office of Thrift Supervision, a division of the United States Department of the Treasury.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the Chairman of the Board, Chief Executive Officer, President or a Vice President, and by the Chief Financial Officer, Treasurer, an Associate Treasurer, an Assistant Treasurer, the Secretary (or Clerk) or an Assistant Secretary (or Clerk) of such Person, and delivered to the Trustee. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Indenture shall include:

(a) a statement by each officer signing the Officers' Certificate that such officer has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by such officer in rendering the Officers' Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such officer, such condition or covenant has been complied with;

provided, however, that the Officers' Certificate delivered pursuant to the provisions of Section 10.4 hereof shall comply with the provisions of Section 314 of the Trust Indenture Act.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for or an employee of the Company or any Affiliate of the Company.

"Original Issue Date" means the date of issuance specified as such in each Security.

"Outstanding" means, when used in reference to any Securities, as of the date of determination, all Securities theretofore authenticated and delivered under this Indenture, except:

(a) Securities theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Securities for whose payment money in the necessary amount has been theretofore deposited with the Trustee or any Paying Agent in trust for the Holders of such Securities; and

(c) Securities in substitution for or in lieu of other Securities which have been authenticated and delivered or that have been paid pursuant to Section 3.6, unless proof satisfactory to the Trustee is presented that any such Securities are held by Holders in whose hands such Securities are valid, binding and legal obligations of the Company;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Securities have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Securities owned by the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor (other than, for the avoidance of doubt, the Issuer Trust to which Securities of the applicable series were initially issued) shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Securities that the Trustee knows to be so owned shall be so disregarded. Securities so owned that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Securities and that the pledgee is not the Company or any other obligor upon the Securities or any Affiliate of the Company or such other obligor (other than, for the avoidance of doubt, the Issuer Trust). Upon the written request of the Trustee, the Company shall furnish to the Trustee promptly an Officers' Certificate listing and identifying all Securities, if any, known by the Company to be owned or held by or for the account of the Company, or any other obligor on the Securities or any Affiliate of the Company or such obligor (other than, for the avoidance of doubt, the Issuer Trust), and, subject to the provisions of Section 6.1, the Trustee shall be entitled to accept such Officers' Certificate as conclusive evidence of the facts therein set forth and of the fact that all Securities not listed therein are Outstanding for the purpose of any such determination.

"Paying Agent" means the Trustee or any Person authorized by the Company to pay the principal of (or premium, if any) or interest on, or other amounts in respect of any Securities on behalf of the Company.

"Person" means any individual, partnership, trust, unincorporated organization or entity (as defined herein) or government or any agency or political subdivision thereof.

"Place of Payment" means, with respect to the Securities, the place or places where the principal of (and premium, if any) and interest on the Securities are payable pursuant to Section 3.1.

"Predecessor Security" of any particular Security means every previous Security evidencing all or a portion of the same debt as that evidenced by such particular Security. For the purposes of this definition, any security authenticated and delivered under Section 3.7 in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Preferred Securities" has the meaning specified in the first recital of this Indenture.

"Principal Subsidiary Bank" means each of (a) Northeast Bank, F.S.B., (b) any other banking subsidiary of the Company the consolidated assets of which constitute 20% or more of the consolidated assets of the Company and its consolidated subsidiaries, (c) any other banking subsidiary designated as a Principal Subsidiary Bank pursuant to a Board Resolution and set forth in an Officers' Certificate delivered to the Trustee, and (d) any subsidiary of the Company that owns, directly or indirectly, any voting securities, or options, warrants or rights to subscribe for or purchase voting securities, of any Principal Subsidiary Bank under clause (a), (b) or (c), and in the case of clause (a), (b), (c) or (d) their respective successors (whether by consolidation, merger, conversion, transfer of substantially all their assets and business or otherwise) so long as any such successor is a banking subsidiary (in the case of clause (a), (b) or (c)) or a subsidiary (in the case of clause (d)) of the Company.

"Proceeding" has the meaning specified in Section 13.2.

"Property Trustee" means, with respect to the Issuer Trust, the Person identified as the "Property Trustee" in the Trust Agreement, solely in its capacity as Property Trustee of the Issuer Trust under the Trust Agreement and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as therein provided.

"Redemption Date", when used with respect to any Security to be redeemed, means the date fixed for such redemption by or pursuant to this Indenture or the terms of such Security.

"Redemption Price", when used with respect to any Security to be redeemed, means the price at which it is to be redeemed pursuant to this Indenture.

"Regular Record Date" for the interest payable on any Interest Payment Date with respect to the Securities means, unless otherwise provided pursuant to Section 3.1 with respect to the Securities, the close of business on March 15, June 15, September 15 or December 15 next preceding such Interest Payment Date (whether or not a Business Day).

"Responsible Officer", when used with respect to the Property Trustee means any officer assigned to the Corporate Trust Office, including any managing director, principal, vice president,

assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Restricted Security" means each Security required pursuant to Section 3.6(c) to bear a Restricted Securities Legend.

"Restricted Securities Certificate" means a certificate substantially in the form set forth in Annex A.

"Restricted Securities Legend" means a legend substantially in the form of the legend required in the form of Security set forth in Section 2.2 to be placed upon a Restricted Security.

"Rights Plan" means any plan of the Company providing for the issuance by the Company to all holders of its Common Stock, $1.00 par value per share, of rights entitling the holders thereof to subscribe for or purchase shares of any class or series of capital stock of the Company which rights (a) are deemed to be transferred with such shares of such Common Stock, (b) are not exercisable, and (c) are also issued in respect of future issuances of such Common Stock, in each case until the occurrence of a specified event or events.

"Securities" or "Security" means any debt securities or debt security, as the case may be, authenticated and delivered under this Indenture.

"Securities Act" means the Securities Act of 1933 and any successor statute thereto, in each case as amended from time to time.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 3.6.

"Senior Indebtedness" means, whether recourse is to all or a portion of the assets of the Company and whether or not contingent, (a) every obligation of the Company for money borrowed; (b) every obligation of the Company evidenced by bonds, debentures, notes or other similar instruments, including obligations incurred in connection with the acquisition of property, assets or businesses; (c) every reimbursement obligation of the Company with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of the Company; (d) every obligation of the Company issued or assumed as the deferred purchase price of property or services (but excluding trade accounts payable or accrued liabilities arising in the ordinary course of business); (e) every capital lease obligation of the Company; (f) every obligation of the Company for claims (as defined in Section 101(4) of the United States Bankruptcy Code of 1978, as amended) in respect of derivative products such as interest and foreign exchange rate contracts, commodity contracts and similar arrangements; and (g) every obligation of the type referred to in clauses (a) through (f) of

another person and all dividends of another person the payment of which, in either case, the Company has guaranteed or is responsible or liable, directly or indirectly, as obligor or otherwise. Without limiting the generality of the foregoing, Senior Indebtedness shall include _____. Senior Indebtedness shall not include (a) any obligations which, by their terms, are expressly stated to rank pari passu in right of payment with, or to not be superior in right of payment to, the Junior Subordinated Debentures, (b) any Senior Indebtedness of the Company which when incurred and without respect to any election under Section 1111(b) of the United States Bankruptcy Code of 1978, as amended, was without recourse to the Company, (c) any indebtedness of the Company to any of its subsidiaries, (d) indebtedness to any executive officer or director of the Company, or (e) any indebtedness in respect of debt securities issued to any trust, or a trustee of such trust, partnership or other entity affiliated with the Company that is a financing entity of the Company in connection with the issuance of such financing entity of securities that are similar to the Preferred Securities, including the obligations associated with the Outstanding Preferred Securities.

"Special Record Date" for the payment of any Defaulted Interest means a date fixed by the Trustee pursuant to Section 3.8.

"Stated Maturity," when used with respect to any Security or any installment of principal thereof or interest thereon, means the date specified pursuant to the terms of such Security as the fixed date on which the principal of such Security or such installment of principal or interest is due and payable, as such date may, in the case of such principal, be shortened or extended as provided pursuant to the terms of such Security and this Indenture.

"Subsidiary" means an entity more than 50% of the outstanding voting stock of which is owned, directly or indirectly, by the Company or by one or more other Subsidiaries, or by the Company and one or more other Subsidiaries. For purposes of this definition, "voting stock" means stock that ordinarily has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

"Successor Security" of any particular Security means every Security issued after, and evidencing all or a portion of the same debt as that evidenced by, such particular Security; and, for the purposes of this definition, any Security authenticated and delivered under Section 3.7 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Security shall be deemed to evidence the same debt as the mutilated, destroyed, lost or stolen Security.

"Tax Event" means the receipt by the Issuer Trust of an Opinion of Counsel, rendered by counsel experienced in such matters, to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement or decision is announced on or after the date of issuance of the Preferred Securities of the Issuer Trust, there is

more than an insubstantial risk that (a) the Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to United States federal income tax with respect to income received or accrued on the corresponding series of Securities issued by the Company to the Issuer Trust, (b) interest payable by the Company on the Securities is not, or within 90 days of the delivery of such Opinion of Counsel will not be, deductible by the Company, in whole or in part, for United States federal income tax purposes, or (c) the Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Trust Agreement" means the Amended and Restated Trust Agreement, dated as of _____, 1999, as amended, modified or supplemented from time to time, among the trustees of the Issuer Trust named therein, the Company, as depositor, the administrators named therein, and the holders from time to time of undivided beneficial ownership interests in the assets of the Issuer Trust.

"Trustee" means the Person named as the "Trustee" in the preamble of this Indenture, solely in its capacity as such and not in its individual capacity, until a successor Trustee shall have become such pursuant to the applicable provisions of this Indenture, and thereafter "Trustee" shall mean or include each Person who is then a Trustee hereunder and, if at any time there is more than one such Person, "Trustee" as used with respect to the Securities shall mean the Trustee with respect to Securities.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, or any successor statute, in each case as amended from time to time, except as provided in Section 9.5.

"Trust Securities" has the meaning specified in the first recital of this Indenture.

"Vice President," when used with respect to the Company, means any duly appointed vice president, whether or not designated by a number or a word or words added before or after the title "vice president."

Section 1.2 Compliance Certificate and Opinions.

Upon any application or request by the Company to the Trustee to take any action under any provision of this Indenture, the Company shall furnish to the Trustee an Officers' Certificate stating that all conditions precedent (including covenants compliance with which constitutes a condition precedent), if any, provided for in this Indenture relating to the proposed action have been complied with and an Opinion of Counsel stating that, in the opinion of such counsel, all such conditions precedent (including covenants compliance with which constitutes a condition precedent), if any, have been complied with, except that in the case of any such application or request as to which the furnishing of such documents is specifically required by any provision of this Indenture relating to such particular application or request, no additional certificate or opinion need be furnished.

Every certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than the certificates provided pursuant to Section 10.4) shall include:

(a) a statement by each individual signing such certificate or opinion that such individual has read such covenant or condition and the definitions herein relating thereto;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions of such individual contained in such certificate or opinion are based;

(c) a statement that, in the opinion of such individual, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such individual, such condition or covenant has been complied with.

Section 1.3 Forms of Documents Delivered to Trustee.

(a) In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

(b) Any certificate or opinion of an officer of the Company may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to matters upon which his or her certificate or opinion is based are erroneous. Any such certificate or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an officer or officers of the Company stating that the information with respect to such factual matters is in the possession of the Company, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous.

(c) Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions, or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Section 1.4 Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given, made or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments is or are delivered to the Trustee, and, where it is hereby expressly required, to the Company. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and (subject to Section 6.1) conclusive in favor of the Trustee and the Company, if made in the manner provided in this Section 1.4.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him or her the execution thereof. Where such execution is by a Person acting in other than his or her individual capacity, such certificate or affidavit shall also constitute sufficient proof of his or her authority.

(c) The fact and date of the execution by any Person of any such instrument or writing, or the authority of the Person executing the same, may also be provided in any other manner that the Trustee deems sufficient and in accordance with such reasonable rules as the Trustee may determine.

(d) The ownership of Securities shall be proved by the Securities Register.

(e) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Security shall bind every future Holder of the same Security and the Holder of every Security issued upon the transfer thereof or in exchange therefor or in lieu thereof in respect of anything done or suffered to be done by the Trustee or the Company in reliance thereon, whether or not notation of such action is made upon such Security.

(f) The Company may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to give, make or take any request, demand, authorization, direction, notice, consent, waiver or other action provided or permitted by this Indenture to be given, made or taken by Holders of Securities, provided that the Company may not set a record date for, and the provisions of this Section 1.4(f) shall not apply with respect to, the giving or making of any notice, declaration, request or direction referred to in Section 1.4(g). If any record date is set pursuant to this Section 1.4(f), the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to take the relevant action, whether or not such Holders remain Holders after such record date, provided, however that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date (as defined below) by Holders of the requisite principal amount of Outstanding Securities on such record date. Nothing in this Section 1.4(f) shall be construed to prevent the Company from setting a new record date for any action for which a

record date has previously been set pursuant to this Section 1.4(f) (whereupon the record date previously set shall automatically and with no action by any Person be canceled and of no effect), and nothing in this Section 1.4(f) shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this Section 1.4(f), the Company, at its own expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Trustee in writing and to each Holder of Securities in the manner set forth in Section 1.6.

(g) The Trustee may set any day as a record date for the purpose of determining the Holders of Outstanding Securities entitled to join in the giving or making of (i) any Notice of Default, (ii) any declaration of acceleration referred to in Section 5.2, (iii) any request to institute proceedings referred to in Section 5.7(b), or (iv) any direction referred to in Section 5.12, in each case with respect to Securities. If any record date is set pursuant to this Section 1.4(g), the Holders of Outstanding Securities on such record date, and no other Holders, shall be entitled to join in such notice, declaration, request or direction, whether or not such Holders remain Holders after such record date, provided, however, that no such action shall be effective hereunder unless taken on or prior to the applicable Expiration Date by Holders of the requisite principal amount of Outstanding Securities on such record date. Nothing in this Section 1.4(g) shall be construed to prevent the Trustee from setting a new record date for any action for which a record date has previously been set pursuant to this Section 1.4(g) (whereupon the record date previously set shall automatically and with no action by any Person be canceled and of no effect) and nothing in this paragraph shall be construed to render ineffective any action taken by Holders of the requisite principal amount of Outstanding Securities on the date such action is taken. Promptly after any record date is set pursuant to this paragraph, the Trustee, at the Company's expense, shall cause notice of such record date, the proposed action by Holders and the applicable Expiration Date to be given to the Company in writing and to each Holder of Securities in the manner set forth in Section 1.6.

(h) With respect to any record date set pursuant to this Section 1.4, the party hereto that sets such record date may designate any day as the "Expiration Date" and from time to time may change the Expiration Date to any earlier or later day, provided that no such change shall be effective unless notice of the proposed new Expiration Date is given to the other party hereto in writing, and to each Holder of Securities in the manner set forth in Section 1.6 on or prior to the existing Expiration Date. If an Expiration Date is not designated with respect to any record date set pursuant to this Section, the party hereto that set such record date shall be deemed to have initially designated the 180th day after such record date as the Expiration Date with respect thereto, subject to its right to change the Expiration Date as provided in this Section 1.4(h). Notwithstanding the foregoing, no Expiration Date shall be later than the 180th day after the applicable record date.

(i) Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Security may do so with regard to all or any part of the principal amount of such Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such principal amount.

Section 1.5 Notices, Etc. to Trustee and Company.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Holders or other document provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Trustee by any Holder, any holder of Preferred Securities or the Company shall be sufficient for every purpose hereunder if made, given, furnished or filed in writing to or with the Trustee at its Corporate Trust Office, or

(b) the Company by the Trustee, any Holder or any holder of Preferred Securities shall be sufficient for every purpose (except as otherwise provided in Section 5.1) hereunder if in writing and mailed, first class, postage prepaid, to the Company addressed to it at the address of its principal office specified in the first paragraph of this instrument or at any other address previously furnished in writing to the Trustee by the Company.

Section 1.6 Notice to Holders; Waiver.

Where this Indenture provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, to each Holder affected by such event, at the address of such Holder as it appears in the Securities Register, not later than the latest date, and not earlier than the earliest date, prescribed for the giving of such notice. If, by reason of the suspension of or irregularities in regular mail services or for any other reason, it shall be impossible or impracticable to mail notice of any event to Holders when said notice is required to be given pursuant to any provision of this Indenture or of the Securities, then any manner of giving such notice as shall be satisfactory to the Trustee shall be deemed to be a sufficient giving of such notice. In any case where notice to Holders is given by mail, neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to other Holders. Where this Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 1.7 Conflict with Trust Indenture Act.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required thereunder to be a part of and govern this Indenture, the provision of the Trust Indenture Act shall control. If any provision of this Indenture modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Indenture as so modified or to be excluded, as the case may be.

Section 1.8 Effect of Headings and Table of Contents.

The Article and Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 1.9 Successors and Assigns.

All covenants and agreements in this Indenture by the Company shall bind its successors and assigns, whether so expressed or not.

Section 1.10 Separability Clause.

If any provision in this Indenture or in the Securities shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 1.11 Benefits of Indenture.

Nothing in this Indenture or in the Securities, express or implied, shall give to any Person, other than the parties hereto and their successors and assigns, the holders of Senior Indebtedness, the Holders of the Securities and, to the extent expressly provided in Sections 5.2, 5.8, 5.9, 5.11, 5.13, 9.1 and 9.2, the holders of Preferred Securities, any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 1.12 Governing Law.

THIS INDENTURE AND THE SECURITIES SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

Section 1.13 Non-Business Days.

If any Interest Payment Date, Redemption Date or Stated Maturity of any Security shall not be a Business Day, then (notwithstanding any other provision of this Indenture or the Securities) payment of interest or principal (and premium, if any) or other amounts in respect of such Security need not be made on such date, but may be made on the next succeeding Business Day (and no interest shall accrue in respect of the amounts whose payment is so delayed for the period from and after such Interest Payment Date, Redemption Date or Stated Maturity, as the case may be, until such next succeeding Business Day) except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day (in each case with the same force and effect as if made on the Interest Payment Date or Redemption Date or at the Stated Maturity).

ARTICLE II

SECURITY FORMS

Section 2.1 Forms Generally.

(a) The Securities and the Trustee's certificate of authentication shall be in substantially the forms set forth in this Article II, or in such other form or forms as shall be established by or pursuant to a Board Resolution or in one or more indentures supplemental hereto, in each case with such appropriate insertions, omissions, substitutions and other variations as are required or permitted by this Indenture and may have such letters, numbers or other marks of identification and such legends or endorsements placed thereon as may be required to comply with applicable tax laws or the rules of any securities exchange or as may, consistently herewith, be determined by the officers executing such securities, as evidenced by their execution of the Securities. If the form of Securities is established by action taken pursuant to a Board Resolution, a copy of an appropriate record of such action shall be certified by the Clerk or an Assistant Clerk of the Company and delivered to the Trustee at or prior to the delivery of the Company Order contemplated by Section 3.3 with respect to the authentication and delivery of such Securities.

(b) The definitive Securities shall be printed, lithographed or engraved or produced by any combination of these methods, if required by any securities exchange on which the Securities may be listed, on a steel engraved border or steel engraved borders or may be produced in any other manner permitted by the rules of any securities exchange on which the Securities may be listed, all as determined by the officers executing such Securities, as evidenced by their execution of such Securities.

(c) Securities distributed to holders of Global Preferred Securities (as defined in the Trust Agreement) upon the dissolution of the Issuer Trust shall be distributed in the form of one or more Global Securities registered in the name of a Depositary or its nominee, and deposited with the Securities Registrar, as custodian for such Depositary, or with such Depositary, for credit by the Depositary to the respective accounts of the beneficial owners of the Securities represented thereby (or such other accounts as they may direct). Securities distributed to holders of Preferred Securities other than Global Preferred Securities upon the dissolution of the Issuer Trust shall not be issued in the form of a Global Security or any other form intended to facilitate book-entry trading in beneficial interests in such Securities.

Section 2.2 Form of Face of Security.

NORTHEAST BANCORP

_____% Junior Subordinated Deferrable Interest Debentures due _____, 2029

[If the Security is a Restricted Security, insert - THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) BY AN INITIAL INVESTOR THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT, (I) TO A PERSON WHO THE TRANSFEROR REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (II) IN AN OFFSHORE TRANSACTION COMPLYING WITH THE PROVISIONS OF RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (III) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), OR (B) BY AN INITIAL INVESTOR THAT IS A QUALIFIED INSTITUTIONAL BUYER OR BY ANY SUBSEQUENT INVESTOR, AS SET FORTH IN (A) ABOVE AND, IN ADDITION, TO AN INSTITUTIONAL ACCREDITED INVESTOR IN A TRANSACTION EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES. THE HOLDER OF THIS SECURITY AGREES THAT IT WILL COMPLY WITH THE FOREGOING RESTRICTIONS. SECURITIES OWNED BY AN INITIAL INVESTOR THAT IS NOT A QUALIFIED INSTITUTIONAL BUYER MAY NOT BE HELD IN GLOBAL FORM AND MAY NOT BE TRANSFERRED WITHOUT CERTIFICATION THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS, AS PROVIDED IN THE INDENTURE REFERRED TO BELOW. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 FOR RESALES OF THE SECURITIES.]

No. $_____

Northeast Bancorp, a Maine corporation (hereinafter called the "Company", which term includes any successor Person under the Indenture hereinafter referred to), for value received, hereby promises to pay to NBN Capital Trust, or registered assigns, the principal sum of _____ Dollars on _____, 2029, or such other principal amount represented hereby as may be set forth in the records of the Securities Registrar hereinafter referred to in accordance with the Indenture provided that the Company may shorten the Stated Maturity of the principal of this Security to a date not earlier than _____ 2004. The Company further promises to pay interest on said principal from _____, 1999, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, quarterly (subject to deferral as set forth herein) in arrears on March 31, June 30, September 30 and December 31 of each year, commencing _____, 1999 at the rate of _____ per annum, together with Additional Sums, if any, as provided in Section 10.6 of the Indenture, until the principal hereof is paid or duly provided for or made available for payment; provided that any overdue principal, premium or Additional Sums and any overdue

installment of interest shall bear Additional Interest at the rate of _____% per annum (to the extent that the payment of such interest shall be legally enforceable), compounded quarterly from the dates such amounts are due until they are paid or made available for payment, and such interest shall be payable on demand. The amount of interest payable for any period less than a full interest period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual days elapsed in a partial month in such period. The amount of interest payable for any full interest period shall be computed by dividing the applicable rate per annum by four. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture, be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest installment, which shall be the 15th day of March, June, September and December (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the Holder on such Regular Record Date and may either be paid to the Person in whose name this Security (or one or more Predecessor Securities) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to Holders of Securities of this series not less than 10 days prior to such Special Record Date, or be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities may be listed, and upon such notice as may be required by such exchange, all as more fully provided in said Indenture.

So long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time during the term of this Security, from time to time to defer the payment of interest on this Security for up to 20 consecutive quarterly interest payment periods with respect to each deferral period (each an "Extension Period"), during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date, and at the end of which the Company shall pay all interest then accrued and unpaid including Additional Interest, as provided below; provided however, that no Extension Period shall extend beyond the Stated Maturity of the principal of this Security, as then in effect, and no such Extension Period may end on a date other than an Interest Payment Date; and provided further, however, that during any such Extension Period, the Company shall not (a) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (b) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu in all respects with or junior in interest to this Security, including the Company's obligation associated with the Outstanding Preferred Securities (other than (i) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or stockholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (ii) as a result of a reclassification, an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a Subsidiary of the

Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (iii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (iv) any declaration of a dividend in connection with any Rights Plan, or the issuance of rights, stock or other property under any Rights Plan, or the redemption or repurchase of rights pursuant thereto, or (v) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks pari passu with or junior to such stock). Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Extension Period shall exceed 20 consecutive quarterly interest payment periods, extend beyond the Stated Maturity of the principal of this Security or end on a date other than an Interest Payment Date. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due on any Interest Payment Date, the Company may elect to begin a new Extension Period, subject to the above conditions. No interest shall be due and payable during an Extension Period, except at the end thereof, but each installment of interest that would otherwise have been due and payable during such Extension Period shall bear Additional Interest (to the extent that the payment of such interest shall be legally enforceable) at the rate of _____% per annum, compounded quarterly and calculated as set forth in the first paragraph of this Security, from the date on which such amounts would otherwise have been due and payable until paid or made available for payment. The Company shall give the Holder of this Security and the Trustee notice of its election to begin any Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on this Security would be payable but for such deferral or so long as such securities are held by NBN Capital Trust, or at least one Business Day prior to the earlier of (a) the next succeeding date on which Distributions on the Preferred Securities of the Issuer Trust would be payable but for such deferral, and (b) the date on which the Property Trustee of the Issuer Trust is required to give notice to holders of such Preferred Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

Payment of the principal of (and premium, if any) and interest on this Security will be made at the office or agency of the Company maintained for that purpose in the United States, in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided however, that at the option of the Company payment of interest may be made (a) by check mailed to the address of the Person entitled thereto as such address shall appear in the Securities Register, or (b) if to a Holder of $1,000,000 or more in aggregate principal amount of this Security, by wire transfer in immediately available funds upon written request to the Trustee not later than 15 calendar days prior to the date on which the interest is payable.

The indebtedness evidenced by this Security is, to the extent provided in the Indenture, subordinate and subject in right of payments to the prior payment in full of all Senior Indebtedness, and this Security is issued subject to the provisions of the Indenture with respect thereto. Each Holder of this Security, by accepting the same, (a) agrees to and shall be bound by such provisions,

(b) authorizes and directs the Trustee on his or her behalf to take such actions as may be necessary or appropriate to effectuate the subordination so provided, and (c) appoints the Trustee his or her attorney-in-fact for any and all such purposes. Each Holder hereof, by his or her acceptance hereof, waives all notice of the acceptance of the subordination provisions contained herein and in the Indenture by each holder of Senior Indebtedness, whether now outstanding or hereafter incurred, and waives reliance by each such holder upon said provisions.

Reference is hereby made to the further provisions of this Security set forth on the reverse hereof, which further provisions shall for all purposes have the same effect as if set forth at this place.

Unless the certificate of authentication hereon has been executed by the Trustee referred to on the reverse hereof by manual or facsimile signature, this Security shall not be entitled to any benefit under the Indenture or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Company has caused this instrument to be duly executed.

NORTHEAST BANCORP

By:

Name:
Title:

Attest:

- ---
Clerk or Assistant Clerk

This is one of the Securities of the series designated therein referred to in the within-mentioned Indenture.

Dated:

BANKERS TRUST COMPANY,
as Trustee

By:

Name:
Title:

Section 2.3 Form of Reverse of Security.

This Security is one of a duly authorized issue of securities of the Company (herein called the "Securities"), issued and to be issued under the Junior Subordinated Indenture, dated as of _____, 1999 (herein called the "Indenture"), between the Company and Bankers Trust Company, as Trustee (herein called the "Trustee", which term includes any successor trustee under the Indenture), to which Indenture and all indentures supplemental thereto reference is hereby made for a statement of the respective rights, limitations of rights, duties and immunities thereunder of the Company, the Trustee, the holders of Senior Indebtedness and the Holders of the Securities, and of the terms upon which the Securities are, and are to be, authenticated and delivered. This Security is one of the series designated on the face hereof, limited in aggregate principal amount to $_____.

All terms used in this Security that are defined in the Indenture or, if not defined in the Indenture, in the Amended and Restated Trust Agreement dated as of _____, 1999 (as modified, amended or supplemented from time to time the "Trust Agreement"), relating to NBN Capital Trust (the "Issuer Trust") among the Company, as Depositor, the Trustees named therein, the administrators named therein, and the holders from time to time of the Trust Securities issued pursuant thereto shall have the meanings assigned to them in the Indenture or the Trust Agreement, as the case may be.

The Company has the right to redeem this Security (a) on or after _____ 2004, in whole at any time or in part from time to time, or (b) in whole (but not in part), at any time within 90 days following the occurrence and during the continuation of a Tax Event, Investment Company Event, or Capital Treatment Event, in each case at the Redemption Price described below, and subject to possible regulatory approval. The Redemption Price shall equal 100% of the principal amount hereof being redeemed, together with accrued interest to but excluding the date fixed for redemption.

In the event of redemption of this Security in part only, a new Security or Securities for the unredeemed portion hereof will be issued in the name of the Holder hereof upon the cancellation hereof.

[If applicable, insert - The Indenture contains provisions for defeasance at any time [of the entire indebtedness of this Security] [or] [certain restrictive covenants and Events of Default with respect to this Security] [, in each case] upon compliance by the Company with certain conditions set forth in the Indenture.]

The Indenture permits, with certain exceptions as therein provided, the Company and the Trustee at any time to enter into a supplemental indenture or indentures for the purpose of modifying in any manner the rights and obligations of the Company and of the Holders of the Securities, with the consent of the Holders of not less than a majority in principal amount of the Outstanding Securities to be affected by such supplemental indenture. The Indenture also contains provisions

permitting Holders of specified percentages in principal amount of the Securities at the time Outstanding, on behalf of the Holders of all Securities, to waive compliance by the Company with certain provisions of the Indenture and certain past defaults under the Indenture and their consequences. Any such consent or waiver by the Holder of this Security shall be conclusive and binding upon such Holder and upon all future Holders of this Security and of any Security issued upon the registration of transfer hereof or in exchange herefor or in lieu hereof, whether or not notation of such consent or waiver is made upon this Security.

[If the Security is not a Discount Security, insert - As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities may declare the principal amount of all the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, if upon an Event of Default, the Trustee or such Holders fail to declare the principal of all the Outstanding Securities to be immediately due and payable, the holders of at least 25% in aggregate Liquidation Amount of the Preferred Securities then outstanding shall have the right to make such declaration by a notice in writing to the Company and the Trustee; and upon any such declaration the principal amount of and the accrued interest (including any Additional Interest) on all the Securities shall become immediately due and payable, provided that the payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII of the Indenture.]

[If the Security is a Discount Security, insert - As provided in and subject to the provisions of the Indenture, if an Event of Default with respect to the Securities at the time Outstanding occurs and is continuing, then and in every such case the Trustee or the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities may declare an amount of principal of the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided that, if upon an Event of Default, the Trustee or such Holders fail to declare such principal amount of the Outstanding Securities to be immediately due and payable, the Holders of at least 25% in aggregate Liquidation Amount of the Preferred Securities then outstanding shall have the right to make such declaration by a notice in writing to the Company and the Trustee. The principal amount payable upon such acceleration shall be equal to [insert formula for determining the amount]. Upon any such declaration, such amount of the principal of and the accrued interest (including any Additional Interest) on all the Securities shall become immediately due and payable, provided that the payment of such principal and interest (including any Additional Interest) on all the Securities shall remain subordinated to the extent provided in Article XIII of the Indenture. Upon payment (a) of the amount of principal so declared due and payable and (b) of interest on any overdue principal, premium and interest (in each case to the extent that the payment of such interest shall be legally enforceable), all of the Company's obligations in respect of the payment of the principal of and premium and interest, if any, on this Security shall terminate.]

No reference herein to the Indenture and no provision of this Security or of the Indenture shall alter or impair the obligation of the Company, which is absolute and unconditional, to pay the principal of (and premium, if any) and interest (including Additional Interest) on this Security at the times, place and rate, and in the coin or currency, herein prescribed.

As provided in the Indenture and subject to certain limitations therein set forth, the transfer of this Security is registrable in the Securities Register, upon surrender of this Security for registration of transfer at the office or agency of the Company maintained under Section 10.2 of the Indenture for such purpose, duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar duly executed by the Holder hereof or such Holder's attorney duly authorized in writing, and thereupon one or more new Securities, of like tenor, of authorized denominations and for the same aggregate principal amount, will be issued to the designated transferee or transferees.

As provided in the Indenture and subject to certain limitations therein set forth, Securities are exchangeable for a like aggregate principal amount of Securities and of like tenor of a different authorized denomination, as requested by the Holder surrendering the same.

No service charge shall be made for any such registration of transfer or exchange, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Prior to due presentment of this Security for registration of transfer, the Company, the Trustee and any agent of the Company or the Trustee may treat the Person in whose name this Security is registered as the owner hereof for all purposes, whether or not this Security be overdue, and neither the Company, the Trustee nor any such agent shall be affected by notice to the contrary.

The Company and, by its acceptance of this Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, this Security agrees that for United States federal, state and local tax purposes it is intended that this Security constitute indebtedness.

THIS SECURITY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

THIS SECURITY IS A DIRECT AND UNSECURED OBLIGATION OF THE COMPANY, DOES NOT EVIDENCE DEPOSITS AND IS NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER INSURER OR GOVERNMENT AGENCY.

Section 2.4 Additional Provisions Required in Global Security.

Unless otherwise specified as contemplated by Section 3.1, any Global Security issued hereunder shall, in addition to the provisions contained in Sections 2.2 and 2.3, bear a legend in substantially the following form:

THIS SECURITY IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF A DEPOSITARY OR A NOMINEE OF A DEPOSITARY. THIS SECURITY IS EXCHANGEABLE FOR SECURITIES REGISTERED IN THE NAME OF A PERSON OTHER THAN THE DEPOSITARY OR ITS NOMINEE ONLY IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE AND MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY, EXCEPT IN THE LIMITED CIRCUMSTANCES DESCRIBED IN THE INDENTURE.

Section 2.5 Form of Trustee's Certificate of Authentication.

The Trustee's certificates of authentication shall be in substantially the following form:

This is one of the Securities referred to in the within-mentioned Indenture.

Dated: BANKERS TRUST COMPANY,
as Trustee

By:

Authorized Signatory

ARTICLE III

THE SECURITIES

Section 3.1 Title and Terms.

(a) The aggregate principal amount of Securities that may be authenticated and delivered under this Indenture is $_____.

(b) Subject to Section 3.16, the Securities' Stated Maturity shall be _____, 2029.

(c) The Securities, established pursuant to a Board Resolution, shall bear interest at a per annum rate equal to _____% from _____, 1999 or from the most recent Interest Payment Date to which interest has been paid or duly provided for, as the case may be, payable quarterly (subject to deferral as set forth in Section 3.12), in arrears, on March 31, June 30, September 30 and December 31 of each year, commencing _____, 1999, until the principal thereof is paid or made available for payment. Interest will compound quarterly and will accrue at a per annum rate equal to _____% to the extent permitted by applicable law, on any interest installment in arrears for more than one quarterly period or during an extension of an interest payment period as set forth below in Section 3.12.

(d) The principal of (and premium, if any) and interest on the Securities shall be payable at the office or agency of the Paying Agent in the United States maintained for such purpose and at any other office or agency maintained by the Company for such purpose in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts; provided, however, that at the option of the Company payment of interest may be made (i) by check mailed to the address of the Person entitled thereto as such address shall appear in the Security Register or (ii) if to a Holder of $1,000,000 or more in aggregate principal amount of this Security, by wire transfer in immediately available funds upon written request to the Trustee not later than 15 calendar days prior to the date on which the interest is payable, at such place and to such account as may be designated by the Person entitled thereto as specified in the Security Register.

(e) Securities may be issuable in whole or in part in the form of one or more Global Securities and, in such case, the Depositary for such Global Securities shall be The Depository Trust Company.

(f) The securities shall be subordinated in right of payment to Senior Indebtedness as provided in Article XIII.

Section 3.2 Denominations.

The Securities shall be in registered form without coupons and shall be issuable in denominations of $10 and any integral multiple thereof.

Section 3.3 Execution, Authentication, Delivery and Dating.

(a) The Securities shall be executed on behalf of the Company by its Chairman of the Board, its Vice Chairman of the Board, its Chief Executive Officer, President or one of its Vice Presidents, and attested by its Clerk or one of its Assistant Clerks. The signature of any of these officers on the Securities may be manual or facsimile.

(b) Securities bearing the manual or facsimile signatures of individuals who were at any time the proper officers of the Company shall bind the Company, notwithstanding that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such

Securities or did not hold such offices at the date of such Securities. At any time and from time to time after the execution and delivery of this Indenture, the Company may deliver Securities executed by the Company to the Trustee for authentication, together with a Company Order for the authentication and delivery of such Securities, and the Trustee in accordance with the Company Order shall authenticate and deliver such Securities. If the form or terms of the Securities have been established by or pursuant to one or more Board Resolutions as permitted by Sections 2.1 and 3.1, in authenticating such Securities, and accepting the additional responsibilities under this Indenture in relation to such Securities, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Opinion of Counsel stating:

(i) if the form of such Securities has been established by or pursuant to Board Resolution as permitted by Section 2.1, that such form has been established in conformity with the provisions of this Indenture;

(ii) if the terms of such Securities have been established by or pursuant to Board Resolution as permitted by Section 3.1, that such terms have been established in conformity with the provisions of this Indenture; and

(iii) that such Securities, when authenticated and delivered by the Trustee and issued by the Company in the manner and subject to any conditions specified in such Opinion of Counsel, will constitute valid and legally binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights and to general equity principles.

(c) If such form or terms have been so established, the Trustee shall not be required to authenticate such Securities if the issue of such Securities pursuant to this Indenture will affect the Trustee's own rights, duties or immunities under the Securities and this Indenture or otherwise in a manner that is not reasonably acceptable to the Trustee.

(d) Notwithstanding the provisions of Section 3.1 and Section 3.3(b), if all Securities are not to be originally issued at one time, it shall not be necessary to deliver the Officers' Certificate otherwise required pursuant to Section 3.1 or the Company Order and Opinion of Counsel otherwise required pursuant to Section 3.3(b) at or prior to the authentication of each Security if such documents are delivered at or prior to the authentication upon original issuance of the first Security to be issued.

(e) Each Security shall be dated the date of its authentication.

(f) No Security shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Security a certificate of authentication substantially in the form provided for herein executed by the Trustee by the manual or facsimile signature of one of its authorized officers, and such certificate upon any Security shall be conclusive evidence, and

the only evidence, that such security has been duly authenticated and delivered hereunder. Notwithstanding the foregoing, if any Security shall have been authenticated and delivered hereunder but never issued and sold by the Company, and the Company shall deliver such Security to the Trustee for cancellation as provided in Section 3.10, for all purposes of this Indenture such Security shall be deemed never to have been authenticated and delivered hereunder and shall never be entitled to the benefits of this Indenture.

Section 3.4 Temporary Securities.

(a) Pending the preparation of definitive Securities, the Company may execute, and upon receipt of a Company Order the Trustee shall authenticate and deliver, temporary Securities that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Securities in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the officers executing such Securities may determine, as evidenced by their execution of such Securities.

(b) If temporary Securities are issued, the Company will cause definitive Securities to be prepared without unreasonable delay. After the preparation of definitive Securities, the temporary Securities shall be exchangeable for definitive Securities upon surrender of the temporary Securities at the office or agency of the Company designated for that purpose without charge to the Holder. Upon surrender for cancellation of any one or more temporary Securities, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor one or more definitive securities, of any authorized denominations having the same Original Issue Date and Stated Maturity and having the same terms as such temporary Securities. Until so exchanged, the temporary Securities shall in all respects be entitled to the same benefits under this Indenture as definitive Securities.

Section 3.5 Global Securities.

(a) Each Global Security issued under this Indenture shall be registered in the name of the Depositary designated by the Company for such Global Security or a nominee thereof and delivered to such Depositary or a nominee thereof or custodian therefor, and each such Global Security shall constitute a single Security for all purposes of this Indenture.

(b) Notwithstanding any other provision in this Indenture, no Global Security may be exchanged in whole or in part for Securities registered, and no transfer of a Global Security in whole or in part may be registered, in the name of any Person other than the Depositary for such Global Security or a nominee thereof unless (i) such Depositary advises the Trustee in writing that such Depositary is no longer willing or able to properly discharge its responsibilities as Depositary with respect to such Global Security, and the Company is unable to locate a qualified successor within 90 days of receipt of such notice from the Depositary, (ii) the Company executes and delivers to the Trustee a Company Order stating that the Company elects to terminate the book-entry system through the Depositary, or (iii) there shall have occurred and be continuing an Event of Default.

(c) If any Global Security is to be exchanged for other Securities or cancelled in whole, it shall be surrendered by or on behalf of the Depositary or its nominee to the Securities Registrar for exchange or cancellation as provided in this Article III. If any Global Security is to be exchanged for other Securities or canceled in part, or if another Security is to be exchanged in whole or in part for a beneficial interest in any Global Security, then either (i) such Global Security shall be so surrendered for exchange or cancellation as provided in this Article III or (ii) the principal amount thereof shall be reduced, or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the principal amount of such other Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Securities Registrar, whereupon the Trustee, in accordance with the Applicable Procedures, shall instruct the Depositary or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Security by the Depositary, accompanied by registration instructions, the Trustee shall, subject to Section 3.6(b) and as otherwise provided in this Article III, authenticate and deliver any Securities issuable in exchange for such Global Security (or any portion thereof) in accordance with the instructions of the Depositary. The Trustee shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(d) Every Security authenticated and delivered upon registration of transfer of, or in exchange for or in lieu of, a Global Security or any portion thereof, whether pursuant to this Article III, Section 9.6 or 11.6 or otherwise, shall be authenticated and delivered in the form of, and shall be, a Global Security, unless such Security is registered in the name of a Person other than the Depositary for such Global Security or a nominee thereof.

(e) The Depositary or its nominee, as the registered owner of a Global Security, shall be the Holder of such Global Security for all purposes under this Indenture and the Securities, and owners of beneficial interests in a Global Security shall hold such interests pursuant to the Applicable Procedures. Accordingly, any such owner's beneficial interest in a Global Security shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Depositary or its nominee or agent. Neither the Trustee nor the Securities Registrar shall have any liability in respect of any transfers effected by the Depositary.

(f) The rights of owners of beneficial interests in a Global Security shall be exercised only through the Depositary and shall be limited to those established by law and agreements between such owners and the Depositary and/or its Agent Members.

Section 3.6 Registration, Transfer and Exchange Generally; Certain Transfers and Exchanges; Securities Act Legends.

(a) The Company shall cause to be kept at the Corporate Trust Office of the Trustee a register in which, subject to such reasonable regulations as it may prescribe, the Company shall provide for the registration of Securities and transfers of Securities. Such register is herein

sometimes referred to as the "Securities Register." The Trustee is hereby appointed "Securities Registrar" for the purpose of registering Securities and transfers of Securities as herein provided.

Upon surrender for registration of transfer of any Security at the offices or agencies of the Company designated for that purpose, the Company shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Securities of any authorized denominations of like tenor and aggregate principal amount and bearing such restrictive legends as may be required by this Indenture.

At the option of the Holder, Securities may be exchanged for other Securities of any authorized denominations, of like tenor and aggregate principal amount and bearing such restrictive legends as may be required by this Indenture, upon surrender of the Securities to be exchanged at such office or agency. Whenever any securities are so surrendered for exchange, the Company shall execute, and the Trustee shall authenticate and deliver, the Securities that the Holder making the exchange is entitled to receive.

All Securities issued upon any transfer or exchange of Securities shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Securities surrendered upon such transfer or exchange.

Every Security presented or surrendered for transfer or exchange shall (if so required by the Company or the Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Company and the Securities Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing.

No service charge shall be made to a Holder for any transfer or exchange of Securities, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Securities.

Neither the Company nor the Trustee shall be required, pursuant to the provisions of this Section, (i) to issue, exchange or register the transfer of any Security during a period beginning at the opening of business 15 days before the day of selection for redemption of Securities pursuant to Article XI and ending at the close of business on the day of mailing of the notice of redemption, or (ii) to register the transfer of or exchange any Security so selected for redemption in whole or in part, except, in the case of any such Security to be redeemed in part, any portion thereof not to be redeemed.

(b) Certain Transfers and Exchanges. Notwithstanding any other provision of this Indenture, transfers and exchanges of Securities and beneficial interests in a Global Security shall be made only in accordance with this Section 3.6(b).

(i) Restricted Non-Global Security to Global Security. If the Holder of a Restricted Security (other than a Global Security) wishes at any time to transfer all or any

portion of such Security to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Global Security, such transfer may be effected only in accordance with the provisions of this clause (b) (i) and subject to the Applicable Procedures. Upon receipt by the Securities Registrar of (A) such Security as provided in Section 3.6(a) and instructions satisfactory to the Securities Registrar directing that a beneficial interest in the Global Security in a specified principal amount not greater than the principal amount of such Security be credited to a specified Agent Member's account and (B) a Restricted Securities Certificate duly executed by such Holder or such Holder's attorney duly authorized in writing, then the Securities Registrar shall cancel such Security (and issue a new Security in respect of any untransferred portion thereof) as provided in Section 3.6(a) and increase the aggregate principal amount of the Global Security by the specified principal amount as provided in Section 3.5(c).

(ii) Non-Global Security to Non-Global Security. A Security that is not a Global Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Security that is not a Global Security as provided in Section 3.6(a), provided that if the Security to be transferred in whole or in part is a Restricted Security, the Securities Registrar shall have received a Restricted Securities Certificate duly executed by the transferor Holder or such Holder's attorney duly authorized in writing.

(iii) Exchanges Between Global Security and Non-Global Security. A beneficial interest in a Global Security may be exchanged for a Security that is not a Global Security as provided in Section 3.5.

(iv) Initial Transfers of Non-Global Securities. In the case of Securities initially issued other than in global form, an initial transfer or exchange of such Securities that does not involve any change in beneficial ownership may be made to an Institutional Accredited Investor or Investors as if such transfer or exchange were not an initial transfer or exchange; provided, however that written certification shall be provided by the transferee and transferor of such Securities to the Securities Registrar that such transfer or exchange does not involve a change in beneficial ownership.

(c) Restricted Securities Legend. Except as set forth below, all Securities shall bear a Restricted Securities Legend:

(i) subject to the following clauses of this Section 3.6(c), a Security or any portion thereof that is exchanged, upon transfer or otherwise, for a Global Security or any portion thereof shall bear the Restricted Securities Legend while represented thereby;

(ii) subject to the following clauses of this Section 3.6(c), a new Security which is not a Global Security and is issued in exchange for another Security (including a Global Security) or any portion thereof, upon transfer or otherwise, shall, if such new Security is

required pursuant to Section 3.6(b) (ii) or (iii) to be issued in the form of a Restricted Security, bear a Restricted Securities Legend;

(iii) a new Security (other than a Global Security) that does not bear a Restricted Security Legend may be issued in exchange for or in lieu of a Restricted Security or any portion thereof that bears such a legend if, in the Company's judgment, placing such a legend upon such new Security is not necessary to ensure compliance with the registration requirements of the Securities Act, and the Trustee, at the written direction of the Company in the form of an Officers' Certificate, shall authenticate and deliver such a new Security as provided in this Article III;

(iv) notwithstanding the foregoing provisions of this Section 3.6(c), a Successor Security of a Security that does not bear a Restricted Securities Legend shall not bear such form of legend unless the Company has reasonable cause to believe that such Successor Security is a "restricted security" within the meaning of Rule 144, in which case the Trustee, at the written direction of the Company in the form of an Officers' Certificate, shall authenticate and deliver a new Security bearing a Restricted Securities Legend in exchange for such Successor Security as provided in this Article III; and

(v) Securities distributed to a holder of Preferred Securities upon dissolution of an Issuer Trust shall bear a Restricted Securities Legend if the Preferred Securities so held bear a similar legend.

Section 3.7 Mutilated, Lost and Stolen Securities.

(a) If any mutilated Security, including any temporary Securities, is surrendered to the Trustee together with such security or indemnity as may be required by the Company or the Trustee to save each of them harmless, the Company shall execute and the Trustee shall authenticate and deliver in exchange therefor a new Security, of like tenor and aggregate principal amount, bearing the same legends, and bearing a number not contemporaneously outstanding.

(b) If there shall be delivered to the Company and to the Trustee (i) evidence to their satisfaction of the destruction, loss or theft of any Security, and (ii) such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the Company or the Trustee that such Security has been acquired by a bona fide purchaser or a protected purchaser, the Company shall execute and upon its request the Trustee shall authenticate and deliver, in lieu of any such destroyed, lost or stolen Security, a new Security, of like tenor and aggregate principal amount and bearing the same legends as such destroyed, lost or stolen Security, and bearing a number not contemporaneously outstanding.

(c) If any such mutilated, destroyed, lost or stolen Security has become or is about to become due and payable, the Company in its discretion may, instead of issuing a new Security, pay such Security.

(d) Upon the issuance of any new Security under this Section 3.7, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

(e) Every new Security issued pursuant to this Section in lieu of any destroyed, lost or stolen Security shall constitute an original additional contractual obligation of the Company, whether or not the destroyed, lost or stolen Security shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Securities duly issued hereunder.

(f) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Securities.

Section 3.8 Payment of Interest and Additional Interest; Interest Rights Preserved.

(a) Interest and Additional Interest on any Security that is payable, and is punctually paid or duly provided for, on any Interest Payment Date, shall be paid to the Person in whose name that Security (or one or more Predecessor Securities) is registered at the close of business on the Regular Record Date for such interest in respect of Securities, except that, unless otherwise provided in the Securities, interest payable on the Stated Maturity of the principal of a Security shall be paid to the Person to whom principal is paid. The initial payment of interest on any Security that is issued between a Regular Record Date and the related Interest Payment Date shall be payable as provided in such Security or in the Board Resolution pursuant to Section 3.1 with respect to the Securities.

(b) Any interest on any Security that is due and payable, but is not timely paid or duly provided for, on any Interest Payment Date for Securities (herein called "Defaulted Interest"), shall forthwith cease to be payable to the registered Holder on the relevant Regular Record Date by virtue of having been such Holder, and such Defaulted Interest may be paid by the Company, at its election in each case, as provided in clause (i) or (ii) below:

(i) The Company may elect to make payment of any Defaulted Interest to the Persons in whose names the Securities in respect of which interest is in default (or their respective Predecessor Securities) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Company shall notify the Trustee in writing of the amount of Defaulted Interest proposed to be paid on each Security and the date of the proposed payment, and which shall be fixed at the same time the Company shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of the Persons entitled to such Defaulted Interest as in this clause provided. Thereupon, the Trustee

shall fix a Special Record Date for the payment of such Defaulted Interest, which shall be not more than 15 days and not less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the Company of such Special Record Date and, in the name and at the expense of the Company, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class, postage prepaid, to each Holder of a Security at the address of such Holder as it appears in the Securities Register not less than 10 days prior to such Special Record Date. The Trustee may, in its discretion, in the name and at the expense of the Company, cause a similar notice to be published at least once in a newspaper, customarily published in the English language on each Business Day and of general circulation in the Borough of Manhattan, The City of New York, but such publication shall not be a condition precedent to the establishment of such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Securities (or their respective Predecessor Securities) are registered on such Special Record Date and shall no longer be payable pursuant to the following clause (ii).

(ii) The Company may make payment of any Defaulted Interest in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Securities in respect of which interest is in default may be listed and, upon such notice as may be required by such exchange (or by the Trustee if the Securities are not listed), if, after notice given by the Company to the Trustee of the proposed payment pursuant to this clause (ii), such payment shall be deemed practicable by the Trustee.

(c) Subject to the foregoing provisions of this Section, each Security delivered under this Indenture upon transfer of or in exchange for or in lieu of any other Security shall carry the rights to interest accrued and unpaid, and to accrue interest, that were carried by such other Security.

Section 3.9 Persons Deemed Owners.

(a) The Company, the Trustee and any agent of the Company or the Trustee shall treat the Person in whose name any Security is registered as the owner of such Security for the purpose of receiving payment of principal of and (subject to Section 3.8) any interest on such Security and for all other purposes whatsoever, whether or not such Security be overdue, and none of the Company, the Trustee or any agent of the Company or the Trustee shall be affected by notice to the contrary.

(b) No holder of any beneficial interest in any Global Security held on its behalf by a Depositary shall have any rights under this Indenture with respect to such Global Security, and such Depositary may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or

the Trustee from giving effect to any written certification, proxy or other authorization furnished by a Depositary or impair, as between a Depositary and such holders of beneficial interests, the operation of customary practices governing the exercise of the rights of the Depositary (or its nominee) as Holder of any Security.

Section 3.10 Cancellation.

All Securities surrendered for payment, redemption, transfer or exchange shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee, and any such Securities, and Securities surrendered directly to the Trustee for any such purpose, shall be promptly canceled by it. The Company may at any time deliver to the Trustee for cancellation any Securities previously authenticated and delivered hereunder that the Company may have acquired in any manner whatsoever, and all Securities so delivered shall be promptly canceled by the Trustee. No Securities shall be authenticated in lieu of or in exchange for any Securities canceled as provided in this Section 3.10, except as expressly permitted by this Indenture. All canceled Securities shall be destroyed by the Trustee and the Trustee shall deliver to the Company a certificate of such destruction.

Section 3.11 Computation of Interest.

Interest on the Securities for any period shall be computed on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed in any partial month in such period, and interest on the Securities for a full period shall be computed by dividing the rate per annum by the number of interest periods that together constitute a full twelve months.

Section 3.12. Deferrals of Interest Payment Dates.

(a) So long as no Event of Default has occurred and is continuing, the Company shall have the right, at any time during the term of the Securities, from time to time to defer the payment of interest on such Securities for such period or periods (each an "Extension Period") not to exceed the number of consecutive interest periods that equal 20 consecutive quarterly periods with respect to each Extension Period, during which Extension Periods the Company shall have the right to make partial payments of interest on any Interest Payment Date. No Extension Period shall end on a date other than an Interest Payment Date. At the end of any such Extension Period, the Company shall pay all interest then accrued and unpaid on the Securities together with Additional Interest thereon, if any, at the rate specified for the Securities to the extent permitted by applicable law; provided, however, that no Extension Period shall extend beyond the Stated Maturity of the principal of the Securities; and provided further, however, that, during any such Extension Period, the Company shall not (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any of the Company's capital stock, or (ii) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu in all respects with or junior in interest to the Securities, including the Company's obligations associated with the Outstanding Preferred Securities (other than (A) repurchases, redemptions or other acquisitions of shares of capital stock of the Company

in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or stockholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period, (B) as a result of a reclassification, an exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a Subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (C) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (D) any declaration of a dividend in connection with any Rights Plan, or the issuance of rights, stock or other property under any Rights Plan, or the redemption or repurchase of rights pursuant thereto, or (E) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks pari passu with or junior to such stock.) Prior to the termination of any such Extension Period, the Company may further defer the payment of interest, provided that no Event of Default has occurred and is continuing and provided further, that no Extension Period shall exceed the period or periods specified in such Securities, extend beyond the Stated Maturity of the principal of such Securities or end on a date other than an Interest Payment Date. Upon the termination of any such Extension Period and upon the payment of all accrued and unpaid interest and any Additional Interest then due on any Interest Payment Date, the Company may elect to begin a new Extension Period, subject to the above conditions. No interest or Additional Interest shall be due and payable during an Extension Period, except at the end thereof, but each installment of interest that would otherwise have been due and payable during such Extension Period shall bear Additional Interest. The Company shall give the Holders of the Securities and the Trustee notice of its election to begin any such Extension Period at least one Business Day prior to the next succeeding Interest Payment Date on which interest on Securities would be payable but for such deferral or, with respect to any Securities issued to the Issuer Trust, so long as any such Securities are held by the Issuer Trust, at least one Business Day prior to the earlier of (x) the next succeeding date on which Distributions (as defined in the Trust Agreement) on the Preferred Securities of the Issuer Trust would be payable but for such deferral, and (y) the date on which the Property Trustee of the Issuer Trust is required to give notice to holders of such Preferred Securities of the record date or the date such Distributions are payable, but in any event not less than one Business Day prior to such record date.

(b) The Trustee shall promptly give notice of the Company's election to begin any such Extension Period to the Holders of the Outstanding Securities.

Section 3.13 Right of Set-Off.

With respect to the Securities initially issued to the Issuer Trust, notwithstanding anything to the contrary herein, the Company shall have the right to set off any payment it is otherwise required to make in respect of any such Security to the extent the Company has theretofore made,

or is concurrently on the date of such payment making, a payment under the Guarantee or to a holder of Preferred Securities pursuant to an action undertaken under Section 5.8 of this Indenture.

Section 3.14 Agreed Tax Treatment.

Each Security issued hereunder shall provide that the Company and, by its acceptance of a Security or a beneficial interest therein, the Holder of, and any Person that acquires a beneficial interest in, such Security agree that for United States federal, state and local tax purposes it is intended that such Security constitutes indebtedness.

Section 3.15 CUSIP Numbers.

The Company, in issuing the Securities, may use "CUSIP" numbers (if then generally in use), and, if so, the Trustee shall use "CUSIP" numbers in notice of redemption and other similar or related materials as a convenience to Holders; provided that any such notice or other materials may state that no representation is made as to the correctness of such numbers either as printed on the Securities or as contained in any notice of redemption or other materials and that reliance may be placed only on the other identification numbers printed on the Securities, and any such redemption shall not be affected by any defect in or omission of such numbers.

Section 3.16 Shortening of Stated Maturity.

The Company shall have the right to shorten the Stated Maturity of the principal of the Securities at any time to any date not earlier than _____, 2004, provided that the Company shall give notice to the Holders, the Trustee and, in the case of Securities issued to an Issuer Trust, the Issuer Trust of such shortening no less than 90 days prior to the effectiveness thereof.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.1 Satisfaction and Discharge of Indenture.

This Indenture shall, upon Company Request, cease to be of further effect (except as to any surviving rights of registration of transfer or exchange of Securities herein expressly provided for and as otherwise provided in this Section 4.1) and the Trustee, on demand of and at the expense of the Company, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either

(i) all Securities theretofore authenticated and delivered (other than (A) Securities that have been destroyed, lost or stolen and that have been replaced or paid as provided in Section 3.7 and (B) Securities for whose payment money has theretofore been deposited in trust or segregated and held in trust by the Company and thereafter repaid to the Company or discharged from such trust, as provided in Section 10.3) have been delivered to the Trustee for cancellation; or

(ii) all such Securities not theretofore delivered to the Trustee for cancellation

(A) have become due and payable,

(B) will become due and payable at their Stated Maturity within one year of the date of deposit, or

(C) are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Company,

and the Company, in the case of subclause (ii) (A), (B) or (C) above, has deposited or caused to be deposited with the Trustee as trust funds in trust for such purpose an amount in the currency or currencies in which the Securities are payable sufficient to pay and discharge the entire indebtedness on such Securities not theretofore delivered to the Trustee for cancellation, for the principal (and premium, if any) and interest (including any Additional Interest) to the date of such deposit (in the case of Securities that have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be;

(b) the Company has paid or caused to be paid all other sums payable hereunder by the Company; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the obligations of the Company to the Trustee under Section 6.7, the obligations of the Company to any Authenticating Agent under Section 6.14 and, if money shall have been deposited with the Trustee pursuant to subclause (ii) of clause (a) of this Section, the obligations of the Trustee under Section 4.2 and the last paragraph of Section 10.3 shall survive.

Section 4.2 Application of Trust Money.

Subject to the provisions of the last paragraph of Section 10.3, all money deposited with the Trustee pursuant to Section 4.1 shall be held in trust and applied by the Trustee, in accordance with

the provisions of the Securities and this Indenture, to the payment, either directly or through any Paying Agent (including the Company acting as its own Paying Agent) as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest and Additional Interest for the payment of which such money or obligations have been deposited with or received by the Trustee.

ARTICLE V

REMEDIES

Section 5.1 Events of Default.

"Event of Default", wherever used herein with respect to the Securities, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest upon any Security, including any Additional Interest in respect thereof, when it becomes due and payable and continuance of such default for a period of 30 days (subject to the deferral of any due date in the case of an Extension Period);

(b) default in the payment of the principal of (or premium, if any, on) any Security at its Stated Maturity;

(c) failure on the part of the Company duly to observe or perform any other of the covenants or agreements on the part of the Company in the Securities or in this Indenture for a period of 90 days after the date on which written notice of such failure (a "Notice of Default"), requiring the Company to remedy the same, shall have been given to the Company by the Trustee by registered or certified mail or to the Company and the Trustee by the Holders of at least 25% in aggregate principal amount of the Outstanding Securities; or

(d) the occurrence of the appointment of a receiver or other similar official in any liquidation, insolvency or similar proceeding with respect to the Company or all or substantially all of its property; or a court or other governmental agency shall enter a decree or order appointing a receiver or similar official and such decree or order shall remain unstayed and undischarged for a period of 60 days.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

(a) If an Event of Default (other than an Event of Default specified in Section 5.1(d)) with respect to Securities at the time Outstanding occurs and is continuing, then, and in every such case, the Trustee or the Holders of not less than 25% in aggregate principal amount of the

Outstanding Securities may declare the principal amount (or, if the Securities are Discount Securities, such portion of the principal amount as may be specified in the terms) of all the Securities to be due and payable immediately, by a notice in writing to the Company (and to the Trustee if given by Holders), provided, however that, if, upon an Event of Default, the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Securities fail to declare the principal of all the Outstanding Securities to be immediately due and payable, the holders of at least 25% in aggregate Liquidation Amount (as defined in the Trust Agreement) of the Preferred Securities issued by the Issuer Trust then outstanding shall have the right to make such declaration by a notice in writing to the Company and the Trustee; and upon any such declaration such principal amount (or specified portion thereof) of and the accrued interest (including any Additional Interest) on all the Securities shall become immediately due and payable. If an Event of Default specified in Section 5.1(d) with respect to Securities at the time Outstanding occurs, the principal amount of all the Securities (or, if the Securities are Discount Securities, such portion of the principal amount of such Securities as may be specified by the terms) shall automatically, and without any declaration or other action on the part of the Trustee or any Holder, become immediately due and payable. Payment of principal and interest (including any Additional Interest) on such Securities shall remain subordinated to the extent provided in Article XIII notwithstanding that such amount shall become immediately due and payable as herein provided.

(b) At any time after such a declaration of acceleration with respect to the Securities has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article V, provided the Holders of a majority in aggregate principal amount of the Outstanding Securities, by written notice to the Company and the Trustee, may rescind and annul such declaration and its consequences if:

(i) the Company has paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest on all Securities;

(B) any accrued Additional Interest on all Securities;

(C) the principal of (and premium, if any, on) any Securities that have become due otherwise than by such declaration of acceleration and interest and Additional Interest thereon at the rate borne by the Securities; and

(D) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(ii) all Events of Default with respect to Securities, other than the non-payment of the principal of Securities that has become due solely by such acceleration, have been cured or waived as provided in Section 5.13.

(c) If the Holders of Securities fail to annul such declaration and waive such default, the holders of a majority in aggregate Liquidation Amount (as defined in the Trust Agreement) of Preferred Securities issued by the Issuer Trust then outstanding shall also have the right to rescind and annul such declaration and its consequences by written notice to the Company and the Trustee, subject to the satisfaction of the conditions set forth in clauses (a) and (b) above of this Section 5.2.

(d) No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 5.3 Collection of Indebtedness and Suits for Enforcement by Trustee.

(a) The Company covenants that if:

(i) default is made in the payment of any installment of interest (including any Additional Interest) on any Security when such interest becomes due and payable and such default continues for a period of 30 days or

(ii) default is made in the payment of the principal of (and premium, if any, on) any Security at the Stated Maturity thereof,

then the Company will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of the Securities, the whole amount then due and payable on the Securities for principal (and premium, if any) and interest (including any Additional Interest), and, in addition thereto, all amounts owing the Trustee under Section 6.7.

(b) If the Company fails to pay such amounts forthwith upon such demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against the Company or any other obligor upon such Securities and collect the monies adjudged or decreed to be payable in the manner provided by law out of the property of the Company or any other obligor upon the Securities, wherever situated.

(c) If an Event of Default with respect to Securities occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Securities by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 5.4 Trustee May File Proofs of Claim.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial or administrative proceeding relative to the Company or any other obligor upon the Securities or the property of the Company or of such other obligor or their creditors,

(a) the Trustee (irrespective of whether the principal of the Securities shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payment of overdue principal (and premium, if any) or interest (including any Additional Interest)) shall be entitled and empowered, by intervention in such proceeding or otherwise:

(i) to file and prove a claim for the whole amount of principal (and premium, if any) and interest (including any Additional Interest) owing and unpaid in respect to the Securities and to file such other papers or documents as may be necessary or advisable and to take any and all actions as are authorized under the Trust Indenture Act in order to have the claims of the Holders and any predecessor to the Trustee under Section 6.7 allowed in any such judicial or administrative proceedings; and

(ii) in particular, the Trustee shall be authorized to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same in accordance with Section 5.6; and

(b) any custodian, receiver, assignee, trustee, liquidator, sequestrator, conservator (or other similar official) in any such judicial or administrative proceeding is hereby authorized by each Holder to make such payments to the Trustee for distribution in accordance with Section 5.6, and in the event that the Trustee shall consent to the making of such payments directly to the Holders, to pay to the Trustee any amount due to it and any predecessor Trustee under Section 6.7.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or composition affecting the Securities or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder in any such proceeding; provided, however, that the Trustee may, on behalf of the Holders, vote for the election of a trustee in bankruptcy or similar official and be a member of a creditors' or other similar committee.

Section 5.5 Trustee May Enforce Claim Without Possession of Securities.

All rights of action and claims under this Indenture or the Securities may be prosecuted and enforced by the Trustee without the possession of any of the Securities or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought

in its own name as trustee of an express trust, and any recovery of judgment shall, subject to Article XIII and after provision for the payment of all the amounts owing the Trustee and any predecessor Trustee under Section 6.7, its agents and counsel, be for the ratable benefit of the Holders of the Securities in respect of which such judgment has been recovered.

Section 5.6 Application of Money Collected.

Any money or property collected or to be applied by the Trustee with respect to the Securities pursuant to this Article V shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money or property on account of principal (and premium, if any) or interest (including any Additional Interest), upon presentation of the Securities and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

FIRST: To the payment of all amounts due the Trustee and any predecessor Trustee under Section 6.7;

SECOND: Subject to Article XIII, to the payment of the amounts then due and unpaid upon Securities for principal (and premium, if any) and interest (including any Additional Interest) in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on such Securities for principal (and premium, if any) and interest (including any Additional Interest), respectively; and

THIRD: The balance, if any, to the Person or Persons entitled thereto.

Section 5.7 Limitation on Suits.

Subject to Section 5.8, no Holder of any Securities shall have any right to institute any proceeding, judicial or otherwise, with respect to this Indenture or for the appointment of a receiver, assignee, trustee, liquidator, sequestrator (or other similar official) or for any other remedy hereunder, unless:

(a) such Holder has previously given written notice to the Trustee of a continuing Event of Default with respect to the Securities, as herein before provided;

(b) the Holders of not less than 25% in aggregate principal amount of the Outstanding Securities shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(c) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and

(e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in aggregate principal amount of the Outstanding Securities; it being understood and intended that no one or more of such Holders shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Securities, or to obtain or to seek to obtain priority or preference over any other of such Holders or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all such Holders.

Section 5.8 Unconditional Right of Holders to Receive Principal, Premium and Interest; Direct Action by Holders of Preferred Securities.

Notwithstanding any other provision in this Indenture, the Holder of any Security shall have the right, which is absolute and unconditional, to receive payment of the principal of (and premium, if any) and (subject to Sections 3.8 and 3.12) interest (including any Additional Interest) on such Security on the Stated Maturity (or in the case of redemption, on the Redemption Date) and to institute suit for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder. Any registered holder of the Preferred Securities issued by the Issuer Trust shall have the right, upon the occurrence of an Event of Default described in Section 5.1(a) or 5.1(b), to institute a suit directly against the Company for enforcement of payment to such holder of principal of (and premium, if any) and (subject to Sections 3.8 and 3.12) interest (including any Additional Interest) on the Securities having a principal amount equal to the aggregate Liquidation Amount (as defined in the Trust Agreement) of such Preferred Securities held by such holder.

Section 5.9 Restoration of Rights and Remedies.

If the Trustee, any Holder or any holder of Preferred Securities issued by the Issuer Trust has instituted any proceeding to enforce any right or remedy under this Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee, such Holder or such holder of Preferred Securities, then, and in every such case, the Company, the Trustee, such Holders and such holder of Preferred Securities shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee, such Holder and such holder of Preferred Securities shall continue as though no such proceeding had been instituted.

Section 5.10 Rights and Remedies Cumulative.

Except as otherwise provided in the last paragraph of Section 3.7, no right or remedy herein conferred upon or reserved to the Trustee or the Holders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in

addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.11 Delay or Omission Not Waiver.

(a) No delay or omission of the Trustee, any Holder of any Security with respect to the Securities or any holder of any Preferred Security to exercise any right or remedy accruing upon any Event of Default with respect to the Securities shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein.

(b) Every right and remedy given by this Article V or by law to the Trustee or to the Holders and the right and remedy given to the holders of Preferred Securities by Section 5.8 may be exercised from time to time, and as often as may be deemed expedient, by the Trustee, the Holders or the holders of Preferred Securities, as the case may be.

Section 5.12 Control by Holders.

The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, with respect to the Securities, provided that:

(a) such direction shall not be in conflict with any rule of law or with this Indenture,

(b) the Trustee may take any other action deemed proper by the Trustee that is not inconsistent with such direction, and

(c) subject to the provisions of Section 6.1, the Trustee shall have the right to decline to follow such direction if a Responsible Officer or Officers of the Trustee shall, in good faith, determine that the proceeding so directed would be unjustly prejudicial to the Holders not joining in any such direction or would involve the Trustee in personal liability.

Section 5.13 Waiver of Past Defaults.

(a) The Holders of not less than a majority in aggregate principal amount of the Outstanding Securities affected thereby and, the holders of a majority in aggregate Liquidation Amount (as defined in the Trust Agreement) of the Preferred Securities issued by the Issuer Trust may waive any past default hereunder and its consequences except a default:

(i) in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security (unless such default has been cured and the Company has paid to or deposited with the Trustee a sum sufficient to

pay all matured installments of interest (including Additional Interest) and all principal of (and premium, if any on) all Securities due otherwise than by acceleration), or

(ii) in respect of a covenant or provision hereof that under Article IX cannot be modified or amended without the consent of each Holder of any Outstanding Security affected thereby.

(b) Any such waiver shall be deemed to be on behalf of the Holders of all the Securities, or in the case of waiver by holders of Preferred Securities issued by the Issuer Trust, by all holders of Preferred Securities issued by the Issuer Trust.

(c) Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture, but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 5.14 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Security by his acceptance thereof shall be deemed to have agreed, that any court may, in its discretion, require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may, in its discretion, assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant, but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder, or group of Holders, holding in the aggregate more than 10% in aggregate principal amount of the Outstanding Securities, or to any suit instituted by any Holder for the enforcement of the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security on or after the Stated Maturity.

Section 5.15 Waiver of Usury, Stay or Extension Laws.

The Company covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any usury, stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of this Indenture; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

ARTICLE VI

THE TRUSTEE

Section 6.1 Certain Duties and Responsibilities.

(a) Except during the continuance of an Event of Default,

(i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture, but in the case of any such certificates or opinions that by any provisions hereof are specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Indenture.

(b) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(c) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act or its own willful misconduct except that:

(i) this subsection shall not be construed to limit the effect of Section 6.1(a) hereof;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of Holders pursuant to Section 5.12 relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture with respect to the Securities.

(d) No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

Section 6.2 Notice of Defaults.

Within 90 days after actual knowledge by a Responsible Officer of the Trustee of the occurrence of any default hereunder with respect to the Securities, the Trustee shall transmit by mail to all Holders of Securities, as their names and addresses appear in the Securities Register, notice of such default, unless such default shall have been cured or waived; provided, however, that, except in the case of a default in the payment of the principal of (or premium, if any) or interest (including any Additional Interest) on any Security, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Trustee in good faith determines that the withholding of such notice is in the interests of the Holders of Securities; and provided further, that, in the case of any default of the character specified in Section 5.1(c), no such notice to Holders of Securities shall be given until at least 30 days after the occurrence thereof. For the purpose of this Section 6.2, the term "default" means any event that is, or after notice or lapse of time or both would become, an Event of Default with respect to the Securities.

Section 6.3 Certain Rights of Trustee.

Subject to the provisions of Section 6.1:

(a) the Trustee may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, Security or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Company mentioned herein shall be sufficiently evidenced by a Company Request or Company Order and any resolution of the Board of Directors may be sufficiently evidenced by a Board Resolution;

(c) whenever in the administration of this Indenture the Trustee shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate;

(d) the Trustee may consult with counsel of its choice and the advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(e) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Holders pursuant to this Indenture, unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction; provided, however, that nothing herein shall relieve the Trustee of its obligations upon the occurrence of an Event of Default that has not been cured or waived to exercise with respect to the Securities such of the rights and powers vested in the Trustee by this Indenture, and to use the same degree of care and skill in exercising such rights and powers as a reasonably prudent person would use under the circumstances in the conduct of his own affairs;

(f) the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, indenture, Security or other paper or document, but the Trustee in its discretion may make such inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such inquiry or investigation, it shall be entitled to examine the books, records and premises of the Company, personally or by agent or attorney; and

(g) the Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

Section 6.4 Responsibility for Recitals or Issuance of Securities.

The recitals contained herein and in the Securities, except the Trustee's certificates of authentication, shall be taken as the statements of the Company, and neither the Trustee nor any Authenticating Agent assumes any responsibility for their correctness. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of the Securities. Neither the Trustee nor any Authenticating Agent shall be accountable for the use or application by the Company of the Securities or the proceeds thereof.

Section 6.5 May Hold Securities.

The Trustee, any Authenticating Agent, any Paying Agent, any Securities Registrar or any other agent of the Company, in its individual or any other capacity, may become the owner or pledgee of Securities and, subject to Sections 6.8 and 6.13, may otherwise deal with the Company with the same rights it would have if it were not Trustee, Authenticating Agent, Paying Agent, Securities Registrar or such other agent.

Section 6.6 Money Held in Trust.

Money held by the Trustee in trust hereunder need not be segregated from other funds except to the extent required by law. The Trustee shall be under no liability for interest on any money received by it hereunder except as otherwise agreed with the Company.

Section 6.7 Compensation and Reimbursement.

(a) The Company agrees to pay to the Trustee from time to time reasonable compensation for all services rendered by it hereunder in such amounts as the Company and the Trustee shall agree from time to time (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust).

(b) The Company agrees to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Indenture (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except any such expense disbursement or advance as may be attributable to its negligence, bad faith or willful misconduct.

(c) Since the Issuer Trust is being formed solely to facilitate an investment in the Preferred Securities, the Company, as holder of the Common Securities, hereby covenants to pay all debts and obligations (other than with respect to the Preferred Securities and the Common Securities) and all reasonable costs and expenses of the Issuer Trust (including without limitation all costs and expenses relating to the organization of the Issuer Trust, the fees and expenses of the trustees and all reasonable costs and expenses relating to the operation of the Issuer Trust) and to pay any and all taxes, duties, assessments or governmental charges of whatever nature (other than withholding taxes) imposed on the Issuer Trust by the United States, or any taxing authority, so that the net amounts received and retained by the Issuer Trust and the Property Trustee after paying such expenses will be equal to the amounts the Issuer Trust and the Property Trustee would have received had no such costs or expenses been incurred by or imposed on the Issuer Trust. The foregoing obligations of the Company are for the benefit of, and shall be enforceable by, any person to whom any such debts, obligations, costs, expenses and taxes are owed (each, a "Creditor") whether or not such Creditor has received notice thereof. Any such Creditor may enforce such obligations directly against the Company, and the Company irrevocably waives any right or remedy to require that any such Creditor take any action against the Issuer Trust or any other person before proceeding against the Company. The Company shall execute such additional agreements as may be necessary or desirable to give full effect to the foregoing.

(d) The Company shall indemnify the Trustee, its directors, officers, employees and agents for, and hold them harmless against, any loss, liability or expense (including the reasonable compensation and the expenses and disbursements of its agents and counsel) incurred without negligence, bad faith or willful misconduct, arising out of or in connection with the acceptance or administration of this trust or the performance of its duties hereunder, including the reasonable costs

and expenses of defending against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. This indemnification shall survive the termination of this Indenture or the resignation or removal of the Trustee.

(e) When the Trustee incurs expenses or renders services after an Event of Default specified in Section 5.1(d) occurs, the expenses and the compensation for the services are intended to constitute expenses of administration under the Bankruptcy Reform Act of 1978 or any successor statute.

Section 6.8 Disqualification; Conflicting Interests.

The Trustee for the Securities issued hereunder shall be subject to, and shall comply fully with, the provisions of Section 310(b) of the Trust Indenture Act. Nothing herein shall prevent the Trustee from filing with the Commission the application referred to in the second to last paragraph of said Section 310(b).

Section 6.9 Corporate Trustee Required; Eligibility.

There shall at all times be a Trustee with respect to the Securities issued hereunder which shall be:

(a) a Person organized and doing business under the laws of the United States of America or of any state or territory thereof or of the District of Columbia, authorized under such laws to exercise corporate trust powers and subject to supervision or examination by federal, state, territorial or District of Columbia authority, or

(b) an entity organized and doing business under the laws of a foreign government that is permitted to act as Trustee pursuant to a rule, regulation or order of the Commission, authorized under such laws to exercise corporate trust powers, and subject to supervision or examination by authority of such foreign government or a political subdivision thereof substantially equivalent to supervision or examination applicable to United States institutional trustees; in either case having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by federal or state authority. If such entity publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then, for the purposes of this Section 6.9, the combined capital and surplus of such entity shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VI. Neither the Company nor any Person directly or indirectly controlling, controlled by or under common control with the Company shall serve as Trustee for the Securities issued hereunder.

Section 6.10 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 6.11.

(b) The Trustee may resign at any time with respect to the Securities by giving written notice thereof to the Company. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee.

(c) The Trustee may be removed at any time with respect to the Securities by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities, delivered to the Trustee and to the Company.

(d) If at any time:

(i) the Trustee shall fail to comply with Section 6.8 after written request therefor by the Company or by any Holder who has been a bona fide Holder of a Security for at least six months, or

(ii) the Trustee shall cease to be eligible under Section 6.9 and shall fail to resign after written request therefor by the Company or by any such Holder, or

(iii) the Trustee shall become incapable of acting or shall be adjudged bankrupt or insolvent or a receiver of the Trustee or of its property shall be appointed or any public officer shall take charge or control of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation;

then, in any such case, (x) the Company, acting pursuant to the authority of a Board Resolution, may remove the Trustee with respect to the Securities issued hereunder, or (y) subject to Section 5.14, any Holder who has been a bona fide Holder of a Security for at least six months may, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee with respect to the Securities issued hereunder and the appointment of a successor Trustee or Trustees.

(e) If the Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Trustee for any cause with respect to the Securities, the Company, by a Board Resolution, shall promptly appoint a successor Trustee with respect to the Securities. If, within one year after such resignation, removal or incapability, or the occurrence of such vacancy, a successor Trustee with respect to the Securities shall be appointed by Act of the Holders of a majority in aggregate principal amount of the Outstanding Securities delivered to the Company and

the retiring Trustee, the successor Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Trustee with respect to the Securities and supersede the successor Trustee appointed by the Company. If no successor Trustee with respect to the Securities shall have been so appointed by the Company or the Holders and accepted appointment in the manner hereinafter provided, any Holder who has been a bona fide Holder of a Security for at least six months may, subject to Section 5.14, on behalf of such Holder and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Trustee with respect to the Securities.

(f) The Company shall give notice of each resignation and each removal of the Trustee with respect to the Securities and each appointment of a successor Trustee with respect to the Securities by mailing written notice of such event by first-class mail, postage prepaid, to the Holders of Securities as their names and addresses appear in the Securities Register. Each notice shall include the name of the successor Trustee with respect to the Securities and the address of its Corporate Trust Office.

Section 6.11 Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Trustee with respect to all Securities, every such successor Trustee so appointed shall execute, acknowledge and deliver to the Company and to the retiring Trustee an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Trustee; but, on the request of the Company or the successor Trustee, such retiring Trustee shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Trustee all the rights, powers and trusts of the retiring Trustee and shall duly assign, transfer and deliver to such successor Trustee all property and money held by such retiring Trustee hereunder, execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all rights, powers and trusts referred to in this Section 6.11(a).

(b) No successor Trustee shall accept its appointment unless, at the time of such acceptance, such successor Trustee shall be qualified and eligible under this Article VI.

Section 6.12 Merger, Conversion, Consolidation or Succession to Business.

Any entity into which the Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor of the Trustee hereunder, provided such entity shall be otherwise qualified and eligible under this Article VI, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any Securities shall have been authenticated, but not delivered, by the Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Trustee may adopt such authentication and deliver the

Securities so authenticated, and in case any Securities shall not have been authenticated, any successor to the Trustee may authenticate such Securities either in the name of any predecessor Trustee or in the name of such successor Trustee, and in all cases the certificate of authentication shall have the full force which it is provided anywhere in the Securities or in this Indenture that the certificate of the Trustee shall have.

Section 6.13 Preferential Collection of Claims Against Company.

If and when the Trustee shall be or become a creditor of the Company (or any other obligor upon the Securities), the Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Company (or any such other obligor).

Section 6.14 Appointment of Authenticating Agent.

(a) The Trustee may appoint an Authenticating Agent or Agents with respect to the Securities, which shall be authorized to act on behalf of the Trustee to authenticate Securities issued upon original issue and upon exchange, registration of transfer or partial redemption thereof or pursuant to Section 3.6, and Securities so authenticated shall be entitled to the benefits of this Indenture and shall be valid and obligatory for all purposes as if authenticated by the Trustee hereunder. Wherever reference is made in this Indenture to the authentication and delivery of Securities by the Trustee or the Trustee's certificate of authentication, such reference shall be deemed to include authentication and delivery on behalf of the Trustee by an Authenticating Agent. Each Authenticating Agent shall be acceptable to the Company and shall at all times be an entity organized and doing business under the laws of the United States of America, or of any state or territory thereof or of the District of Columbia, authorized under such laws to act as Authenticating Agent, having a combined capital and surplus of not less than $50,000,000 and subject to supervision or examination by federal or state authority. If such Authenticating Agent publishes reports of condition at least annually, pursuant to law or to the requirements of said supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such Authenticating Agent shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time an Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section 6.14, such Authenticating Agent shall resign immediately in the manner and with the effect specified in this Section 6.14.

(b) Any entity into which an Authenticating Agent may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which such Authenticating Agent shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of an Authenticating Agent shall be the successor Authenticating Agent hereunder, provided such entity shall be otherwise eligible under this Section, without the execution or filing of any paper or any further act on the part of the Trustee or the Authenticating Agent.

(c) An Authenticating Agent may resign at any time by giving written notice thereof to the Trustee and to the Company. The Trustee may at any time terminate the agency of an Authenticating Agent by giving written notice thereof to such Authenticating Agent and to the Company. Upon receiving such a notice of resignation or upon such a termination, or in case at any time such Authenticating Agent shall cease to be eligible in accordance with the provisions of this Section, the Trustee may appoint a successor Authenticating Agent, which shall be acceptable to the Company and shall give notice of such appointment in the manner provided in Section 1.6 to all Holders of Securities. Any successor Authenticating Agent upon acceptance hereunder shall become vested with all the rights, powers and duties of its predecessor hereunder, with like effect as if originally named as an Authenticating Agent. No successor Authenticating Agent shall be appointed unless eligible under the provision of this Section.

(d) The Company agrees to pay to each Authenticating Agent from time to time reasonable compensation for its services under this Section, and the Trustee shall be entitled to be reimbursed for such payment, subject to the provisions of Section 6.7.

(e) If an appointment is made pursuant to this Section 6.14, the Securities may have endorsed thereon, in addition to the Trustee's certificate of authentication, an alternative certificate of authentication in the following form:

This is one of the Securities referred to in the within mentioned Indenture.

Dated: BANKERS TRUST COMPANY,
as Trustee

By:

As Authenticating Agent

By:

As Authenticating Agent

ARTICLE VII

HOLDERS' LISTS AND REPORTS BY TRUSTEE,

PAYING AGENT AND COMPANY

Section 7.1 Company to Furnish Trustee Names and Addresses of Holders.

The Company will furnish or cause to be furnished to the Trustee:

(a) quarterly, not more than 15 days after March 15, June 15, September 15, and December 15 in each year, a list, in such form as the Trustee may reasonably require, of the names and addresses of the Holders as of such dates, excluding from any such list names and addresses received by the Trustee in its capacity as Securities Registrar, and

(b) at such other times as the Trustee may request in writing, within 30 days after the receipt by the Company of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished, excluding from any such list names and addresses received by the Trustee in its capacity as Securities Registrar.

Section 7.2 Preservation of Information; Communications to Holders.

(a) The Trustee shall preserve, in as current a form as is reasonably practicable, the names and addresses of Holders contained in the most recent list furnished to the Trustee as provided in Section 7.1 and the names and addresses of Holders received by the Trustee in its capacity as Securities Registrar. The Trustee may destroy any list furnished to it as provided in Section 7.1 upon receipt of a new list so furnished.

(b) The rights of Holders to communicate with other Holders with respect to their rights under this Indenture or under the Securities, and the corresponding rights and privileges of the Trustee, shall be as provided in the Trust Indenture Act.

(c) Every Holder of Securities, by receiving and holding the same, agrees with the Company and the Trustee that neither the Company nor the Trustee nor any agent of either of them shall be held accountable by reason of the disclosure of information as to the names and addresses of the Holders made pursuant to the Trust Indenture Act.

Section 7.3 Reports by Trustee and Paying Agent.

(a) The Trustee shall transmit to Holders such reports concerning the Trustee and its actions under this Indenture as may be required pursuant to the Trust Indenture Act, at the times and in the manner provided pursuant thereto.

(b) Reports so required to be transmitted at stated intervals of not more than 12 months shall be transmitted within 60 days of January 31 in each calendar year, commencing with January 31, 2000.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Trustee with each securities exchange upon which any Securities are listed and also with the Commission. The Company will notify the Trustee when any Securities are listed on any securities exchange.

(d) The Paying Agent shall comply with all withholding, backup withholding, tax and information reporting requirements under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations issued thereunder with respect to payments on, or with respect to, the Securities.

Section 7.4 Reports by Company.

The Company shall file or cause to be filed with the Trustee and with the Commission, and transmit to Holders, such information, documents and other reports, and such summaries thereof, as may be required pursuant to the Trust Indenture Act at the times and in the manner provided in the Trust Indenture Act. In the case of information, documents or reports required to be filed with the Commission pursuant to Section 13(a) or Section 15(d) of the Exchange Act, the Company shall file or cause the filing of such information documents or reports with the Trustee within 15 days after the same is required to be filed with the Commission.

ARTICLE VIII

CONSOLIDATION, MERGER, CONVEYANCE, TRANSFER OR LEASE

Section 8.1 Company May Consolidate, Etc., Only on Certain Terms.

The Company shall not consolidate with or merge into any other Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, and no Person shall consolidate with or merge into the Company or convey, transfer or lease its properties and assets substantially as an entirety to the Company, unless:

(a) if the Company shall consolidate with or merge into another Person or convey, transfer or lease its properties and assets substantially as an entirety to any Person, the entity formed by such consolidation or into which the Company is merged or the Person that acquires by conveyance or transfer, or that leases, the properties and assets of the Company substantially as an entirety shall be an entity organized and existing under the laws of the United States of America or any state thereof or the District of Columbia and shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Trustee, in form satisfactory to the Trustee, the

due and punctual payment of the principal of (and premium, if any), and interest (including any Additional Interest) on all the Securities of every series and the performance of every covenant of this Indenture on the part of the Company to be performed or observed; provided, however, that nothing herein shall be deemed to restrict or prohibit, and no supplemental indenture shall be required in the case of, the merger of a Principal Subsidiary Bank with and into a Principal Subsidiary Bank or the Company, the consolidation of Principal Subsidiary Banks into a Principal Subsidiary Bank or the Company, or the sale or other disposition of all or substantially all of the assets of any Principal Subsidiary Bank to another Principal Subsidiary Bank or the Company, if, in any such case in which the surviving, resulting or acquiring entity is not the Company, the Company would own, directly or indirectly, at least 80% of the voting securities of the Principal Subsidiary Bank (and of any other Principal Subsidiary Bank any voting securities of which are owned, directly or indirectly, by such Principal Subsidiary Bank) surviving such merger, resulting from such consolidation or acquiring such assets;

(b) immediately after giving effect to such transaction, no Event of Default, and no event that, after notice or lapse of time, or both, would constitute an Event of Default, shall have occurred and be continuing; and

(c) the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, each stating that such consolidation, merger, conveyance, transfer or lease and any such supplemental indenture comply with this Article and that all conditions precedent herein provided for relating to such transaction have been complied with and, in the case of a transaction subject to this Section 8.1 but not requiring a supplemental indenture under paragraph (a) of this Section 8.1, an Officer's Certificate or Opinion of Counsel to the effect that the surviving, resulting or successor entity is legally bound by the Indenture and the Securities; and the Trustee, subject to Section 6.1, may rely upon such Officers' Certificates and Opinions of Counsel as conclusive evidence that such transaction complies with this Section 8.1.

Section 8.2 Successor Company Substituted.

(a) Upon any consolidation or merger by the Company with or into any other Person, or any conveyance, transfer or lease by the Company of its properties and assets substantially as an entirety to any Person in accordance with Section 8.1, the successor entity formed by such consolidation or into which the Company is merged or to which such conveyance, transfer or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor Person had been named as the Company herein; and in the event of any such conveyance, transfer or lease the Company shall be discharged from all obligations and covenants under the Indenture and the Securities.

(b) Such successor Person may cause to be executed, and may issue either in its own name or in the name of the Company, any or all of the Securities issuable hereunder that theretofore shall not have been signed by the Company and delivered to the Trustee; and, upon the order of such successor Person instead of the Company and subject to all the terms, conditions and limitations in

this Indenture prescribed, the Trustee shall authenticate and shall deliver any Securities that previously shall have been signed and delivered by the officers of the Company to the Trustee for authentication pursuant to such provisions and any Securities that such successor Person thereafter shall cause to be executed and delivered to the Trustee on its behalf for the purpose pursuant to such provisions. All the Securities so issued shall in all respects have the same legal rank and benefit under this Indenture as the Securities theretofore or thereafter issued in accordance with the terms of this Indenture.

(c) In case of any such consolidation, merger, sale, conveyance or lease, such changes in phraseology and form may be made in the Securities thereafter to be issued as may be appropriate.

ARTICLE IX

SUPPLEMENTAL INDENTURES

Section 9.1 Supplemental Indentures Without Consent of Holders.

Without the consent of any Holders, the Company, when authorized by a Board Resolution, and the Trustee, at any time and from time to time, may amend or waive any provision of this Indenture or enter into one or more indentures supplemental hereto, in form satisfactory to the Trustee, for any of the following purposes:

(a) to evidence the succession of another Person to the Company, and the assumption by any such successor of the covenants of the Company herein and in the Securities contained;

(b) to convey, transfer, assign, mortgage or pledge any property to or with the Trustee or to surrender any right or power herein conferred upon the Company;

(c) to facilitate the issuance of Securities in certificated or other definitive form;

(d) to add to the covenants of the Company for the benefit of the Holders of the Securities or to surrender any right or power herein conferred upon the Company;

(e) to add any additional Events of Default for the benefit of the Holders of the Securities;

(f) to change or eliminate any of the provisions of this Indenture, provided that any such change or elimination shall not apply to any Outstanding Securities;

(g) to cure any ambiguity, to correct or supplement any provision herein that may be defective or inconsistent with any other provision herein, or to make any other provisions with

respect to matters or questions arising under this Indenture, provided that such action pursuant to this clause (g) shall not adversely affect the interest of the Holders of Securities in any material respect or, in the case of the Securities issued to the Issuer Trust and for so long as any of the Preferred Securities issued by the Issuer Trust shall remain outstanding, the holders of such Preferred Securities;

(h) to evidence and provide for the acceptance of appointment hereunder by a successor Trustee with respect to the Securities and to add to or change any of the provisions of this Indenture as shall be necessary to provide for or facilitate the administration of the trusts hereunder by more than one Trustee, pursuant to the requirements of Section 6.11(b); or

(i) to comply with the requirements of the Commission in order to effect or maintain the qualification of this Indenture under the Trust Indenture Act.

Section 9.2 Supplemental Indentures with Consent of Holders.

With the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Securities affected by such supplemental indenture, by Act of said Holders delivered to the Company and the Trustee, the Company, when authorized by a Board Resolution, and the Trustee may enter into an indenture or indentures supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Indenture or of modifying in any manner the rights of the Holders of Securities under this Indenture; provided, however, that no such supplemental indenture shall, without the consent of the Holder of each Outstanding Security affected thereby:

(a) change the Stated Maturity of the principal of, or any installment of interest (including any Additional Interest) on, any Security, or reduce the principal amount thereof or the rate of interest thereon or any premium payable upon the redemption thereof, or reduce the amount of principal of a Discount Security that would be due and payable upon a declaration of acceleration of the Stated Maturity thereof pursuant to Section 5.2, or change the place of payment where, or the coin or currency in which, any Security or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the Redemption Date),

(b) reduce the percentage in aggregate principal amount of the Outstanding Securities, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of this Indenture or certain defaults hereunder and their consequences) provided for in this Indenture, or

(c) modify any of the provisions of this Section, Section 5.13 or Section 10.5, except to increase any such percentage or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Security affected thereby;

provided, further, that, in the case of the Securities issued to the Issuer Trust, so long as any of the Preferred Securities issued by the Issuer Trust remains outstanding, (i) no such amendment shall be made that adversely affects the holders of such Preferred Securities in any material respect, and no termination of this Indenture shall occur, and no waiver of any Event of Default or compliance with any covenant under this Indenture shall be effective, without the prior consent of the holders of at least a majority of the aggregate Liquidation Amount (as defined in the Trust Agreement) of such Preferred Securities then outstanding unless and until the principal of (and premium, if any, on) the Securities and all accrued and (subject to Section 3.8) unpaid interest (including any Additional Interest) thereon have been paid in full, and (ii) no amendment shall be made to Section 5.8 of this Indenture that would impair the rights of the holders of Preferred Securities issued by the Issuer Trust provided therein without the prior consent of the holders of each such Preferred Security then outstanding unless and until the principal of (and premium, if any, on) the Securities of such series and all accrued and (subject to Section 3.8) unpaid interest (including any Additional Interest) thereon have been paid in full.

It shall not be necessary for any Act of Holders under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act shall approve the substance thereof.

Section 9.3 Execution of Supplemental Indentures.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article IX or the modifications thereby of the trusts created by this Indenture, the Trustee shall be entitled to receive, and (subject to Section 6.1) shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by this Indenture, and that all conditions precedent herein provided for relating to such action have been complied with. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture that affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

Section 9.4 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article IX, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Securities theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Section 9.5 Conformity with Trust Indenture Act.

Every supplemental indenture executed pursuant to this Article IX shall conform to the requirements of the Trust Indenture Act as then in effect.

Section 9.6 Reference in Securities to Supplemental Indentures.

Securities authenticated and delivered after the execution of any supplemental indenture pursuant to this Article IX may, and shall if required by the Company, bear a notation in form approved by the Company as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Securities so modified as to conform, in the opinion of the Company, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for Outstanding Securities.

ARTICLE X

COVENANTS

Section 10.1 Payment of Principal, Premium and Interest.

The Company covenants and agrees for the benefit of the Securities that it will duly and punctually pay the principal of (and premium, if any) and interest (including any Additional Interest) on the Securities in accordance with the terms of such Securities and this Indenture.

Section 10.2 Maintenance of Office or Agency.

(a) The Company will maintain in each Place of Payment an office or agency where Securities may be presented or surrendered for payment, where Securities may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Company in respect of the Securities and this Indenture may be served. The Company initially appoints the Trustee, acting through its Corporate Trust Office, as its agent for said purposes. The Company will give prompt written notice to the Trustee of any change in the location of any such office or agency. If at any time the Company shall fail to maintain such office or agency or shall fail to furnish the Trustee with the address thereof, such presentations, surrenders, notices and demands may be made or served at the Corporate Trust Office of the Trustee, and the Company hereby appoints the Trustee as its agent to receive all such presentations, surrenders, notices and demands.

(b) The Company may also from time to time designate one or more other offices or agencies where the Securities may be presented or surrendered for any or all of such purposes, and may from time to time rescind such designations; provided, however, that no such designation or rescission shall in any manner relieve the Company of its obligation to maintain an office or agency in each Place of Payment for Securities for such purposes. The Company will give prompt written notice to the Trustee of any such designation and any change in the location of any such office or agency.

Section 10.3 Money for Security Payments to be Held in Trust.

(a) If the Company shall at any time act as its own Paying Agent with respect to the Securities, it will, on or before each due date of the principal of (and premium, if any) or interest (including Additional Interest) on any of the Securities, segregate and hold in trust for the benefit of the Persons entitled thereto a sum sufficient to pay the principal (and premium, if any) or interest (including Additional Interest) so becoming due until such sums shall be paid to such Persons or otherwise disposed of as herein provided, and will promptly notify the Trustee of its failure so to act.

(b) Whenever the Company shall have one or more Paying Agents, it will, prior to 10:00 a.m., New York City time, on each due date of the principal of (or premium, if any) or interest, including Additional Interest on any Securities, deposit with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest, including Additional Interest so becoming due, such sum to be held in trust for the benefit of the Persons entitled to such principal (and premium, if any) or interest, including Additional Interest, and (unless such Paying Agent is the Trustee) the Company will promptly notify the Trustee of its failure so to act.

(c) The Company will cause each Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(i) hold all sums held by it for the payment of the principal of (and premium, if any) or interest (including Additional Interest) on the Securities in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(ii) give the Trustee notice of any default by the Company (or any other obligor upon such Securities) in the making of any payment of principal (and premium, if any) or interest (including Additional Interest) in respect of any Security;

(iii) at any time during the continuance of any default with respect to the Securities, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent; and

(iv) comply with the provisions of the Trust Indenture Act applicable to it as a Paying Agent.

(d) The Company may, at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Company Order direct any Paying Agent to pay, to the Trustee all sums held in trust by the Company or such Paying Agent, such sums to be held by the Trustee upon the same terms as those upon which such sums were held by the Company or such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

(e) Any money deposited with the Trustee or any Paying Agent, or then held by the Company in trust for the payment of the principal of (and premium, if any) or interest (including Additional Interest) on any Security and remaining unclaimed for two years after such principal (and premium, if any) or interest (including Additional Interest) has become due and payable shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be paid on Company Request to the Company, or (if then held by the Company) shall (unless otherwise required by mandatory provision of applicable escheat or abandoned or unclaimed property law) be discharged from such trust; and the Holder of such Security shall thereafter, as an unsecured general creditor, look only to the Company for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money, and all liability of the Company as trustee thereof, shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may at the expense of the Company cause to be published once, in a newspaper published in the English language, customarily published on each Business Day and of general circulation in the Borough of Manhattan, the City of New York, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be repaid to the Company.

Section 10.4 Statement of Compliance.

The Company shall deliver to the Trustee, within 120 days after the end of each fiscal year of the Company ending after the date hereof, an Officers' Certificate covering the preceding calendar year, stating whether or not to the best knowledge of the signers thereof the Company is in default in the performance, observance or fulfillment of or compliance with any of the terms, provisions, covenants and conditions of this Indenture, and if the Company shall be in default, specifying all such defaults and the nature and status thereof of which they may have knowledge. For the purpose of this Section 10.4, compliance shall be determined without regard to any grace period or requirement of notice provided pursuant to the terms of this Indenture.

Section 10.5 Waiver of Certain Covenants.

Subject to the rights of holders of Preferred Securities specified in Section 9.2, if any, the Company may omit in any particular instance to comply with any covenant or condition provided pursuant to Section 3.1, 9.1(c) or 9.1(d) with respect to the Securities, if before or after the time for such compliance the Holders of at least a majority in aggregate principal amount of the Outstanding Securities shall, by Act of such Holders, either waive such compliance in such instance or generally waive compliance with such covenant or condition, but no such waiver shall extend to or affect such covenant or condition except to the extent so expressly waived, and, until such waiver shall become effective, the obligations of the Company in respect of any such covenant or condition shall remain in full force and effect.

Section 10.6 Additional Sums.

So long as no Event of Default has occurred and is continuing and except as otherwise specified as contemplated by Section 2.1 or Section 3.1, if (a) the Issuer Trust is the Holder of all of the Outstanding Securities, and (b) a Tax Event described in clause (a) or (c) of the definition of "Tax Event " in Section 1.1 hereof has occurred and is continuing in respect of the Issuer Trust, the Company shall pay the Issuer Trust (and its permitted successors or assigns under the Trust Agreement) for so long as the Issuer Trust (or its permitted successor or assignee) is the registered holder of the Outstanding Securities, such additional sums as may be necessary in order that the amount of Distributions (including any Additional Amount (as defined in the Trust Agreement)) then due and payable by the Issuer Trust on the Preferred Securities and Common Securities that at any time remain outstanding in accordance with the terms thereof shall not be reduced as a result of such Additional Taxes (the "Additional Sums"). Whenever in this Indenture or the Securities there is a reference in any context to the payment of principal of or interest on the Securities, such mention shall be deemed to include mention of the payments of the Additional Sums provided for in this paragraph to the extent that, in such context, Additional Sums are, were or would be payable in respect thereof pursuant to the provisions of this paragraph and express mention of the payment of Additional Sums (if applicable) in any provisions hereof shall not be construed as excluding Additional Sums in those provisions hereof where such express mention is not made; provided, however, that the deferral of the payment of interest pursuant to Section 3.12 or the Securities shall not defer the payment of any Additional Sums that may be due and payable.

Section 10.7 Additional Covenants.

The Company covenants and agrees with each Holder of Securities that it shall not: (a) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of the Company's capital stock, or (b) make any payment of principal of or interest or premium, if any, on or repay, repurchase or redeem any debt securities of the Company that rank pari passu in all respects with or junior in interest to the Securities, including the Company's obligations associated with the Outstanding Preferred Securities, (other than (i) repurchases, redemptions or other acquisitions of shares of capital stock of the Company in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors or consultants, in connection with a dividend reinvestment or stockholder stock purchase plan or in connection with the issuance of capital stock of the Company (or securities convertible into or exercisable for such capital stock) as consideration in an acquisition transaction entered into prior to the applicable Extension Period or other event referred to below, (ii) as a result of a reclassification, exchange or conversion of any class or series of the Company's capital stock (or any capital stock of a Subsidiary of the Company) for any class or series of the Company's capital stock or of any class or series of the Company's indebtedness for any class or series of the Company's capital stock, (iii) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged, (iv) any declaration of a dividend in connection with any Rights Plan, or the issuance of rights, stock or other property under any

Rights Plan, or the redemption or repurchase of rights pursuant thereto, or (v) any dividend in the form of stock, warrants, options or other rights where the dividend stock or the stock issuable upon exercise of such warrants, options or other rights is the same stock as that on which the dividend is being paid or ranks pari passu with or junior to such stock) if at such time (A) there shall have occurred any event (x) of which the Company has actual knowledge that with the giving of notice or the lapse of time, or both, would constitute an Event of Default with respect to the Securities, and (y) which the Company shall not have taken reasonable steps to cure, (B) if the Securities are held by the Issuer Trust, the Company shall be in default with respect to its payment of any obligations under the Guarantee relating to the Preferred Securities issued by the Issuer Trust, or (C) the Company shall have given notice of its election to begin an Extension Period with respect to the Securities as provided herein and shall not have rescinded such notice, or such Extension Period, or any extension thereof, shall be continuing.

The Company also covenants with each Holder of Securities issued to the Issuer Trust (a) to hold, directly or indirectly, 100% of the Common Securities of the Issuer Trust, provided that any permitted successor of the Company as provided under Section 8.2 may succeed to the Company's ownership of such Common Securities, (b) as holder of such Common Securities, not to voluntarily dissolve, wind-up or liquidate the Issuer Trust, other than (i) in connection with a distribution of the Securities to the holders of the Preferred Securities in liquidation of the Issuer Trust, or (ii) in connection with certain mergers, consolidations, conversions, or amalgamations permitted by the Trust Agreement, and (c) to use its reasonable efforts, consistent with the terms and provisions of the Trust Agreement, to cause the Issuer Trust to continue not to be taxable as a corporation for United States federal income tax purposes.

Section 10.8 Federal Tax Reports.

On or before December 15 of each year during which any Securities are outstanding, the Company shall furnish to each Paying Agent such information as may be reasonably requested by each Paying Agent in order that each Paying Agent may prepare the information which it is required to report for such year on Internal Revenue Service Forms 1096 and 1099 pursuant to Section 6049 of the Internal Revenue Code of 1986, as amended. Such information shall include the amount of original issue discount, if any, includible in income for each authorized minimum denomination of principal amount at Stated Maturity of outstanding Securities during such year.

ARTICLE XI

REDEMPTION OF SECURITIES

Section 11.1 Applicability of this Article.

Redemption of Securities as permitted or required by any form of Security issued pursuant to this Indenture shall be made in accordance with such form of Security and this Article; provided,

however, that, if any provision of any such form of Security shall conflict with any provision of this Article XI, the provision of such form of Security shall govern.

Section 11.2 Election to Redeem; Notice to Trustee.

The election of the Company to redeem any Securities shall be evidenced by or pursuant to a Board Resolution. In case of any redemption at the election of the Company, the Company shall, not less than 30 nor more than 60 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Trustee), notify the Trustee and, in the case of Securities held by the Issuer Trust, the Property Trustee under the Trust Agreement of such date and of the principal amount of Securities to be redeemed and provide the additional information required to be included in the notice or notices contemplated by Section 11.4; provided, that, for so long as such Securities are held by the Issuer Trust, such notice shall be given not less than 45 nor more than 75 days prior to such Redemption Date (unless a shorter notice shall be satisfactory to the Property Trustee under the Trust Agreement). In the case of any redemption of Securities prior to the expiration of any restriction on such redemption provided in the terms of such Securities, the Company shall furnish the Trustee with an Officers' Certificate and an Opinion of Counsel evidencing compliance with such restriction.

Section 11.3 Selection of Securities to be Redeemed.

(a) If less than all the Securities are to be redeemed, the particular Securities to be redeemed shall be selected not more than 60 days prior to the Redemption Date by the Trustee, from the Outstanding Securities not previously called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for redemption of a portion of the principal amount of any Security, provided that the unredeemed portion of the principal amount of any Security shall be in an authorized denomination (which shall not be less than the minimum authorized denomination) for such Security.

(b) The Trustee shall promptly notify the Company in writing of the Securities selected for partial redemption and the principal amount thereof to be redeemed. For all purposes of this Indenture, unless the context otherwise requires, all provisions relating to the redemption of Securities shall relate, in the case of any Security redeemed or to be redeemed only in part, to the portion of the principal amount of such Security that has been or is to be redeemed.

Section 11.4 Notice of Redemption.

Notice of redemption shall be given by first-class mail, postage prepaid, mailed not later than the thirtieth day, and not earlier than the sixtieth day, prior to the Redemption Date, to each Holder of Securities to be redeemed, at the address of such Holder as it appears in the Securities Register.

With respect to Securities to be redeemed, each notice of redemption shall state:

(a) the Redemption Date;

(b) the Redemption Price or, if the Redemption Price cannot be calculated prior to the time the notice is required to be sent, the estimate of the Redemption Price provided pursuant to the Indenture together with a statement that it is an estimate and that the actual Redemption Price will be calculated on the third Business Day prior to the Redemption Date (if such an estimate of the Redemption Price is given, a subsequent notice shall be given as set forth above setting forth the Redemption Price promptly following the calculation thereof);

(c) if less than all Outstanding Securities are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the particular Securities to be redeemed;

(d) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Security or portion thereof, and that interest thereon, if any, shall cease to accrue on and after said date;

(e) the place or places where such Securities are to be surrendered for payment of the Redemption Price;

(f) such other provisions as may be required in respect of the terms of the Securities; and

(g) that the redemption is for a sinking fund, if such is the case.

Notice of redemption of Securities to be redeemed at the election of the Company shall be given by the Company or, at the Company's request, by the Trustee in the name and at the expense of the Company and shall be irrevocable. The notice, if mailed in the manner provided above, shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice, In any case, a failure to give such notice by mail or any defect in the notice to the Holder of any Security designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any other Security.

Section 11.5 Deposit of Redemption Price.

Prior to 10:00 a.m., New York City time, on the Redemption Date specified in the notice of redemption given as provided in Section 11.4, the Company will deposit with the Trustee or with one or more Paying Agents (or if the Company is acting as its own Paying Agent, the Company will segregate and hold in trust as provided in Section 10.3) an amount of money sufficient to pay the Redemption Price of, and any accrued interest (including Additional Interest) on, all the Securities (or portions thereof) that are to be redeemed on that date.

Section 11.6 Payment of Securities Called for Redemption.

(a) If any notice of redemption has been given as provided in Section 11.4, the Securities or portion of Securities with respect to which such notice has been given shall become due and

payable on the date and at the place or places stated in such notice at the applicable Redemption Price, together with accrued interest (including any Additional Interest) to the Redemption Date. On presentation and surrender of such Securities at a Place of Payment in said notice specified, the said Securities or the specified portions thereof shall be paid and redeemed by the Company at the applicable Redemption Price, together with accrued interest (including any Additional Interest) to the Redemption Date; provided, however, that installments of interest (including Additional Interest) whose Stated Maturity is on or prior to the Redemption Date will be payable to the Holders of such Securities, or one or more Predecessor Securities, registered as such at the close of business on the relevant record dates according to their terms and the provisions of Section 3.8.

(b) Upon presentation of any Security redeemed in part only, the Company shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the Company, a new Security or Securities, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the Security so presented and having the same Original Issue Date, Stated Maturity and terms.

(c) If any Security called for redemption shall not be so paid under surrender thereof for redemption, the principal of and premium, if any, on such Security shall, until paid, bear interest from the Redemption Date at the rate prescribed therefor in the Security.

Section 11.7 Right of Redemption of Securities Initially Issued to the Issuer Trust.

(a) The Company, at its option, may redeem such Securities (i) on or after _____, 2004, in whole at any time or in part from time to time, or (ii) upon the occurrence and during the continuation of a Tax Event, an Investment Company Event or a Capital Treatment Event, at any time within 90 days following the occurrence and during the continuation of such Tax Event, Investment Company Event or Capital Treatment Event, in whole (but not in part), in each case at a Redemption Price specified in such Security, together with accrued interest (including Additional Interest) to the Redemption Date.

(b) If less than all the Securities are to be redeemed, the aggregate principal amount of such Securities remaining Outstanding after giving effect to such redemption shall be sufficient to satisfy any provisions of the Trust Agreement.

ARTICLE XII

SINKING FUNDS

Except as may be provided in any supplemental or amended indenture, no sinking fund shall be established or maintained for the retirement of Securities.

ARTICLE XIII

SUBORDINATION OF SECURITIES

Section 13.1 Securities Subordinate to Senior Indebtedness.

The Company covenants and agrees, and each Holder of a Security, by its acceptance thereof, likewise covenants and agrees, that, to the extent and in the manner hereinafter set forth in this Article, the payment of the principal of (and premium, if any) and interest (including any Additional Interest) on each and all of the Securities are hereby expressly made subordinate and subject in right of payment to the prior payment in full of all Senior Indebtedness.

Section 13.2 No Payment When Senior Indebtedness in Default; Payment Over of Proceeds Upon Dissolution, Etc.

(a) If the Company shall default in the payment of any principal of (or premium, if any) or interest on any Senior Indebtedness when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration of acceleration or otherwise, then, upon written notice of such default to the Company by the holders of Senior Indebtedness or any trustee therefor, unless and until such default shall have been cured or waived or shall have ceased to exist, no direct or indirect payment (in cash, property, securities, by set-off or otherwise) shall be made or agreed to be made on account of the principal of (or premium, if any) or interest (including Additional Interest) on any of the Securities, or in respect of any redemption, repayment, retirement, purchase or other acquisition of any of the Securities.

(b) In the event of (i) any insolvency, bankruptcy, receivership, liquidation, reorganization, readjustment, composition or other similar proceeding relating to the Company, its creditors or its property, (ii) any proceeding for the liquidation, dissolution or other winding up of the Company, voluntary or involuntary, whether or not involving insolvency or bankruptcy proceedings, (iii) any assignment by the Company for the benefit of creditors or (iv) any other marshalling of the assets of the Company (each such event, if any, herein sometimes referred to as a "Proceeding"), all Senior Indebtedness (including any interest thereon accruing after the commencement of any such proceedings) shall first be paid in full before any payment or distribution, whether in cash, securities or other property, shall be made to any Holder on account thereof. Any payment or distribution, whether in cash, securities or other property (other than securities of the Company or any other entity provided for by a plan of reorganization or readjustment, the payment of which is subordinate, at least to the extent provided in these subordination provisions with respect to the indebtedness evidenced by the Securities, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any such plan of reorganization or readjustment), which would otherwise (but for these subordination provisions) be payable or deliverable in respect of the Securities shall be paid or delivered directly to the holders of Senior Indebtedness in accordance with the priorities then

existing among such holders until all Senior Indebtedness (including any interest thereon accruing after the commencement of any Proceeding) shall have been paid in full.

(c) In the event of any Proceeding, after payment in full of all sums owing with respect to Senior Indebtedness, the Holders of the Securities, together with the holders of any obligations of the Company ranking on a parity with the Securities, shall be entitled to be paid from the remaining assets of the Company the amounts at the time due and owing on account of unpaid principal of (and premium, if any) and interest on the Securities and such other obligations before any payment or other distribution, whether in cash, property or otherwise, shall be made on account of any capital stock or any obligations of the Company ranking junior to the Securities, and such other obligations. If, notwithstanding the foregoing, any payment or distribution of any character or any security, whether in cash, securities or other property (other than securities of the Company or any other entity provided for by a plan of reorganization or readjustment the payment of which is subordinate, at least to the extent provided in these subordination provisions with respect to the indebtedness evidenced by the Securities, to the payment of all Senior Indebtedness at the time outstanding and to any securities issued in respect thereof under any plan of reorganization or readjustment), shall be received by the Trustee or any Holder in contravention of any of the terms hereof and before all Senior Indebtedness shall have been paid in full, such payment or distribution or security shall be received in trust for the benefit of, and shall be paid over or delivered and transferred to, the holders of the Senior Indebtedness at the time outstanding in accordance with the priorities then existing among such holders for application to the payment of all Senior Indebtedness remaining unpaid, to the extent necessary to pay all such Senior Indebtedness in full. In the event of the failure of the Trustee or any Holder to endorse or assign any such payment, distribution or security, each holder of Senior Indebtedness is hereby irrevocably authorized to endorse or assign the same.

(d) The Trustee and the Holders shall take such action (including, without limitation, the delivery of this Indenture to an agent for the holders of Senior Indebtedness or consent to the filing of a financing statement with respect hereto) as may, in the opinion of counsel designated by the holders of a majority in principal amount of the Senior Indebtedness at the time outstanding, be necessary or appropriate to assure the effectiveness of the subordination effected by these provisions.

(e) The provisions of this Section 13.2 shall not impair any rights, interests, remedies or powers of any secured creditor of the Company in respect of any security interest the creation of which is not prohibited by the provisions of this Indenture.

(f) The securing of any obligations of the Company, otherwise ranking on a parity with the Securities or ranking junior to the Securities shall not be deemed to prevent such obligations from constituting, respectively, obligations ranking on a parity with the Securities or ranking junior to the Securities.

Section 13.3 Payment Permitted if No Default.

Nothing contained in this Article XIII or elsewhere in this Indenture or in any of the Securities shall prevent (a) the Company, at any time, except during the pendency of the conditions described in the first paragraph of Section 13.2 or of any Proceeding referred to in Section 13.2, from making payments at any time of principal of (and premium, if any) or interest (including Additional Interest) on the Securities, or (b) the application by the Trustee of any monies deposited with it hereunder to the payment of or on account of the principal of (and premium, if any) or interest (including any Additional Interest) on the Securities or the retention of such payment by the Holders, if, at the time of such application by the Trustee, it did not have knowledge that such payment would have been prohibited by the provisions of this Article.

Section 13.4 Subrogation to Rights of Holders of Senior Indebtedness.

Subject to the payment in full of all amounts due or to become due on all Senior Indebtedness, or the provision for such payment in cash or cash equivalents or otherwise in a manner satisfactory to the holders of Senior Indebtedness, the Holders of the Securities shall be subrogated to the extent of the payments or distributions made to the holders of such Senior Indebtedness pursuant to the provisions of this Article (equally and ratably with the holders of all indebtedness of the Company that by its express terms is subordinated to Senior Indebtedness of the Company to substantially the same extent as the Securities are subordinated to the Senior Indebtedness and is entitled to like rights of subrogation by reason of any payments or distributions made to holders of such Senior Indebtedness) to the rights of the holders of such Senior Indebtedness to receive payments and distributions of cash, property and securities applicable to the Senior Indebtedness until the principal of (and premium if any) and interest (including Additional Interest) on the Securities shall be paid in full. For purposes of such subrogation, no payments or distributions to the holders of the Senior Indebtedness of any cash, property or securities to which the Holders of the Securities or the Trustee would be entitled except for the provisions of this Article, and no payments pursuant to the provisions of this Article to the holders of Senior Indebtedness by Holders of the Securities or the Trustee, shall, as among the Company, its creditors other than holders of Senior Indebtedness, and the Holders of the Securities, be deemed to be a payment or distribution by the Company to or on account of the Senior Indebtedness.

Section 13.5 Provisions Solely to Define Relative Rights.

The provisions of this Article XIII are and are intended solely for the purpose of defining the relative rights of the Holders of the Securities on the one hand and the holders of Senior Indebtedness on the other hand. Nothing contained in this Article XIII or elsewhere in this Indenture or in the Securities is intended to or shall (a) impair, as between the Company and the Holders of the Securities, the obligations of the Company, which are absolute and unconditional, to pay to the Holders of the Securities the principal of (and premium, if any) and interest (including any Additional Interest) on the Securities as and when the same shall become due and payable in accordance with their terms; (b) affect the relative rights against the Company of the Holders of the

Securities and creditors of the Company other than their rights in relation to the holders of Senior Indebtedness; or (c) prevent the Trustee or the Holder of any Security (or to the extent expressly provided herein, the holder of any Preferred Security) from exercising all remedies otherwise permitted by applicable law upon default under this Indenture, including filing and voting claims in any Proceeding, subject to the rights, if any, under this Article XIII of the holders of Senior Indebtedness to receive cash, property and securities otherwise payable or deliverable to the Trustee or such Holder.

Section 13.6 Trustee to Effectuate Subordination.

Each Holder of a Security by his or her acceptance thereof authorizes and directs the Trustee on his or her behalf to take such action as may be necessary or appropriate to acknowledge or effectuate the subordination provided in this Article XIII and appoints the Trustee his or her attorney-in-fact for any and all such purposes.

Section 13.7 No Waiver of Subordination Provisions.

(a) No right of any present or future holder of any Senior Indebtedness to enforce subordination as herein provided shall at any time in any way be prejudiced or impaired by any act or failure to act on the part of the Company or by any act or failure to act, in good faith, by any such holder, or by any noncompliance by the Company with the terms, provisions and covenants of this Indenture, regardless of any knowledge thereof that any such holder may have or be otherwise charged with.

(b) Without in any way limiting the generality of Section 13.7(a), the holders of Senior Indebtedness may, at any time and from time to time, without the consent of or notice to the Trustee or the Holders of the Securities, without incurring responsibility to such Holders of the Securities and without impairing or releasing the subordination provided in this Article XIII or the obligations hereunder of such Holders of the Securities to the holders of Senior Indebtedness, do any one or more of the following: (i) change the manner, place or terms of payment or extend the time of payment of, or renew or alter, Senior Indebtedness, or otherwise amend or supplement in any manner Senior Indebtedness or any instrument evidencing the same or any agreement under which Senior Indebtedness is outstanding; (ii) sell, exchange, release or otherwise deal with any property pledged, mortgaged or otherwise securing Senior Indebtedness; (iii) release any Person liable in any manner for the collection of Senior Indebtedness; and (iv) exercise or refrain from exercising any rights against the Company and any other Person.

Section 13.8 Notice to Trustee.

(a) The Company shall give prompt written notice to a Responsible Officer of the Trustee of any fact known to the Company that would prohibit the making of any payment to or by the Trustee in respect of the Securities. Notwithstanding the provisions of this Article XIII or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any

facts that would prohibit the making of any payment to or by the Trustee in respect of the Securities, unless and until the Trustee shall have received written notice thereof from the Company or a holder of Senior Indebtedness or from any trustee, agent or representative therefor; provided, however, that if the Trustee shall not have received the notice provided for in this Section at least two Business Days prior to the date upon which by the terms hereof any monies may become payable for any purpose (including, the payment of the principal of (and premium, if any, on) or interest (including any Additional Interest) on any Security), then, anything herein contained to the contrary notwithstanding, the Trustee shall have full power and authority to receive such monies and to apply the same to the purpose for which they were received and shall not be affected by any notice to the contrary that may be received by it within two Business Days prior to such date.

(b) Subject to the provisions of Section 6.1, the Trustee shall be entitled to rely on the delivery to it of a written notice by a Person representing himself or herself to be a holder of Senior Indebtedness (or a trustee or attorney-in-fact therefor) to establish that such notice has been given by a holder of Senior Indebtedness (or a trustee or attorney-in-fact therefor). In the event that the Trustee determines in good faith that further evidence is required with respect to the right of any Person as a holder of Senior Indebtedness to participate in any payment or distribution pursuant to this Article, the Trustee may request such Person to furnish evidence to the reasonable satisfaction of the Trustee as to the amount of Senior Indebtedness held by such Person, the extent to which such Person is entitled to participate in such payment or distribution and any other facts pertinent to the rights of such Person under this Article, and if such evidence is not furnished, the Trustee may defer any payment to such Person pending judicial determination as to the right of such Person to receive such payment.

Section 13.9 Reliance on Judicial Order or Certificate of Liquidating Agent.

Upon any payment or distribution of assets of the Company referred to in this Article, the Trustee, subject to the provisions of Section 6.1, and the Holders of the Securities shall be entitled to rely upon any order or decree entered by any court of competent jurisdiction in which such Proceeding is pending, or a certificate of the trustee in bankruptcy, receiver, conservator, liquidating trustee, custodian, assignee for the benefit of creditors, agent or other Person making such payment or distribution, delivered to the Trustee or to the Holders of Securities, for the purpose of ascertaining the Persons entitled to participate in such payment or distribution, the holders of the Senior Indebtedness and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article XIII.

Section 13.10 Trustee Not Fiduciary for Holders of Senior Indebtedness.

The Trustee, in its capacity as trustee under this Indenture, shall not be deemed to owe any fiduciary duty to the holders of Senior Indebtedness and shall not be liable to any such holders if it shall in good faith mistakenly pay over or distribute to Holders of Securities or to the Company or

to any other Person cash, property or securities to which any holders of Senior Indebtedness shall be entitled by virtue of this Article or otherwise.

Section 13.11 Rights of Trustee as Holder of Senior Indebtedness; Preservation of Trustee's Rights.

The Trustee in its individual capacity shall be entitled to all the rights set forth in this Article with respect to any Senior Indebtedness that may at any time be held by it, to the same extent as any other holder of Senior Indebtedness, and nothing in this Indenture shall deprive the Trustee of any of its rights as such holder.

Section 13.12 Article Applicable to Paying Agents.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article XIII shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee.

Section 13.13 Certain Conversions or Exchanges Deemed Payment.

For purposes of this Article only, (a) the issuance and delivery of junior securities upon conversion or exchange of Securities shall not be deemed to constitute a payment or distribution on account of the principal of (or premium, if any, on) or interest (including any Additional Interest) on such Securities or on account of the purchase or other acquisition of such Securities, and (b) the payment, issuance or delivery of cash, property or securities (other than junior securities) upon conversion or exchange of a Security shall be deemed to constitute payment on account of the principal of such security. For the purposes of this Section, the term "junior securities" means (i) shares of any stock of any class of the Company, and (ii) securities of the Company that are subordinated in right of payment to all Senior Indebtedness that may be outstanding at the time of issuance or delivery of such securities to substantially the same extent as, or to a greater extent than, the Securities are so subordinated as provided in this Article.

* * * *

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed, all as of the day and year first above written.

NORTHEAST BANCORP

By:

Name:
Title:

BANKERS TRUST COMPANY,
as Trustee

By:

Name:
Title:

ANNEX A

FORM OF RESTRICTED SECURITIES CERTIFICATE

RESTRICTED SECURITIES CERTIFICATE

(For transfers pursuant to Section 3.6(b) of
the Indenture referred to below)

[ ]
as Securities Registrar
[address]

Re: ___% Junior Subordinated Debentures of Northeast Bancorp (the "Securities")

Reference is made to the Junior Subordinated Indenture, dated as of _____, 1999 (the "Indenture"), between Northeast Bancorp, a Maine corporation, and Bankers Trust Company, as Trustee. Terms used herein and defined in the Indenture or in Regulation 5, Rule 144A or Rule 144 under the U.S. Securities Act of 1933, as amended (the "Securities Act") are used here as so defined.

This certificate relates to $_____ aggregate principal amount of Securities, which are evidenced by the following certificate(s) (the "Specified Securities")

CUSIP No(s).

CERTIFICATE No(s).

CURRENTLY IN GLOBAL FORM: Yes ____ No ____ (check one)

The person in whose name this certificate is executed below (the "Undersigned") hereby certifies that either (a) it is the sole beneficial owner of the Specified Securities or (b) it is acting on behalf of all the beneficial owners of the Specified Securities and is duly authorized by them to do so. Such beneficial owner or owners are referred to herein collectively as the "Owner". If the Specified Securities are represented by a Global Security, they are held through a Depositary or an Agent Member in the name of the Undersigned, as or on behalf of the Owner. If the Specified Securities are not represented by a Global Security, they are registered in the name of the Undersigned, as or on behalf of the Owner.

The Owner has requested that the Specified Securities be transferred to a person (the "Transferee") who will take delivery in the form of a Restricted Security. In connection with such transfer, the Owner hereby certifies that, unless such transfer is being effected pursuant to an effective registration statement under the Securities Act, it is being effected in accordance with Rule 144A, Rule 904 of Regulation S or Rule 144 under the Securities Act and all applicable securities laws of the states of the United States and other jurisdictions. Accordingly, the Owner hereby further certifies that:

(a) Rule 144A Transfers. If the transfer is being effected in accordance with Rule 144A:

(i) the Specified Securities are being transferred to a person that the Owner and any person acting on its behalf reasonably believe is a "qualified institutional buyer" within the meaning of Rule 144A, acquiring for its own account or for the account of a qualified institutional buyer; and

(ii) the Owner and any person acting on its behalf have taken reasonable steps to ensure that the Transferee is aware that the Owner may be relying on Rule 144A in connection with the transfer; and

(b) Rule 904 Transfers. If the transfer is being effected in accordance with Rule 904:

(i) the Owner is not a distributor of the Securities, an affiliate of the Company or any such distributor or a person acting in behalf of any of the foregoing;

(ii) the offer of the Specified Securities was not made to a person in the United States;

(iii) either

(A) at the time the buy order was originated, the Transferee was outside the United States or the Owner and any person acting on its behalf reasonably believed that the Transferee was outside the United States, or

(B) the transaction is being executed in, on or through the facilities of the Eurobond market, as regulated by the Association of International Bond Dealers, or another designated offshore securities market and neither the Owner nor any person acting on its behalf know that the transaction has been prearranged with a buyer in the United States;

(iv) no directed selling efforts within the meaning of Rule 902 of Regulation S have been made in the United States by or on behalf of the Owner or any affiliate thereof; and

(v) the transaction is not part of a plan or scheme to evade the registration requirements of the Securities Act.

(c) Rule 144 Transfers. If the transfer is being effected pursuant to Rule 144:

(i) the transfer is occurring after a holding period of at least one year (computed in accordance with paragraph (d) of Rule 144) has elapsed since the date the Specified Securities were acquired from the Company or from an affiliate (as such term is defined in Rule 144) of the Company, whichever is later, and is being effected in accordance with the applicable amount, manner of sale and notice requirements of paragraphs (e), (f) and (h) of Rule 144;

(ii) the transfer is occurring after a holding period by the Owner of at least three years has elapsed since the date the Specified Securities were acquired from the Company or from an affiliate (as such term is defined in Rule 144) of the Company, whichever is later, and the Owner is not, and during the preceding three months has not been, an affiliate of the Company; or

(iii) the Owner is a Qualified Institutional Buyer under Rule 144A or has acquired the Securities otherwise in accordance with Sections (a), (b) or (c) hereof and is transferring the Securities to an institutional accredited investor in a transaction exempt from the requirements of the Securities Act.

This certificate and the statements contained herein are made for your benefit and the benefit of the Company and the Underwriters (as defined in the Trust Agreement relating to the Issuer Trust to which the Securities were initially issued).

(Print the name of the Undersigned, as such term is defined in the second paragraph of this certificate)

Dated:_____ By:_____

Name:
Title:

(If the Undersigned is a corporation, partnership or fiduciary, the title of the person signing on behalf of the Undersigned must be stated.)

EXHIBIT 4.3

TRUST AGREEMENT

This TRUST AGREEMENT, dated as of October 4, 1999 (this "Trust Agreement") among Northeast Bancorp, a Maine corporation, as "Depositor," and Bankers Trust Company, a New York banking corporation, and Bankers Trust (Delaware), a Delaware banking corporation, not in their individual capacities but solely as trustees (the "Trustees"). The Depositor and the Trustees hereby agree as follows:

1. The trust created hereby shall be known as "NBN Capital Trust" (the "Trust"), in which name the Trustees, or the Depositor to the extent provided herein, may conduct the business of the Trust, make and execute contracts, and sue and be sued.

2. The Depositor hereby assigns, transfers conveys and sets over to the Trustees the sum of $10. The Trustees hereby acknowledge receipt of such amount in trust from the Depositor, which amount shall constitute the initial trust estate. The Trustees hereby declare that they will hold the trust estate in trust for the Depositor. It is the intention of the parties hereto that the Trust created hereby constitute a business trust under Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. ss. 3801, et seq. (the "Business Trust Act"), and that this document constitutes the governing instrument of the Trust. The Trustees are hereby authorized and directed to execute and file a certificate of trust with the Delaware Secretary of State in accordance with the provisions of the Business Trust Act.

3. The Depositor and the Trustees will enter into an amended and restated Trust Agreement, satisfactory to each such party and substantially in the form included as an exhibit to the 1933 Act Registration Statement (as defined below), to provide for the contemplated operation of the Trust created hereby and the issuance of the Preferred Securities and the Common Securities referred to therein. Prior to the execution and delivery of such amended and restated Trust Agreement, the Trustees shall not have any duty or obligation hereunder or with respect to the trust estate, except as otherwise required by applicable law or as may be necessary to obtain prior to such execution and delivery of any licenses, consents or approvals required by applicable law or otherwise.

4. The Depositor, as the depositor of the Trust, is hereby authorized, in its discretion, (i) to file with the Securities and Exchange Commission (the "Commission") and execute, in each case on behalf of the Trust, (a) the Registration Statement on such form as the Depositor determines (the "1933 Act Registration Statement"), including any pre-effective or post-effective amendments to the 1933 Act Registration Statement (including the prospectus, prospectus supplements and the exhibits contained therein), relating to the registration under the Securities Act of 1933, as amended, of the Preferred Securities of the Trust and possibly certain other securities and (b) a Registration Statement on Form 8-A or other appropriate form (the "1934 Act Registration Statement") (including all pre-effective and post-effective amendments thereto) relating to the registration of the Preferred Securities of the Trust under the Securities Exchange Act of 1934, as amended; (ii) to file with the American Stock Exchange or any other national stock exchange or The Nasdaq National Market (each, an "Exchange") and execute on behalf of the Trust one or more listing applications and all other applications, statements, certificates, agreements and other instruments as shall be necessary or desirable to cause the

Preferred Securities to be listed on any of the Exchanges; (iii) to file and execute on behalf of the Trust such applications, reports, surety bonds, irrevocable consents, appointments of attorney for service of process and other papers and documents as shall be necessary or desirable to register the Preferred Securities under the securities or blue sky laws of such jurisdictions as the Depositor, on behalf of the Trust, may deem necessary or desirable; (iv) to execute and deliver letters or documents to, or instruments for filing with, a depository relating to the Preferred Securities; and (v) to execute on behalf of the Trust that certain Underwriting Agreement relating to the Preferred Securities, among the Trust, the Depositor and the several Underwriters named therein, substantially in the form included as an exhibit to the 1933 Act Registration Statement. In the event that any filing referred to in clauses (i), (ii) and (iii) above is required by the rules and regulations of the Commission, an Exchange or state securities or blue sky laws, to be executed on behalf of the Trust by any of the Trustees, each of the Trustees, in its capacity as a trustee of the Trust, is hereby authorized and directed to join in any such filing and to execute on behalf of the Trust any and all of the foregoing. In connection with all of the foregoing, the Depositor hereby constitutes and appoints James D. Delamater and John W. Trinward as its true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for the Depositor or in the Depositor's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to the 1933 Act Registration Statement and the 1934 Act Registration Statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as the Depositor might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or either of them, or their substitute or substitutes, shall do or cause to be done by virtue hereof.

5. This Trust Agreement may be executed in one or more counterparts.

6. The number of Trustees initially shall be two (2) and thereafter the number of Trustees shall be such number as shall be fixed from time to time by a written instrument signed by the Depositor which may increase or decrease the number of Trustees; provided, however, that to the extent required by the Business Trust Act, one Trustee shall either be a natural person who is a resident of the State of Delaware or, if not a natural person, an entity which has its principal place of business in the State of Delaware and otherwise meets the requirements of applicable Delaware law. Subject to the foregoing, the Depositor is entitled to appoint or remove without cause any Trustee at any time. The Trustees may resign upon thirty (30) days' prior notice to the Depositor.

7. The Depositor hereby agrees to (i) reimburse the Trustees for all reasonable expenses (including reasonable fees and expenses of counsel and other experts) and (ii) indemnify, defend and hold harmless the Trustees and any of the officers, directors, employees and agents of the Trustees (the "Indemnified Persons") from and against all losses, damages, liabilities, claims, actions, suits, costs, expenses, disbursements (including the reasonable fees and expenses of counsel), taxes and penalties of any kind and nature whatsoever (collectively, "Expenses"), to the extent that such Expenses arise out of or are imposed upon or

asserted at any time against such Indemnified Persons with respect to the performance of this Trust Agreement, the creation, operation or termination of the Trust or the transactions contemplated hereby; provided, however, that the Depositor shall not be required to indemnify any Indemnified Person for any Expenses which are a result of the willful misconduct, bad faith or gross negligence of such Indemnified Person.

8. This Trust Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without regard to conflict of laws of principles).

[REMAINDER OF PAGE INTENTIONALLY BLANK]

IN WITNESS WHEREOF, the parties hereto have caused this Trust Agreement to be duly executed as of the day and year first above written.

NORTHEAST BANCORP, as Depositor

By: /s/ James D. Delamater

Name: James D. Delamater
Title: President

BANKERS TRUST COMPANY,
not in its individual capacity but
solely as Trustee

By: /s/ Susan Johnson

Name: Susan Johnson
Title: Assistant Vice President

BANKERS TRUST (DELAWARE),
not in its individual capacity but
solely as Trustee

By: /s/ M. Lisa Wilkens

Name: M. Lisa Wilkens
Title: Assistant Vice President

CERTIFICATE OF TRUST

OF

NBN CAPITAL TRUST

THIS Certificate of Trust of NBN Capital Trust (the "Trust"), dated as of October 4, 1999, is being duly executed and filed by the undersigned, as trustees, to form a business trust under the Delaware Business Trust Act (12 Del. C. ss. 3801, et seq.).

1. Name. The name of the business trust formed hereby is NBN Capital Trust.

2. Delaware Trustee. The name and business address of the trustee of the Trust with a principal place of business in the State of Delaware are Bankers Trust (Delaware), E. A. Delle Donne Corporate Center, Montgomery Building, 1011 Centre Road, Suite 200, Wilmington, Delaware, 19805-1266, Attention: Lisa Wilkins.

3. Effective Date. This Certificate of Trust shall be effective upon filing.

IN WITNESS WHEREOF, the undersigned, being the trustees of the Trust, have executed this Certificate of Trust as of the date first-above written.

BANKERS TRUST (DELAWARE),
not in its individual capacity but solely as
trustee of the Trust

By: /s/ M. Lisa Wilkens

Name: M. Lisa Wilkens
Title: Assistant Vice President

BANKERS TRUST COMPANY,
not in its individual capacity but solely as
trustee of the Trust

By: /s/ Susan Johnson

Name: Susan Johnson
Title: Assistant Vice President

EXHIBIT 4.4

AMENDED AND RESTATED

TRUST AGREEMENT

Among

NORTHEAST BANCORP
(as Depositor)

BANKERS TRUST COMPANY
(as Property Trustee)

and

BANKERS TRUST (DELAWARE)
as Delaware Trustee

dated as of

_____, 1999

Re: NBN CAPITAL TRUST

NBN CAPITAL TRUST

Certain Sections of this Trust Agreement relating to Sections 310 through 318 of the Trust Indenture Act of 1939:

Trust Indenture Act Section		Trust Agreement Section
Section 310	(a) (1)	8.7
	(a) (2)	8.7
	(a) (3)	8.9
	(a) (4)	2.7(a)(ii)
	(b)	8.8, 10.10(b)
Section 311	(a)	8.13, 10.10(b)
	(b)	8.13, 10.10(b)
Section 312	(a)	10.10(b)
	(b)	10.10(b), (f)
	(c)	5.7
Section 313	(a)	8.15(a)
	(a) (4)	10.10(c)
	(b)	8.15(c), 10.10(c)
	(c)	10.8, 10.10(c)
	(d)	10.10(c)
Section 314	(a)	8.16, 10.10(d)
	(b)	Not Applicable
	(c) (1)	8.17, 10.10(d), (e)
	(c) (2)	8.17, 10.10(d), (e)
	(c) (3)	8.17, 10.10(d), (e)
	(e)	8.17, 10.10(e)
Section 315	(a)	8.1(d)
	(b)	8.2
	(c)	8.1(c)
	(d)	8.1(d)
	(e)	Not Applicable
Section 316	(a)	Not Applicable
	(a) (1) (A)	Not Applicable
	(a) (1) (B)	Not Applicable
	(a) (2)	Not Applicable
	(b)	5.13
	(c)	6.7
Section 317	(a) (1)	Not Applicable
	(a) (2)	8.14
	(b)	5.10
Section 318	(a)	10.10(a)

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Trust Agreement.

TABLE OF CONTENTS

AMENDED AND RESTATED TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT, dated as of _____, 1999 (this "Trust Agreement"), is among (a) NORTHEAST BANCORP, a Maine corporation (including any successors or assigns, the "Depositor"), (b) BANKERS TRUST COMPANY, a New York banking corporation, as property trustee (in such capacity, the "Property Trustee" and, in its separate corporate capacity and not in its capacity as Property Trustee, the "Bank"), and (c) BANKERS TRUST (DELAWARE), a Delaware banking corporation, as Delaware trustee (the "Delaware Trustee") (the Property Trustee and the Delaware Trustee are referred to collectively herein as the "Issuer Trustees"), (d) the Administrators, as hereinafter defined, and (e) the several Holders, as hereinafter defined.

RECITALS

WHEREAS, the Depositor and the Issuer Trustees have heretofore duly declared and established a business trust pursuant to the Delaware Business Trust Act by the entering into of a certain Trust Agreement, dated as of October 4, 1999 (the "Original Trust Agreement"), and by the execution and filing by the Issuer Trustees with the Secretary of State of the State of Delaware of the Certificate of Trust, filed on October 4, 1999 (the "Certificate of Trust"), a copy of which is attached hereto as Exhibit A; and

WHEREAS, the parties hereto desire to amend and restate the Original Trust Agreement in its entirety as set forth herein to provide for, among other things, (a) the issuance of the Common Securities by the Issuer Trust to the Depositor, (b) the issuance and sale of the Preferred Securities by the Issuer Trust pursuant to the Underwriting Agreement, (c) the acquisition by the Issuer Trust from the Depositor of all of the right, title and interest in and to the Junior Subordinated Debentures and (d) the appointment of the Administrators.

NOW THEREFORE, in consideration of the agreements and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, each party, for the benefit of the other parties and for the benefit of the Holders, hereby amends and restates the Original Trust Agreement in its entirety and agrees, intending to be legally bound, as follows:

ARTICLE I

DEFINITIONS

Section 1.1 Definitions

For all purposes of this Trust Agreement, except as otherwise expressly provided or unless the context otherwise requires:

(a) the terms defined in this Article I have the meanings assigned to them in this Article and include the plural as well as the singular;

(b) all other terms used herein that are defined in the Trust Indenture Act, either directly or by reference therein, have the meanings assigned to them therein;

(c) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation";

(d) all accounting terms used but not defined herein have the meanings assigned to them in accordance with United States generally accepted accounting principles as in effect at the time of computation;

(e) unless the context otherwise requires, any reference to an "Article" or a "Section" refers to an Article or a Section, as the case may be, of this Trust Agreement;

(f) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or other subdivision; and

(g) all references to the date the Preferred Securities were originally issued shall refer to the date the ___% Preferred Securities were originally issued.

"25% Capital Limitation" means the limitation imposed by the Federal Reserve that the proceeds of certain qualifying securities similar to the Trust Securities will qualify as Tier 1 capital of the issuer up to an amount not to exceed, when taken together with all cumulative preferred stock of the Depositor, if any, 25% of the Depositor's Tier 1 capital, or any subsequent limitation adopted by the Office of Thrift Supervision.

"Act" has the meaning specified in Section 6.8.

"Additional Amount" means, with respect to Trust Securities of a given Liquidation Amount and/or for a given period, the amount of Additional Interest (as defined in the Indenture) paid by the Depositor on a Like Amount of Junior Subordinated Debentures for such period.

"Additional Sums" has the meaning specified in Section 10.6 of the Indenture.

"Administrators" means each Person appointed in accordance with Section 8.20 solely in such Person's capacity as Administrator of the Issuer Trust and not in such Person's individual capacity, or any successor Administrator appointed as herein provided; with the initial Administrators being James D. Delamater and Richard E. Wyman, Jr.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Preferred Security or beneficial interest therein, the rules and procedures of the Depositary for such Preferred Security, in each case to the extent applicable to such transaction and as in effect from time to time.

"Bank" has the meaning specified in the preamble to this Trust Agreement.

"Bankruptcy Event" means, with respect to any Person:

(a) the entry of a decree or order by a court having jurisdiction in the premises judging such Person a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjudication or composition of or in respect of such Person under any applicable federal or state bankruptcy, insolvency, reorganization or other similar law, or appointing a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of such Person or of any substantial part of its property or ordering the winding up or liquidation of its affairs, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(b) the institution by such Person of proceedings to be adjudicated a bankrupt or insolvent, or the consent by it to the institution of bankruptcy or insolvency proceedings against it, or the filing by it of a petition or answer or consent seeking reorganization or relief under any applicable federal or State bankruptcy, insolvency, reorganization or other similar law, or the consent by it to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or similar official) of such Person or of any substantial part of its property or the making by it of an assignment for the benefit of creditors, or the admission by it in writing of its inability to pay its debts generally as they become due and its willingness to be adjudicated a bankrupt, or the taking of corporate action by such Person in furtherance of any such action.

"Bankruptcy Laws" has the meaning specified in Section 10.9.

"Board of Directors" means the board of directors of the Depositor or the executive committee of the board of directors of the Depositor (or any other committee of the board of directors of the Depositor performing similar functions) or, for purposes of this Trust Agreement, a committee designated by the board of directors of the Depositor (or any such committee), comprised of two or more members of the board of directors of the Depositor or officers of the Depositor, or both.

"Board Resolution" means a copy of a resolution or action by written consent certified by the Clerk or an Assistant Clerk of the Depositor to have been duly adopted or approved by the Depositor's Board of Directors, or such committee of the Board of Directors or officers of the Depositor to which authority to act on behalf of the Board of Directors has been delegated, and to be in full force and effect on the date of such certification, and delivered to the Issuer Trustees.

"Business Day" means a day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in the State of Maine, or in the City of New York, are authorized or required by law or executive order to remain closed or (c) a day on which the Property Trustee's Corporate Trust Office or the Delaware Trustee's Corporate Trust Office or the Corporate Trust Office of the Debenture Trustee is closed for business.

"Capital Treatment Event" means, in respect of the Issuer Trust, the reasonable determination by the Depositor that, as a result of the occurrence of any amendment to, or change (including any announced prospective change) in, the laws (or any rules or regulations thereunder) of the United States or any political subdivision thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or such pronouncement, action or decision is announced on or after the date of the issuance of the Preferred Securities of the Issuer Trust, there is more than an insubstantial risk that the Depositor will not be entitled to treat an amount equal to the Liquidation Amount of such Preferred Securities as "Tier 1 Capital" (or the then equivalent thereof), except as otherwise restricted under the 25% Capital Limitation, for purposes of the risk-based capital adequacy guidelines of the Office of Thrift Supervision, as then in effect and applicable to the Depositor.

"Cede" means Cede & Co.

"Certificate Depositary Agreement" means the agreement among the Issuer Trust, the Depositor and the Depositary, as the initial Clearing Agency, dated as of the Closing Date, substantially in the form attached hereto as Exhibit B, as the same may be amended and supplemented from time to time.

"Certificate of Trust" has the meaning specified in the preamble to this Trust Agreement.

"Clearing Agency" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act. The Depositary shall be the initial Clearing Agency.

"Clearing Agency Participant" means a broker, dealer, bank, other financial institution or other Person for whom from time to time a Clearing Agency effects book-entry transfers and pledges of securities deposited with the Clearing Agency.

"Closing Date" means the Time of Delivery for the Firm Securities, which date is also the date of execution and delivery of this Trust Agreement.

"Code" means the Internal Revenue Code of 1986, as amended or any successor statute, in each case as amended from time to time.

"Commission" means the Securities and Exchange Commission, as from time to time constituted, created under the Exchange Act or, if at any time after the execution of this instrument such Commission is not existing and performing the duties now assigned to it under the Trust Indenture Act, then the body performing such duties at such time.

"Common Securities Certificate" means a certificate evidencing ownership of Common Securities, substantially in the form attached hereto as Exhibit C.

"Common Security" means an undivided beneficial interest in the assets of the Issuer Trust, having a Liquidation Amount of $10 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Corporate Trust Office" means (a) with respect to the Property Trustee or the Debenture Trustee, the principal office of the Property Trustee located in the City of New York, New York, which at the time of the execution of this Trust Agreement is located at Four Albany Street, New York, New York 10006; Attention: Corporate Trust and Agency Group- Corporate Market Services, and (b) with respect to the Delaware Trustee, the principal office of the Delaware Trustee located at E.A. Delle Donne Corporate Center, Montgomery Building, 1101 Centre Road, Suite 200, Wilmington, Delaware, 19805-1266.

"Debenture Event of Default" means an "Event of Default" as defined in the Indenture.

"Debenture Redemption Date" means, with respect to any Junior Subordinated Debentures to be redeemed under the Indenture, the date fixed for redemption of such Junior Subordinated Debentures under the Indenture.

"Debenture Trustee" means Bankers Trust Company, a New York banking corporation and any successor, as trustee under the Indenture.

"Delaware Business Trust Act" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. 3801, et seq., as it may be amended from time to time.

"Delaware Trustee" means the corporation identified as the "Delaware Trustee" in the preamble to this Trust Agreement solely in its capacity as Delaware Trustee of the Issuer Trust and not in its individual capacity, or its successor in interest in such capacity, or any successor trustee appointed as herein provided.

"Depositary" means The Depository Trust Company or any successor thereto.

"Depositor" has the meaning specified in the preamble to this Trust Agreement.

"Direct Action" has the meaning specified in Section 5.13(c).

"Distribution Date" has the meaning specified in Section 4.1(a).

"Distributions" means amounts payable in respect of the Trust Securities as provided in Section 4.1.

"Early Termination Event" has the meaning specified in Section 9.2.

"Event of Default" means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) the occurrence of a Debenture Event of Default;

(b) default by the Issuer Trust in the payment of any Distribution when it becomes due and payable, and continuation of such default for a period of 30 days;

(c) default by the Issuer Trust in the payment of any Redemption Price of any Trust Security when it becomes due and payable;

(d) default in the performance, or breach, in any material respect, of any covenant or warranty of the Issuer Trust in this Trust Agreement (other than a covenant or warranty a default in the performance of which or the breach of which is dealt with in clause (b) or (c) above) and continuation of such default or breach for a period of 60 days after there has been given, by registered or certified mail, to the Issuer Trustees and the Depositor by the Holders of at least 25% in aggregate Liquidation Amount of the Outstanding Preferred Securities, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; or

(e) the occurrence of any Bankruptcy Event with respect to the Property Trustee or all or substantially all of its property if a successor Property Trustee has not been appointed within a period of 90 days thereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and any successor statute thereto, in each case as amended from time to time.

"Expiration Date" has the meaning specified in Section 9.1.

"Extension Period" has the meaning specified in Section 4.1.

"Firm Securities" means an aggregate Liquidation Amount of $10,500,000 of the Issuer Trust's ____% preferred securities.

"Global Preferred Securities Certificate" means a Preferred Securities Certificate evidencing ownership of Global Preferred Securities.

"Global Preferred Security" means a Preferred Security, the ownership and transfers of which shall be made through book entries by a Clearing Agency as described in Section 5.4.

"Guarantee Agreement" means the Guarantee Agreement executed and delivered by the Depositor and Bankers Trust Company, as guarantee trustee, contemporaneously with the execution and delivery of this Trust Agreement, for the benefit of the Holders of the Preferred Securities, as amended from time to time.

"Holder" means a Person in whose name a Trust Security or Trust Securities is registered in the Securities Register; any such Person shall be a beneficial owner within the meaning of the Delaware Business Trust Act.

"Indemnified Person" has the meaning specified in Section 8.6(c).

"Indenture" means the Junior Subordinated Indenture, dated as of _____, 1999, between the Depositor and the Debenture Trustee (as amended or supplemented from time to time) relating to the issuance of the Junior Subordinated Debentures.

"Investment Company Act" means the Investment Company Act of 1940, as amended or any successor statute, in each case as amended from time to time.

"Investment Company Event" means the receipt by the Issuer Trust of an Opinion of Counsel, rendered by counsel experienced in such matters, to the effect that, as a result of the occurrence of a change in law or regulation or a written change (including any announced prospective change) in interpretation or application of law or regulation by any legislative body, court, governmental agency or regulatory authority, there is more than an insubstantial risk that the Issuer Trust is or will be considered an "investment company" that is required to be registered under the Investment Company Act, which change or prospective change becomes effective or would become effective, as the case may be, on or after the date of the issuance of the Preferred Securities.

"Issuer Trust" means NBN Capital Trust, the Delaware business trust created and continued hereby.

"Issuer Trustees" means, collectively, the Property Trustee and the Delaware Trustee.

"Junior Subordinated Debentures" means the aggregate principal amount of the Depositor's _____% junior subordinated deferrable interest debentures, due _____, 2029 which date may

be shortened once at any time by the Depositor to any date not earlier than _____, 2004 issued pursuant to the Indenture.

"Lien" means any lien, pledge, charge, encumbrance, mortgage, deed of trust, adverse ownership interest, hypothecation, assignment, security interest or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever.

"Like Amount" means (a) with respect to a redemption of Trust Securities, Trust Securities having a Liquidation Amount equal to that portion of the principal amount of Junior Subordinated Debentures to be contemporaneously redeemed in accordance with the Indenture, allocated to the Common Securities and to the Preferred Securities based upon the relative Liquidation Amounts of such classes and (b) with respect to a distribution of Junior Subordinated Debentures to Holders of Trust Securities in connection with a dissolution or liquidation of the Issuer Trust, Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Trust Securities of the Holder to whom such Junior Subordinated Debentures are distributed.

"Liquidation Amount" means the stated amount of $10 per Trust Security.

"Liquidation Date" means the date on which Junior Subordinated Debentures or the Liquidation Distributions are to be distributed to Holders of Trust Securities in connection with a dissolution and liquidation of the Issuer Trust pursuant to Section 9.4.

"Liquidation Distribution" has the meaning specified in Section 9.4(d).

"Majority in Liquidation Amount of the Preferred Securities" or "Majority in Liquidation Amount of the Common Securities" means, except as provided by the Trust Indenture Act, Preferred Securities or Common Securities, as the case may be, representing more than 50% of the aggregate Liquidation Amount of all then Outstanding Preferred Securities or Common Securities, as the case may be.

"Office of Thrift Supervision" means the Office of Thrift Supervision, a division of the United States Department of the Treasury.

"Officers' Certificate" means, a certificate signed by the Chairman of the Board, Chief Executive Officer, President or a Vice President and by the Chief Financial Officer, the Treasurer, an Associate Treasurer, an Assistant Treasurer, the Clerk, or an Assistant Clerk, of the Depositor, and delivered to the appropriate Issuer Trustee. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Trust Agreement shall include:

(a) a statement by each officer signing the Officers' Certificate that such officer has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by such officer in rendering the Officers' Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of each such officer, such condition or covenant has been complied with.

"Opinion of Counsel" means a written opinion of counsel, who may be counsel for or an employee of the Depositor or any Affiliate of the Depositor.

"Option Closing Date" shall have the meaning provided in the Underwriting Agreement.

"Option Securities" means an aggregate Liquidation Amount of $1,575,000 of the Issuer Trust's _____% Preferred Securities, issuable to the Underwriter, at its option, exercisable within 30 days after the date of the Prospectus, solely to cover over-allotments, if any.

"Option Preferred Securities Certificate" means the certificate evidencing ownership of Preferred Securities issued if the Underwriter exercises its option described in Section 2.4, which certificate shall be substantially in the form attached hereto as Exhibit D.

"Original Trust Agreement" has the meaning specified in the recitals to this Trust Agreement.

"Outstanding," with respect to Trust Securities, means, as of the date of determination, all Trust Securities theretofore executed and delivered under this Trust Agreement, except:

(a) Trust Securities theretofore canceled by the Property Trustee or delivered to the Property Trustee for cancellation;

(b) Trust Securities for whose payment or redemption money in the necessary amount has been theretofore deposited with the Property Trustee or any Paying Agent for the Holders of such Preferred Securities, provided that if such Trust Securities are to be redeemed, notice of such redemption has been duly given pursuant to this Trust Agreement; and

(c) Trust Securities which have been paid or in exchange for or in lieu of which other Trust Securities have been executed and delivered pursuant to Sections 5.4, 5.5, and 5.6;

provided, however, that in determining whether the Holders of the requisite Liquidation Amount of the Outstanding Preferred Securities have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Preferred Securities owned by the Depositor, any Issuer Trustee, any Administrator, or any Affiliate of the Depositor or any Issuer Trustee shall be

disregarded and deemed not to be Outstanding, except that (i) in determining whether any Issuer Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Preferred Securities that such Issuer Trustee or such Administrator, as the case may be, knows to be so owned shall be so disregarded and (ii) the foregoing shall not apply at any time when all of the outstanding Preferred Securities are owned by the Depositor, one or more of the Issuer Trustees, one or more of the Administrators and/or any such Affiliate. Preferred Securities so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Administrators the pledgee's right so to act with respect to such Preferred Securities and that the pledgee is not the Depositor or any Affiliate of the Depositor.

"Owner" means each Person who is the beneficial owner of Global Preferred Securities as reflected in the records of the Clearing Agency or, if a Clearing Agency Participant is not the Owner, then as reflected in the records of a Person maintaining an account with such Clearing Agency, directly or indirectly, in accordance with the rules of such Clearing Agency.

"Paying Agent" means any paying agent or co-paying agent appointed pursuant to Section 5.10 and shall initially be the Property Trustee.

"Payment Account" means a segregated non-interest-bearing corporate trust account maintained by the Property Trustee in its trust department for the benefit of the Holders in which all amounts paid in respect of the Junior Subordinated Debentures will be held and from which the Property Trustee, through the Paying Agent, shall make payments to the Holders in accordance with Sections 4.1 and 4.2.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, company, limited liability company, trust, unincorporated organization or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities Certificate" means a certificate evidencing ownership of Preferred Securities, substantially in the form attached hereto as Exhibit D.

"Preferred Security" means a Firm Security or an Option Security, each constituting a preferred undivided beneficial interest in the assets of the Issuer Trust, having a Liquidation Amount of $10 and having the rights provided therefor in this Trust Agreement, including the right to receive Distributions and a Liquidation Distribution as provided herein.

"Property Trustee" means the Person identified as the "Property Trustee" in the preamble to this Trust Agreement solely in its capacity as Property Trustee of the Issuer Trust and not in its individual capacity, or its successor in interest in such capacity, or any successor property trustee appointed as herein provided.

"Prospectus" means the final prospectus covering the Preferred Securities, Junior Subordinated Debentures and the Guarantee Agreement.

"Redemption Date" means, with respect to any Trust Security to be redeemed, the date fixed for such redemption by or pursuant to this Trust Agreement; provided that each Junior Subordinated Debenture Redemption Date and the stated maturity of the Junior Subordinated Debentures shall be a Redemption Date for a Like Amount of Trust Securities, including but not limited to any date of redemption pursuant to the occurrence of any Special Event.

"Redemption Price" means with respect to a redemption of any Trust Security, the Liquidation Amount of such Trust Security, together with accumulated but unpaid Distributions to but excluding the date fixed for redemption, plus the related amount of the premium, if any, paid by the Depositor upon the concurrent redemption of a Like Amount of Junior Subordinated Debentures.

"Relevant Trustee" has the meaning specified in Section 8.10.

"Responsible Officer" when used with respect to the Property Trustee means any officer assigned to the Corporate Trust Office, including any managing director, principal, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Property Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of the Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Securities Act" means the Securities Act of 1933, as amended, and any successor statute thereto, in each case as amended from time to time.

"Securities Register" and "Securities Registrar" have the respective meanings specified in Section 5.5.

"Special Event" means any Tax Event, Capital Treatment Event, or Investment Company Event.

"Successor Securities Certificate" of any particular Preferred Securities Certificate means every Preferred Securities Certificate issued after, and evidencing all or a portion of the same beneficial interest in the Issuer Trust as that evidenced by, such particular Preferred Securities Certificate; and, for the purposes of this definition, any Preferred Securities Certificate executed and delivered under Section 5.6 in exchange for or in lieu of a mutilated, destroyed, lost or stolen Preferred Securities Certificate shall be deemed to evidence the same beneficial interest in the Issuer Trust as the mutilated, destroyed, lost or stolen Preferred Securities Certificate.

"Successor Security" has the meaning specified in Section 9.5.

"Tax Event" means the receipt by the Issuer Trust of an Opinion of Counsel experienced in such matters to the effect that, as a result of any amendment to, or change (including any announced prospective change) in, the laws (or any regulations thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or as a result of any official or administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations, which amendment or change is effective or which pronouncement, action or decision is announced on or after the date of issuance of the Preferred Securities, there is more than an insubstantial risk that (a) the Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to United States federal income tax with respect to income received or accrued on the Junior Subordinated Debentures, (b) interest payable by the Depositor on the Junior Subordinated Debentures is not, or within 90 days of the delivery of such Opinion of Counsel will not be, deductible by the Depositor, in whole or in part, for United States federal income tax purposes, or (c) the Issuer Trust is, or will be within 90 days of the delivery of such Opinion of Counsel, subject to more than a de minimis amount of other taxes, duties or other governmental charges.

"Time of Delivery" means 9:00 a.m. Eastern Time, either (a) with respect to the Firm Securities or the Common Securities, on the fourth Business Day following the date of execution of the Underwriting Agreement, or such other time not later than ten Business Days after such date as shall be agreed upon by the Underwriter, the Issuer Trust and the Company, or (b) with respect to the Option Securities, the Option Closing Date.

"Trust Agreement" means this Amended and Restated Trust Agreement, as the same may be modified, amended or supplemented in accordance with the applicable provisions hereof, including (a) all Exhibits hereto, and (b) for all purposes of this Amended and Restated Trust Agreement and any such modification, amendment or supplement, the provisions of the Trust Indenture Act that are deemed to be a part of and govern this Amended and Restated Trust Agreement and any modification, amendment or supplement, respectively.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, or any successor statute, in each case as amended from time to time.

"Trust Property" means (a) the Junior Subordinated Debentures, (b) any cash on deposit in, or owing to, the Payment Account, and (c) all proceeds and rights in respect of the foregoing and any other property and assets for the time being held or deemed to be held by the Property Trustee pursuant to the trusts of this Trust Agreement.

"Trust Securities Certificate" means any one of the Common Securities Certificates or the Preferred Securities Certificates.

"Trust Security" means any one of the Common Securities or the Preferred Securities.

"Underwriter" has the meaning specified in the Underwriting Agreement.

"Underwriting Agreement" means the Underwriting Agreement, dated as of _____, 1999, among the Issuer Trust, the Depositor and the Underwriter, as the same may be amended from time to time.

ARTICLE II

CONTINUATION OF THE ISSUER TRUST

Section 2.1 Name.

The Issuer Trust continued hereby shall be known as "NBN Capital Trust," as such name may be modified from time to time by the Administrators following written notice to the Holders of Trust Securities and the Issuer Trustees, in which name the Administrators and the Issuer Trustees may engage in the transactions contemplated hereby, make and execute contracts and other instruments on behalf of the Issuer Trust and sue and be sued.

Section 2.2 Office of the Delaware Trustee; Principal Place of Business.

The address of the Delaware Trustee in the State of Delaware is Bankers Trust (Delaware), E.A. Delle Donne Corporate Center, Montgomery Building, 1011 Centre Road, Suite 200, Wilmington, Delaware, 19805-1266, Attention:. M. Lisa Wilkins, or such other address in the State of Delaware as the Delaware Trustee may designate by written notice to the Holders and the Depositor. The principal executive office of the Issuer Trust is in care of Northeast Bancorp, 232 Center Street, Auburn, Maine 04210, Attention: President.

Section 2.3 Initial Contribution of Trust Property; Organizational Expenses.

The Issuer Trustees acknowledge receipt in trust from the Depositor in connection with the Original Trust Agreement of the sum of $10, which constitutes the initial Trust Property. The Depositor shall pay all organizational expenses of the Issuer Trust as they arise or shall, upon request of any Issuer Trustee, promptly reimburse such Issuer Trustee for any such reasonable expenses paid by such Issuer Trustee. The Depositor shall make no claim upon the Trust Property for the payment of such expenses.

Section 2.4 Issuance of the Preferred Securities.

The Depositor, both on its own behalf and on behalf of the Issuer Trust pursuant to the Original Trust Agreement, executed and delivered the Underwriting Agreement. Contemporaneously with the execution and delivery of this Trust Agreement, an Administrator, on behalf of the Issuer Trust, shall manually execute in accordance with Section 5.3 and the Property Trustee shall authenticate in accordance with Section 5.3 and deliver to the Underwriter, Firm Securities Certificates, registered in the names requested by the Underwriter, in an aggregate amount of

1,050,000 Firm Securities having an aggregate Liquidation Amount of $10,500,000 against receipt of the aggregate purchase price of such Preferred Securities of $10,500,000, by the Property Trustee.

At the option of the Underwriter, within 30 days of the date of the Prospectus, and solely for the purpose of covering an over-allotment, if any, an Administrator, on behalf of the Issuer Trust, shall manually execute in accordance with Section 5.3 and the Property Trustee shall authenticate in accordance with Section 5.3 and deliver to the Underwriter, Option Preferred Securities Certificates, registered in the names requested by the Underwriter, representing up to 157,500 Option Securities having an aggregate Liquidation Amount of up to $1,575,000 against receipt of the aggregate purchase price of such Option Securities of up to $1,575,000 by the Property Trustee.

Section 2.5 Issuance of the Common Securities; Subscription and Purchase of Junior Subordinated Debentures.

Contemporaneously with the execution and delivery of this Trust Agreement, an Administrator, on behalf of the Issuer Trust, shall execute in accordance with Section 5.3 and the Property Trustee shall authenticate in accordance with Section 5.3 and deliver to the Depositor, Common Securities Certificates, registered in the name of the Depositor, in an aggregate amount of _____ Common Securities having an aggregate Liquidation Amount of $_____ against receipt by the Property Trustee of the aggregate purchase price of such Common Securities of $_____ by the Property Trustee. In the event of any exercise of an over-allotment option requiring issuance of additional Option Preferred Securities Certificates, as described in Section 2.4 above, a proportionate number of additional Common Securities Certificates, with corresponding aggregate Liquidation Amount, shall be delivered to the Depositor. Contemporaneously with the executions, and deliveries of Common Securities Certificates and any Preferred Securities Certificates, an Administrator, on behalf of the Issuer Trust, shall subscribe for and purchase from the Depositor, corresponding amounts of Junior Subordinated Debentures, registered in the name of the Issuer Trust and having an aggregate principal amount equal to $_____, plus, in the event of any exercise of the over-allotment option (a) a corresponding additional number of Junior Subordinated Debentures not exceeding an aggregate principal amount of $_____ and (b) a corresponding number of Junior Subordinated Debentures not exceeding an aggregate principal amount equal to the aggregate Liquidation Amount of Common Securities issued pursuant to such exercise of an over-allotment option; and, in satisfaction of the purchase price for such Junior Subordinated Debentures, the Property Trustee, on behalf of the Issuer Trust, shall deliver to the Depositor the sum of $_____, plus any corresponding over-allotment option amount (being the sum of the amounts delivered to the Property Trustee pursuant to (a) the second sentence of Section 2.4 and (b) the first and second sentences of this Section 2.5) and receive the Junior Subordinated Debentures on behalf of the Issuer Trust.

Section 2.6 Declaration of Trust.

The exclusive purposes and functions of the Issuer Trust are to (a) issue and sell Trust Securities and use the proceeds from such sale to acquire the Junior Subordinated Debentures, and

(b) engage in only those other activities necessary, convenient, or incidental thereto. The Depositor hereby appoints the Issuer Trustees as trustees of the Issuer Trust, to have all the rights, powers and duties to the extent set forth herein, and the Issuer Trustees hereby accept such appointment. The Property Trustee hereby declares that it will hold the Trust Property in trust upon and subject to the conditions set forth herein for the benefit of the Issuer Trust and the Holders. The Depositor hereby appoints the Administrators (as agents of the Issuer Trust), with such Administrators having all rights, powers, and duties set forth herein with respect to accomplishing the purposes of the Issuer Trust, and the Administrators hereby accept such appointment, provided, however, that it is the intent of the parties hereto that such Administrators shall not be trustees or fiduciaries with respect to the Issuer Trust and this Trust Agreement shall be construed in a manner consistent with such intent. The Property Trustee shall have the right, power and authority to perform those duties assigned to the Administrators. The Delaware Trustee shall not be entitled to exercise any powers, nor shall the Delaware Trustee have any of the duties and responsibilities, of the Property Trustee or the Administrators set forth herein. The Delaware Trustee shall be one of the trustees of the Issuer Trust for the sole and limited purpose of fulfilling the requirements of Section 3807 of the Delaware Business Trust Act and for taking such actions as are required to be taken by a Delaware trustee under the Delaware Business Trust Act.

Section 2.7 Authorization to Enter into Certain Transactions.

(a) The Issuer Trustees and the Administrators shall conduct the affairs of the Issuer Trust in accordance with the terms of this Trust Agreement. Subject to the limitations set forth in paragraph (b) of this Section 2.7 and in accordance with the following provisions (i) and (ii), the Issuer Trustees and the Administrators shall act as follows:

(i) Each Administrator, acting alone, shall have the power and authority and is hereby authorized and directed to act on behalf of the Issuer Trust with respect to the following:

(A) issuance and sale of the Trust Securities;

(B) the compliance with the Underwriting Agreement regarding the issuance and sale of the Trust Securities;

(C) the compliance with the Securities Act, applicable state securities or blue sky laws, and the Trust Indenture Act;

(D) execute the Trust Securities on behalf of the Issuer Trust in accordance with this Trust Agreement;

(E) the listing of the Preferred Securities upon such securities exchange or exchanges or upon the Nasdaq National Market as shall be determined by the Depositor, with the registration of the Preferred Securities under the Exchange Act, if required, and the

preparation and filing of all periodic and other reports and other documents pursuant to the foregoing;

(F) the application for a taxpayer identification number for the Issuer Trust;

(G) the preparation of a registration statement and a prospectus in relation to the Preferred Securities, including any amendments thereto and the taking of any action necessary or desirable to sell the Preferred Securities in a transaction or series of transactions subject to the registration requirements of the Securities Act;

(H) cause the Issuer Trust to enter into, and execute, deliver and perform on behalf of the Issuer Trust all agreements, instruments, certificates or other documents as such Administrator deems necessary or incidental to the purposes and functions of the Issuer Trust; and

(I) any action incidental to the foregoing as the Administrators may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement.

(ii) The Property Trustee shall have the power and authority, and is hereby authorized and directed, to act on behalf of the Issuer Trust with respect to the following matters:

(A) establish and maintain the Payment Account;

(B) receive, take title to, and exercise all of the rights, powers and privileges of the holder of the Junior Subordinated Debentures;

(C) receive and collect interest, principal and any other payments made in respect of the Junior Subordinated Debentures in the Payment Account;

(D) distribute amounts owed to the Holders in respect of the Trust Securities in accordance with the terms of this Trust Agreement;

(E) act as Paying Agent and/or Securities Registrar to the extent appointed as such hereunder;

(F) send notices of default and other information regarding the Trust Securities and the Junior Subordinated Debentures to the Holders in accordance with this Trust Agreement;

(G) distribute the Trust Property in accordance with the terms of this Trust Agreement;

(H) to the extent provided in this Trust Agreement, wind up the affairs of and liquidate the Issuer Trust and prepare, execute and file the certificate of cancellation with the Secretary of State of the State of Delaware;

(I) after an Event of Default (other than under paragraph (b), (c) or (d) of the definition of such term if such Event of Default is by or with respect to the Property Trustee), comply with the provisions of this Trust Agreement and take any action to give effect to the terms of this Trust Agreement and protect and conserve the Trust Property for the benefit of the Holders (without consideration of the effect of any such action on any particular Holder);

(J) take any action incidental or convenient to the foregoing as the Property Trustee may from time to time determine is necessary or advisable to give effect to the terms of this Trust Agreement; provided, however, that nothing in this Section 2.7(a) (ii) shall require the Property Trustee to take any action that is not otherwise required in this Trust Agreement.

(b) So long as this Trust Agreement remains in effect, the Issuer Trust (or the Issuer Trustees or Administrators acting on behalf of the Issuer Trust) shall not undertake any business, activities or transaction except as expressly provided herein or contemplated hereby. In particular, neither the Issuer Trustees nor the Administrators (in each case acting on behalf of the Issuer Trust) shall (i) acquire any investments or engage in any activities not authorized by this Trust Agreement, (ii) sell, assign, transfer, exchange, mortgage, pledge, set off, or otherwise dispose of any of the Trust Property or interests therein, including to Holders, except as expressly provided herein, (iii) take any action that would reasonably be expected to cause the Issuer Trust to become taxable as a corporation for United States federal income tax purposes, (iv) incur any indebtedness for borrowed money or issue any other debt, or (v) take or consent to any action that would result in the placement of a Lien on any of the Trust Property. The Property Trustee shall defend all claims and demands of all Persons at any time claiming any Lien on any of the Trust Property adverse to the interest of the Issuer Trust or the Holders in their capacity as Holders.

(c) In connection with the issue and sale of the Preferred Securities, the Depositor shall have the power and authority to assist the Issuer Trust with respect to, or effect on behalf of the Issuer Trust, the following (and any actions taken by the Depositor in furtherance of the following prior to the date of this Trust Agreement are hereby ratified and confirmed in all respects):

(i) the preparation and filing by the Issuer Trust with the Commission, and the execution and delivery on behalf of the Issuer Trust, of a registration statement and a prospectus in relation to the Preferred Securities, including any amendments thereto, and the

taking of any action necessary or desirable to sell the Preferred Securities in a transaction or a series of transactions subject to the registration requirements of the Securities Act;

(ii) the determination of the states in which to take appropriate action to qualify or register for sale all or part of the Preferred Securities and the determination of any and all such acts, other than actions that must be taken by or on behalf of the Issuer Trust, and the advice to the Issuer Trustees of actions they must take on behalf of the Issuer Trust, and the preparation for execution and filing of any documents to be executed and filed by the Issuer Trust or on behalf of the Issuer Trust, as the Depositor deems necessary or advisable in order to comply with the applicable laws of any such states in connection with the offer and sale of the Preferred Securities;

(iii) the negotiation of the terms of, and the execution and delivery of, the Underwriting Agreement providing for the sale of the Preferred Securities;

(iv) the preparation and filing by the Issuer Trust with the Commission and the execution on behalf of the Issuer Trust of a registration statement on Form 8-A relating to the registration of the Preferred Securities under Section 12(b) or 12(g) of the Exchange Act, as amended, including any amendments thereto;

(v) compliance with the listing requirements of the Preferred Securities upon such securities exchange or exchanges, or upon the Nasdaq National Market, as shall be determined by the Depositor, the registration of the Preferred Securities under the Exchange Act, if required, and the preparation and filing of all periodic and other reports and other documents pursuant to the foregoing; and

(vi) the taking of any other actions necessary or desirable to carry out any of the foregoing activities.

(d) Notwithstanding anything herein to the contrary, the Administrators and the Property Trustee are authorized and directed to conduct the affairs of the Issuer Trust and to operate the Issuer Trust so that the Issuer Trust will not be deemed to be an "investment company" required to be registered under the Investment Company Act, and will not be taxable as a corporation for United States federal income tax purposes and so that the Junior Subordinated Debentures will be treated as indebtedness of the Depositor for United States federal income tax purposes. In this connection, the Property Trustee, the Administrators, and the Holders of Common Securities are authorized to take any action, not inconsistent with applicable law, the Certificate of Trust, or this Trust Agreement, that the Property Trustee, the Administrators, and Holders of Common Securities determine in their discretion to be necessary or desirable for such purposes, as long as such action does not adversely affect in any material respect the interests of the Holders of the Outstanding Preferred Securities. In no event shall the Administrators, the Holders of Common Securities, or the Issuer Trustees be liable to the Issuer Trust or the Holders for any failure to comply with this section that results from a change in law or regulations or in the interpretation thereof.

Section 2.8 Assets of Trust.

The assets of the Issuer Trust shall consist solely of the Trust Property.

Section 2.9 Title to Trust Property.

Legal title to all Trust Property shall be vested at all times in the Issuer Trust and shall be held and administered by the Property Trustee (in its capacity as such) for the benefit of the Issuer Trust and the Holders in accordance with this Trust Agreement.

ARTICLE III

PAYMENT ACCOUNT

Section 3.1 Payment Account.

(a) On or prior to the Closing Date, the Property Trustee shall establish the Payment Account. The Property Trustee and its agents shall have exclusive control and sole right of withdrawal with respect to the Payment Account for the purpose of making deposits in and withdrawals from the Payment Account in accordance with this Trust Agreement. All monies and other property deposited or held from time to time in the Payment Account shall be held by the Property Trustee in the Payment Account for the exclusive benefit of the Holders and for distribution as herein provided, including (and subject to) any priority of payments provided for herein.

(b) The Property Trustee shall deposit in the Payment Account, promptly upon receipt, all payments of principal of or interest on, and any other payments or proceeds with respect to, the Junior Subordinated Debentures. Amounts held in the Payment Account shall not be invested by the Property Trustee pending distribution thereof.

ARTICLE IV

DISTRIBUTIONS; REDEMPTION

Section 4.1 Distributions.

(a) The Trust Securities represent undivided beneficial interests in the Trust Property, and Distributions (including Distributions of Additional Amounts) will be made on the Trust Securities at the rate and on the dates that payments of interest (including payments of Additional Interest, as defined in the Indenture) are made on the Junior Subordinated Debentures. Accordingly:

(i) Distributions on the Trust Securities shall be cumulative and will accumulate whether or not there are funds of the Issuer Trust available for the payment of Distributions. Distributions shall accumulate from _____, 1999, and, except in the event (and to the extent) that the Depositor exercises its right to defer the payment of interest on the Junior Subordinated Debentures pursuant to the Indenture, shall be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, commencing on _____, 1999. If any date on which a Distribution is otherwise payable on the Trust Securities is not a Business Day, then the payment of such Distribution shall be made on the next succeeding day that is a Business Day (without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, payment of such Distributions shall be made on the immediately preceding Business Day, in either case with the same force and effect as if made on the date on which such payment was originally payable (each date on which distributions are payable in accordance with this Section 4.1(a), a "Distribution Date").

(ii) The Trust Securities shall be entitled to Distributions payable at a rate of _____% per annum of the Liquidation Amount of the Trust Securities. The amount of Distributions payable for any period less than a full Distribution period shall be computed on the basis of a 360 day year of twelve 30 day months and the actual number of days elapsed in a partial month in a period. Distributions payable for each full Distribution period will be computed by dividing the rate per annum by four. The amount of Distributions payable for any period shall include any Additional Amounts in respect of such period.

(iii) So long as no Debenture Event of Default has occurred and is continuing, the Depositor has the right under the Indenture to defer the payment of interest on the Junior Subordinated Debentures at any time and from time to time for a period not exceeding 20 consecutive quarterly periods (an "Extension Period"), provided that no Extension Period may extend beyond _____, 2029. As a consequence of any such deferral, quarterly Distributions on the Trust Securities by the Issuer Trust will also be deferred (and the amount of Distributions to which Holders of the Trust Securities are entitled will accumulate additional Distributions thereon at the rate per annum of _____% per annum, compounded quarterly) from the relevant payment date for such Distributions, computed on the basis of a 360 day year of twelve 30-day months and the actual days lapsed in a partial month in such period. Additional Distributions payable for each full Distribution period will be computed by dividing the rate per annum by four. The term "Distributions" as used in Section 4.1 shall include any such additional Distributions provided pursuant to this Section 4.1 (a) (iii).

(iv) Distributions on the Trust Securities shall be made by the Property Trustee from the Payment Account and shall be payable on each Distribution Date only to the extent that the Issuer Trust has funds then on hand and available in the Payment Account for the payment of such Distributions.

(b) Distributions on the Trust Securities with respect to a Distribution Date shall be payable to the Holders thereof as they appear on the Securities Register for the Trust Securities at the close of business on the relevant record date, which shall be at the close of business on the 15th day of March, June, September or December (whether or not a Business Day).

Section 4.2 Redemption.

(a) On each Debenture Redemption Date and on the stated maturity of the Junior Subordinated Debentures, the Issuer Trust will be required to redeem a Like Amount of Trust Securities at the Redemption Price.

(b) Notice of redemption shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the Redemption Date to each Holder of Trust Securities to be redeemed, at such Holder's address appearing in the Security Register. All notices of redemption shall state:

(i) the Redemption Date;

(ii) the Redemption Price, or if the Redemption Price cannot be calculated prior to the time the notice is required to be sent, the estimate of the Redemption Price provided pursuant to the Indenture together with a statement that it is an estimate and that the actual Redemption Price will be calculated on the third Business Day prior to the Redemption Date (and if an estimate is provided, a further notice shall be sent of the actual Redemption Price on the date, or as so on as practicable thereafter, that notice of such actual Redemption Price is received pursuant to the Indenture);

(iii) the CUSIP number or CUSIP numbers of the Preferred Securities affected;

(iv) if less than all the Outstanding Trust Securities are to be redeemed, the identification and the total Liquidation Amount of the particular Trust Securities to be redeemed;

(v) that, on the Redemption Date, the Redemption Price will become due and payable upon each such Trust Security to be redeemed and that Distributions thereon will cease to accumulate on and after said date, except as provided in Section 4.2(d) below; and

(vi) the place or places where Trust Securities are to be surrendered for the payment of the Redemption Price.

The Issuer Trust in issuing the Trust Securities shall use "CUSIP" numbers, and the Property Trustee shall indicate the "CUSIP" numbers of the Trust Securities in notices of redemption and related materials as a convenience to Holders; provided that any such notice may state that no

representation is made as to the correctness of such numbers either as printed on the Trust Securities or as contained in any notice of redemption and related material.

(c) The Trust Securities redeemed on each Redemption Date shall be redeemed at the Redemption Price with the applicable proceeds from the contemporaneous redemption of Junior Subordinated Debentures. Redemptions of the Trust Securities shall be made and the Redemption Price shall be payable on each Redemption Date only to the extent that the Issuer Trust has funds then on hand and available in the Payment Account for the payment of such Redemption Price.

(d) If the Property Trustee gives a notice of redemption in respect of any Preferred Securities, then, by 12:00 noon, New York City time, on the Redemption Date, subject to Section 4.2(c), the Property Trustee will, with respect to Preferred Securities held in global form, irrevocably deposit with the Clearing Agency for such Preferred Securities, to the extent available therefor, funds sufficient to pay the applicable Redemption Price and will give such Clearing Agency irrevocable instructions and authority to pay the Redemption Price to the Owners of the Preferred Securities. With respect to Preferred Securities that are not held in global form, the Property Trustee, subject to Section 4.2(c), will irrevocably deposit with the Paying Agent, to the extent available therefor, funds sufficient to pay the applicable Redemption Price and will give the Paying Agent irrevocable instructions and authority to pay the Redemption Price to the Holders of the Preferred Securities upon surrender of their Preferred Securities Certificates. Notwithstanding the foregoing, Distributions payable on or prior to the Redemption Date for any Trust Securities called for redemption shall be payable to the Holders of such Trust Securities as they appear on the Securities Register for the Trust Securities on the relevant record dates for the related Distribution Dates. If notice of redemption shall have been given and funds deposited as required, then, upon the date of such deposit, all rights of Holders holding Trust Securities so called for redemption will cease, except the right of such Holders to receive the Redemption Price and any Distributions payable in respect of the Trust Securities on or prior to the Redemption Date, but without interest, and such Trust Securities will cease to be Outstanding. In the event that any date on which any applicable Redemption Price is payable is not a Business Day, then payment of the applicable Redemption Price payable on such date will be made on the next succeeding day that is a Business Day (and without any interest or other payment in respect of any such delay), except that, if such Business Day is in the next succeeding calendar year, such payment shall be made on the immediately preceding Business Day, in each case, with the same force and effect as if made on such date. In the event that payment of the Redemption Price in respect of any Trust Securities called for redemption is improperly withheld or refused and not paid either by the Issuer Trust or by the Depositor pursuant to the Guarantee Agreement, Distributions on such Trust Securities will continue to accumulate, as set forth in Section 4.1, from the Redemption Date originally established by the Issuer Trust for such Trust Securities to the date such applicable Redemption Price is actually paid, in which case the actual payment date will be the date fixed for redemption for purposes of calculating the applicable Redemption Price.

(e) Subject to Section 4.3(a), if less than all the Outstanding Trust Securities are to be redeemed on a Redemption Date, then the particular Preferred Securities to be redeemed shall be

selected not more than 60 days prior to the Redemption Date by the Property Trustee from the Outstanding Preferred Securities not previously called for redemption in such a manner as the Property Trustee shall deem fair and appropriate.

Section 4.3 Subordination of Common Securities.

(a) Payment of Distributions (including Additional Amounts, if applicable) on, the Redemption Price of, and the Liquidation Distribution in respect of, the Trust Securities, as applicable, shall be made, subject to Section 4.2(e), pro rata among the Common Securities and the Preferred Securities based on the Liquidation Amount of such Trust Securities; provided, however, that if on any Distribution Date or Redemption Date any Event of Default resulting from a Debenture Event of Default in Section 5.1(a) or 5.1(b) of the Indenture shall have occurred and be continuing, no payment of any Distribution (including any Additional Amounts, if applicable) on, or Redemption Price of, or Liquidation Distribution in respect of, any Common Security, and no other payment on account of the redemption, liquidation, or other acquisition of Common Securities, shall be made unless payment in full in cash of all accumulated and unpaid Distributions (including Additional Amounts, if applicable) on all Outstanding Preferred Securities for all Distribution periods terminating on or prior thereto, or, in the case of payment of the Redemption Price, the full amount of such Redemption Price on all Outstanding Preferred Securities then called for redemption, or in the case of payment of the Liquidation Distribution the full amount of such Liquidation Distribution on all Outstanding Preferred Securities, shall have been made or provided for, and all funds immediately available to the Property Trustee shall first be applied to the payment in full in cash of all Distributions (including Additional Amounts, if applicable) on, or the Redemption Price of, or Liquidation Distribution in respect of Preferred Securities then due and payable. The existence of an Event of Default does not entitle the Holders of Preferred Securities to accelerate the maturity thereof.

(b) In the case of the occurrence of any Event of Default resulting from any Debenture Event of Default, the Holder of the Common Securities shall have no right to act with respect to any such Event of Default under this Trust Agreement until the effects of all such Events of Default with respect to the Preferred Securities have been cured, waived, or otherwise eliminated. Until all such Events of Default under this Trust Agreement with respect to the Preferred Securities have been so cured, waived, or otherwise eliminated, the Property Trustee shall act solely on behalf of the Holders of the Preferred Securities and not on behalf of the Holder of the Common Securities, and only the Holders of the Preferred Securities will have the right to direct the Property Trustee to act on their behalf.

Section 4.4 Payment Procedures.

Payments of Distributions (including Additional Amounts, if applicable) in respect of the Preferred Securities shall be made by check mailed to the address of the Person entitled thereto as such address shall appear on the Securities Register or, if the Preferred Securities are held by a Clearing Agency, such Distributions shall be made to the Clearing Agency in

immediately available funds, which will credit the relevant accounts on the applicable Distribution Dates. Payments of Distributions to Holders of $1,000,000 or more in aggregate Liquidation Amount of Preferred Securities may be made by wire transfer of immediately available funds upon written request of such Holder of Preferred Securities to the Securities Registrar not later than 15 calendar days prior to the date on which the Distribution is payable. Payments in respect of the Common Securities shall be made in such manner as shall be mutually agreed between the Property Trustee and the Holder of the Common Securities.

Section 4.5 Tax Returns and Reports.

(a) The Administrators shall prepare and file (or cause to be prepared and filed), at the Depositor's expense, all United States federal, state, and local tax and information returns and reports required to be filed by or in respect of the Issuer Trust. In this regard, the Administrators shall (i) prepare and file (or cause to be prepared and filed) all Internal Revenue Service forms required to be filed in respect of the Issuer Trust in each taxable year of the Issuer Trust and (ii) prepare and furnish (or cause to be prepared and furnished) to each Holder all Internal Revenue Service forms required to be provided by the Issuer Trust. The Administrators shall provide the Depositor and the Property Trustee with a copy of all such returns and reports promptly after such filing or furnishing. The Issuer Trustees and the Administrators shall comply with United States federal withholding and backup withholding tax laws and information reporting requirements with respect to any payments to Holders under the Trust Securities.

(b) On or before December 15 of each year during which any Preferred Securities are outstanding, the Administrators shall furnish to the Paying Agent such information as may be reasonably requested by the Property Trustee in order that the Property Trustee may prepare the information which it is required to report for such year on Internal Revenue Service Forms 1096 and 1099 pursuant to Section 6049 of the Code. Such information shall include the amount of original issue discount includible in income for each outstanding Preferred Security during such year.

Section 4.6 Payment of Taxes; Duties, Etc. of the Issuer Trust.

Upon receipt under the Junior Subordinated Debentures of Additional Sums, the Property Trustee, at the written direction of an Administrator or the Depositor, shall promptly pay any taxes, duties or governmental charges of whatsoever nature (other than withholding taxes) imposed on the Issuer Trust by the United States or any other taxing authority.

Section 4.7 Payments under Indenture or Pursuant to Direct Actions.

Any amount payable hereunder to any Holder of Preferred Securities shall be reduced by the amount of any corresponding payment such Holder (or any Owner related thereto) has directly received pursuant to Section 5.8 of the Indenture or Section 5.13 of this Trust Agreement.

Section 4.8 Liability of the Holder of Common Securities.

The Holder of Common Securities shall be liable for the debts and obligations of the Issuer Trust as set forth in Section 6.7(c) of the Indenture regarding allocation of expenses.

ARTICLE V

TRUST SECURITIES CERTIFICATES

Section 5.1 Initial Ownership.

Until the issuance of the Trust Securities, and at any time during which no Trust Securities are outstanding, the Depositor shall be the sole beneficial owner of the Issuer Trust.

Section 5.2 The Trust Securities Certificates.

(a) Subject to the provisions of Section 5.3 of this Agreement, the Trust Securities Certificates shall be executed on behalf of the Issuer Trust by manual or facsimile signature of at least one Administrator. Trust Securities Certificates bearing the signatures of individuals who were, at the time when such signatures shall have been affixed, authorized to sign on behalf of the Issuer Trust, shall be validly issued and entitled to the benefits of this Trust Agreement (subject to the authentication requirements of the Trust Agreement), notwithstanding that such individuals or any of them shall have ceased to be so authorized prior to the delivery of such Trust Securities Certificates or did not hold such offices at the date of delivery of such Trust Securities Certificates. A transferee of a Trust Securities Certificate shall become a Holder, and shall be entitled to the rights and subject to the obligations of a Holder hereunder, upon due registration of such Trust Securities Certificate in such transferee's name pursuant to Section 5.5.

(b) Upon their original issuance, Preferred Securities Certificates shall be issued in the form of one or more fully registered Global Preferred Securities Certificates which will be deposited with or on behalf of Cede as the Depositary's nominee and registered in the name of Cede as the Depositary's nominee. Unless and until it is exchangeable in whole or in part for the Preferred Securities in definitive form, a global security may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary or by the Depositary or any such nominee to a successor of such Depositary or a nominee of such successor.

(c) A single Common Securities Certificate representing the Common Securities shall be issued to the Depositor in the form of a definitive Common Securities Certificate.

Section 5.3 Execution and Delivery of Trust Securities Certificates.

On the Closing Date, and on the Option Closing Date if applicable, an Administrator shall cause Trust Securities Certificates, in an aggregate Liquidation Amount as provided in Sections 2.4 and 2.5, as the case may be, to be executed on behalf of the Issuer Trust and delivered to the Property Trustee and upon such delivery the Property Trustee shall authenticate such Trust Securities Certificates and deliver such Trust Securities Certificates upon the written order of the Issuer Trust, executed by an Administrator thereof, without further corporate action by the Issuer Trust, in authorized denominations, and whereupon the Trust Securities evidenced by such Trust Securities Certificates shall be duly and validly issued undivided beneficial interests in the assets of the Issuer Trust and entitled to the benefits of this Trust Agreement.

Section 5.4 Global Preferred Security.

(a) Any Global Preferred Security issued under this Trust Agreement shall be registered in the name of the Clearing Agency or its nominee and delivered to it or its custodian therefor, and such Global Preferred Security shall constitute a single Preferred Security for all purposes of this Trust Agreement.

(b) Notwithstanding any other provision in this Trust Agreement, a Global Preferred Security may not be exchanged in whole or in part for Preferred Securities registered, and no transfer of the Global Preferred Security in whole or in part may be registered, in the name of any Person other than the Clearing Agency or its nominee for such Global Preferred Security, Cede, or other nominee thereof unless (i) such Clearing Agency advises the Depositor and the Issuer Trustees in writing that such Clearing Agency is no longer willing or able to properly discharge its responsibilities as Clearing Agency with respect to such Global Preferred Security, and the Depositor is unable to locate a qualified successor within 90 days of receipt of such notice from the Depositary, (ii) the Depositor at its option advises the Depositary in writing that it elects to terminate the book-entry system through the Clearing Agency, or (iii) there shall have occurred and be continuing an Event of Default.

(c) If a Preferred Security is to be exchanged in whole or in part for a beneficial interest in a Global Preferred Security, then either (i) such Global Preferred Security shall be so surrendered for exchange or cancellation as provided in this Article V or (ii) the Liquidation Amount thereof shall be reduced or increased by an amount equal to the portion thereof to be so exchanged or canceled, or equal to the Liquidation Amount of such other Preferred Security to be so exchanged for a beneficial interest therein, as the case may be, by means of an appropriate adjustment made on the records of the Security Registrar, whereupon the Property Trustee, in accordance with the Applicable Procedures, shall instruct the Clearing Agency or its authorized representative to make a corresponding adjustment to its records. Upon any such surrender or adjustment of a Global Preferred Security by the Clearing Agency, accompanied by registration instructions, the Property Trustee shall, subject to Section 5.4(b) and as otherwise provided in this Article V, authenticate and

deliver and an Administrator shall execute any Preferred Securities issuable in exchange for such Global Preferred Security (or any portion thereof) in accordance with the instructions of the Clearing Agency. The Property Trustee shall not be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(d) Every Preferred Security registered, executed, authenticated, and delivered upon registration of, transfer of, or in exchange for or in lieu of, a Global Preferred Security or any portion thereof, whether pursuant to this Article V or Article IV or otherwise, shall be executed, authenticated and delivered in the form of, and shall be, a Global Preferred Security, unless such Global Preferred Security is registered in the name of a Person other than the Clearing Agency for such Global Preferred Security or a nominee thereof.

(e) The Clearing Agency or its nominee, as the registered owner of a Global Preferred Security, shall be considered the Holder of the Preferred Securities represented by such Global Preferred Security for all purposes under this Trust Agreement and the Preferred Securities, and owners of beneficial interests in such Global Preferred Security shall hold such interests pursuant to the Applicable Procedures and, except as otherwise provided herein, shall not be entitled to receive physical delivery of any such Preferred Securities in definitive form and shall not be considered the Holders thereof under this Trust Agreement. Accordingly, any such Owner's beneficial interest in the Global Preferred Security shall be shown only on, and the transfer of such interest shall be effected only through, records maintained by the Clearing Agency or its nominee. Neither the Property Trustee, the Securities Registrar nor the Depositor shall have any liability in respect of any transfers effected by the Clearing Agency.

(f) The rights of Owners of beneficial interests in a Global Preferred Security shall be exercised only through the Clearing Agency and shall be limited to those established by law and agreements between such Owners and the Clearing Agency.

Section 5.5 Registration of Transfer and Exchange Generally; Certain Transfers and Exchanges; Preferred Securities Certificates.

(a) The Property Trustee shall keep or cause to be kept at its Corporate Trust Office a register or registers for the purpose of registering Trust Securities Certificates and transfers and exchanges of Preferred Securities Certificates in which the registrar and transfer agent with respect to the Preferred Securities (the "Securities Registrar"), subject to such reasonable regulations as it may prescribe, shall provide for the registration of Preferred Securities Certificates and Common Securities Certificates (subject to Section 5.11 in the case of Common Securities Certificates) and registration of transfers and exchanges of Preferred Securities Certificates as herein provided. Such register is herein sometimes referred to as the "Securities Register." The Property Trustee is hereby appointed "Securities Registrar" for the purpose of registering Preferred Securities and transfers of Preferred Securities as herein provided.

Upon surrender for registration of transfer of any Preferred Security at the offices or agencies of the Property Trustee designated for that purpose, an Administrator shall execute and the Property Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Preferred Securities of the same series of any authorized denominations of like tenor and aggregate Liquidation Amount and bearing such legends as may be required by this Trust Agreement.

At the option of the Holder, Preferred Securities may be exchanged for other Preferred Securities of any authorized denominations, of like tenor and aggregate Liquidation Amount and bearing such legends as may be required by this Trust Agreement, upon surrender of the Preferred Securities to be exchanged at such office or agency. Whenever any Preferred Securities are so surrendered for exchange, an Administrator shall execute and the Property Trustee shall authenticate and deliver the Preferred Securities that the Holder making the exchange is entitled to receive.

All Preferred Securities issued upon any transfer or exchange of Preferred Securities shall be the valid obligations of the Issuer Trust, evidencing the same interest, and entitled to the same benefits under this Trust Agreement, as the Preferred Securities surrendered upon such transfer or exchange.

Every Preferred Security presented or surrendered for transfer or exchange shall (if so required by the Property Trustee) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Property Trustee and the Securities Registrar, duly executed by the Holder thereof or such Holder's attorney duly authorized in writing.

No service charge shall be made to a Holder for any transfer or exchange of Preferred Securities, but the Property Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Preferred Securities.

Neither the Issuer Trust nor the Property Trustee shall be required, pursuant to the provisions of this Section, (i) to issue, register the transfer of, or exchange any Preferred Security during a period beginning at the opening of business 15 days before the day of selection for redemption of Preferred Securities pursuant to Article IV and ending at the close of business on the day of mailing of the notice of redemption, or (ii) to register the transfer of or exchange any Preferred Security so selected for redemption in whole or in part, except, in the case of any such Preferred Security to be redeemed in part, any portion thereof not to be redeemed.

(b) Certain Transfers and Exchanges. Trust Securities may only be transferred, in whole or in part, in accordance with the terms and conditions set forth in this Trust Agreement. To the fullest extent permitted by applicable law, any transfer or purported transfer of any Trust Security not made in accordance with this Trust Agreement shall be null and void.

(i) Non Global Security to Non-Global Security. A Trust Security that is not a Global Preferred Security may be transferred, in whole or in part, to a Person who takes delivery in the form of another Trust Security that is not a Global Preferred Security as provided in Section 5.5(a).

(ii) Free Transferability. Subject to this Section 5.5, Preferred Securities shall be freely transferable.

(iii) Exchanges between Global Preferred Security and Non-Global Preferred Security. A beneficial interest in a Global Preferred Security may be exchanged for a Preferred Security that is not a Global Preferred Security as provided in Section 5.4.

Section 5.6 Mutilated, Destroyed, Lost or Stolen Trust Securities Certificates.

If (a) any mutilated Trust Securities Certificate shall be surrendered to the Securities Registrar, or if the Securities Registrar shall receive evidence to its satisfaction of the destruction, loss, or theft of any Trust Securities Certificate and (b) there shall be delivered to the Securities Registrar and the Administrators such security or indemnity as may be required by them to save each of them harmless, then in the absence of notice that such Trust Securities Certificate shall have been acquired by a bona fide purchaser or a protected purchaser, the Administrators, or any one of them, on behalf of the Issuer Trust shall execute and make available for delivery, and the Property Trustee shall authenticate, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Trust Securities Certificate, a new Trust Securities Certificate of like class, tenor and denomination. In connection with the issuance of any new Trust Securities Certificate under this Section, the Administrators or the Securities Registrar may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection therewith. Any duplicate Trust Securities Certificate issued pursuant to this Section shall constitute conclusive evidence of an undivided beneficial interest in the assets of the Issuer Trust corresponding to that evidenced by the lost, stolen or destroyed Trust Securities Certificate, as if originally issued, whether or not the lost, stolen or destroyed Trust Securities Certificate shall be found at any time.

Section 5.7 Persons Deemed Holders.

The Issuer Trust, the Issuer Trustees, the Administrators, the Securities Registrar, or the Depositor shall treat the Person in whose name any Trust Securities are registered in the Securities Register as the owner of such Trust Securities for the purpose of receiving Distributions and for all other purposes whatsoever, and none of the Issuer Trust, the Issuer Trustees, the Administrators, the Securities Registrar nor the Depositor shall be bound by any notice to the contrary.

Section 5.8 Access to List of Holders Names and Addresses.

Each Holder and each Owner shall be deemed to have agreed not to hold the Depositor, the Property Trustee, or the Administrators accountable by reason of the disclosure of its name and address, regardless of the source from which such information was derived.

Section 5.9 Maintenance of Office or Agency.

The Property Trustee shall designate, with the consent of the Administrators, which consent shall not be unreasonably withheld, an office or offices or agency or agencies where Preferred Securities Certificates may be surrendered for registration of transfer or exchange and where notices and demands to or upon the Issuer Trustees in respect of the Trust Securities Certificates may be served. The Property Trustee initially designates its Corporate Trust Office for such purposes. The Property Trustee shall give prompt written notice to the Depositor, the Administrators and the Holders of any change in the location of the Securities Register or any such office or agency.

Section 5.10 Appointment of Paying Agent.

The Paying Agent shall make Distributions to Holders from the Payment Account and shall report the amounts of such Distributions to the Property Trustee and the Administrators. Any Paying Agent shall have the revocable power to withdraw funds from the Payment Account solely for the purpose of making the Distributions referred to above. The Property Trustee may revoke such power and remove any Paying Agent in its sole discretion. The Paying Agent shall initially be the Property Trustee. Any Person acting as Paying Agent shall be permitted to resign as Paying Agent upon 30 days written notice to the Administrators and the Property Trustee. In the event that the Property Trustee shall no longer be the Paying Agent or a successor Paying Agent shall resign or its authority to act be revoked, the Property Trustee shall appoint a successor (which shall be a bank or trust company) that is reasonably acceptable to the Administrators to act as Paying Agent. Such successor Paying Agent appointed by the Property Trustee, or any additional Paying Agent appointed by the Administrators, shall execute and deliver to the Issuer Trustees an instrument in which such successor Paying Agent or additional Paying Agent shall agree with the Issuer Trustees that as Paying Agent, such successor Paying Agent or additional Paying Agent will hold all sums, if any, held by it for payment to the Holders in trust for the benefit of the Holders entitled thereto until such sums shall be paid to such Holders. The Paying Agent shall return all unclaimed funds to the Property Trustee and upon removal of a Paying Agent such Paying Agent shall also return all funds in its possession to the Property Trustee. The provisions of Sections 8.1, 8.3 and 8.6 herein shall apply to the Bank also in its role as Paying Agent, for so long as the Bank shall act as Paying Agent and, to the extent applicable, to any other paying agent appointed hereunder. Any reference in this Trust Agreement to the Paying Agent shall include any co-paying agent chosen by the Property Trustee unless the context requires otherwise.

Section 5.11 Ownership of Common Securities by Depositor.

On the Closing Date, and on the Option Closing Date if applicable, the Depositor shall acquire and retain beneficial and record ownership of the Common Securities. Neither the Depositor nor any successor Holder of the Common Securities may transfer less than all of the Common Securities, and the Depositor or any successor Holder may transfer the Common Securities only (a) in connection with a consolidation or merger of the Depositor into another corporation or any conveyance, transfer or lease by the Depositor of its properties and assets substantially as an entirety to any Person, pursuant to Section 8.1 of the Indenture, or (b) a transfer to an Affiliate of the Depositor in compliance with applicable law (including the Securities Act and applicable state securities and blue sky laws). To the fullest extent permitted by law, any other attempted transfer of the Common Securities shall be void. The Administrators shall cause each Common Securities Certificate issued to the Depositor to contain a legend stating "THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO A SUCCESSOR IN INTEREST TO THE DEPOSITOR OR AN AFFILIATE OF THE DEPOSITOR IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.11 OF THE TRUST AGREEMENT."

Section 5.12 Notice to Clearing Agency

To the extent that a notice or other communication to the Holders is required under this Trust Agreement, for so long as Preferred Securities are represented by a Global Preferred Securities Certificate, the Administrators and the Property Trustee shall give all such notices and communications specified herein to be given to the Clearing Agency, and shall have no obligations to the Owners.

Section 5.13 Rights of Holders.

(a) The legal title to all Trust Property shall be vested at all times in the Issuer Trust and shall be held and administered by the Property Trustee (in its capacity as such) in accordance with Section 2.9, and the Holders shall not have any right or title therein other than the undivided beneficial interest in the assets of the Issuer Trust conferred by their Trust Securities and they shall have no right to call for any partition or division of property, profits, or rights of the Issuer Trust except as described below. The Trust Securities shall be personal property giving only the rights specifically set forth therein and in this Trust Agreement. The Trust Securities shall have no preemptive or similar rights and when issued and delivered to Holders against payment of the purchase price therefor will be validly issued, fully paid and, subject to Section 4.8 hereof, non-assessable undivided beneficial interests in the Trust Property. Subject to Section 4.8 hereof, the Holders of the Trust Securities, in their capacities as such, shall be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware.

(b) For so long as any Preferred Securities remain Outstanding, if, upon a Debenture Event of Default, the Debenture Trustee fails, or the holders of not less than 25% in principal amount of the outstanding Junior Subordinated Debentures fail, to declare the principal of all of the Junior Subordinated Debentures to be immediately due and payable, the Holders of at least 25% in Liquidation Amount of the Preferred Securities then Outstanding shall have such right to make such declaration by a notice in writing to the Property Trustee, the Depositor and the Debenture Trustee.

At any time after such a declaration of acceleration with respect to the Junior Subordinated Debentures has been made and before a judgment or decree for payment of the money due has been obtained by the Debenture Trustee as provided in the Indenture, the Holders of a Majority in Liquidation Amount of the Preferred Securities, by written notice to the Property Trustee, the Depositor, and the Debenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Depositor has paid or deposited with the Debenture Trustee a sum sufficient to pay:

(A) all overdue installments of interest on all of the Junior Subordinated Debentures,

(B) any accrued Additional Interest on all of the Junior Subordinated Debentures,

(C) the principal of (and premium, if any, on) any Junior Subordinated Debentures which have become due otherwise than by such declaration of acceleration and interest and Additional Interest thereon at the rate borne by the Junior Subordinated Debentures, and

(D) all sums paid or advanced by the Debenture Trustee under the Indenture and the reasonable compensation, expenses, disbursements and advances of the Debenture Trustee and the Property Trustee, their agents and counsel; and

(ii) all Events of Default with respect to the Junior Subordinated Debentures, other than the non-payment of the principal of the Junior Subordinated Debentures which has become due solely by such acceleration, have been cured or waived as provided in Section 5.13 of the Indenture.

The Holders of at least a Majority in Liquidation Amount of the Preferred Securities may, on behalf of the Holders of all the Preferred Securities, waive any past default under the Indenture, except a default in the payment of principal or interest (unless such default has been cured and a sum sufficient to pay all matured installments of interest and principal due otherwise than by acceleration has been deposited with the Debenture Trustee) or a default in respect of a covenant or provision which under the Indenture cannot be modified or amended without the consent of the holder of each

outstanding Junior Subordinated Debentures affected thereby. No such rescission shall affect any subsequent default or impair any right consequent thereon.

Upon receipt by the Property Trustee of written notice declaring such an acceleration, or rescission and annulment thereof, by Holders of the Preferred Securities all or part of which is represented by Global Preferred Securities, a record date shall be established for determining Holders of Outstanding Preferred Securities entitled to join in such notice, which record date shall be at the close of business on the day the Property Trustee receives such notice. The Holders on such record date, or their duly designated proxies, and only such Persons, shall be entitled to join in such notice, whether or not such Holders remain Holders after such record date; provided, that, unless such declaration of acceleration, or rescission and annulment, as the case may be, shall have become effective by virtue of the requisite percentage having joined in such notice prior to the day which is 90 days after such record date, such notice of declaration of acceleration, or rescission and annulment, as the case may be, shall automatically and without further action by any Holder be canceled and of no further effect. Nothing in this paragraph shall prevent a Holder, or a proxy of a Holder, from giving, after expiration of such 90 day period, a new written notice of declaration of acceleration, or rescission and annulment thereof, as the case may be, that is identical to a written notice which has been canceled pursuant to the proviso to the preceding sentence, in which event a new record date shall be established pursuant to the provisions of this Section 5.13(b).

(c) For so long as any Preferred Securities remain Outstanding, to the fullest extent permitted by law and subject to the terms of this Trust Agreement and the Indenture, upon a Debenture Event of Default specified in Section 5.1(a) or 5.1(b) of the Indenture, any Holder of Preferred Securities shall have the right to institute a proceeding directly against the Depositor, pursuant to Section 5.8 of the Indenture, for enforcement of payment to such Holder of the principal amount of or interest on Junior Subordinated Debentures having an aggregate principal amount equal to the aggregate Liquidation Amount of the Preferred Securities of such Holder (a "Direct Action"). Except as set forth in Sections 5.13(b) and 5.13(c) of this Trust Agreement, the Holders of Preferred Securities shall have no right to exercise directly any right or remedy available to the holders of, or in respect of, the Junior Subordinated Debentures.

ARTICLE VI

ACTS OF HOLDERS; MEETINGS; VOTING

Section 6.1 Limitations on Holder's Voting Rights.

(a) Except as provided in this Trust Agreement and in the Indenture and as otherwise required by law, no Holder of Preferred Securities shall have any right to vote or in any manner otherwise control the administration, operation, and management of the Issuer Trust or the obligations of the parties hereto, nor shall anything herein set forth or contained in the terms of the

Trust Securities Certificates be construed so as to constitute the Holders from time to time as members of an association.

(b) So long as any Junior Subordinated Debentures are held by the Property Trustee on behalf of the Issuer Trust, the Property Trustee shall not (i) direct the time, method, and place of conducting any proceeding for any remedy available to the Property Trustee, or executing any trust or power conferred on the Debenture Trustee with respect to such Junior Subordinated Debentures, (ii) waive any past default that may be waived under Section 5.13 of the Indenture, (iii) exercise any right to rescind or annul a declaration that the principal of all the Junior Subordinated Debentures shall be due and payable, or (iv) consent to any amendment, modification, or termination of the Indenture or the Junior Subordinated Debentures, where such consent shall be required, without, in each case, obtaining the prior approval of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities; provided, however, that where a consent under the Indenture would require the consent of each holder of Junior Subordinated Debentures affected thereby, no such consent shall be given by the Property Trustee without the prior written consent of each Holder of Preferred Securities. The Property Trustee shall not revoke any action previously authorized or approved by a vote of the Holders of Preferred Securities, except by a subsequent vote of the Holders of Preferred Securities. The Property Trustee shall notify all Holders of the Preferred Securities of any notice of default received with respect to the Junior Subordinated Debentures. In addition to obtaining the foregoing approvals of the Holders of the Preferred Securities, prior to taking any of the foregoing actions, the Property Trustee shall, at the expense of the Depositor, obtain an Opinion of Counsel experienced in such matters to the effect that such action will not cause the Issuer Trust to be taxable as a corporation for United States federal income tax purposes.

(c) If any proposed amendment to the Trust Agreement provides for, or the Issuer Trust otherwise proposes to effect, (i) any action that would adversely affect in any material respect the interests, powers, preferences, or special rights of the Preferred Securities, whether by way of amendment to the Trust Agreement or otherwise, or (ii) the dissolution of the Issuer Trust, other than pursuant to the terms of this Trust Agreement, then the Holders of Outstanding Trust Securities as a class will be entitled to vote on such amendment or proposal and such amendment or proposal shall not be effective except with the approval of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities. Notwithstanding any other provision of this Trust Agreement, no amendment to this Trust Agreement may be made if, as a result of such amendment, it would cause the Issuer Trust to be taxable as a corporation for United States federal income tax purposes.

Section 6.2 Notice of Meetings.

Notice of all meetings of the Holders, stating the time, place, and purpose of the meeting, shall be given by the Property Trustee pursuant to Section 10.8 to each Holder of record, at his registered address, at least 15 days and not more than 90 days before the meeting. At any such meeting, any business properly before the meeting may be so considered whether or not stated in the notice of the meeting. Any adjourned meeting may be held as adjourned without further notice.

Section 6.3 Meetings of Holders.

(a) No annual meeting of Holders is required to be held. The Property Trustee, however, shall call a meeting of Holders to vote on any matter upon the written request of the Holders of record of 25% of the aggregate Liquidation Amount of the Outstanding Preferred Securities and the Administrators or the Property Trustee may, at any time in their discretion, call a meeting of Holders of Preferred Securities to vote on any matters as to which Holders are entitled to vote.

(b) Holders of at least a Majority in Liquidation Amount of the Preferred Securities, present in person or represented by proxy, shall constitute a quorum at any meeting of Holders of Preferred Securities.

(c) If a quorum is present at a meeting, an affirmative vote by the Holders of record present, in person or by proxy, holding Preferred Securities representing at least a Majority in Liquidation Amount of the Preferred Securities held by the Holders present, either in person or by proxy, at such meeting shall constitute the action of the Holders of Preferred Securities, unless this Trust Agreement expressly requires a greater number of affirmative votes.

Section 6.4 Voting Rights.

Holders shall be entitled to one vote for each $10 of Liquidation Amount represented by their Outstanding Trust Securities in respect of any matter as to which such Holders are entitled to vote.

Section 6.5 Proxies, etc.

At any meeting of Holders, any Holder entitled to vote thereat may vote by proxy, provided that no proxy shall be voted at any meeting unless it shall have been placed on file with the Property Trustee, or with such other officer or agent of the Issuer Trust as the Property Trustee may direct, for verification prior to the time at which such vote shall be taken. Pursuant to a resolution of the Property Trustee, proxies may be solicited in the name of the Property Trustee or one or more officers of the Property Trustee. Only Holders of record shall be entitled to vote. When Trust Securities are held jointly by several Persons, any one of them may vote at any meeting in person or by proxy in respect of such Trust Securities, but if more than one of them shall be present at such meeting in person or by proxy, and such joint owners or their proxies so present disagree as to any vote to be cast, such vote shall not be received in respect of such Trust Securities. A proxy purporting to be executed by or on behalf of a Holder shall be deemed valid unless challenged at or prior to its exercise, and the burden of proving invalidity shall rest on the challenger. No proxy shall be valid more than three years after its date of execution.

Section 6.6 Holder Action by Written Consent.

Any action which may be taken by Holders at a meeting may be taken without a meeting and without notice if Holders holding at least a Majority in Liquidation Amount of all Trust Securities

entitled to vote in respect of such action (or such larger proportion thereof as shall be expressly required by any other provision of this Trust Agreement) shall consent to the action in writing.

Section 6.7 Record Date for Voting and Other Purposes.

For the purposes of determining the Holders who are entitled to notice of and to vote at any meeting or act by written consent, or to participate in any Distribution on the Trust Securities in respect of which a record date is not otherwise provided for in this Trust Agreement, or for the purpose of any other action, the Administrators (or the Property Trustee if the Administrators are unable or unwilling to act) may from time to time fix a date, not more than 90 days prior to the date of any meeting of Holders or the payment of a Distribution or other action (including action to be taken by written consent), as the case may be, as a record date for the determination of the identity of the Holders of record for such purposes.

Section 6.8 Acts of Holders.

(a) Any request, demand, authorization, direction, notice, consent, waiver, or other action provided or permitted by this Trust Agreement to be given, made, or taken by Holders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Holders in person or by an agent duly appointed in writing; and, except as otherwise expressly provided herein, such action shall become effective when such instrument or instruments are delivered to the Property Trustee. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Holders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Trust Agreement and (subject to Section 8.1) conclusive in favor of the Issuer Trustees, if made in the manner provided in this Section 6.8.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by a certificate of a notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by a signer acting in a capacity other than his individual capacity, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the Person executing the same, may also be proved in any other manner which any Issuer Trustee or Administrator receiving the same deems sufficient.

(c) The ownership of Trust Securities shall be proved by the Securities Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver, or other Act of the Holder of any Trust Security shall bind every future Holder of the same Trust Security and the Holder of every Trust Security issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof in respect of anything done, omitted, or suffered to be done by the Issuer Trustees,

the Administrators, or the Issuer Trust in reliance thereon, whether or not notation of such action is made upon such Trust Security.

(e) Without limiting the foregoing, a Holder entitled hereunder to take any action hereunder with regard to any particular Trust Security may do so with regard to all or any part of the Liquidation Amount of such Trust Security or by one or more duly appointed agents each of which may do so pursuant to such appointment with regard to all or any part of such Liquidation Amount.

(f) If any dispute shall arise among the Holders, the Administrators or the Issuer Trustees with respect to the authenticity, validity or binding nature of any request, demand, authorization, direction, consent, waiver or other Act of such Holder or Issuer Trustee under this Article VI, then the determination of such matter by the Property Trustee shall be conclusive with respect to such matter.

Section 6.9 Inspection of Records.

Upon reasonable notice to the Administrators and the Property Trustee, the records of the Issuer Trust shall be open to inspection by Holders during normal business hours for any purpose reasonably related to such Holder's interest as a Holder.

ARTICLE VII

REPRESENTATIONS AND WARRANTIES

Section 7.1 Representations and Warranties of the Property Trustee and the Delaware Trustee.

The Property Trustee and the Delaware Trustee (and any successors thereto at the time of their appointment), each severally on behalf of and as to itself, hereby represents and warrants for the benefit of the Depositor and the Holders that:

(a) The Property Trustee is a banking corporation with trust powers duly organized, validly existing and in good standing under the laws of New York, with corporate power and authority to execute and deliver, and to carry out and perform its obligations under the terms of this Trust Agreement.

(b) The execution, delivery, and performance by the Property Trustee of this Trust Agreement have been duly authorized by all necessary corporate action on the part of the Property Trustee; and this Trust Agreement has been duly executed and delivered by the Property Trustee, and constitutes a legal, valid, and binding obligation of the Property Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and

the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(c) The execution, delivery and performance of this Trust Agreement by the Property Trustee do not conflict with or constitute a breach of the certificate of incorporation or by-laws of the Property Trustee.

(d) At the Time of Delivery, the Property Trustee has not knowingly created any Liens or encumbrances on the Trust Securities.

(e) No consent, approval, or authorization of, or registration with or notice to, any New York State or federal banking authority is required for the execution, delivery, or performance by the Property Trustee, of this Trust Agreement.

(f) The Delaware Trustee is duly organized, validly existing, and in good standing under the laws of the State of Delaware, with trust powers and the corporate power and authority to execute and deliver, and to carry out and perform its obligations under the terms of, the Trust Agreement.

(g) The execution, delivery and performance by the Delaware Trustee of this Trust Agreement have been duly authorized by all necessary corporate action on the part of the Delaware Trustee; and this Trust Agreement has been duly executed and delivered by the Delaware Trustee, and constitutes a legal, valid and binding obligation of the Delaware Trustee, enforceable against it in accordance with its terms, subject to applicable bankruptcy, reorganization, moratorium, insolvency, and other similar laws affecting creditors' rights generally and to general principles of equity and the discretion of the court (regardless of whether the enforcement of such remedies is considered in a proceeding in equity or at law).

(h) The execution, delivery and performance of this Trust Agreement by the Delaware Trustee do not conflict with or constitute a breach of the certificate of incorporation or by-laws of the Delaware Trustee.

(i) No consent, approval or authorization of, or registration with or notice to any state or Federal banking authority is required for the execution, delivery, or performance by the Delaware Trustee, of this Trust Agreement.

(j) The Delaware Trustee is an entity which has its principal place of business in the State of Delaware.

Section 7.2 Representations and Warranties of the Depositor.

The Depositor hereby represents and warrants for the benefit of the Holders that:

(a) the Trust Securities Certificates issued at the Time of Delivery on behalf of the Issuer

Trust have been duly authorized and will have been duly and validly executed, and, subject to payment therefor, issued and delivered by the Issuer Trustees pursuant to the terms and provisions of, and in accordance with the requirements of, this Trust Agreement, and the Holders will be, as of each such date, entitled to the benefits of this Trust Agreement; and

(b) there are no taxes, fees or other governmental charges payable by the Issuer Trust (or the Issuer Trustees on behalf of the Issuer Trust) under the laws of the State of Delaware or any political subdivision thereof in connection with the execution, delivery and performance by either the Property Trustee or the Delaware Trustee, as the case may be, of this Trust Agreement.

ARTICLE VIII

THE ISSUER TRUSTEES; THE ADMINISTRATORS

Section 8.1 Certain Duties and Responsibilities.

(a) The duties and responsibilities of the Issuer Trustees and the Administrators shall be as provided by this Trust Agreement and, in the case of the Property Trustee, by the Trust Indenture Act. Notwithstanding the foregoing, no provision of this Trust Agreement shall require the Issuer Trustees or the Administrators to expend or risk their own funds or otherwise incur any financial liability in the performance of any of their duties hereunder, or in the exercise of any of their rights or powers, if they shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it or them. Whether or not therein expressly so provided, every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Issuer Trustees or the Administrators shall be subject to the provisions of this Section. Nothing in this Trust Agreement shall be construed to release an Administrator from liability for his own grossly negligent action, his own grossly negligent failure to act, or his own willful misconduct, or to release the Issuer Trustees from liability for their own negligent actions, negligent failure to act, or willful misconduct. To the extent that, at law or in equity, an Issuer Trustee or Administrator has duties and liabilities relating to the Issuer Trust or to the Holders, such Issuer Trustee or Administrator shall not be liable to the Issuer Trust or to any Holder for such Issuer Trustee's or Administrator's good faith reliance on the provisions of this Trust Agreement. The provisions of this Trust Agreement, to the extent that they restrict the duties and liabilities of the Issuer Trustees and Administrators otherwise existing at law or in equity, are agreed by the Depositor and the Holders to replace such other duties and liabilities of the Issuer Trustees and Administrators.

(b) All payments made by the Property Trustee or a Paying Agent in respect of the Trust Securities shall be made only from the revenue and proceeds from the Trust Property and only to the extent that there shall be sufficient revenue or proceeds from the Trust Property to enable the Property Trustee or a Paying Agent to make payments in accordance with the terms hereof. Each Holder, by his or its acceptance of a Trust Security, agrees that he or it will look solely to the revenue and proceeds from the Trust Property to the extent legally available for distribution to it or him as

herein provided and that neither the Issuer Trustees nor the Administrators are personally liable to it or him for any amount distributable in respect of any Trust Security or for any other liability in respect of any Trust Security. This Section 8.1(b) does not limit the liability of the Issuer Trustees expressly set forth elsewhere in this Trust Agreement or, in the case of the Property Trustee, in the Trust Indenture Act.

(c) The Property Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall undertake to perform only such duties as are specifically set forth in this Trust Agreement (including pursuant to Section 10.10), and no implied covenants shall be read into this Trust Agreement against the Property Trustee. If an Event of Default has occurred (that has not been cured or waived pursuant to Section 5.13 of the Indenture), the Property Trustee shall enforce this Trust Agreement for the benefit of the Holders and shall exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Trust Agreement shall be construed to relieve the Property Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Property Trustee shall be determined solely by the express provisions of this Trust Agreement (including pursuant to Section 10.10), and the Property Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement (including pursuant to Section 10.10); and

(B) in the absence of bad faith on the part of the Property Trustee, the Property Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Property Trustee and conforming to the requirements of this Trust Agreement; but in the case of any such certificates or opinions that by any provision hereof or of the Trust Indenture Act are specifically required to be furnished to the Property Trustee, the Property Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Trust Agreement;

(ii) the Property Trustee shall not be liable for any error of judgment made in good faith by an authorized officer of the Property Trustee, unless it shall be proved that the Property Trustee was negligent in ascertaining the pertinent facts;

(iii) the Property Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Property Trustee, or exercising any trust or power conferred upon the Property Trustee under this Trust Agreement;

(iv) the Property Trustee's sole duty with respect to the custody, safe keeping and physical preservation of the Junior Subordinated Debentures and the Payment Account shall be to deal with such Property in a similar manner as the Property Trustee deals with similar property for its own account, subject to the protections and limitations on liability afforded to the Property Trustee under this Trust Agreement and the Trust Indenture Act;

(v) the Property Trustee shall not be liable for any interest on any money received by it except as it may otherwise agree with the Depositor; and money held by the Property Trustee need not be segregated from other funds held by it except in relation to the Payment Account maintained by the Property Trustee pursuant to Section 3.1 and except to the extent otherwise required by law;

(vi) the Property Trustee shall not be responsible for monitoring the compliance by the Administrators or the Depositor with their respective duties under this Trust Agreement, nor shall the Property Trustee be liable for the default or misconduct of any other Issuer Trustee, the Administrators or the Depositor; and

(vii) no provision of this Trust Agreement shall require the Property Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if the Property Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not reasonably assured to it under the terms of this Trust Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) The Administrators shall not be responsible for monitoring the compliance by the Issuer Trustees or the Depositor with their respective duties under this Trust Agreement, nor shall either Administrator be liable for the default or misconduct of any other Administrator, the Issuer Trustees or the Depositor.

Section 8.2 Certain Notices.

(a) Within five Business Days after the occurrence of any Event of Default actually known to a Responsible Officer of the Property Trustee, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.8, notice of such Event of Default to the Holders and the Administrators, unless such Event of Default shall have been cured or waived.

(b) Within five Business Days after the receipt of notice of the Depositor's exercise of its right to defer the payment of interest on the Junior Subordinated Debentures pursuant to the Indenture, the Property Trustee shall transmit, in the manner and to the extent provided in Section 10.8, notice of such exercise to the Holders and the Administrators, unless such exercise shall have been revoked.

(c) In the event the Property Trustee receives notice of the Depositor's exercise of its right to shorten the stated maturity of the Junior Subordinated Debentures as provided in Section 3.16 of the Indenture, the Property Trustee shall give notice of such shortening of the stated maturity to the Holders at least 30 but not more than 60 days before the effective date thereof.

Section 8.3 Certain Rights of Property Trustee.

Subject to the provisions of Section 8.1:

(a) the Property Trustee may rely and shall be fully protected in acting or refraining from acting in good faith upon any resolution, Opinion of Counsel, certificate, written representation of a Holder or transferee, certificate of auditors or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, appraisal, bond, debenture, note, other evidence of indebtedness or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any direction or act of the Depositor contemplated by this Trust Agreement shall be sufficiently evidenced by an Officers' Certificate;

(c) the Property Trustee shall have no duty to see to any recording, filing or registration of any instrument (including any financing or continuation statement or any filing under tax or securities laws) or any re-recording, re-filing or re-registration thereof;

(d) the Property Trustee may consult with counsel of its own choosing (which counsel may be counsel to the Depositor or any of its Affiliates, and may include any of its employees) and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon and in accordance with such advice; the Property Trustee shall have the right at any time to seek instructions concerning the administration of this Trust Agreement from any court of competent jurisdiction;

(e) the Property Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request or direction of any of the Holders pursuant to this Trust Agreement, unless such Holders shall have offered to the Property Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction; provided that nothing contained in this Section 8.3(e)

shall be taken to relieve the Property Trustee, upon the occurrence of an Event of Default, of its obligation to exercise the rights and powers vested in it by this Trust Agreement;

(f) the Property Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, bond, debenture, note or other evidence of indebtedness or other paper or document, unless requested in writing to do so by one or more Holders, but the Property Trustee may make such further inquiry or investigation into such facts or matters as it may see fit;

(g) the Property Trustee may execute any of the trusts or powers hereunder or perform any of its duties hereunder either directly or by or through its agents or attorneys, provided that the Property Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(h) whenever in the administration of this Trust Agreement the Property Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Property Trustee (i) may request instructions from the Holders (which instructions may only be given by the Holders of the same proportion in Liquidation Amount of the Trust Securities as would be entitled to direct the Property Trustee under the terms of the Trust Securities in respect of such remedy, right or action), (ii) may refrain from enforcing such remedy or right or taking such other action until such instructions are received, and (iii) shall be fully protected in acting in accordance with such instructions; and

(i) except as otherwise expressly provided by this Trust Agreement, the Property Trustee shall not be under any obligation to take any action that is discretionary under the provisions of this Trust Agreement.

No provision of this Trust Agreement shall be deemed to impose any duty or obligation on any Issuer Trustee or Administrator to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it, in any jurisdiction in which it shall be illegal, or in which the Property Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts, or to exercise any such right, power, duty or obligation. No permissive power or authority available to any Issuer Trustee or Administrator shall be construed to be a duty.

Section 8.4 Not Responsible for Recitals or Issuance of Securities.

The recitals contained herein and in the Trust Securities Certificates shall be taken as the statements of the Issuer Trust, and the Issuer Trustees and the Administrators do not assume any responsibility for their correctness. The Issuer Trustees and the Administrators shall not be accountable for the use or application by the Depositor of the proceeds of the Junior Subordinated Debentures.

Section 8.5 May Hold Securities.

The Administrators, any Issuer Trustee or any other agent of any Issuer Trustee or the Issuer Trust, in its individual or any other capacity, may become the owner or pledgee of Trust Securities and, subject to Sections 8.8 and 8.13, and except as provided in the definition of the term "Outstanding" in Article I, may otherwise deal with the Issuer Trust with the same rights it would have if it were not an Administrator, Issuer Trustee or such other agent.

Section 8.6 Compensation; Indemnity; Fees.

The Depositor agrees:

(a) to pay to the Issuer Trustees from time to time reasonable compensation for all services rendered by them hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(b) to reimburse the Issuer Trustees and the Administrators upon request for all reasonable expenses, disbursements, and advances incurred or made by the Issuer Trustees in accordance with any provision of this Trust Agreement (including the reasonable compensation, expenses and disbursements of its agents and counsel), except any such expense, disbursement, or advance as may be attributable to the Issuer Trustees' bad faith, negligence or willful misconduct; and

(c) to the fullest extent permitted by applicable law, to indemnify and hold harmless (i) each Issuer Trustee, (ii) each Administrator, (iii) any Affiliate of any Issuer Trustee, (iv) any officer, director, shareholder, employee, representative or agent of any Issuer Trustee, and (v) any employee or agent of the Issuer Trust, (referred to herein as an "Indemnified Person") from and against any loss, damage, liability, tax (excluding income taxes, other than taxes referred to in Sections 4.5 and 4.6 hereunder), penalty, expense or claim of any kind or nature whatsoever incurred by such Indemnified Person arising out of or in connection with the creation, operation, or dissolution of the Issuer Trust or any act or omission performed or omitted by such Indemnified Person in good faith on behalf of the Issuer Trust and in a manner such Indemnified Person reasonably believed to be within the scope of authority conferred on such Indemnified Person by this Trust Agreement, except that no Indemnified Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Indemnified Person by reason of negligence or willful misconduct, with respect to such acts or omissions by the Issuer Trustee, or by reason of gross negligence, or willful misconduct with respect to such acts or omissions by any other Indemnified Person. The indemnification provided to an Indemnified Party in this Trust Agreement shall not be exclusive and nothing in this Trust Agreement shall limit any indemnification for actions taken in connection with this Trust Agreement or otherwise which may be available or provided to such Indemnified Party under other sources.

The provisions of this Section 8.6 shall survive the termination of this Trust Agreement.

No Issuer Trustee may claim any lien or charge on any Trust Property as a result of any amount due pursuant to this Section 8.6.

The Depositor, any Administrator and any Issuer Trustee may, subject to Section 8.8, engage in or possess an interest in other business ventures of any nature or description, independently or with others, similar or dissimilar to the business of the Issuer Trust, and the Issuer Trust and the Holders of Trust Securities shall have no rights by virtue of this Trust Agreement in and to such independent ventures or the income or profits derived therefrom, and the pursuit of any such venture, even if competitive with the business of the Issuer Trust, shall not be deemed wrongful or improper. Neither the Depositor, any Administrator, nor any Issuer Trustee shall be obligated to present any particular investment or other opportunity to the Issuer Trust even if such opportunity is of a character that, if presented to the Issuer Trust, could be taken by the Issuer Trust, and the Depositor, any Administrator or any Issuer Trustee shall have the right to take for its own account (individually or as a partner or fiduciary) or to recommend to others any such particular investment or other opportunity. Any Issuer Trustee may engage or be interested in any financial or other transaction with the Depositor or any Affiliate of the Depositor, or may act as depository for, trustee or agent for, or act on any committee or body of holders of, securities or other obligations of the Depositor or its Affiliates.

Section 8.7 Corporate Property Trustee Required; Eligibility of Trustees and Administrators.

(a) There shall at all times be a Property Trustee hereunder with respect to the Trust Securities. The Property Trustee shall be a Person that is a national or state chartered bank and eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000. If any such Person publishes reports of condition at least annually, pursuant to law or to the requirements of its supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such Person shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Property Trustee with respect to the Trust Securities shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VIII. At the time of appointment, the Property Trustee must have securities rated in one of the three highest rating categories by a nationally recognized statistical rating organization.

(b) There shall at all times be one or more Administrators hereunder. Each Administrator shall be either a natural person who is at least 21 years of age or a legal entity that shall act through one or more persons authorized to bind that entity. An employee, officer, or Affiliate of the Depositor may serve as an Administrator.

(c) There shall at all times be a Delaware Trustee. The Delaware Trustee shall either be (i) a natural person who is at least 21 years of age and a resident of the State of Delaware or (ii) a legal entity with its principal place of business in the State of Delaware and that otherwise meets the requirements of applicable Delaware law that shall act through one or more persons authorized to bind such entity.

Section 8.8 Conflicting Interests.

(a) If the Property Trustee has or shall acquire a conflicting interest within the meaning of the Trust Indenture Act, the Property Trustee shall either eliminate such interest or resign, to the extent and in the manner provided by, and subject to the provisions of, the Trust Indenture Act and this Trust Agreement.

(b) The Guarantee Agreement and the Indenture shall be deemed to be specifically described in this Trust Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

Section 8.9 Co-Trustees and Separate Trustee.

(a) Unless an Event of Default shall have occurred and be continuing, at any time or times, for the purpose of meeting the legal requirements of the Trust Indenture Act or of any jurisdiction in which any part of the Trust Property may at the time be located, the Property Trustee shall have power to appoint, and upon the written request of the Property Trustee, the Depositor and the Administrators shall for such purpose join with the Property Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint, one or more Persons approved by the Property Trustee either to act as co-trustee, jointly with the Property Trustee, of all or any part of such Trust Property, or to the extent required by law to act as separate trustee of any such property, in either case with such powers as may be provided in the instrument of appointment, and to vest in such Person or Persons in the capacity aforesaid, any property, title, right or power deemed necessary or desirable, subject to the other provisions of this Section 8.9. Any co-trustee or separate trustee appointed pursuant to this Section 8.9 shall either be (i) a natural person who is at least 21 years of age and a resident of the United States or (ii) a legal entity with its principal place of business in the United States that shall act through one or more persons authorized to bind such entity.

(b) Should any written instrument from the Depositor be required by any co-trustee or separate trustee so appointed for more fully confirming to such co-trustee or separate trustee such property, title, right, or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Depositor.

(c) Every co-trustee or separate trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms, namely:

(i) The Trust Securities shall be executed by one or more Administrators, and the Trust Securities shall be executed and delivered and all rights, powers, duties, and obligations hereunder in respect of the custody of securities, cash and other personal property held by, or required to be deposited or pledged with, the Property Trustees specified hereunder, shall be exercised solely by the Property Trustee and not by such co-trustee or separate trustee.

(ii) The rights, powers, duties, and obligations hereby conferred or imposed upon the Property Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Property Trustee and such co-trustee or separate trustee jointly, as shall be provided in the instrument appointing such co-trustee or separate trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Property Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties, and obligations shall be exercised and performed by such co-trustee or separate trustee.

(iii) The Property Trustee at any time, by an instrument in writing executed by it, with the written concurrence of the Depositor, may accept the resignation of or remove any co-trustee or separate trustee appointed under this Section, and, in case a Debenture Event of Default has occurred and is continuing, the Property Trustee shall have power to accept the resignation of, or remove, any such co-trustee or separate trustee without the concurrence of the Depositor. Upon the written request of the Property Trustee, the Depositor shall join with the Property Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to effectuate such resignation or removal. A successor to any co-trustee or separate trustee so resigned or removed may be appointed in the manner provided in this Section 8.9.

(iv) No co-trustee or separate trustee hereunder shall be personally liable by reason of any act or omission of the Property Trustee or any other trustee hereunder.

(v) The Property Trustee shall not be liable by reason of any act of a co-trustee or separate trustee.

(vi) Any Act of Holders delivered to the Property Trustee shall be deemed to have been delivered to each such co-trustee and separate trustee.

Section 8.10 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of any Issuer Trustee (the "Relevant Trustee") and no appointment of a successor Issuer Trustee pursuant to this Article VIII shall become effective until the acceptance of appointment by the successor Issuer Trustee in accordance with the applicable requirements of Section 8.11.

(b) Subject to Section 8.10(a), a Relevant Trustee may resign at any time by giving written notice thereof to the Holders. The Relevant Trustee shall appoint a successor by requesting from at least three Persons meeting the eligibility requirements its expenses and charges to serve as the successor Issuer Trustee on a form provided by the Administrators, and selecting the Person who agrees to the lowest expenses and charges, subject to the prior consent of the Depositor which consent shall not be unreasonably withheld. If the instrument of acceptance by the successor Issuer Trustee required by Section 8.11 shall not have been delivered to the Relevant Trustee within 60 days after the giving of such notice of resignation, the Relevant Trustee may petition, at the expense of the Issuer Trust, any court of competent jurisdiction for the appointment of a successor Issuer Trustee.

(c) The Property Trustee or the Delaware Trustee may be removed at any time by Act of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities, delivered to the Relevant Trustee (in its individual capacity and on behalf of the Issuer Trust) (i) for cause, or (ii) if a Debenture Event of Default shall have occurred and be continuing at any time.

(d) If a resigning Relevant Trustee shall fail to appoint a successor, or if a Relevant Trustee shall be removed or become incapable of acting as Issuer Trustee, or if any vacancy shall occur in the office of any Issuer Trustee for any cause, the Holders of the Preferred Securities, by Act of the Holders of record of not less than 25% aggregate Liquidation Amount of the Preferred Securities then Outstanding delivered to such Relevant Trustee, shall promptly appoint a successor Issuer Trustee or Trustees, and such successor Issuer Trustee shall comply with the applicable requirements of Section 8.11. If no successor Issuer Trustee shall have been so appointed by the Holders of the Preferred Securities and accepted appointment in the manner required by Section 8.11, any Holder, on behalf of himself and all others similarly situated, or any other Issuer Trustee, may petition any court in the State of Delaware for the appointment of a successor Issuer Trustee.

(e) The Property Trustee shall give notice of each resignation and each removal of a Relevant Trustee and each appointment of a successor Issuer Trustee to all Holders in the manner provided in Section 10.8 and shall give notice to the Depositor and to the Administrators. Each notice shall include the name of the Relevant Trustee and the address of its Corporate Trust Office if it is the Property Trustee.

(f) Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Delaware Trustee who is a natural person dies or becomes, in the opinion of the Holders of the Common Securities, incompetent or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by the Property Trustee following the procedures regarding expenses and charges set forth above (with the successor in each case being a Person who satisfies the eligibility requirement for Delaware Trustee set forth in Section 8.7).

Section 8.11 Acceptance of Appointment by Successor.

(a) In case of the appointment hereunder of a successor Issuer Trustee, the retiring Relevant Trustee and each such successor Issuer Trustee with respect to the Trust Securities shall execute, acknowledge and deliver an instrument wherein each successor Issuer Trustee shall accept such appointment and which shall contain such provisions as shall be necessary or desirable to transfer and confirm to, and to vest in, each successor Issuer Trustee all the rights, powers, trusts and duties of the retiring Relevant Trustee with respect to the Trust Securities and the Issuer Trust, and upon the execution and delivery of such instrument the resignation or removal of the retiring Relevant Trustee shall become effective to the extent provided therein and each such successor Issuer Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the Relevant Trustee; but, on request of the Issuer Trust or any successor Issuer Trustee such Relevant Trustee shall duly assign, transfer and deliver to such successor Issuer Trustee all Trust Property, all proceeds thereof and money held by such Relevant Trustee hereunder with respect to the Trust Securities and the Issuer Trust.

(b) Upon request of any such successor Issuer Trustee, the Issuer Trust shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Issuer Trustee all such rights, powers and trusts referred to in the first or second preceding paragraph, as the case may be.

(c) No successor Issuer Trustee shall accept its appointment unless at the time of such acceptance such successor Issuer Trustee shall be qualified and eligible under this Article VIII.

Section 8.12 Merger, Conversion, Consolidation or Succession to Business.

Any Person into which the Property Trustee or the Delaware Trustee may be merged or converted or with which it may be consolidated, or any Person resulting from any merger, conversion or consolidation to which such Relevant Trustee shall be a party, or any Person succeeding to all or substantially all the corporate trust business of such Relevant Trustee, shall be the successor of such Relevant Trustee hereunder, provided that such Person shall be otherwise qualified and eligible under this Article VIII, without the execution or filing of any paper or any further act on the part of any of the parties hereto.

Section 8.13 Preferential Collection of Claims Against Depositor or Issuer Trust.

If and when the Property Trustee shall be or become a creditor of the Depositor (or any other obligor upon Junior Subordinated Debentures or the Trust Securities), the Property Trustee shall be subject to the provisions of the Trust Indenture Act regarding the collection of claims against the Depositor or the Issuer Trust (or any such other obligor) as is required by the Trust Indenture Act.

Section 8.14 Trustee May File Proofs of Claim.

In case of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition, or other similar judicial proceeding relative to the Issuer Trust or any other obligor upon the Trust Securities or the property of the Issuer Trust or of such other obligor, the Property Trustee (irrespective of whether any Distributions on the Trust Securities shall then be due and payable and irrespective of whether the Property Trustee shall have made any demand on the Issuer Trust for the payment of any past due Distributions) shall be entitled and empowered, to the fullest extent permitted by law, by intervention in such proceeding or otherwise:

(a) to file and prove a claim for the whole amount of any Distributions owing and unpaid in respect of the Trust Securities and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Property Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel) and of the Holders allowed in such judicial proceeding, and

(b) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same; and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Holder to make such payments to the Property Trustee and, in the event the Property Trustee shall consent to the making of such payments directly to the Holders, to pay to the Property Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Property Trustee, its agents and counsel, and any other amounts due the Property Trustee.

Nothing herein contained shall be deemed to authorize the Property Trustee to authorize or consent to or accept or adopt on behalf of any Holder any plan of reorganization, arrangement, adjustment or compensation affecting the Trust Securities or the rights of any Holder thereof or to authorize the Property Trustee to vote in respect of the claim of any Holder in any such proceeding.

Section 8.15 Reports by Property Trustee.

(a) Within 60 days of January 31 of each year commencing with January 31, 2000, the Property Trustee shall transmit to all Holders in accordance with Section 10.8, and to the Depositor, a brief report dated as of the immediately preceding January 31 with respect to:

(i) its eligibility under Section 8.7 or, in lieu thereof, if to the best of its knowledge it has continued to be eligible under said Section, a written statement to such effect; and

(ii) any change in the property and funds in its possession as Property Trustee since the date of its last report and any action taken by the Property Trustee in the performance of its duties hereunder which it has not previously reported and which in its opinion materially affects the Trust Securities.

(b) In addition, the Property Trustee shall transmit to Holders such reports concerning the Property Trustee and its actions under this Trust Agreement as may be required pursuant to the Trust Indenture Act at the times and in the manner provided pursuant thereto as set forth in Section 10.10 of this Trust Agreement.

(c) A copy of each such report shall, at the time of such transmission to Holders, be filed by the Property Trustee with the Depositor.

Section 8.16 Reports to the Property Trustee.

The Depositor and the Administrators on behalf of the Issuer Trust shall provide to the Property Trustee such documents, reports and information as required by Section 314 of the Trust Indenture Act and the compliance certificate required by Section 314(a) of the Trust Indenture Act in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act, as set forth in Section 10.10 of this Trust Agreement. The Depositor and the Administrators shall annually file with the Property Trustee a certificate specifying whether such Person is in compliance with all the terms and covenants applicable to such Person hereunder.

Section 8.17 Evidence of Compliance with Conditions Precedent.

Each of the Depositor and the Administrators on behalf of the Issuer Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act as set forth in Section 10.10 of this Trust Agreement. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) of the Trust Indenture Act shall be given in the form of an Officers' Certificate.

Section 8.18 Number of Issuer Trustees.

(a) The number of Issuer Trustees shall be two. The Property Trustee and the Delaware Trustee may be the same Person, in which event the number of Issuer Trustees shall be one.

(b) If an Issuer Trustee ceases to hold office for any reason, a vacancy shall occur. The vacancy shall be filled with an Issuer Trustee appointed in accordance with Section 8.10.

(c) The death, resignation, retirement, removal, bankruptcy, incompetence or incapacity to perform the duties of an Issuer Trustee shall not operate to dissolve, terminate or annul the Issuer Trust or terminate this Trust Agreement.

Section 8.19 Delegation of Power.

(a) Any Administrator may, by power of attorney consistent with applicable law, delegate to any other natural person over the age of 21 his or her power for the purpose of executing any documents contemplated in Section 2.7(a) or making any governmental filing.

(b) The Administrators shall have power to delegate from time to time to such of their number the doing of such things and the execution of such instruments either in the name of the Issuer Trust or the names of the Administrators or otherwise as the Administrators may deem expedient, to the extent such delegation is not prohibited by applicable law or contrary to the provisions of this Trust Agreement.

Section 8.20 Appointment of Administrators.

(a) The Administrators (other than the initial Administrators) shall be appointed by the Holders of a Majority in Liquidation Amount of the Common Securities and all Administrators (including the initial Administrators) may be removed by the Holders of a Majority in Liquidation Amount of the Common Securities or may resign at any time. If at any time there is no Administrator, the Property Trustee or any Holder who has been a Holder of Trust Securities for at least six months may petition any court of competent jurisdiction for the appointment of one or more Administrators.

(b) Whenever a vacancy in the number of Administrators shall occur, until such vacancy is filled by the appointment of an Administrator in accordance with this Section 8.20, the Administrators in office, regardless of their number (and notwithstanding any other provision of this Trust Agreement), shall have all the powers granted to the Administrators and shall discharge all the duties imposed upon the Administrators by this Trust Agreement.

(c) Notwithstanding the foregoing or any other provision of this Trust Agreement, in the event any Administrator or a Delaware Trustee who is a natural person dies or becomes, in the opinion of the Holders of a Majority in Liquidation Amount of the Common Securities, incompetent, or incapacitated, the vacancy created by such death, incompetence or incapacity may be filled by the remaining Administrators, if there were at least two of them prior to such vacancy and by the Depositor, if there were not two such Administrators immediately prior to such vacancy (with the successor in each case being a Person who satisfies the eligibility requirement for Administrators or Delaware Trustee, as the case may be, set forth in Section 8.7).

(d) Except as otherwise provided in this Trust Agreement or by applicable law, any one Administrator may execute any document or otherwise take any action which the Administrators are authorized to take under this Trust Agreement.

ARTICLE IX

DISSOLUTION, LIQUIDATION AND MERGER

Section 9.1 Dissolution Upon Expiration Date.

Unless earlier dissolved, the Issuer Trust shall automatically dissolve on _____, 2030 (the "Expiration Date").

Section 9.2 Early Dissolution.

The first to occur of any of the following events is an "Early Termination Event," upon the occurrence of which the Issuer Trust shall dissolve:

(a) the occurrence of any Bankruptcy Event with respect to the Depositor, unless the Depositor shall transfer the Common Securities as provided by Section 5.11, in which case this provision shall refer instead to any Bankruptcy Event with respect to the successor Holder of the Common Securities;

(b) delivery of the written direction to the Property Trustee from the Holder of the Common Securities at any time to dissolve the Issuer Trust and, after satisfaction of liabilities to creditors of the Issuer Trust as provided by applicable law, to distribute the Junior Subordinated Debentures to Holders in exchange for the Preferred Securities (which direction, subject to Section 9.4(a), is optional and wholly within the discretion of the Holder of the Common Securities);

(c) the redemption of all of the Preferred Securities in connection with the redemption of all the Junior Subordinated Debentures; and

(d) the entry of an order for dissolution of the Issuer Trust by a court of competent jurisdiction.

Section 9.3 Termination.

The respective obligations and responsibilities of the Issuer Trustees, the Administrators and the Issuer Trust created and continued hereby shall terminate upon the latest to occur of the following: (a) the distribution by the Property Trustee to Holders of all amounts required to be distributed hereunder upon the liquidation of the Issuer Trust pursuant to Section 9.4, or upon the redemption of all of the Trust Securities pursuant to Section 4.2, (b) the payment of any expenses owed by the Issuer Trust, (c) the discharge of all administrative duties of the Administrators, including the performance of any tax reporting obligations with respect to the Issuer Trust or the Holders, and (d) the filing of a certificate of cancellation with the Delaware Secretary of State pursuant to Section 3810 of the Delaware Business Trust Act.

Section 9.4 Liquidation.

(a) If an Early Termination Event specified in clause (a), (b) or (d) of Section 9.2 occurs or upon the Expiration Date, the Issuer Trust shall be liquidated by the Property Trustee as expeditiously as the Property Trustee determines to be possible by distributing, after satisfaction of liabilities to creditors of the Issuer Trust as provided by applicable law, to each Holder a Like Amount of Junior Subordinated Debentures, subject to Section 9.4(d). Notice of liquidation shall be given by the Property Trustee by first-class mail, postage prepaid, mailed not later than 15 nor more than 45 days prior to the Liquidation Date to each Holder of Trust Securities at such Holder's address appearing in the Securities Register. All notices of liquidation shall:

(i) state the Liquidation Date;

(ii) state that, from and after the Liquidation Date, the Trust Securities will no longer be deemed to be Outstanding and any Trust Securities Certificates not surrendered for exchange will be deemed to represent a Like Amount of Junior Subordinated Debentures; and

(iii) provide such information with respect to the mechanics by which Holders may exchange Trust Securities Certificates for Junior Subordinated Debentures, or if Section 9.4(d) applies receive a Liquidation Distribution, as the Administrators or the Property Trustee shall deem appropriate.

(b) Except where Section 9.2(c) or 9.4(d) applies, in order to effect the liquidation of the Issuer Trust and distribution of the Junior Subordinated Debentures to Holders, the Property Trustee shall establish a record date for such distribution (which shall be not more than 30 days prior to the Liquidation Date) and, either itself acting as exchange agent or through the appointment of a separate exchange agent, shall establish such procedures as it shall deem appropriate to effect the distribution of Junior Subordinated Debentures in exchange for the Outstanding Trust Securities Certificates.

(c) Except where Section 9.2(c) or 9.4(d) applies, after the Liquidation Date, (i) the Trust Securities will no longer be deemed to be Outstanding, (ii) the Clearing Agency for the Preferred Securities or its nominee, as the registered Holder of the Global Preferred Securities Certificate, shall receive a registered global certificate or certificates representing the Junior Subordinated Debentures to be delivered upon such distribution with respect to Preferred Securities held by the Clearing Agency or its nominee, and (iii) any Trust Securities Certificates not held by the Clearing Agency for the Preferred Securities or its nominee as specified in clause (ii) above will be deemed to represent Junior Subordinated Debentures having a principal amount equal to the stated Liquidation Amount of the Trust Securities represented thereby and bearing accrued and unpaid interest in an amount equal to the accumulated and unpaid Distributions on such Trust Securities until such certificates are presented to the Securities Registrar for transfer or re-issuance.

(d) If, notwithstanding the other provisions of this Section 9.4, whether because of an order for dissolution entered by a court of competent jurisdiction or otherwise, distribution of the Junior Subordinated Debentures is not practical, or if any Early Termination Event specified in clause (c) of Section 9.2 occurs, the Trust Property shall be liquidated, and the Issuer Trust shall be wound up by the Property Trustee in such manner as the Property Trustee determines. In such event, Holders will be entitled to receive out of the assets of the Issuer Trust available for distribution to Holders, after satisfaction of liabilities to creditors of the Issuer Trust as provided by applicable law, an amount equal to the aggregate of the Liquidation Amount per Trust Security plus accumulated and unpaid Distributions thereon to the date of payment (such amount being the "Liquidation Distribution"). If, upon any such winding up, the Liquidation Distribution can be paid only in part because the Issuer Trust has insufficient assets available to pay in full the aggregate Liquidation Distribution, then, subject to the next succeeding sentence, the amounts payable by the Issuer Trust on the Trust Securities shall be paid on a pro rata basis (based upon Liquidation Amounts). The Holders of the Common Securities will be entitled to receive Liquidation Distributions upon any such winding up pro rata (determined as aforesaid) with Holders of Preferred Securities, except that, if a Debenture Event of Default has occurred and is continuing, the Preferred Securities shall have a priority over the Common Securities as provided in Section 4.3.

(e) Following the dissolution of the Issuer Trust and after the completion of the winding up of the affairs of the Issuer Trust, one of the Issuer Trustees shall file a certificate of cancellation with the Delaware Secretary of State.

Section 9.5 Mergers, Consolidations, Amalgamations or Replacements of the Issuer Trust.

The Issuer Trust may not merge with or into, consolidate, convert into, amalgamate, or be replaced by, or convey, transfer or lease its properties and assets substantially as an entirety to, any Person, except pursuant to this Section 9.5 or Section 9.4. At the request of the Holders of the Common Securities, and with the consent of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities but without the consent of the Delaware Trustee or the Property Trustee, the Issuer Trust may merge with or into, consolidate, convert into, amalgamate, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to a trust organized as such under the laws of any state; provided, however, that (a) such successor entity either (i) expressly assumes all of the obligations of the Issuer Trust with respect to the Preferred Securities or (ii) substitutes for the Preferred Securities other securities having substantially the same terms as the Preferred Securities (the "Successor Securities") so long as the Successor Securities have the same priority as the Preferred Securities with respect to distributions and payments upon liquidation, redemption and otherwise, (b) a trustee of such successor entity possessing the same powers and duties as the Property Trustee is appointed to hold the Junior Subordinated Debentures, (c) such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer or lease does not cause the Preferred Securities (including any Successor Securities) to be downgraded by any nationally recognized statistical rating organization if the Preferred Securities were rated by any nationally recognized statistical rating organization immediately prior to such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer or lease, (d) such merger,

consolidation, conversion, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect, (e) such successor entity has a purpose substantially identical to that of the Issuer Trust, (f) prior to such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer or lease, the Issuer Trustee has received an Opinion of Counsel from independent counsel experienced in such matters to the effect that (i) such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer or lease does not adversely affect the rights, preferences and privileges of the Holders of the Preferred Securities (including any Successor Securities) in any material respect, and (ii) following such merger, consolidation, conversion, amalgamation, replacement, conveyance, transfer or lease, neither the Issuer Trust nor such successor entity will be required to register as an "investment company" under the Investment Company Act, and (g) the Depositor or any permitted transferee to whom it has transferred the Common Securities hereunder owns all of the common securities of such successor entity and guarantees the obligations of such successor entity under the Successor Securities at least to the extent provided by the Guarantee Agreement. Notwithstanding the foregoing, the Issuer Trust shall not, except with the consent of Holders of 100% in Liquidation Amount of the Preferred Securities, consolidate, convert into, amalgamate, merge with or into, or be replaced by or convey, transfer or lease its properties and assets substantially as an entirety to any other entity or permit any other Person to consolidate, amalgamate, merge with or into, or replace it if such consolidation, conversion, amalgamation, merger, replacement, conveyance, transfer or lease would cause the Issuer Trust or the successor entity to be taxable as a corporation for United States federal income tax purposes. Any merger or similar agreement shall be executed by the Administrators on behalf of the Issuer Trust.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.1 Limitation of Rights of Holders.

Except as set forth in Section 9.2, the bankruptcy, dissolution, termination, death or incapacity of any Person having an interest, beneficial or otherwise, in Trust Securities shall not operate to terminate this Trust Agreement or dissolve, terminate or annul the Issuer Trust, nor entitle the legal representatives or heirs of such Person or any Holder for such Person, to claim an accounting, take any action or bring any proceeding in any court for a partition or winding up of the arrangements contemplated hereby, nor otherwise affect the rights, obligations and liabilities of the parties hereto or any of them.

Section 10.2 Amendment.

(a) This Trust Agreement may be amended from time to time by the Property Trustee, the Administrators or the Holders of a Majority in Liquidation Amount of the Common Securities,

without the consent of any Holder of the Preferred Securities, (i) to cure any ambiguity, correct or supplement any provision herein which may be inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Trust Agreement; provided, however, that such amendment shall not adversely affect in any material respect the interests of any Holder or (ii) to modify, eliminate, or add to any provisions of this Trust Agreement to such extent as shall be necessary to ensure that the Issuer Trust will not be taxable as a corporation for United States federal income tax purposes at any time that any Trust Securities are Outstanding or to ensure that the Issuer Trust will not be required to register as an "investment company" under the Investment Company Act.

(b) Except as provided in Section 6.1(c) or Section 10.2(c), any provision of this Trust Agreement may be amended by the Property Trustee, the Administrators, and the Holders of a Majority in Liquidation Amount of the Common Securities with (i) the consent of Holders of at least a Majority in Liquidation Amount of the Preferred Securities and (ii) receipt by the Issuer Trustees of an Opinion of Counsel to the effect that such amendment or the exercise of any power granted to the Issuer Trustees in accordance with such amendment will not cause the Issuer Trust to be taxable as a corporation for United States federal income tax purposes or affect the Issuer Trust's exemption from status of an "investment company" under the Investment Company Act.

(c) In addition to and notwithstanding any other provision in this Trust Agreement, without the consent of each affected Holder (such consent being obtained in accordance with Section 6.3 or 6.6 hereof), this Trust Agreement may not be amended to (i) change the amount or timing of any Distribution on the Trust Securities or otherwise adversely affect the amount of any Distribution required to be made in respect of the Trust Securities as of a specified date or (ii) restrict the right of a Holder to institute suit for the enforcement of any such payment on or after such date. Notwithstanding any other provision herein, without the unanimous consent of the Holders (such consent being obtained in accordance with Section 6.3 or 6.6), this Section 10.2(c) may not be amended.

(d) Notwithstanding any other provisions of this Trust Agreement, no Issuer Trustee shall enter into or consent to any amendment to this Trust Agreement which would cause the Issuer Trust to fail or cease to qualify for the exemption from status as an "investment company" under the Investment Company Act or be taxable as a corporation for United States federal income tax purposes.

(e) Notwithstanding anything in this Trust Agreement to the contrary, without the consent of the Depositor and the Administrators, this Trust Agreement may not be amended in a manner which imposes any additional obligation on the Depositor or the Administrators.

(f) In the event that any amendment to this Trust Agreement is made, the Administrators or the Property Trustee shall promptly provide to the Depositor a copy of such amendment.

(g) Neither the Property Trustee nor the Delaware Trustee shall be required to enter into any amendment to this Trust Agreement which affects its own rights, duties or immunities under this Trust Agreement. The Property Trustee shall be entitled to receive an Opinion of Counsel and an Officers' Certificate stating that any amendment to this Trust Agreement is in compliance with this Trust Agreement.

(h) Any amendments to this Trust Agreement pursuant to Section 10.2(a) shall become effective when notice of such amendment is given to the Holders of the Trust Securities.

Section 10.3 Separability.

In case any provision in this Trust Agreement or in the Trust Securities Certificates shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.4 Governing Law.

THIS TRUST AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF EACH OF THE HOLDERS, THE ISSUER TRUST, THE DEPOSITOR, THE ISSUER TRUSTEES, AND THE ADMINISTRATORS WITH RESPECT TO THIS TRUST AGREEMENT AND THE TRUST SECURITIES SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF DELAWARE, WITHOUT REGARD TO THE CONFLICT OF LAWS PROVISIONS THEREOF.

Section 10.5 Payments Due on Non-Business Day.

If the date fixed for any payment on any Trust Security shall be a day that is not a Business Day, then such payment need not be made on such date but may be made on the next succeeding day that is a Business Day (except as otherwise provided in Sections 4.2(d)), except that, if such Business Day is in the next succeeding calendar year, payment on any Trust Security shall be made on the immediately preceding Business Day, in each case, with the same force and effect as though made on the date fixed for such payment, and no Distributions shall accumulate on such unpaid amount for the period after such date.

Section 10.6 Successors.

This Trust Agreement shall be binding upon and shall inure to the benefit of any successor to the Depositor, the Issuer Trust, the Administrators, and any Issuer Trustee, including any successor by operation of law. Except in connection with a consolidation, merger, sale, transfer, conveyance or lease involving the Depositor that is permitted under Article VIII of the Indenture and pursuant to which the assignee agrees in writing to perform the Depositor's obligations hereunder, the Depositor shall not assign its obligations hereunder.

Section 10.7 Headings.

The Article and Section headings are for convenience only and shall not affect the construction of this Trust Agreement.

Section 10.8 Reports, Notices and Demands.

(a) Any report, notice, demand or other communication that by any provision of this Trust Agreement is required or permitted to be given or served to or upon any Holder or the Depositor may be given or served in writing by deposit thereof, first class postage prepaid, in the United States mail, hand delivery or facsimile transmission, in each case, addressed, (i) in the case of a Holder of Preferred Securities, to such Holder as such Holder's name and address may appear on the Securities Register; and (ii) in the case of the Holder of Common Securities or the Depositor, to Northeast Bancorp, 232 Center Street, Auburn, Maine 04210, Attention: President, facsimile no.: (207)777-6410 or to such other address as may be specified in a written notice by the Depositor to the Property Trustee. Such notice, demand or other communication to or upon a Holder shall be deemed to have been sufficiently given or made, for all purposes, upon hand delivery, mailing or transmission. Such notice, demand or other communication to or upon the Depositor shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Depositor.

(b) Any notice, demand or other communication which by any provision of this Trust Agreement is required or permitted to be given or served to or upon the Property Trustee, the Delaware Trustee, the Administrators, or the Issuer Trust shall be given in writing addressed (until another address is published by the Issuer Trust) as follows: (i) with respect to the Property Trustee to Bankers Trust Company, Four Albany Street, 4th Floor, New York, NY 10006, Attention: Corporate Trust and Agency Group Corporate Market Services; (ii) with respect to the Delaware Trustee to Bankers Trust (Delaware), E.A. Delle Donne Corporate Center, Montgomery Building, 1101 Centre Road, Suite 200, Wilmington, Delaware, 19805-1266, Attention: M. Lisa Wilkins, and (iii) with respect to the Administrators, to them at the address above for notices to the Depositor, marked "Attention: Office of the Secretary." Such notice, demand or other communication to or upon the Issuer Trust or the Property Trustee shall be deemed to have been sufficiently given or made only upon actual receipt of the writing by the Issuer Trust, the Property Trustee, or such Administrator.

Section 10.9 Agreement Not to Petition.

Each of the Issuer Trustees, the Administrators and the Depositor agree for the benefit of the Holders that, until at least one year and one day after the Issuer Trust has been terminated in accordance with Article IX, they shall not file, or join in the filing of, a petition against the Issuer Trust under any bankruptcy, insolvency, reorganization or other similar law (including, without limitation, the United States Bankruptcy Code) (collectively, "Bankruptcy Laws") or otherwise join in the commencement of any proceeding against the Issuer Trust under any Bankruptcy Law. In the event the Depositor takes action in violation of this Section 10.9, the Property Trustee agrees, for

the benefit of Holders, that at the expense of the Depositor, it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by the Depositor against the Issuer Trust or the commencement of such action and raise the defense that the Depositor has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as counsel for the Issuer Trustee or the Issuer Trust may assert. If any Issuer Trustee or Administrator takes action in violation of this Section 10.9, the Depositor agrees, for the benefit of the Holders, that at the expense of the Depositor, it shall file an answer with the bankruptcy court or otherwise properly contest the filing of such petition by such Person against the Depositor or the commencement of such action and raise the defense that such Person has agreed in writing not to take such action and should be estopped and precluded therefrom and such other defenses, if any, as counsel for the Depositor or the Issuer Trust may assert. The provisions of this Section 10.9 shall survive the termination of this Trust Agreement.

Section 10.10 Trust Indenture Act; Conflict with Trust Indenture Act.

(a) Trust Indenture Act; Application. (i) This Trust Agreement is subject to the provisions of the Trust Indenture Act that are required to be a part of this Trust Agreement and shall, to the extent applicable, be governed by such provisions; (ii) if and to the extent that any provision of this Trust Agreement limits, qualifies or conflicts with the duties imposed by Sections 310 to 317, inclusive, of the Trust Indenture Act, such imposed duties shall control; (iii) for purposes of this Trust Agreement, the Property Trustee, to the extent permitted by applicable law and/or the rules and regulations of the Commission, shall be the only Issuer Trustee which is a trustee for the purposes of the Trust Indenture Act; and (iv) the application of the Trust Indenture Act to this Trust Agreement shall not affect the nature of the Preferred Securities and the Common Securities as equity securities representing undivided beneficial interests in the assets of the Issuer Trust.

(b) Lists of Holders of Preferred Securities. (i) Each of the Depositor and the Administrators on behalf of the Issuer Trust shall provide the Property Trustee with such information as is required under Section 312(a) of the Trust Indenture Act at the times and in the manner provided in Section 312(a) and (ii) the Property Trustee shall comply with its obligations under Sections 310(b), 311 and 312(b) of the Trust Indenture Act.

(c) Reports by the Property Trustee. Within 60 days after January 31 of each year, commencing January 31, 2000, the Property Trustee shall provide to the Holders of the Trust Securities such reports as are required by Section 313 of the Trust Indenture Act, if any, in the form, in the manner and at the times provided by Section 313 of the Trust Indenture Act. The Property Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

(d) Periodic Reports to Property Trustee. Each of the Depositor and the Administrator on behalf of the Issuer Trust shall provide to the Property Trustee, the Commission and the Holders of the Trust Securities, as applicable, such documents, reports and information as required by Section 314(a)(1)(3) (if any) of the Trust Indenture Act and the compliance certificates required by Section 314(a)(4) and (c) of the Trust Indenture Act (provided that any certificate to be provided pursuant

to Section 314(a)(4) of the Trust Indenture Act shall be provided within 120 days of the end of each fiscal year of the Issuer Trust).

(e) Evidence of Compliance with Conditions Precedent. Each of the Depositor and the Administrators on behalf of the Issuer Trust shall provide to the Property Trustee such evidence of compliance with any conditions precedent, if any, provided for in this Trust Agreement which relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given pursuant to Section 314(c) shall comply with Section 314(e) of the Trust Indenture Act.

(f) Disclosure of Information. The disclosure of information as to the names and addresses of the Holders of Trust Securities in accordance with Section 312 of the Trust Indenture Act, regardless of the source from which such information was derived, shall not be deemed to be a violation of any existing law or any law hereafter enacted which does not specifically refer to Section 312 of the Trust Indenture Act, nor shall the Property Trustee be held accountable by reason of mailing any material pursuant to a request made under Section 312(b) of the Trust Indenture Act.

Section 10.11 Acceptance of Terms of Trust Agreement, Guarantee and Indenture.

THE RECEIPT AND ACCEPTANCE OF A TRUST SECURITY OR ANY INTEREST THEREIN BY OR ON BEHALF OF A HOLDER OR ANY BENEFICIAL OWNER, WITHOUT ANY SIGNATURE OR FURTHER MANIFESTATION OF ASSENT, SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER AND ALL OTHERS HAVING A BENEFICIAL INTEREST IN SUCH TRUST SECURITY OF ALL THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT, THE GUARANTEE AGREEMENT AND THE INDENTURE, AND THE AGREEMENT TO THE SUBORDINATION PROVISIONS AND OTHER TERMS OF THE GUARANTEE AGREEMENT AND THE INDENTURE, AND SHALL CONSTITUTE THE AGREEMENT OF THE ISSUER TRUST, SUCH HOLDER AND SUCH OTHERS THAT THE TERMS AND PROVISIONS OF THIS TRUST AGREEMENT SHALL BE BINDING, OPERATIVE AND EFFECTIVE AS BETWEEN THE ISSUER TRUST AND SUCH HOLDER AND SUCH OTHERS.

Section 10.12 Counterparts.

This Trust Agreement may contain more than one counterpart of the signature page and this Trust Agreement may be executed by the affixing of the signature of each of the Issuer Trustees to one of such counterpart signature pages. All of such counterpart signature pages shall be read as though one, and they shall have the same force and effect as though all of the signers had signed a single signature paper.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Trust Agreement to be duly executed as of the day and year first above written.

NORTHEAST BANCORP
as Depositor

By:

Its:

BANKERS TRUST COMPANY,
as Property Trustee

By:

Its:

BANKERS TRUST (DELAWARE),
as Delaware Trustee

By:

Its:

INITIAL ADMINISTRATORS

By:

By:

EXHIBIT A

[INSERT CERTIFICATE OF TRUST FILED WITH DELAWARE SECRETARY OF STATE]

EXHIBIT B

[INSERT FORM OF CERTIFICATE DEPOSITARY AGREEMENT]

EXHIBIT C

THIS CERTIFICATE IS NOT TRANSFERABLE EXCEPT TO A SUCCESSOR IN INTEREST TO THE DEPOSITOR OR AN AFFILIATE OF THE DEPOSITOR IN COMPLIANCE WITH APPLICABLE LAW AND SECTION 5.11 OF THE TRUST AGREEMENT

Certificate Number Number of Common Securities

Certificate Evidencing Common Securities
of
NBN Capital Trust
_____% Common Securities
(liquidation amount $10 per Common Security)

NBN Capital Trust, a statutory business trust created under the laws of the State of Delaware (the "Issuer Trust"), hereby certifies that Northeast Bancorp (the "Holder") is the registered owner of _____ common securities of the Issuer Trust representing undivided beneficial interest in the assets of the Issuer Trust and designated the NBN Capital Trust _____% Common Securities (liquidation amount $10 per Common Security) (the "Common Securities"). Except in accordance with Section 5.11 of the Trust Agreement (as defined below), the Common Securities are not transferable and any attempted transfer hereof other than in accordance therewith shall be void. The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Common Securities are set forth in, and this certificate and the Common Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Issuer Trust, dated as of _____, 1999, as the same may be amended from time to time (the "Trust Agreement") among Northeast Bancorp, as Depositor, Bankers Trust Company, as Property Trustee, Bankers Trust (Delaware), as Delaware Trustee, the Administrators, and the Holders of Trust Securities, including the designation of the terms of the Common Securities as set forth therein. The Issuer Trust will furnish a copy of the Trust Agreement to the Holder without charge upon written request to the Issuer Trust at its principal place of business.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

Terms used but not defined herein have the meaning set forth in the Trust Agreement

IN WITNESS WHEREOF, one of the Administrators of the Issuer Trust has executed this certificate this ___ day of _____, 1999.

NBN CAPITAL TRUST

By:

Name:
Administrator

AUTHENTICATED AND REGISTERED:
BANKERS TRUST COMPANY,
as Property Trustee

By:

Name:
Signatory Officer

EXHIBIT D

[IF THE PREFERRED SECURITY CERTIFICATE IS TO BE A GLOBAL PREFERRED SECURITY CERTIFICATE, INSERT - This Preferred Security Certificate is a Global Preferred Security Certificate within the meaning of the Trust Agreement hereinafter referred to and is registered in the name of a Depositary or a nominee of a Depositary. This Preferred Security Certificate is exchangeable for Preferred Security Certificates registered in the name of a person other than the Depositary or its nominee only in the limited circumstances described in the Trust Agreement and may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary, except in the limited circumstances described in the Trust Agreement.

Unless this Preferred Security Certificate is presented by an authorized representative of The Depository Trust Company, a New York Corporation ("DTC"), to NBN Capital Trust or its agent for registration of transfer, exchange or payment, and any Preferred Security Certificate issued is registered in the name of such nominee as is requested by an authorized representative of DTC (and any payment is made to such entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO A PERSON IS WRONGFUL inasmuch as the registered owner hereof, has an interest herein.]

CERTIFICATE NUMBER NUMBER OF PREFERRED SECURITIES

CUSIP NO. _____

CERTIFICATE EVIDENCING PREFERRED SECURITIES
OF
NBN CAPITAL TRUST

_____% PREFERRED SECURITIES
(LIQUIDATION AMOUNT $10 PER PREFERRED SECURITY)

NBN Capital Trust, a statutory business trust created under the laws of the State of Delaware (the "Issuer Trust"), hereby certifies that _____ (the "Holder") is the registered owner of $_____ aggregate liquidation amount of preferred securities of the Issuer Trust representing a preferred undivided beneficial interest in the assets of the Issuer Trust and designated the NBN Capital Trust ___% Preferred Securities (liquidation amount $10 per Preferred Security) (the "Preferred Securities"). The Preferred Securities are transferable on the books and the records of the Issuer Trust, in person or by a duly authorized attorney, upon surrender of this certificate duly endorsed and in proper form for transfer as provided in Section 5.5 of the Trust Agreement (as defined below). The designations, rights, privileges, restrictions, preferences and other terms and provisions of the Preferred Securities are set forth in, and this certificate and the Preferred Securities represented hereby are issued and shall in all respects be subject to the terms and provisions of, the Amended and Restated Trust Agreement of the Issuer Trust, dated as of _____, 1999, as the same may be amended from time to time (the "Trust Agreement"), among Northeast Bancorp as Depositor, Bankers Trust Company, as Property Trustee, Bankers Trust (Delaware), as Delaware Trustee, the Administrators, and the Holders of Trust Securities, including the designation of the terms of the Preferred Securities as set forth therein. The Holder is entitled to the benefits of the Guarantee Agreement entered into by Northeast Bancorp, a Maine corporation, and Bankers Trust Company, as Guarantee Trustee, dated as of _____, 1999 as the same may be amended from time to time (the "Guarantee Agreement"), to the extent provided therein. The Issuer Trust will furnish a copy of the Trust Agreement and the Guarantee Agreement to the Holder without charge upon written request to the Issuer Trust at its principal place of business or registered office.

Upon receipt of this certificate, the Holder is bound by the Trust Agreement and is entitled to the benefits thereunder.

IN WITNESS WHEREOF, one of the Administrators of the Issuer Trust has executed this certificate this ____ day of _____, 1999.

NBN CAPITAL TRUST

By:

Name:
Administrator

AUTHENTICATED AND REGISTERED:
BANKERS TRUST COMPANY,
as Property Trustee

By:

Name:
Authorized Signatory

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned assigns and transfers this Preferred Security Certificate to:

- ---

(Insert assignee's name and social security or tax identification number)

- ---

- ---

(Insert address and zip code of assignee)

and irrevocably appoints:

- ---

- ---

- ---

agent to transfer this Preferred Security Certificate on the books of the Issuer Trust. The agent may substitute another to act for him or her.

Date:

Signature:

(Sign exactly as your name appears on the other side of this Preferred Security Certificate)

The signature(s) should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program), pursuant to S.E.C. Rule 17Ad-15.

EXHIBIT 4.6

GUARANTEE AGREEMENT

Between

NORTHEAST BANCORP
(as Guarantor)

and

BANKERS TRUST COMPANY
(as Guarantee Trustee)

dated as of

_____, 1999

NBN CAPITAL TRUST

Certain Sections of this Guarantee Agreement relating to
Sections 310 through 318 of the
Trust Indenture Act of 1939:

Trust Indenture Act Section		Guarantee Agreement Section
Section 310	(a)(1)	4.1(a)
	(a)(2)	4.1(a)
	(a)(3)	Not Applicable
	(a)(4)	Not Applicable
	(b)	2.8, 4.1(c)
Section 311	(a)	Not Applicable
	(b)	Not Applicable
Section 312	(a)	2.2(a)
	(b)	2.2(b)
	(c)	Not Applicable
Section 313	(a)	2.3
	(a)(4)	2.3
	(b)	2.3
	(c)	2.3
	(d)	2.3
Section 314	(a)	2.4
	(b)	2.4
	(c)(1)	2.5
	(c)(2)	2.5
	(c)(3)	2.5
	(e)	2.5
Section 315	(a)	3.1(d)
	(b)	2.7
	(c)	3.1(c)
	(d)	3.1(d)
	(e)	Not Applicable
Section 316	(a)	1.1, 2.6, 5.4
	(a)(1)(A)	5.4
	(a)(1)(B)	5.4
	(a)(2)	Not Applicable
	(b)	5.3
	(c)	Not Applicable
Section 317	(a)(1)	Not Applicable
	(a)(2)	Not Applicable
	(b)	Not Applicable
Section 318	(a)	2.1

Note: This reconciliation and tie shall not, for any purpose, be deemed to be a part of the Guarantee Agreement.

TABLE OF CONTENTS

GUARANTEE AGREEMENT

THIS GUARANTEE AGREEMENT, dated as of _____, 1999 (the "Guarantee Agreement"), is executed and delivered by NORTHEAST BANCORP, a Maine corporation (the "Guarantor"), having its principal office at 232 Center Street, Auburn, Maine, 04210 and BANKERS TRUST COMPANY, a New York banking corporation, having its principal office at Four Albany Street, Fourth Floor, New York, New York 10006, as trustee, for the benefit of the Holders (as defined herein) from time to time of the Preferred Securities (as defined herein) of NBN Capital Trust, a Delaware statutory business trust (the "Issuer Trust").

RECITALS

WHEREAS, pursuant to an Amended and Restated Trust Agreement (the "Trust Agreement"), dated as of _____, 1999, among Northeast Bancorp, as Depositor, Bankers Trust Company, as Property Trustee (the "Property Trustee"), Bankers Trust (Delaware), as Delaware Trustee (the "Delaware Trustee") (collectively, the "Issuer Trustees"), the administrators named therein, and the Holders from time to time of preferred undivided beneficial ownership interests in the assets of the Issuer Trust, the Issuer Trust is issuing up to $10,500,000 aggregate Liquidation Amount (as defined herein) of its ____% Preferred Securities, Liquidation Amount $10 per preferred security (the "Preferred Securities"), representing preferred undivided beneficial ownership interests in the assets of the Issuer Trust and having the terms set forth in the Trust Agreement;

WHEREAS, the Preferred Securities will be issued by the Issuer Trust and the proceeds thereof, together with the proceeds from the issuance of the Issuer Trust's Common Securities (as defined herein), will be used to purchase the Junior Subordinated Debentures due _____, 2029 (as defined in the Trust Agreement) (the "Junior Subordinated Debentures") of the Guarantor which will be deposited with Bankers Trust Company, as Property Trustee under the Trust Agreement, as trust assets; and

WHEREAS, as incentive for the Holders to purchase the Preferred Securities, the Guarantor desires irrevocably and unconditionally to agree, to the extent set forth herein, to pay to the Holders of the Preferred Securities the Guarantee Payments (as defined herein) and to make certain other payments on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the purchase of the Preferred Securities by each Holder, which purchase the Guarantor hereby acknowledges shall benefit the Guarantor, and intending to be legally bound hereby, the Guarantor executes and delivers this Guarantee Agreement for the benefit of the Holders from time to time of the Preferred Securities.

ARTICLE I

DEFINITIONS

Section 1.1. Definitions.

As used in this Guarantee Agreement, the terms set forth below shall, unless the context otherwise requires, have the following meanings. Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Trust Agreement as in effect on the date hereof.

"Additional Amount" has the meaning specified in the Trust Agreement.

"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Common Securities" means the securities representing common undivided beneficial interests in the assets of the Issuer Trust.

"Delaware Trustee" shall have the meaning specified in the first recital of this Guarantee Agreement.

"Distributions" means preferential cumulative cash distributions accumulating from _____, 1999 and payable quarterly in arrears on March 31, June 30, September 30, and December 31 of each year, commencing _____, 1999 at the annual rate of ____% of the Liquidation Amount.

"Event of Default" means (a) a default by the Guarantor in any of its payment obligations under this Guarantee Agreement, or (b) a default by the Guarantor in any other obligation hereunder that remains unremedied for 30 days.

"Guarantee Agreement" means this Guarantee Agreement, as modified, amended or supplemented from time to time.

"Guarantee Payments" means the following payments or distributions, without duplication, with respect to the Preferred Securities, to the extent not paid or made by or on behalf of the Issuer Trust: (a) any accrued and unpaid Distributions (as defined in the Trust Agreement) required to be paid on the Preferred Securities, to the extent the Issuer Trust shall have funds on hand available therefor at such time, (b) the Redemption Price, with respect to the Preferred Securities called for redemption by the Issuer Trust to the extent that the Issuer Trust shall have funds on hand available

therefor at such time, and (c) upon a voluntary or involuntary dissolution, winding-up or liquidation of the Issuer Trust, unless the Junior Subordinated Debentures are distributed to the Holders, the lesser of (i) the aggregate of the Liquidation Amount and all accumulated and unpaid Distributions to the date of payment to the extent the Issuer Trust shall have funds on hand available to make such payment at such time and (ii) the amount of assets of the Issuer Trust remaining available for distribution to Holders in liquidation of the Issuer Trust (in either case, the "Liquidation Distribution").

"Guarantee Trustee" means Bankers Trust Company, until a Successor Guarantee Trustee has been appointed and has accepted such appointment pursuant to the terms of this Guarantee Agreement and thereafter means each such Successor Guarantee Trustee.

"Guarantor" shall have the meaning specified in the preamble of this Guarantee Agreement.

"Holder" means any holder, as registered on the books and records of the Issuer Trust, of any Preferred Securities; provided, however, that, in determining whether the holders of the requisite percentage of Preferred Securities have given any request, notice, consent or waiver hereunder, "Holder" shall not include the Guarantor, the Guarantee Trustee, or any Affiliate of the Guarantor or the Guarantee Trustee.

"Indenture" means the Junior Subordinated Indenture dated as of _____, 1999, between Northeast Bancorp and Bankers Trust Company, as trustee, as may be modified, amended or supplemented from time to time.

"Issuer Trust" shall have the meaning specified in the preamble of this Guarantee Agreement.

"Issuer Trustees" shall have the meaning specified in the first recital of this Guarantee Agreement.

"Junior Subordinated Debentures" shall have the meaning specified in the first recital of this Guarantee Agreement.

"Like Amount" means (a) with respect to a redemption of Preferred Securities, Preferred Securities having a Liquidation Amount equal to the principal amount of Junior Subordinated Debentures to be contemporaneously redeemed in accordance with the Indenture, the proceeds of which will be used to pay the Redemption Price of such Preferred Securities, (b) with respect to a distribution of Junior Subordinated Debentures to Holders of Preferred Securities in connection with a dissolution or liquidation of the Issuer Trust, Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Preferred Securities of the Holder to whom such Junior Subordinated Debentures are distributed, and (c) with respect to any distribution of an Additional Amount to Holders of Preferred Securities, Junior Subordinated Debentures having a principal amount equal to the Liquidation Amount of the Preferred Securities in respect of which such distribution is made.

"Liquidation Amount" means the stated amount of $10 per Preferred Security.

"Majority in Liquidation Amount of the Preferred Securities" means, except as provided by the Trust Indenture Act, Preferred Securities representing more than 50% of the aggregate Liquidation Amount of all then outstanding Preferred Securities issued by the Issuer Trust.

"Officers' Certificate" means, with respect to any Person, a certificate signed by the Chairman of the Board, Chief Executive Officer, President or a Vice President, and by the Chief Financial Officer, Treasurer, an Associate Treasurer, an Assistant Treasurer, the Secretary (or Clerk) or an Assistant Secretary (or Clerk) of such Person, and delivered to the Guarantee Trustee. Any Officers' Certificate delivered with respect to compliance with a condition or covenant provided for in this Guarantee Agreement shall include:

(a) a statement by each officer signing the Officers' Certificate that such officer has read the covenant or condition and the definitions relating thereto;

(b) a brief statement of the nature and scope of the examination or investigation undertaken by such officer in rendering the Officers' Certificate;

(c) a statement that such officer has made such examination or investigation as, in such officer's opinion, is necessary to enable such officer to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(d) a statement as to whether, in the opinion of such officer, such condition or covenant has been complied with.

"Person" means a legal person, including any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated association, or government or any agency or political subdivision thereof, or any other entity of whatever nature.

"Preferred Securities" shall have the meaning specified in the first recital of this Guarantee Agreement.

"Property Trustee" shall have the meaning specified in the first recital of this Guarantee Agreement.

"Redemption Date" means, with respect to any Preferred Security to be redeemed, the date fixed for such redemption by or pursuant to the Trust Agreement; provided that each Junior Subordinated Debenture Redemption Date (as such term is defined in the Indenture) and the stated maturity of the Junior Subordinated Debentures shall be a Redemption Date for a Like Amount of Preferred Securities.

"Redemption Price" shall have the meaning specified in the Trust Agreement.

"Responsible Officer" means, when used with respect to the Guarantee Trustee, any officer assigned to the Corporate Trust Office, including any managing director, principal, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Guarantee Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Guarantee Agreement, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Senior Indebtedness" shall have the meaning specified in the Indenture.

"Successor Guarantee Trustee" means a successor Guarantee Trustee possessing the qualifications to act as Guarantee Trustee under Section 4.1.

"Trust Agreement" shall have the meaning specified in the Recitals to this Guarantee Agreement.

"Trust Indenture Act" means the Trust Indenture Act of 1939, as amended by the Trust Indenture Reform Act of 1990, or any successor statute, in each case as amended from time to time.

ARTICLE II

TRUST INDENTURE ACT

Section 2.1. Trust Indenture Act; Application.

If any provision hereof limits, qualifies or conflicts with a provision of the Trust Indenture Act that is required to be a part of and govern this Guarantee Agreement, the provision of the Trust Indenture Act shall control. If any provision of this Guarantee Agreement modifies or excludes any provision of the Trust Indenture Act that may be so modified or excluded, the latter provision shall be deemed to apply to this Guarantee Agreement as so modified or excluded, as the case may be.

Section 2.2. List of Holders.

(a) The Guarantor will furnish or cause to be furnished to the Guarantee Trustee:

(i) quarterly, not more than 15 days after March 15, June 15, September 15 and December 15 in each year, a list, in such form as the Guarantee Trustee may reasonably require, of the names and addresses of the Holders as of such date; and

(ii) at such other times as the Guarantee Trustee may request in writing, within

30 days after the receipt by the Guarantor of any such request, a list of similar form and content as of a date not more than 15 days prior to the time such list is furnished.

(b) The Guarantee Trustee shall comply with the requirements of Section 312(b) of the Trust Indenture Act.

Section 2.3. Reports by the Guarantee Trustee.

Within 60 days of January 31 of each year commencing January 31, 2000, the Guarantee Trustee shall provide to the Holders such reports, if any, as are required by Section 313 of the Trust Indenture Act in the form and in the manner provided by Section 313 of the Trust Indenture Act. The Guarantee Trustee shall also comply with the requirements of Section 313(d) of the Trust Indenture Act.

Section 2.4. Periodic Reports to the Guarantee Trustee.

The Guarantor shall provide to the Guarantee Trustee and the Holders such documents, reports and information, if any, as required by Section 314 of the Trust Indenture Act and the compliance certificate required by Section 314 of the Trust Indenture Act, in the form, in the manner and at the times required by Section 314 of the Trust Indenture Act.

Section 2.5. Evidence of Compliance with Conditions Precedent.

The Guarantor shall provide to the Guarantee Trustee such evidence of compliance with such conditions precedent, if any, provided for in this Guarantee Agreement that relate to any of the matters set forth in Section 314(c) of the Trust Indenture Act. Any certificate or opinion required to be given by an officer pursuant to Section 314(c)(1) may be given in the form of an Officers' Certificate.

Section 2.6. Events of Default; Waiver.

The Holders of a Majority in Liquidation Amount of the Preferred Securities may, by vote, on behalf of the Holders, waive any past Event of Default and its consequences. Upon such waiver, any such Event of Default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of this Guarantee Agreement, but no such waiver shall extend to any subsequent or other default or Event of Default or impair any right consequent therefrom.

Section 2.7. Event of Default; Notice.

(a) The Guarantee Trustee shall, within 90 days after the occurrence of an Event of Default, transmit by mail, first class postage prepaid, to the Holders, notices of all Events of Default known to the Guarantee Trustee, unless such Events of Default have been cured before the giving

of such notice; provided that, except in the case of a default in the payment of a Guarantee Payment, the Guarantee Trustee shall be protected in withholding such notice if and so long as the Board of Directors, the executive committee or a trust committee of directors and/or Responsible Officers of the Guarantee Trustee in good faith determines that the withholding of such notice is in the interests of the Holders.

(b) The Guarantee Trustee shall not be deemed to have knowledge of any Event of Default unless (i) a Responsible Officer charged with the administration of this Guarantee Agreement shall have received written notice of such Event of Default, or (ii) a Responsible Officer of the Guarantee Trustee charged with administration of the Trust Agreement shall have obtained actual knowledge thereof.

Section 2.8. Conflicting Interests.

The Trust Agreement shall be deemed to be specifically described in this Guarantee Agreement for the purposes of clause (i) of the first proviso contained in Section 310(b) of the Trust Indenture Act.

ARTICLE III

POWERS, DUTIES AND RIGHTS OF THE GUARANTEE TRUSTEE

Section 3.1. Powers and Duties of the Guarantee Trustee.

(a) This Guarantee Agreement shall be held by the Guarantee Trustee for the benefit of the Holders, and the Guarantee Trustee shall not transfer this Guarantee Agreement to any Person except to a Holder exercising his or her rights pursuant to Section 5.4(d) or to a Successor Guarantee Trustee on acceptance by such Successor Guarantee Trustee of its appointment to act as Successor Guarantee Trustee hereunder. The right, title and interest of the Guarantee Trustee, as such, hereunder shall automatically vest in any Successor Guarantee Trustee, upon acceptance by such Successor Guarantee Trustee of its appointment hereunder, and such vesting and cessation of title shall be effective whether or not conveyancing documents have been executed and delivered pursuant to the appointment of such Successor Guarantee Trustee.

(b) If an Event of Default has occurred and is continuing, the Guarantee Trustee shall enforce this Guarantee Agreement for the benefit of the Holders.

(c) The Guarantee Trustee, before the occurrence of any Event of Default and after the curing of all Events of Default that may have occurred, shall be obligated to perform only such duties as are specifically set forth in this Guarantee Agreement (including pursuant to Section 2.1), and no implied covenants shall be read into this Guarantee Agreement against the Guarantee Trustee. If an

Event of Default has occurred (that has not been cured or waived pursuant to Section 2.6), the Guarantee Trustee shall exercise such of the rights and powers vested in it by this Guarantee Agreement, and use the same degree of care and skill in its exercise thereof, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(d) No provision of this Guarantee Agreement shall be construed to relieve the Guarantee Trustee from liability for its own negligent action, its own negligent failure to act or its own bad faith or willful misconduct, except that:

(i) prior to the occurrence of any Event of Default and after the curing or waiving of all such Events of Default that may have occurred:

(A) the duties and obligations of the Guarantee Trustee shall be determined solely by the express provisions of this Guarantee Agreement (including pursuant to Section 2.1), and the Guarantee Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Guarantee Agreement (including pursuant to Section 2.1); and

(B) in the absence of bad faith on the part of the Guarantee Trustee, the Guarantee Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificates or opinions furnished to the Guarantee Trustee and conforming to the requirements of this Guarantee Agreement; but in the case of any such certificates or opinions that by any provision hereof or of the Trust Indenture Act are specifically required to be furnished to the Guarantee Trustee, the Guarantee Trustee shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Guarantee Agreement;

(ii) the Guarantee Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer of the Guarantee Trustee, unless it shall be proved that the Guarantee Trustee was negligent in ascertaining the pertinent facts upon which such judgment was made;

(iii) the Guarantee Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a Majority in Liquidation Amount of the Preferred Securities relating to the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee, or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and

(iv) no provision of this Guarantee Agreement shall require the Guarantee Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if the

Guarantee Trustee shall have reasonable grounds for believing that the repayment of such funds or liability is not assured to it under the terms of this Guarantee Agreement or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 3.2. Certain Rights of Guarantee Trustee.

(a) Subject to the provisions of Section 3.1:

(i) the Guarantee Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document reasonably believed by it to be genuine and to have been signed, sent or presented by the proper party or parties;

(ii) any direction or act of the Guarantor contemplated by this Guarantee Agreement shall be sufficiently evidenced by an Officers' Certificate unless otherwise prescribed herein;

(iii) whenever, in the administration of this Guarantee Agreement, the Guarantee Trustee shall deem it desirable that a matter be proved or established before taking, suffering or omitting to take any action hereunder, the Guarantee Trustee (unless other evidence is herein specifically prescribed) may, in the absence of bad faith on its part, request and conclusively rely upon an Officers' Certificate which, upon receipt of such request from the Guarantee Trustee, shall be promptly delivered by the Guarantor;

(iv) the Guarantee Trustee may consult with legal counsel, and the advice or opinion of such legal counsel with respect to legal matters shall be full and complete authorization and protection in respect of any action taken, suffered or omitted to be taken by it hereunder in good faith and in accordance with such advice or opinion. Such legal counsel may be legal counsel to the Guarantor or any of its Affiliates and may be one of its employees. The Guarantee Trustee shall have the right at any time to seek instructions concerning the administration of this Guarantee Agreement from any court of competent jurisdiction;

(v) the Guarantee Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Guarantee Agreement at the request or direction of any Holder, unless such Holder shall have provided to the Guarantee Trustee such security and indemnity as would satisfy a reasonable person in the position of the Guarantee Trustee, against the costs, expenses (including attorneys fees and expenses) and liabilities that might be incurred by it in complying with such request or direction, including such reasonable advances as may be requested by the Guarantee Trustee; provided, however, that nothing herein shall relieve the Guarantee Trustee of its obligations upon the occurrence of an Event of Default that has not been cured or waived to exercise the rights and powers vested in the Guarantee Trustee

by this Guarantee, and to use the same degree of care and skill in exercising such rights and powers as a reasonably prudent person would use under the circumstances in the conduct of his own affairs;

(vi) the Guarantee Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness or other paper or document, but the Guarantee Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(vii) the Guarantee Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its agents or attorneys, and the Guarantee Trustee shall not be responsible for any negligence or willful misconduct on the part of any such agent or attorney appointed with due care by it hereunder. Nothing herein shall be construed as limiting or restricting the right of the Guarantor to bring any action directly against any agent or attorney appointed by the Guarantee Trustee for any negligence or willful misconduct on the part of such agent or attorney; and

(viii) whenever in the administration of this Guarantee Agreement the Guarantee Trustee shall deem it desirable to receive instructions with respect to enforcing any remedy or right or taking any other action hereunder, the Guarantee Trustee (A) may request instructions from the Holders, (B) may refrain from enforcing such remedy or right or taking such other action until such instructions are received and (C) shall be fully protected in acting in accordance with such instructions.

(b) No provision of this Guarantee Agreement shall be deemed to impose any duty or obligation on the Guarantee Trustee to perform any act or acts or exercise any right, power, duty or obligation conferred or imposed on it in any jurisdiction in which it shall be illegal, or in which the Guarantee Trustee shall be unqualified or incompetent in accordance with applicable law, to perform any such act or acts or to exercise any such right, power, duty or obligation. No permissive power or authority available to the Guarantee Trustee shall be construed to be a duty to act in accordance with such power and authority.

Section 3.3. Indemnity.

The Guarantor agrees to indemnify the Guarantee Trustee (which for purposes of this Section 3.3 shall include its directors, officers, employees and agents) for, and to hold the Guarantee Trustee harmless against, any loss, liability or expense incurred without negligence, willful misconduct or bad faith on the part of the Guarantee Trustee, arising out of or in connection with the acceptance or administration of this Guarantee Agreement, including the reasonable costs and expenses of defending against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder. The Guarantee Trustee will not claim or exact any lien or charge on any Guarantee Payments as a result of any amount due to it under this Guarantee Agreement.

Section 3.4. Expenses.

The Guarantor shall from time to time reimburse the Guarantee Trustee for its reasonable expenses and costs (including reasonable attorneys' or agents' fees) incurred in connection with the performance of its duties hereunder.

ARTICLE IV

GUARANTEE TRUSTEE

Section 4.1. Guarantee Trustee; Eligibility.

(a) There shall at all times be a Guarantee Trustee which shall:

(i) not be an Affiliate of the Guarantor; and

(ii) be a Person that is eligible pursuant to the Trust Indenture Act to act as such and has a combined capital and surplus of at least $50,000,000, and shall be a corporation meeting the requirements of Section 310(a) of the Trust Indenture Act. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the supervising or examining authority, then, for the purposes of this Section and to the extent permitted by the Trust Indenture Act, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) If at any time the Guarantee Trustee shall cease to be eligible to so act under Section 4.1(a), the Guarantee Trustee shall immediately resign in the manner and with the effect set out in Section 4.2(b).

(c) If the Guarantee Trustee has or shall acquire any "conflicting interest" within the meaning of Section 310(b) of the Trust Indenture Act, the Guarantee Trustee and Guarantor shall in all respects comply with the provisions of Section 310(b) of the Trust Indenture Act.

Section 4.2. Appointment, Removal and Resignation of the Guarantee Trustee.

(a) No resignation or removal of the Guarantee Trustee and no appointment of a Successor Guarantee Trustee pursuant to this Article IV shall become effective until the acceptance of appointment by the Successor Guarantee Trustee by written instrument executed by the Successor Guarantee Trustee and delivered to the Holders and the Guarantee Trustee.

(b) Subject to Section 4.2(a), a Guarantee Trustee may resign at any time by giving written notice thereof to the Holders. The Guarantee Trustee shall appoint a successor by requesting

from at least three Persons meeting the eligibility requirements such Person's expenses and charges to serve as the Guarantee Trustee, and selecting the Person who agrees to the lowest expenses and charges. If the instrument of acceptance by the Successor Guarantee Trustee shall not have been delivered to the Guarantee Trustee within 60 days after the giving of such notice of resignation, the Guarantee Trustee may petition, at the expense of the Guarantor, any court of competent jurisdiction for the appointment of a Successor Guarantee Trustee.

(c) The Guarantee Trustee may be removed for cause at any time by Act (within the meaning of Section 6.8 of the Trust Agreement) of the Holders of at least a Majority in Liquidation Amount of the Preferred Securities, delivered to the Guarantee Trustee.

(d) If a resigning Guarantee Trustee shall fail to appoint a successor, or if a Guarantee Trustee shall be removed or become incapable of acting as Guarantee Trustee, or if any vacancy shall occur in the office of any Guarantee Trustee for any cause, the Holders of the Preferred Securities, by Act of the Holders of record of not less than 25% in aggregate Liquidation Amount of the Preferred Securities then outstanding delivered to such Guarantee Trustee, shall promptly appoint a Successor Guarantee Trustee. If no Successor Guarantee Trustee shall have been so appointed by the Holders of the Preferred Securities and such appointment accepted by the Successor Guarantee Trustee, any Holder, on behalf of himself and all others similarly situated, may petition any court of competent jurisdiction for the appointment of a Successor Guarantee Trustee.

ARTICLE V

GUARANTEE

Section 5.1. Guarantee.

The Guarantor irrevocably and unconditionally agrees to pay in full on a subordinated basis as set forth in Section 6.1 hereof to the Holders the Guarantee Payments (without duplication of amounts theretofore paid by or on behalf of the Issuer Trust), as and when due, regardless of any defense, right of set off or counterclaim which the Issuer Trust may have or assert, except the defense of payment. The Guarantor's obligation to make a Guarantee Payment may be satisfied by direct payment of the required amounts by the Guarantor to the Holders or by causing the Issuer Trust to pay such amounts to the Holders. The Guarantor shall give prompt written notice to the Guarantee Trustee in the event it makes any direct payment hereunder.

Section 5.2. Waiver of Notice and Demand.

The Guarantor hereby waives notice of acceptance of the Guarantee Agreement and of any liability to which it applies or may apply, presentment, demand for payment, any right to require a proceeding first against the Guarantee Trustee, the Issuer Trust or any other Person before

proceeding against the Guarantor, protest, notice of nonpayment, notice of dishonor, notice of redemption and all other notices and demands.

Section 5.3. Obligations Not Affected.

The obligations, covenants, agreements and duties of the Guarantor under this Guarantee Agreement shall in no way be affected or impaired by reason of the happening from time to time of any of the following:

(a) the release or waiver, by operation of law or otherwise, of the performance or observance by the Issuer Trust of any express or implied agreement, covenant, term or condition relating to the Preferred Securities to be performed or observed by the Issuer Trust;

(b) the extension of time for the payment by the Issuer Trust of all or any portion of the Distributions (other than an extension of time for payment of Distributions that results from the extension of any interest payment period on the Junior Subordinated Debentures as so provided in the Indenture), Redemption Price, Liquidation Distribution or any other sums payable under the terms of the Preferred Securities or the extension of time for the performance of any other obligation under, arising out of, or in connection with, the Preferred Securities;

(c) any failure, omission, delay or lack of diligence on the part of the Holders to enforce, assert or exercise any right, privilege, power or remedy conferred on the Holders pursuant to the terms of the Preferred Securities, or any action on the part of the Issuer Trust granting indulgence or extension of any kind;

(d) the voluntary or involuntary liquidation, dissolution, sale of any collateral, receivership, insolvency, bankruptcy, assignment for the benefit of creditors, reorganization, arrangement, composition or readjustment of debt of, or other similar proceedings affecting, the Issuer Trust or any of the assets of the Issuer Trust;

(e) any invalidity of, or defect or deficiency in, the Preferred Securities;

(f) the settlement or compromise of any obligation guaranteed hereby or hereby incurred; or

(g) any other circumstance whatsoever that might otherwise constitute a legal or equitable discharge or defense of a guarantor (other than payment of the underlying obligation), it being the intent of this Section 5.3 that the obligations of the Guarantor hereunder shall be absolute and unconditional under any and all circumstances.

There shall be no obligation of the Holders to give notice to, or obtain the consent of, the Guarantor with respect to the happening of any of the foregoing.

Section 5.4. Rights of Holders.

The Guarantor expressly acknowledges that: (a) this Guarantee Agreement will be deposited with the Guarantee Trustee to be held for the benefit of the Holders; (b) the Guarantee Trustee has the right to enforce this Guarantee Agreement on behalf of the Holders; (c) the Holders of a Majority in Liquidation Amount of the Preferred Securities have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Guarantee Trustee in respect of this Guarantee Agreement or exercising any trust or power conferred upon the Guarantee Trustee under this Guarantee Agreement; and (d) any Holder may institute a legal proceeding directly against the Guarantor to enforce its rights under this Guarantee Agreement, without first instituting a legal proceeding against the Guarantee Trustee, the Issuer Trust or any other Person.

Section 5.5. Guarantee of Payment.

This Guarantee Agreement creates a guarantee of payment and not of collection. This Guarantee Agreement will not be discharged except by payment of the Guarantee Payments in full (without duplication of amounts theretofore paid by the Issuer Trust) or upon the distribution of Junior Subordinated Debentures to Holders as provided in the Trust Agreement.

Section 5.6. Subrogation.

The Guarantor shall be subrogated to all rights (if any) of the Holders against the Issuer Trust in respect of any amounts paid to the Holders by the Guarantor under this Guarantee Agreement; provided, however, that the Guarantor shall not (except to the extent required by mandatory provisions of law) be entitled to enforce or exercise any rights which it may acquire by way of subrogation or any indemnity, reimbursement or other agreement, in all cases as a result of payment under this Guarantee Agreement, if at the time of any such payment, any amounts are due and unpaid under this Guarantee Agreement. If any amount shall be paid to the Guarantor in violation of the preceding sentence, the Guarantor agrees to hold such amount in trust for the Holders and to pay over such amount to the Holders.

Section 5.7. Independent Obligations.

The Guarantor acknowledges that its obligations hereunder are independent of the obligations of the Issuer Trust with respect to the Preferred Securities and that the Guarantor shall be liable as principal and as debtor hereunder to make Guarantee Payments pursuant to the terms of this Guarantee Agreement notwithstanding the occurrence of any event referred to in subsections (a) through (g), inclusive, of Section 5.3 hereof.

ARTICLE VI

COVENANTS AND SUBORDINATION

Section 6.1. Subordination.

This Guarantee Agreement will constitute an unsecured obligation of the Guarantor and will rank subordinate and junior in right of payment to all Senior Indebtedness of the Guarantor to the extent and in the manner set forth in the Indenture with respect to the Junior Subordinated Debentures, and the provisions of Article XIII of the Indenture will apply, mutatis mutandis, to the obligations of the Guarantor hereunder. The obligations of the Guarantor hereunder do not constitute Senior Indebtedness of the Guarantor.

Section 6.2. Pari Passu Guarantees.

The obligations of the Guarantor under this Guarantee Agreement shall rank pari passu with any similar guarantee agreements issued by the Guarantor on behalf of the holders of preferred or capital securities issued by the Issuer Trust and with any other security, guarantee or other obligation that is expressly stated to rank pari passu with the obligations of the Guarantor under this Guarantee Agreement.

ARTICLE VII

TERMINATION

Section 7.1. Termination.

This Guarantee Agreement shall terminate and be of no further force and effect upon (a) full payment of the Redemption Price of all Preferred Securities, (b) the distribution of Junior Subordinated Debentures to the Holders in exchange for all of the Preferred Securities or (c) full payment of the amounts payable in accordance with Article IX of the Trust Agreement upon liquidation of the Issuer Trust. Notwithstanding the foregoing, this Guarantee Agreement will continue to be effective or will be reinstated, as the case may be, if at any time any Holder is required to repay any sums paid with respect to the Preferred Securities or this Guarantee Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Successors and Assigns.

All guarantees and agreements contained in this Guarantee Agreement shall bind the successors, assigns, receivers, trustees and representatives of the Guarantor and shall inure to the benefit of the Holders of the Preferred Securities then outstanding. Except in connection with a consolidation, merger or sale involving the Guarantor that is permitted under Article VIII of the Indenture and pursuant to which the assignee agrees in writing to perform the Guarantor's obligations hereunder, the Guarantor shall not assign its obligations hereunder, and any purported assignment that is not in accordance with these provisions shall be void.

Section 8.2. Amendments.

Except with respect to any changes that do not materially adversely affect the rights of the Holders (in which case no consent of the Holders will be required), this Guarantee Agreement may only be amended with the prior approval of the Holders of not less than a Majority in Liquidation Amount of the Preferred Securities. The provisions of Article VI of the Trust Agreement concerning meetings of the Holders shall apply to the giving of such approval.

Section 8.3. Notices.

Any notice, request or other communication required or permitted to be given hereunder shall be in writing, duly signed by the party giving such notice, and delivered, telecopied (confirmed by delivery of the original) or mailed by first class mail as follows:

(a) if given to the Guarantor, to the address or telecopy number set forth below or such other address or telecopy number or to the attention of such other Person as the Guarantor may give notice to the Holders:

Northeast Bancorp
232 Center Street
Auburn, Maine 04210
Facsimile No.: (207) 777-6410
Attention: Office of the President

(b) if given to the Issuer Trust, in care of the Guarantee Trustee, at the Issuer Trust's (and the Guarantee Trustee's) address set forth below or such other address or telecopy number or to the attention of such other Person as the Guarantee Trustee on behalf of the Issuer Trust may give notice to the Holders:

NBN Capital Trust
Northeast Bancorp
232 Center Street
Auburn, Maine 04210
Facsimile No.: (207) 777-6410
Attention: Office of the President

with a copy to:

Bankers Trust Company
Four Albany Street 4th Floor
New York, New York 10006
Facsimile No.: (212) 250-6961
Attention: Corporate Trust and Agency
Group; Corporate Market Services

(c) if given to the Guarantee Trustee:

Bankers Trust Company
Four Albany Street 4th Floor
New York, New York 10006
Facsimile No.: (212) 250-6961
Attention: Corporate Trust and Agency
Group Corporate Market Services

(d) if given to any Holder, at the address set forth on the books and records of the Issuer Trust.

All notices hereunder shall be deemed to have been given when received in person, telecopied with receipt confirmed, or mailed by first class mail, postage prepaid, except that if a notice or other document is refused delivery or cannot be delivered because of a changed address of which no notice was given, such notice or other document shall be deemed to have been delivered on the date of such refusal or inability to deliver.

Section 8.4. Benefit.

This Guarantee Agreement is solely for the benefit of the Holders and is not separately transferable from the Preferred Securities.

Section 8.5. Interpretation.

In this Guarantee Agreement, unless the context otherwise requires:

(a) capitalized terms used in this Guarantee Agreement but not defined in the preamble hereto have the respective meanings assigned to them in Section 1.1;

(b) a term defined anywhere in this Guarantee Agreement has the same meaning throughout;

(c) all references to "the Guarantee Agreement" or "this Guarantee Agreement" are to this Guarantee Agreement as modified, supplemented or amended from time to time;

(d) all references in this Guarantee Agreement to Articles and Sections are to Articles and Sections of this Guarantee Agreement unless otherwise specified;

(e) a term defined in the Trust Indenture Act has the same meaning when used in this Guarantee Agreement unless otherwise defined in this Guarantee Agreement or unless the context otherwise requires;

(f) a reference to the singular includes the plural and vice versa; and

(g) the masculine, feminine or neuter genders used herein shall include the masculine, feminine and neuter genders.

Section 8.6. Governing Law.

THIS GUARANTEE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICT OF LAW PRINCIPLES THEREOF.

Section 8.7. Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

THIS GUARANTEE AGREEMENT is executed as of the day and year first above written.

NORTHEAST BANCORP
as Guarantor

By:

James D. Delamater
Its: President and CEO

BANKERS TRUST COMPANY
as Guarantee Trustee and not in its individual capacity

By:

Susan Johnson
Its: Assistant Vice President

EXHIBIT 5.1

CARLTON FIELDS
ATTORNEYS AT LAW

ONE HARBOUR PLACE
777 S. HARBOUR ISLAND BOULEVARD
TAMPA, FLORIDA 33602-5799

MAILING ADDRESS:
P.O. BOX 3239, TAMPA, FL 33601-3239
TEL (813) 223-7000 FAX (813) 229-4133

October 12, 1999

Northeast Bancorp
232 Center Street
Auburn, Maine 04210
Attention: Board of Directors

NBN Capital Trust
c/o Northeast Bancorp
232 Center Street
Auburn, Maine 04210
Attention: Administrators

RE: NBN CAPITAL TRUST
$12,075,000 LIQUIDATION AMOUNT
OF PREFERRED SECURITIES

Ladies and Gentlemen:

We have acted as counsel to Northeast Bancorp, a Maine corporation (the "Company"), in connection with the preparation and filing by the Company and NBN Capital Trust, a Delaware statutory business trust (the "Trust"), of a registration statement on Form S-2 (the "Registration Statement"), with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Act"), with respect to the offer and sale of certain of the Trust's Preferred Securities (liquidation amount $10 per Preferred Security) (the "Preferred Securities") and certain of the Company's Junior Subordinated Debentures (the "Debentures") and the related Guarantee Agreement (the "Guarantee") by and between the Company and the Bankers Trust Company, as trustee (the "Trustee"). In connection therewith, you have requested our opinion as to certain matters referred to below.

In our capacity as such counsel, we have familiarized ourselves with the actions taken by the Company in connection with the registration of the Debentures and the Guarantee. We have examined originals or copies, certified or otherwise identified to our satisfaction, of such records,

agreements, certificates or comparable documents of public officials and others, and such other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed, including, without limitation, (i) the Articles of Incorporation and Bylaws of the Company, (ii) the form of Preferred Securities, (iii) the form of Debenture and Guarantee, (iv) the form of the Junior Subordinated Debenture Indenture (the "Indenture") between the Company and the Trustee, as trustee, (v) the opinion of Lipman & Katz, P.A., Augusta, Maine, relating to certain Maine corporate law matters, and (v) the Registration Statement.

In our examination, we have assumed legal capacity of all natural persons, the genuineness of all signatures on original documents, the authenticity of all documents submitted to us as originals, the conformity to original documents of all copies submitted to us as conformed or photostatic copies, the authenticity of the originals of such latter documents, and the accuracy and completeness of all corporate records made available to us by the Company and the Trust. We also have assumed the authority of such persons signing on behalf of parties thereto other than the Company or the Trust, and the due authorization, execution, and delivery of all documents by the parties thereto other than the Company or the Trust.

Based upon and subject to the foregoing, we are of the opinion that the Guarantee, when executed and delivered as contemplated by the Registration Statement, and the Debentures, when issued and paid for as contemplated by the Registration Statement, subject to (i) the effectiveness of the Registration Statement by order of the Securities and Exchange Commission, (ii) compliance with the terms of the Indenture, and (iii) compliance with applicable state securities laws, the Debentures and the Guarantee will be validly issued and binding obligations of the Company, enforceable in accordance with their terms, except as may be limited by bankruptcy, insolvency, moratorium, reorganization, or similar laws relating to or affecting the enforcement of creditors' rights generally or the rights of creditors of bank holding companies, the accounts of whose subsidiaries are insured by the Federal Deposit Insurance Corporation, or by general equity principles, regardless of whether such obligation is considered in a proceeding in equity or at law.

The opinion set forth above is subject to the exception that we express no opinion as to the present or future value of any Debentures or the Guarantee issued or delivered as described above or in the Registration Statement.

We are attorneys admitted to practice in the State of Florida and, accordingly, our opinion is limited to the laws of the State of Florida, the General Corporation Law of the State of Delaware, and with the federal laws of the United States of America. With respect to the Debentures and the Guarantee, which are stated to be governed by the laws of the State of New York, we have assumed with your consent that such laws are the same as the laws of the State of Florida with respect to the legal, valid, and binding nature of the Debentures and the Guarantee.

This opinion is rendered to you and for your benefit solely in connection with the registration of the Debentures and the execution and delivery of the Guarantee. This opinion may not be relied

upon by you for any other purpose and may not be relied upon by, nor may copies thereof be provided to, any other person, firm, corporation or entity for any purposes whatsoever without our prior written consent. We hereby consent to be named in the Registration Statement and in the Prospectus as the attorneys who passed upon the legality of the Debentures and the Guarantee, and to the filing of a copy of this opinion as an exhibit to the Registration Statement. Unless the prior written consent of our firm is obtained, this opinion is not to be quoted or otherwise referred to in any written report, proxy statement or other registration statement, nor is it to be filed with or furnished to any other governmental agency or other person, except as otherwise required by law.

Very truly yours,

CARLTON, FIELDS, WARD, EMMANUEL,
SMITH & CUTLER, P.A.

By: /s/ Richard A. Denmon

Richard A. Denmon

(LIPMAN & KATZ, P. A. LETTERHEAD)

October 12, 1999

Northeast Bancorp
232 Center Street
Auburn, Maine 04210
Attention: Board of Directors

NBN Capital Trust
c/o Northeast Bancorp
232 Center Street
Auburn, Maine 04210
Attention: Administrators

Carlton Fields Ward Emmanuel Smith & Cutler., P.A.
One Harbour Place
777 South Harbour Island Boulevard
Tampa, Florida 33602

RE: NORTHEAST BANCORP
NBN CAPITAL TRUST
$12,075,000 LIQUIDATION AMOUNT OF TRUST PREFERRED SECURITIES
REGISTRATION STATEMENT ON FORM S-2

Gentlemen:

We have acted as limited special corporate counsel to Northeast Bancorp, a Maine corporation (the "Company"), in connection with the Registration Statement on Form S-2 (the "Registration Statement") of the Company and NBN Capital Trust, a Delaware business trust (the "Trust") to be filed with the United States Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended, with respect to the offer and sale of certain of the Trust's Preferred Securities (liquidation amount $10 per Preferred Security) and certain of the Company's Junior Subordinated Debentures (the "Debentures") and the related Guarantee Agreement (the "Guarantee") by and between the Company and the Bankers Trust Company, as trustee (the "Trustee"). In connection therewith, you have requested our opinion as to certain matters referred to below. The Debentures and the Guarantee are referred to together herein as the "Indenture Obligations".

In connection with this opinion, we have examined the copies of (a) the Junior Subordinated Indenture pursuant to which the Debenture will be issued, (b) the Guarantee, and (c) the Registration Statement, in the substantially the form in which it will be filed with the Commission on October 12, 1999 and the Prospectus which is a part thereof. In addition, we have examined and are familiar with originals or copies, certified or otherwise identified to our satisfaction, of all such corporate records, instruments, and documents of the Company, certificates of public, and other certificates and documents as we have deemed appropriate for rendering our opinions set forth below.

In our examination, we have assumed the genuineness of all signatures, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents to us as certified or photostatic copies and the authenticity of the original of such documents. As to any facts material to the opinions expressed below, with your permission we have relied solely upon, without independent verification or investigation of the accuracy or completeness hereof, statements and representations of the officers and other representatives of the Company.

Based solely on the foregoing, and in reliance thereon, and subject to the limitations, qualifications and exceptions set forth herein, we are of the opinion that:

1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Maine and has the requisite corporate power and authority to own its properties and to conduct its business as described in the Registration Statement.

2. The Company has the full power and authority (corporate and other) to execute, deliver, and perform its obligations under each of the Indenture Obligations. The execution and delivery by the Company of each of the Indenture Obligations and the performance by the Company of its obligations thereunder have been duly authorized by all requisite corporate action on the part of the Company.

3. Neither the execution and delivery of the Indenture Obligations, nor the performance by the Company of its obligations thereunder or contemplated therein, will conflict with, or result in a violation of the Articles of Incorporation or Bylaws of the Company or the Maine General Corporation Law.

The opinions set forth above are subject to the following limitations, qualifications, and exceptions:

A. We express no opinion as to the law of any jurisdiction, except the laws of the State of Maine and, where applicable, the laws of the United States of America to the extent specifically provided above.

B. Without limiting the generality of the foregoing, we express no opinion as to the applicability of any securities laws or regulations except to the extent specifically provided above in this opinion, or bankruptcy or solvency laws or regulations, or environmental law or regulations of the United States of America or any state or other jurisdiction.

This opinion is limited to the laws in effect as of the date hereof and is intended solely for your benefit, and can be relied upon solely by you. This opinion is not to be furnished, quoted, or referenced to anyone else, including any governmental agency, without the prior written consent of this firm. We hereby consent to be named in the Registration Statement and in the Prospectus as the attorneys who passed upon the legality of the Debentures and the Guarantee, and to the filing of a copy of this opinion as an exhibit to the Registration Statement. Unless the prior written consent of our firm is obtained, this opinion is not to be quoted or otherwise referred to in any written report, proxy statement or other registration statement, nor is it to be filed with or furnished to any other governmental agency or other person, except as otherwise required by law.

Very truly yours,

LIPMAN & KATZ, P.A.

By: /s/ Sumner H. Lipman

Sumner H. Lipman

EXHIBIT 5.2

(Letterhead of Richards, Layton & Finger)

October 12, 1999

NBN Capital Trust
c/o Northeast Bancorp
232 Center Street
Auburn, Maine 04210

Re: NBN Capital Trust

Ladies and Gentlemen:

We have acted as special Delaware counsel for Northeast Bancorp, a Maine corporation (the "Company"), and NBN Capital Trust, a Delaware business trust (the "Trust"), in connection with the matters set forth herein. At your request, this opinion is being furnished to you.

For purposes of giving the opinions hereinafter set forth, our examination of documents has been limited to the examination of originals or copies of the following:

(a) The Certificate of Trust of the Trust, dated as of October 4, 1999 (the "Certificate"), as filed in the office of the Secretary of State of the State of Delaware (the "Secretary of State") on October 4, 1999;

(b) The Trust Agreement of the Trust, dated as of October 4, 1999, among the Company, as depositor, and the trustees of the Trust named therein;

(c) The Registration Statement (the "Registration Statement") on Form S-2, including a preliminary prospectus (the "Prospectus"), relating to the __% Preferred Securities of the Trust representing preferred undivided beneficial interests in the assets of the Trust (each, a "Preferred Security" and collectively, the "Preferred Securities"), as proposed to be filed by the Company and the Trust with the Securities and Exchange Commission on or about October 12, 1999;

(d) A form of Amended and Restated Trust Agreement of the Trust, to be entered into among the Company, as depositor, the trustees of the Trust named therein, the

Administrators named therein and the holders, from time to time, of undivided beneficial interests in the assets of the Trust (including Exhibits A, C and D thereto) (the "Trust Agreement"), attached as an exhibit to the Registration Statement; and

(e) A Certificate of Good Standing for the Trust, dated October 12, 1999, obtained from the Secretary of State.

Initially capitalized terms used herein and not otherwise defined are used as defined in the Trust Agreement.

For purposes of this opinion, we have not reviewed any documents other than the documents listed in paragraphs (a) through (e) above. In particular, we have not reviewed any document (other than the documents listed in paragraphs (a) through (e) above) that is referred to in or incorporated by reference into the documents reviewed by us. We have assumed that there exists no provision in any document that we have not reviewed that is inconsistent with the opinions stated herein. We have conducted no independent factual investigation of our own but rather have relied solely upon the foregoing documents, the statements and information set forth therein and the additional matters recited or assumed herein, all of which we have assumed to be true, complete and accurate in all material respects.

With respect to all documents examined by us, we have assumed (i) the authenticity of all documents submitted to us as authentic originals, (ii) the conformity with the originals of all documents submitted to us as copies or forms, and (iii) the genuineness of all signatures.

For purposes of this opinion, we have assumed (i) that the Trust Agreement and the Certificate are in full force and effect and have not been amended, (ii) except to the extent provided in paragraph 1 below, the due creation or due organization or due formation, as the case may be, and valid existence in good standing of each party to the documents examined by us under the laws of the jurisdiction governing its creation, organization or formation, (iii) the legal capacity of natural persons who are parties to the documents examined by us, (iv) that each of the parties to the documents examined by us has the power and authority to execute and deliver, and to perform its obligations under, such documents, (v) the due authorization, execution and delivery by all parties thereto of all documents examined by us, (vi) the receipt by each Person to whom a Preferred Security is to be issued by the Trust (collectively, the "Preferred Security Holders") of a Preferred Securities Certificate for such Preferred Security and the payment for the Preferred Security acquired by it, in accordance with the Trust Agreement and the Registration Statement, and (vii) that the Preferred Securities are issued and sold to the Preferred Security Holders in accordance with the Trust Agreement and the Registration Statement. We have not participated in the preparation of the Registration Statement and assume no responsibility for its contents.

This opinion is limited to the laws of the State of Delaware (excluding the securities laws of the State of Delaware), and we have not considered and express no opinion on the laws of any other jurisdiction, including federal laws and rules and regulations relating thereto. Our opinions are rendered only with respect to Delaware laws and rules, regulations and orders thereunder that are currently in effect.

Based upon the foregoing, and upon our examination of such questions of law and statutes of the State of Delaware as we have considered necessary or appropriate, and subject to the assumptions, qualifications, limitations and exceptions set forth herein, we are of the opinion that:

1. The Trust has been duly created and is validly existing in good standing as a business trust under the Delaware Business Trust Act.

2. The Preferred Securities will represent valid and, subject to the qualifications set forth in paragraph 3 below, fully paid and nonassessable undivided beneficial interests in the assets of the Trust.

3. The Preferred Security Holders, as beneficial owners of the Trust, will be entitled to the same limitation of personal liability extended to stockholders of private corporations for profit organized under the General Corporation Law of the State of Delaware. We note that the Preferred Security Holders may be obligated to make payments as set forth in the Trust Agreement.

We consent to the filing of this opinion with the Securities and Exchange Commission as an exhibit to the Registration Statement. In addition, we hereby consent to the use of our name under the heading "Validity of Securities" in the Prospectus. In giving the foregoing consents, we do not thereby admit that we come within the category of Persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder. Except as stated above, without our prior written consent, this opinion may not be furnished or quoted to, or relied upon by, any other Person for any purpose.

Very truly yours,

/s/ Richards, Layton & Finger, P.A.

Richards, Layton & Finger, P.A.

BJK/MVP

EXHIBIT 8.1

CARLTON FIELDS
ATTORNEYS AT LAW

ONE HARBOUR PLACE
777 S. HARBOUR ISLAND BOULEVARD
TAMPA, FLORIDA 33602-5799

MAILING ADDRESS:
P.O. BOX 3239, TAMPA, FL 33601-3239
TEL (813) 223-7000 FAX (813) 229-4133

October 12, 1999

Northeast Bancorp
232 Center Street
Auburn, Maine 04210

NBN Capital Trust
c/o Northeast Bancorp
232 Center Street
Auburn, Maine 04210

Ladies and Gentlemen:

We have acted as counsel to Northeast Bancorp, a Maine corporation (the "Company"), and to NBN Capital Trust, a Delaware statutory business trust (the "Trust"), in connection with the registration statement of the Company and the Trust on Form S-2 (the "Registration Statement"), of which a prospectus ("Prospectus") is a part, filed by the Company and the Trust with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended (the "Securities Act"). This opinion is furnished pursuant to the requirements of Item 601(b)(8) of Regulation S-K promulgated under the Securities Act.

For the purposes of rendering this opinion, we have reviewed and relied upon the Registration Statement and such other documents and instruments as we deemed necessary for the rendering of this opinion. In our examination of relevant documents, we have assumed the legal capacity of all natural persons, genuineness of all signatures on original documents, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of such copies, and the accuracy and completeness of all corporate records made available to us by the Company and the Trust. We

also have assumed the authority of such persons signing on behalf of the parties thereto other than the Company or the Trust, the due authorization, execution, and delivery of all documents by parties thereto other than the Company or the Trust.

Based solely on (a) the foregoing and (b) our review of such documents and upon such information as the Company has provided to us (which we have not attempted to verify in any respect), and in reliance upon such documents and information, subject to the qualifications hereinafter expressed, we are of the opinion that the statements contained in the Prospectus under the caption "Certain Federal Income Tax Consequences" describing certain federal income tax consequences to holders of the Preferred Securities, as qualified therein, constitute an accurate description in general terms of the indicated United States federal income tax consequences to such holders.

Our opinion is limited to the federal income tax matters described above and does not address any other federal income tax considerations or any state, local, foreign, or other tax considerations. If any of the information on which we have relied is incorrect, or if changes in the relevant facts occur after the date hereof, our opinion could be affected thereby. Moreover, our opinion is based on the Internal Revenue Code of 1986, as amended, applicable Treasury regulations promulgated thereunder, and Internal Revenue Service rulings, procedures, and other pronouncements published by the United States Internal Revenue Service. These authorities are all subject to change, and such change may be made with retroactive effect. We can give no assurance that, after such change, our opinion would not be different. We undertake no responsibility to update or supplement our opinion. This opinion is not binding on the Internal Revenue Service, and there can be no assurance, and none is hereby given, that the Internal Revenue Service will not take a position contrary to one or more of the positions reflected in the foregoing opinion, or that our opinion will be upheld by the courts if challenged by the Internal Revenue Service.

We are attorneys admitted to practice in the State of Florida and, accordingly, we express no opinion with respect to matters governed by the laws of any jurisdiction other than the federal laws of the United States or the internal laws of the State of Florida, and we assume no responsibility as to the applicability of the laws of any other jurisdiction to the subject matter hereof or to the effects of such laws thereon.

This opinion is rendered to you and for your benefit solely in connection with the filing of the Registration Statement. This opinion may not be relied upon by you for any other purpose and may not be relied upon by, nor may copies thereof be provided to, any other person, firm, corporation or entity for any purpose whatsoever without our prior written consent. We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. We also consent to the use of our name in the Prospectus under the caption "Certain Federal Income Tax

Consequences." Unless prior written consent of our firm is obtained, this opinion is not to be quoted or otherwise referred to in any report, proxy statement or other registration statement, nor is it to be filed with or furnished to any other governmental agency or any person, except as otherwise required by law.

Sincerely,

CARLTON, FIELDS, WARD, EMMANUEL,
SMITH & CUTLER, P.A.

By: /s/ Richard A. Denmon

Richard A. Denmon

EXHIBIT 12

	For Year Ended June 30,				
	1999	1998	1997	1996	1995
RATIOS OF EARNINGS TO FIXED CHARGES Including interest on deposits					
1. Income before income taxes	$ 3,843	$ 3,707	$ 2,399	$ 2,031	$ 2,507
2. Interest expense	14,550	12,810	11,291	10,087	8,841
3. Adjusted Earnings	18,393	16,517	13,690	12,118	11,348
4. Ratio of earnings to fixed charges including interest on deposits (line 3/line 2)	128.41%	128.94%	121.25%	120.13%	128.36%
RATIOS OF EARNINGS TO FIXED CHARGES EXCLUDING INTEREST ON DEPOSITS					
1. Interest expense	$14,550	$12,810	$11,291	$10,087	$ 8,841
2. Interest expense - deposits	8,680	7,587	7,103	7,348	6,185
3. Interest expense excluding interest expense - deposits (line 1 - line 2)	5,870	5,223	4,186	2,739	2,656
4. Income before income taxes	3,843	3,707	2,399	2,031	2,507
5. Interest expense excluding interest expense - deposits (line 3)	5,870	5,223	4,188	2,739	2,653
6. Adjusted Earnings	9,713	8,930	6,587	4,770	5,160
7. Ratio of earnings to fixed charges excluding interest on deposits (line 6/line 3)	165.47%	170.97%	157.28%	174.15%	194.50%

Notes

1. Interest expense is the only element of fixed charges as defined in Regulation S-K.
2. Fixed charges represent the only element to be added to pre-tax income to arrive at adjusted earnings as defined in Regulation S-K.

EXHIBIT 23.1

CONSENT OF INDEPENDENT AUDITORS

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated July 30, 1999, in the Registration Statement (Form S-2) and related Prospectus of Northeast Bancorp for the registration of $12,075,000 of preferred securities.

/s/ Baker Newman & Noyes

Portland, Maine
October 7, 1999

Baker Newman & Noyes
Limited Liability Company

EXHIBIT 25.1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM T-1

STATEMENT OF ELIGIBILITY UNDER THE TRUST INDENTURE ACT OF 1939 OF A CORPORATION DESIGNATED TO ACT AS TRUSTEE

CHECK IF AN APPLICATION TO DETERMINE ELIGIBILITY OF A TRUSTEE PURSUANT TO SECTION 305(b)(2)_____

BANKERS TRUST COMPANY
(Exact name of trustee as specified in its charter)

NEW YORK (Jurisdiction of Incorporation or organization if not a U.S. national bank)	13-4941247 (I.R.S. Employer Identification no.)
FOUR ALBANY STREET NEW YORK, NEW YORK (Address of principal executive offices)	10006 (Zip Code)

BANKERS TRUST COMPANY
LEGAL DEPARTMENT
130 LIBERTY STREET, 31ST FLOOR
NEW YORK, NEW YORK 10006
(212) 250-2201
(Name, address and telephone number of agent for service)

NBN CAPITAL TRUST NORTHEAST BANCORP (Exact name of Registrants as specified in its Charter)	(TO BE APPLIED FOR) 65-0624640 (I.R.S. Employer Identification Number)

232 CENTER STREET
AUBURN, MAINE 04210
(207) 777- 6411

(Address, including zip code, and telephone number of Registrants principal executive offices)

___% PREFERRED SECURITIES OF NBN CAPITAL TRUST
(Title of the indenture securities)

ITEM 1. GENERAL INFORMATION.

Furnish the following information as to the trustee.

(a) Name and address of each examining or supervising authority to which it is subject.

NAME	ADDRESS
Federal Reserve Bank (2nd District)	New York, NY
Federal Deposit Insurance Corporation	Washington, D.C.
New York State Banking Department	Albany, NY

(b) Whether it is authorized to exercise corporate trust powers.
Yes.

ITEM 2. AFFILIATIONS WITH OBLIGOR.

If the obligor is an affiliate of the Trustee, describe each such affiliation.

None.

ITEM 3.-15. NOT APPLICABLE

ITEM 16. LIST OF EXHIBITS.

EXHIBIT 1 - Restated Organization Certificate of Bankers Trust Company dated August 6, 1998, Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated September 25, 1998, and Certificate of Amendment of the Organization Certificate of Bankers Trust Company dated December 18, 1998, copies attached.

EXHIBIT 2 - Certificate of Authority to commence business - Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.

EXHIBIT 3 - Authorization of the Trustee to exercise corporate trust powers - Incorporated herein by reference to Exhibit 2 filed with Form T-1 Statement, Registration No. 33-21047.

EXHIBIT 4 - Existing By-Laws of Bankers Trust Company, as amended on June 22, 1999. Copy attached.

EXHIBIT 5 - Not applicable.

EXHIBIT 6 - Consent of Bankers Trust Company required by Section 321(b) of the Act. - Incorporated herein by reference to Exhibit 4 filed with Form T-1 Statement, Registration No. 22-18864.

EXHIBIT 7 - The latest report of condition of Bankers Trust Company dated as of June 30, 1999. Copy attached.

EXHIBIT 8 - Not Applicable.

EXHIBIT 9 - Not Applicable.

SIGNATURE

Pursuant to the requirements of the Trust Indenture Act of 1939, as amended, the trustee, Bankers Trust Company, a corporation organized and existing under the laws of the State of New York, has duly caused this statement of eligibility to be signed on its behalf by the undersigned, thereunto duly authorized, all in The City of New York, and State of New York, on this 6th day of October , 1999

BANKERS TRUST COMPANY

By: /s/ Susan Johnson

Susan Johnson
Assistant Vice President

State of New York,

Banking Department

I, MANUEL KURSKY, Deputy Superintendent of Banks of the State of New York, DO HEREBY APPROVE the annexed Certificate entitled "CERTIFICATE OF AMENDMENT OF THE ORGANIZATION CERTIFICATE OF BANKERS TRUST COMPANY UNDER SECTION 8005 OF THE BANKING Law," dated September 16, 1998, providing for an increase in authorized capital stock from $3,001,666,670 consisting of 200,166,667 shares with a par value of $10 each designated as Common Stock and 1,000 shares with a par value of $1,000,000 each designated as Series Preferred Stock to $3,501,666,670 consisting of 200,166,667 shares with a par value of $10 each designated as Common Stock and 1,500 shares with a par value of $1,000,000 each designated as Series Preferred Stock.

WITNESS, my hand and official seal of the Banking Department at the City of New York,

this 25TH day of SEPTEMBER in the Year of our Lord one thousand nine hundred and NINETY-EIGHT.

Manuel Kursky

Deputy Superintendent of Banks

RESTATED ORGANIZATION CERTIFICATE OF BANKERS TRUST COMPANY

Under Section 8007
Of the Banking Law

Bankers Trust Company
130 Liberty Street
New York, N.Y. 10006

Counterpart Filed in the Office of the Superintendent of Banks, State of New York, August 31, 1998

RESTATED ORGANIZATION CERTIFICATE
OF
BANKERS TRUST
Under Section 8007 of the Banking Law

We, James T. Byrne, Jr. and Lea Lahtinen, being respectively a Managing Director and an Assistant Secretary and a Vice President and an Assistant Secretary of BANKERS TRUST COMPANY, do hereby certify:

1. The name of the corporation is Bankers Trust Company.

2. The organization certificate of the corporation was filed by the Superintendent of Banks of the State of New York on the March 5, 1903.

3. The text of the organization certificate, as amended heretofore, is hereby restated without further amendment or change to read as herein set forth in full, to wit:

"Certificate of Organization
of
Bankers Trust Company

Know All Men By These Presents That we, the undersigned, James A. Blair, James G. Cannon, E. C. Converse, Henry P. Davison, Granville W. Garth, A. Barton Hepburn, Will Logan, Gates W. McGarrah, George W. Perkins, William H. Porter, John F. Thompson, Albert H. Wiggin, Samuel Woolverton and Edward F. C. Young, all being persons of full age and citizens of the United States, and a majority of us being residents of the State of New York, desiring to form a corporation to be known as a Trust Company, do hereby associate ourselves together for that purpose under and pursuant to the laws of the State of New York, and for such purpose we do hereby, under our respective hands and seals, execute and duly acknowledge this Organization Certificate in duplicate, and hereby specifically state as follows, to wit:

I. The name by which the said corporation shall be known is Bankers Trust Company.

II. The place where its business is to be transacted is the City of New York, in the State of New York.

III. Capital Stock: The amount of capital stock which the corporation is hereafter to have is Three Billion One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars ($3,001,666,670), divided into Two Hundred Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (200,166,667) shares with a par value of $10 each designated as Common Stock and 1,000 shares with a par value of One Million Dollars ($1,000,000) each designated as Series Preferred Stock.

(a) Common Stock

1. Dividends: Subject to all of the rights of the Series Preferred Stock, dividends may be declared and paid or set apart for payment upon the Common Stock out of any assets or funds of the corporation legally available for the payment of dividends.

2. Voting Rights: Except as otherwise expressly provided with respect to the Series Preferred Stock or with respect to any series of the Series Preferred Stock, the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, each holder of the Common Stock being entitled to one vote for each share thereof held.

3. Liquidation: Upon any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, and after the holders of the Series Preferred Stock of each series shall have been paid in full the amounts to which they respectively shall be entitled, or a sum sufficient for the payment in full set aside, the remaining net assets of the corporation shall be distributed pro rata to the holders of the Common Stock in accordance with their respective rights and interests, to the exclusion of the holders of the Series Preferred Stock.

4. Preemptive Rights: No holder of Common Stock of the corporation shall be entitled, as such, as a matter of right, to subscribe for or purchase any part of any new or additional issue of stock of any class or series whatsoever, any rights or options to purchase stock of any class or series whatsoever, or any securities convertible into, exchangeable for or carrying rights or options to purchase stock of any class or series whatsoever, whether now or hereafter authorized, and whether issued for cash or other consideration, or by way of dividend or other distribution.

(b) Series Preferred Stock

1. Board Authority: The Series Preferred Stock may be issued from time to time by the Board of Directors as herein provided in one or more series. The designations, relative rights, preferences and limitations of the Series Preferred Stock, and particularly of the shares of each series thereof, may, to the extent permitted by law, be similar to or may differ from those of any other series. The Board of Directors of the corporation is hereby expressly granted authority, subject to the provisions of this Article III, to issue from time to time Series Preferred Stock in one or more series and to fix from time to time before issuance thereof, by filing a certificate pursuant to the Banking Law, the number of shares in each such series of such class and all designations, relative rights (including the right, to the extent permitted by law, to convert into shares of any class or into shares of any series of any class), preferences and limitations of the shares in each such series, including, buy without limiting the generality of the foregoing, the following:

(i) The number of shares to constitute such series (which number may at any time, or from time to time, be increased or decreased by the Board of Directors, notwithstanding that shares of the series may be outstanding at the time of such increase or decrease, unless the Board of Directors shall have otherwise provided in creating such series) and the distinctive designation thereof;

(ii) The dividend rate on the shares of such series, whether or not dividends on the shares of such series shall be cumulative, and the date or dates, if any, from which dividends thereon shall be cumulative;

(iii) Whether or not the share of such series shall be redeemable, and, if redeemable, the date or dates upon or after which they shall be redeemable, the amount

or amounts per share (which shall be, in the case of each share, not less than its preference upon involuntary liquidation, plus an amount equal to all dividends thereon accrued and unpaid, whether or not earned or declared) payable thereon in the case of the redemption thereof, which amount may vary at different redemption dates or otherwise as permitted by law;

(iv) The right, if any, of holders of shares of such series to convert the same into, or exchange the same for, Common Stock or other stock as permitted by law, and the terms and conditions of such conversion or exchange, as well as provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(v) The amount per share payable on the shares of such series upon the voluntary and involuntary liquidation, dissolution or winding up of the corporation;

(vi) Whether the holders of shares of such series shall have voting power, full or limited, in addition to the voting powers provided by law and, in case additional voting powers are accorded, to fix the extent thereof; and

(vii) Generally to fix the other rights and privileges and any qualifications, limitations or restrictions of such rights and privileges of such series, provided, however, that no such rights, privileges, qualifications, limitations or restrictions shall be in conflict with the organization certificate of the corporation or with the resolution or resolutions adopted by the Board of Directors providing for the issue of any series of which there are shares outstanding.

All shares of Series Preferred Stock of the same series shall be identical in all respects, except that shares of any one series issued at different times may differ as to dates, if any, from which dividends thereon may accumulate. All shares of Series Preferred Stock of all series shall be of equal rank and shall be identical in all respects except that to the extent not otherwise limited in this Article III any series may differ from any other series with respect to any one or more of the designations, relative rights, preferences and limitations described or referred to in subparagraphs (I) to (vii) inclusive above.

2. Dividends: Dividends on the outstanding Series Preferred Stock of each series shall be declared and paid or set apart for payment before any dividends shall be declared and paid or set apart for payment on the Common Stock with respect to the same quarterly dividend period. Dividends on any shares of Series Preferred Stock shall be cumulative only if and to the extent set forth in a certificate filed pursuant to law. After dividends on all shares of Series Preferred Stock (including cumulative dividends if and to the extend any such shares shall be entitled thereto) shall have been declared and paid or set apart for payment with respect to any quarterly dividend period, then and not otherwise so long as any shares of Series Preferred Stock shall remain outstanding, dividends may be declared and paid or set apart for payment with respect to the same quarterly dividend period on the Common Stock out the assets or funds of the corporation legally available therefor.

All Shares of Series Preferred Stock of all series shall be of equal rank, preference and priority as to dividends irrespective of whether or not the rates of dividends to which the same shall be entitled shall be the same and when the stated dividends are not paid in full, the shares of all series of the Series Preferred Stock shall share ratably in the payment thereof in accordance with the sums which would by payable on such shares if all dividends were paid in full, provided, however, that nay two or more series of the Series Preferred Stock may differ from each other as to the existence and extent of the right to cumulative dividends, as aforesaid.

3. Voting Rights: Except as otherwise specifically provided in the certificate filed pursuant to law with respect to any series of the Series Preferred Stock, or as otherwise provided by law, the Series Preferred Stock shall not have any right to vote for the election of directors or for any other purpose and the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes.

4. Liquidation: In the event of any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, each series of Series Preferred Stock shall have preference and priority over the Common Stock for payment of the amount to which each outstanding series of Series Preferred Stock shall be entitled in accordance with the provisions thereof and each holder of Series Preferred Stock shall be entitled to be paid in full such amount, or have a sum sufficient for the payment in full set aside, before any payments shall be made to the holders of the Common Stock. If, upon liquidation, dissolution or winding up of the corporation, the assets of the corporation or proceeds thereof, distributable among the holders of the shares of all series of the Series Preferred Stock shall be insufficient to pay in full the preferential amount aforesaid, then such assets, or the proceeds thereof, shall be distributed among such holders ratably in accordance with the respective amounts which would be payable if all amounts payable thereon were paid in full. After the payment to the holders of Series Preferred Stock of all such amounts to which they are entitled, as above provided, the remaining assets and funds of the corporation shall be divided and paid to the holders of the Common Stock.

5. Redemption: In the event that the Series Preferred Stock of any series shall be made redeemable as provided in clause (iii) of paragraph 1 of section (b) of this Article III, the corporation, at the option of the Board of Directors, may redeem at any time or times, and from time to time, all or any part of any one or more series of Series Preferred Stock outstanding by paying for each share the then applicable redemption price fixed by the Board of Directors as provided herein, plus an amount equal to accrued and unpaid dividends to the date fixed for redemption, upon such notice and terms as may be specifically provided in the certificate filed pursuant to law with respect to the series.

6. Preemptive Rights: No holder of Series Preferred Stock of the corporation shall be entitled, as such, as a matter or right, to subscribe for or purchase any part of any new or additional issue of stock of any class or series whatsoever, any rights or options to purchase stock of any class or series whatsoever, or any securities convertible into, exchangeable for or carrying rights or options to purchase stock of any class or series whatsoever, whether now or hereafter authorized, and whether issued for cash or other consideration, or by way of dividend.

(c) Provisions relating to Floating Rate Non-Cumulative Preferred Stock, Series A. (Liquidation value $1,000,000 per share.)

1. Designation: The distinctive designation of the series established hereby shall be "Floating Rate Non-Cumulative Preferred Stock, Series A" (hereinafter called "Series A Preferred Stock").

2. Number: The number of shares of Series A Preferred Stock shall initially be 250 shares. Shares of Series A Preferred Stock redeemed, purchased or otherwise acquired by the corporation shall be cancelled and shall revert to authorized but unissued Series Preferred Stock undesignated as to series.

3. Dividends:

(a) Dividend Payments Dates. Holders of the Series A Preferred Stock shall be entitled to receive non-cumulative cash dividends when, as and if declared by the Board of Directors of the corporation, out of funds legally available therefor, from the date of original

issuance of such shares (the "Issue Date") and such dividends will be payable on March 28, June 28, September 28 and December 28 of each year (:Dividend Payment Date") commencing September 28, 1990, at a rate per annum as determined in paragraph 3(b) below. The period beginning on the Issue Date and ending on the day preceding the firs Dividend Payment Date and each successive period beginning on a Dividend Payment Date and ending on the date preceding the next succeeding Dividend Payment Date is herein called a "Dividend Period". If any Dividend payment Date shall be, in The City of New York, a Sunday or a legal holiday or a day on which banking institutions are authorized by law to close, then payment will be postponed to the next succeeding business day with the same force and effect as if made on the Dividend Payment Date, and no interest shall accrue for such Dividend Period after such Dividend Payment Date.

(b) Dividend Rate. The dividend rare from time to time payable in respect of Series A Preferred Stock (the "Dividend Rate") shall be determined on the basis of the following provisions:

(i) On the Dividend Determination Date, LIBOR will be determined on the basis of the offered rates for deposits in U.S. dollars having a maturity of three months commencing on the second London Business Day immediately following such Dividend Determination Date, as such rates appear on the Reuters Screen LIBO Page as of 11:00 A.M. London time, on such Dividend Determination Date. If at least two such offered rates appear on the Reuters Screen LIBO Page, LIBOR in respect of such Dividend Determination Dates will be the arithmetic mean (rounded to the nearest one-hundredth of a percent, with five one-thousandths of a percent rounded upwards) of such offered rates. If fewer than those offered rates appear, LIBOR in respect of such Dividend Determination Date will be determined as described in paragraph (ii) below.

(ii) On any Dividend Determination Date on which fewer than those offered rates for the applicable maturity appear on the Reuters Screen LIBO Page as specified in paragraph (I) above, LIBOR will be determined on the basis of the rates at which deposits in U.S. dollars having a maturity of three months commending on the second London Business Day immediately following such Dividend Determination Date and in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market at such time are offered by three major banks in the London interbank market selected by the corporation at approximately 11:00 A.M., London time, on such Dividend Determination Date to prime banks in the London market. The corporation will request the principal London office of each of such banks to provide a quotation of its rate. If at least two such quotations are provided, LIBOR in respect of such Dividend Determination Date will be the arithmetic mean (rounded to the nearest one-hundredth of a percent, with five one-thousandths of a percent rounded upwards) of such quotations. If fewer than two quotations are provided, LIBOR in respect of such Dividend Determination Date will be the arithmetic mean (rounded to the nearest one-hundredth of a percent, with five one-thousandths of a percent rounded upwards) of the rates quoted by three major banks in New York City selected by the corporation at approximately 11:00 A.M., New York City time, on such Dividend Determination Date for loans in U.S. dollars to leading European banks having a maturity of three months commencing on the second London Business Day immediately following such Dividend Determination Date and in a principal amount of not less than $1,000,000 that is representative of a single transaction in such market at such time; provided, however, that if the banks selected as aforesaid by the corporation are not quoting as aforementioned in this sentence, then, with respect to such Dividend Period, LIBOR for the preceding Dividend Period will be continued as LIBOR for such Dividend Period.

(ii) The Dividend Rate for any Dividend Period shall be equal to the lower of 18% of 50 basis points above LIBOR for such Dividend Period as LIBOR is determined by sections (I) or (ii) above.

As used above, the term "Dividend Determination Date" shall mean, with resect to any Dividend Period, the second London Business Day prior to the commencement of such Dividend Period; and the term "London Business Day" shall mean any day that is not a Saturday or Sunday and that, in New York City, is not a day on which banking institutions generally are authorized or required by law or executive order to close and that is a day on which dealings in deposits in U.S. dollars are transacted in the London interbank market.

4. Voting Rights: The holders of the Series A Preferred Stock shall have the voting power and rights set forth in this paragraph 4 and shall have no other voting power or rights except as otherwise may from time to time be required by law.

So long as any shares of Series A Preferred Stock remain outstanding, the corporation shall not, without the affirmative vote or consent of the holders of at least a majority of the votes of the Series Preferred Stock entitled to vote outstanding at the time, given in person or by proxy, either in writing or by resolution adopted at a meeting at which the holders of Series A Preferred Stock (alone or together with the holders of one or more other series of Series Preferred Stock at the time outstanding and entitled to vote) vote separately as a class, alter the provisions of the Series Preferred Stock so as to materially adversely affect its rights; provided, however, that in the event any such materially adverse alteration affects the rights of only the Series A Preferred Stock, then the alteration may be effected with the vote or consent of at least a majority of the votes of the Series A Preferred Stock; provided, further, that an increase in the amount of the authorized Series Preferred Stock and/or the creation and/or issuance of other series of Series Preferred Stock in accordance with the organization certificate shall not be, nor be deemed to be, materially adverse alterations. In connection with the exercise of the voting rights contained in the preceding sentence, holders of all series of Series Preferred Stock which are granted such voting rights (of which the Series A Preferred Stock is the initial series) shall vote as a class (except as specifically provided otherwise) and each holder of Series A Preferred Stock shall have one vote for each share of stock held and each other series shall have such number of votes, if any, for each share of stock held as may be granted to them.

The foregoing voting provisions will not apply if, in connection with the matters specified, provision is made for the redemption or retirement of all outstanding Series A Preferred Stock.

5. Liquidation: Subject to the provisions of section (b) of this Article III, upon any liquidation, dissolution or winding up of the corporation, whether voluntary or involuntary, the holders of the Series A Preferred Stock shall have preference and priority over the Common Stock for payment out of the assets of the corporation or proceeds thereof, whether from capital or surplus, of $1,000,000 per share (the "liquidation value") together with the amount of all dividends accrued and unpaid thereon, and after such payment the holders of Series A Preferred Stock shall be entitled to no other payments.

6. Redemption: Subject to the provisions of section (b) of this Article III, Series A Preferred Stock may be redeemed, at the option of the corporation in whole or part, at any time or from time to time at a redemption price of $1,000,000 per share, in each case plus accrued and unpaid dividends to the date of redemption.

At the option of the corporation, shares of Series A Preferred Stock redeemed or otherwise acquired may be restored to the status of authorized but unissued shares of Series Preferred Stock.

In the case of any redemption, the corporation shall give notice of such redemption to the holders of the Series A Preferred Stock to be redeemed in the following manner: a notice specifying the shares to be redeemed and the time and place or redemption (and, if less than the

total outstanding shares are to be redeemed, specifying the certificate numbers and number of shares to be redeemed) shall be mailed by first class mail, addressed to the holders of record of the Series A Preferred Stock to be redeemed at their respective addressees as the same shall appear upon the books of the corporation, not more than sixty (60) days and not less than thirty (30) days previous to the date fixed for redemption. In the event such notice is not given to any shareholder such failure to give notice shall not affect the notice given to other shareholders. If less than the whole amount of outstanding Series A Preferred Stock is to be redeemed, the shares to be redeemed shall be selected by lot or pro rata in any manner determined by resolution of the Board of Directors to b fair and proper. From and after the date fixed in any such notice as the date of redemption (unless default shall be made by the corporation in providing moneys at the time and place of redemption for the payment of the redemption price) all dividends upon the Series A Preferred Stock so called for redemption shall cease to accrue, and all rights of the holders of said Series A Preferred Stock as stockholders in the corporation, except the right to receive the redemption price (without interest) upon surrender of the certificate representing the Series A Preferred Stock so called for redemption, duly endorsed for transfer, if required, shall cease and terminate. The corporation's obligation to provide moneys in accordance with the preceding sentence shall be deemed fulfilled if, on or before the redemption date, the corporation shall deposit with a bank or trust company (which may e an affiliate of the corporation) having an office in the Borough of Manhattan, City of New York, having a capital and surplus of at least $5,000,000 funds necessary for such redemption, in trust with irrevocable instructions that such funds be applied to the redemption of the shares of Series A Preferred Stock so called for redemption. Any interest accrued on such funds shall be paid to the corporation from time to time. Any funds so deposited and unclaimed at the end of two (2) years from such redemption date shall be released or repaid to the corporation, after which the holders of such shares of Series A Preferred Stock so called for redemption shall look only to the corporation for payment of the redemption price.

IV. The name, residence and post office address of each member of the corporation are as follows:

Name	RESIDENCE	POST OFFICE ADDRESS
James A. Blair	9 West 50th Street, Manhattan, New York City	33 Wall Street, Manhattan, New York City
James G. Cannon	72 East 54th Street, Manhattan New York City	14 Nassau Street, Manhattan, New York City
E. C. Converse	3 East 78th Street, Manhattan, New York City	139 Broadway, Manhattan, New York City
Henry P. Davison	Englewood, New Jersey	2 Wall Street, Manhattan, New York City
Granville W. Garth	160 West 57th Street, Manhattan, New York City	33 Wall Street Manhattan, New York City
A. Barton Hepburn	205 West 57th Street Manhattan, New York City	83 Cedar Street Manhattan, New York City
William Logan	Montclair, New Jersey	13 Nassau Street Manhattan, New York City
George W. Perkins	Riverdale,	23 Wall Street,

	New York	Manhattan, New York City
William H. Porter	56 East 67th Street Manhattan, New York City	270 Broadway, Manhattan, New York City
John F. Thompson	Newark, New Jersey	143 Liberty Street, Manhattan, New York City
Albert H. Wiggin	42 West 49th Street, Manhattan, New York City	214 Broadway, Manhattan, New York City
Samuel Woolverton	Mount Vernon, New York	34 Wall Street, Manhattan, New York City
Edward F.C. Young	85 Glenwood Avenue, Jersey City, New Jersey	1 Exchange Place, Jersey City, New Jersey

V. The existence of the corporation shall be perpetual.

VI. The subscribers, the members of the said corporation, do, and each for himself does, hereby declare that he will accept the responsibilities and faithfully discharge the duties of a director therein, if elected to act as such, when authorized accordance with the provisions of the Banking Law of the State of New York.

VII. The number of directors of the corporation shall not be less that 10 nor more than 25."

4. The foregoing restatement of the organization certificate was authorized by the Board of Directors of the corporation at a meeting held on July 21, 1998.

IN WITNESS WHEREOF, we have made and subscribed this certificate this 6th day of August, 1998.

IN WITNESS WHEREOF, we have made and subscribed this certificate this 6th day of August, 1998.

James T. Byrne, Jr.

James T. Byrne, Jr.
Managing Director and Secretary

Lea Lahtinen

Lea Lahtinen
Vice President and Assistant Secretary

Lea Lahtinen

Lea Lahtinen

State of New York)
) ss:
County of New York)

Lea Lahtinen, being duly sworn, deposes and says that she is a Vice President and an Assistant Secretary of Bankers Trust Company, the corporation described in the foregoing certificate; that she has read the foregoing certificate and knows the contents thereof, and that the statements herein contained are true.

Lea Lahtinen

Lea Lahtinen

Sworn to before me this
6th day of August, 1998.

Sandra L. West
Notary Public

SANDRA L. WEST
Notary Public State of New York
No. 31-4942101
Qualified in New York County
Commission Expires September 19, 1998

State of New York,

Banking Department

I, MANUEL KURSKY, Deputy Superintendent of Banks of the State of New York, DO HEREBY APPROVE the annexed Certificate entitled "RESTATED ORGANIZATION CERTIFICATE OF BANKERS TRUST COMPANY UNDER SECTION 8007 OF THE BANKING LAW," dated August 6, 1998, providing for the restatement of the Organization Certificate and all amendments into a single certificate.

WITNESS, my hand and official seal of the Banking Department at the City of New York,

this 31ST day of AUGUST in the Year of our Lord one thousand nine hundred and NINETY-EIGHT.

Manuel Kursky

DEPUTY Superintendent of Banks

CERTIFICATE OF AMENDMENT

OF THE

ORGANIZATION CERTIFICATE

OF BANKERS TRUST

Under Section 8005 of the Banking Law

We, James T. Byrne, Jr. and Lea Lahtinen, being respectively a Managing Director and Secretary and a Vice President and an Assistant Secretary of Bankers Trust Company, do hereby certify:

1. The name of the corporation is Bankers Trust Company.

2. The organization certificate of said corporation was filed by the Superintendent of Banks on the 5th of March, 1903.

3. The organization certificate as heretofore amended is hereby amended to increase the aggregate number of shares which the corporation shall have authority to issue and to increase the amount of its authorized capital stock in conformity therewith.

4. Article III of the organization certificate with reference to the authorized capital stock, the number of shares into which the capital stock shall be divided, the par value of the shares and the capital stock outstanding, which reads as follows:

> "III. The amount of capital stock which the corporation is hereafter to have is Three Billion, One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars ($3,001,666,670), divided into Two Hundred Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (200,166,667) shares with a par value of $10 each designated as Common Stock and 1000 shares with a par value of One Million Dollars ($1,000,000) each designated as Series Preferred Stock."

is hereby amended to read as follows:

> "III. The amount of capital stock which the corporation is hereafter to have is Three Billion, Five Hundred One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars ($3,501,666,670), divided into Two Hundred Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (200,166,667) shares with a par value of $10 each designated as Common Stock and 1500 shares with a par value of One Million Dollars ($1,000,000) each designated as Series Preferred Stock."

5. The foregoing amendment of the organization certificate was authorized by unanimous written consent signed by the holder of all outstanding shares entitled to vote thereon.

IN WITNESS WHEREOF, we have made and subscribed this certificate this 25th day of September, 1998

James T. Byrne, Jr.

James T. Byrne, Jr.
Managing Director and Secretary

Lea Lahtinen

Lea Lahtinen
Vice President and Assistant Secretary

State of New York)
) ss:
County of New York)

Lea Lahtinen, being fully sworn, deposes and says that she is a Vice President and an Assistant Secretary of Bankers Trust Company, the corporation described in the foregoing certificate; that she has read the foregoing certificate and knows the contents thereof, and that the statements herein contained are true.

Lea Lahtinen

Lea Lahtinen

Sworn to before me this 25th day of September, 1998

Sandra L. West

Notary Public

SANDRA L. WEST
Notary Public State of New York
No. 31-4942101
Qualified in New York County
Commission Expires September 19, 2000

State of New York,

Banking Department

I, P. VINCENT CONLON, Deputy Superintendent of Banks of the State of New York, DO HEREBY APPROVE the annexed Certificate entitled "CERTIFICATE OF AMENDMENT OF THE ORGANIZATION CERTIFICATE OF BANKERS TRUST COMPANY UNDER SECTION 8005 OF THE BANKING Law," dated December 16, 1998, providing for an increase in authorized capital stock from $3,501,666,670 consisting of 200,166,667 shares with a par value of $10 each designated as Common Stock and 1,500 shares with a par value of $1,000,000 each designated as Series Preferred Stock to $3,627,308,670 consisting of 212,730,867 shares with a par value of $10 each designated as Common Stock and 1,500 shares with a par value of $1,000,000 each designated as Series Preferred Stock.

WITNESS, my hand and official seal of the Banking Department at the City of New York,

this 18TH day of DECEMBER in the Year of our Lord one thousand nine hundred and NINETY-EIGHT.

P. Vincent Conlon

Deputy Superintendent of Banks

CERTIFICATE OF AMENDMENT

OF THE

ORGANIZATION CERTIFICATE

OF BANKERS TRUST

Under Section 8005 of the Banking Law

We, James T. Byrne, Jr. and Lea Lahtinen, being respectively a Managing Director and Secretary and a Vice President and an Assistant Secretary of Bankers Trust Company, do hereby certify:

1. The name of the corporation is Bankers Trust Company.

2. The organization certificate of said corporation was filed by the Superintendent of Banks on the 5th of March, 1903.

3. The organization certificate as heretofore amended is hereby amended to increase the aggregate number of shares which the corporation shall have authority to issue and to increase the amount of its authorized capital stock in conformity therewith.

4. Article III of the organization certificate with reference to the authorized capital stock, the number of shares into which the capital stock shall be divided, the par value of the shares and the capital stock outstanding, which reads as follows:

> "III. The amount of capital stock which the corporation is hereafter to have is Three Billion, Five Hundred One Million, Six Hundred Sixty-Six Thousand, Six Hundred Seventy Dollars ($3,501,666,670), divided into Two Hundred Million, One Hundred Sixty-Six Thousand, Six Hundred Sixty-Seven (200,166,667) shares with a par value of $10 each designated as Common Stock and 1500 shares with a par value of One Million Dollars ($1,000,000) each designated as Series Preferred Stock."

is hereby amended to read as follows:

> "III. The amount of capital stock which the corporation is hereafter to have is Three Billion, Six Hundred Twenty-Seven Million, Three Hundred Eight Thousand, Six Hundred Seventy Dollars ($3,627,308,670), divided into Two Hundred Twelve Million, Seven Hundred Thirty Thousand, Eight Hundred Sixty- Seven (212,730,867) shares with a par value of $10 each designated as Common Stock and 1500 shares with a par value of One Million Dollars ($1,000,000) each designated as Series Preferred Stock."

5. The foregoing amendment of the organization certificate was authorized by unanimous written consent signed by the holder of all outstanding shares entitled to vote thereon.

IN WITNESS WHEREOF, we have made and subscribed this certificate this 16th day of December, 1998

James T. Byrne, Jr.

James T. Byrne, Jr.
Managing Director and Secretary

Lea Lahtinen

Lea Lahtinen
Vice President and Assistant Secretary

State of New York)
) ss:
County of New York)

Lea Lahtinen, being fully sworn, deposes and says that she is a Vice President and an Assistant Secretary of Bankers Trust Company, the corporation described in the foregoing certificate; that she has read the foregoing certificate and knows the contents thereof, and that the statements herein contained are true.

Lea Lahtinen

Lea Lahtinen

Sworn to before me this 16th day of December, 1998

Sandra L. West

Notary Public

SANDRA L. WEST
Notary Public State of New York
No. 31-4942101
Qualified in New York County
Commission Expires September 19, 2000

BY-LAWS

JUNE 22, 1999

BANKERS TRUST CORPORATION
(INCORPORATED UNDER THE NEW YORK BUSINESS CORPORATION LAW)

BANKERS TRUST CORPORATION

BY-LAWS

ARTICLE I

SHAREHOLDERS

SECTION 1.01 Annual Meetings. The annual meetings of shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held on the third Tuesday in April of each year, if not a legal holiday, and if a legal holiday then on the next succeeding business day, at such hour as shall be designated by the Board of Directors. If no other hour shall be so designated such meeting shall be held at 3 P.M.

SECTION 1.02 Special Meetings. Special meetings of the shareholders, except those regulated otherwise by statute, may be called at any time by the Board of Directors, or by any person or committee expressly so authorized by the Board of Directors and by no other person or persons.

SECTION 1.03 Place of Meetings. Meetings of shareholders shall be held at such place within or without the State of New York as shall be determined from time to time by the Board of Directors or, in the case of special meetings, by such person or persons as may be authorized to call a meeting. The place in which each meeting is to be held shall be specified in the notice of such meeting.

SECTION 1.04 Notice of Meetings. A copy of the written notice of the place, date and hour of each meeting of shareholders shall be given personally or by mail, not less than ten nor more than fifty days before the date of the meeting, to each shareholder entitled to vote at such meeting. Notice of a special meeting shall indicate that it is being issued by or at the direction of the person or persons calling the meeting and shall also state the purpose or purposes for which the meeting is called. Notice of any meeting at which is proposed to take action which would entitle shareholders to receive payment for their shares pursuant to statutory provisions must include a statement of that purpose and to that effect. If mailed, such notices of the annual and each special meeting are given when deposited in the United States mail, postage prepaid, directed to the shareholder at his address as it appears in the record of shareholders unless he shall have filed with the Secretary of the corporation a written request that notices intended for him shall be mailed to some other address, in which case it shall be directed to him at such other address.

SECTION 1.05 Record Date. For the purpose of determining the shareholders entitled to notice of or to vote any meeting of shareholders or any adjournment thereof, or to express consent to or dissent from any proposal without a meeting, or for the purpose of determining shareholders entitled to receive payment of any dividend or the allotment of any rights, or for the purpose of any other action, the Board of Directors may fix, in advance, a date as the record date for any such

determination of shareholders. Such date shall not be more than fifty nor less than ten days before the date of such meeting, nor more than fifty days prior to any other action.

SECTION 1.06 Quorum. The presence, in person or by proxy, of the holders of a majority of the shares entitled to vote thereat shall constitute a quorum at a meeting of shareholders for the transaction of business, except as otherwise provided by statute, by the Certificate of Incorporation or by the By-Laws. The shareholders present in person or by proxy and entitled to vote at any meeting, despite the absence of a quorum, shall have power to adjourn the meeting from time to time, to a designated time and place, without notice other than by announcement at the meeting, and at any adjourned meeting any business may be transacted that might have been transacted on the original date of the meeting. However, if after the adjournment the Board of Directors fixes a new record date for the adjourned meeting, a notice of the adjourned meeting shall be given to each shareholder of record on the new record date entitled to notice.

SECTION 1.07 Notice of Shareholder Business at Annual Meeting. At an annual meeting of shareholders, only such business shall be conducted as shall have been brought before the meeting (a) by or at the direction of the Board of Directors or (b) by any shareholder of the corporation who complies with the notice procedures set forth in this Section 1.07. For business to be properly brought before an annual meeting by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the corporation. To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than thirty days nor more than fifty days prior to the meeting; provided, however, that in the event that less than forty days' notice or prior public disclosure of the date of the meeting is given or made to shareholders, notice by the shareholder to be timely must be received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A shareholder's notice to the Secretary shall set forth as to each matter the shareholder proposes to bring before the annual meeting (a) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (b) the name and address, as they appear on the corporation's books, of the shareholder proposing such business, (c) the class and number of shares of the corporation which are beneficially owned by the shareholder and (d) any material interest of the shareholder in such business. Notwithstanding anything in these By-Laws to the contrary, no business shall be conducted at an annual meeting except in accordance with the procedures set forth in this Section 1.07 and Section 2.03. The Chairman of an annual meeting shall, if the facts warrant, determine and declare to the meeting that business was not properly brought before the meeting and in accordance with the provisions of this Section 1.07 and Section 2.03, and if he should so determine, he shall so declare to the meeting and any such business not properly brought before the meeting shall not be transacted.

ARTICLE II

BOARD OF DIRECTORS

SECTION 2.01 Number and Qualifications. The business of the corporation shall be managed by its Board of Directors. The number of directors constituting the entire Board of Directors shall be not less than seven nor more than fifteen, as shall be fixed from time to time by vote of a majority of the entire Board of Directors. Each director shall be at least 21 years of age. Directors need not be shareholders. No Officer-Director who shall have attained age 65, or earlier relinquishes his responsibilities and title, shall be eligible to serve as a director.

SECTION 2.02 Election. At each annual meeting of shareholders, directors shall be elected by a plurality of the votes to hold office until the next annual meeting. Subject to the provisions of the statute, of the Certificate of Incorporation and of the By-Laws, each director shall hold office until the expiration of the term for which elected, and until his successor has been elected and qualified.

SECTION 2.03 Nomination and Notification of Nomination. Subject to the rights of holders of any class or series of stock having a preference over the Common Stock as to dividends or upon liquidation, nominations for the election of directors may be made by the Board of Directors or to any committee appointed by the Board of Directors or by any shareholder entitled to vote in the election of directors generally. However, any shareholder entitled to vote in the election of directors generally may nominate one or more persons for election as directors at a meeting only if written notice of such shareholder's intent to make such nomination or nominations has been given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the corporation not later than (i) with respect to an election to be held at an annual meeting of shareholders ninety days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of directors, the close of business on the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the shareholder is a holder of record of stock of the corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understandings between the shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the shareholder; (d) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, had the nominee been nominated, or intended to be nominated, by the Board of Directors; and (e) the consent of each nominee to serve as a director of the corporation if so elected. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a director shall furnish to the Secretary of the corporation that information required to be set forth in a shareholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a director of the corporation unless nominated in accordance with the procedures set forth in the By-Laws. The Chairman of the meeting shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by these By-Laws, and if he should so determine, he shall so declare to the meeting and the defective nomination shall be disregarded.

SECTION 2.04 Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such places and times as may be fixed from time to time by resolution of the Board and a regular meeting for the purpose of organization and transaction of other business shall be held each year after the adjournment of the annual meeting of shareholders.

SECTION 2.05 Special Meetings. The Chairman of the Board, the Chief Executive Officer, the President, the Senior Vice Chairman or any Vice Chairman may, and at the request of three directors shall, call a special meeting of the Board of Directors, two days' notice of which shall be given in person or by mail, telegraph, radio, telephone or cable. Notice of a special meeting need not be given to any director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to him.

SECTION 2.06 Place of Meeting. The directors may hold their meetings, have one or more offices, and keep the books of the corporation (except as may be provided by law) at any place, either within or without the State of New York, as they may from time to time determine.

SECTION 2.07 Quorum and Vote. At all meetings of the Board of Directors the presence of one-third of the entire Board, but not less than two directors, shall constitute a quorum for the transaction of business. Any one or more members of the Board of Directors or of any committee thereof may participate in a meeting of the Board of Directors or a committee thereof by means of a conference telephone or similar communications equipment which allows all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at such a meeting. The vote of a majority of the directors present at the time of the vote, if a quorum is present at such time, shall be the act of the Board of Directors, except as may be otherwise provided by statute or the By-Laws.

SECTION 2.08 Vacancies. Newly created directorships resulting from increase in the number of directors and vacancies in the Board of Directors, whether caused by resignation, death, removal or otherwise, may be filled by vote of a majority of the directors then in office, although less than a quorum exists.

ARTICLE III

EXECUTIVE AND OTHER COMMITTEES

SECTION 3.01 Designation and Authority. The Board of Directors, by resolution adopted by a majority of the entire Board, may designate from among its members an Executive Committee and other committees, each consisting of three or more directors. Each such committee, to the extent provided in the resolution or the By-Laws, shall have all the authority of the Board, except that no such committee shall have authority as to:

(i) the submission to shareholders of any action as to which shareholders' authorization is required by law.

(ii) the filling of vacancies in the Board of Directors or any committee.

(iii) the fixing of compensation of directors for serving on the Board or on any committee.

(iv) the amendment or appeal of the By-Laws, or the adoption of new By-Laws.

(v) the amendment or repeal of any resolution of the Board which by its terms shall not be so amendable or repealable.

The Board may designate one or more directors as alternate members of any such committee, who may replace any absent member or members at any meeting of such committee. Each such committee shall serve at the pleasure of the Board of Directors.

SECTION 3.02 Procedure. Except as may be otherwise provided by statute, by the By-Laws or by resolution of the Board of Directors, each committee may make rules for the call and conduct of its meetings. Each committee shall keep a record of its acts and proceedings and shall report the same from time to time to the Board of Directors.

ARTICLE IV

OFFICERS

SECTION 4.01 Titles and General. The Board of Directors shall elect from among their number a Chairman of the Board and a Chief Executive Officer, and may also elect a President, a Senior Vice Chairman, one or more Vice Chairmen, one or more Executive Vice Presidents, one or more Senior Vice Presidents, one or more Principals, one or more Vice Presidents, a Secretary, a Controller, a Treasurer, a General Counsel, a General Auditor, and a General Credit Auditor, who need not be directors. The officers of the corporation may also include such other officers or assistant officers as shall from time to time be elected or appointed by the Board. The Chairman of the Board or the Chief Executive Officer or, in their absence, the President, the Senior Vice Chairman or any Vice Chairman, may from time to time appoint assistant officers. All officers elected or appointed by the Board of Directors shall hold their respective offices during the pleasure of the Board of Directors, and all assistant officers shall hold office at the pleasure of the Board or the Chairman of the Board or the Chief Executive Officer or, in their absence, the President, the Senior Vice Chairman or any Vice Chairman. The Board of Directors may require any and all officers and employees to give security for the faithful performance of their duties.

SECTION 4.02 Chairman of the Board. The Chairman of the Board shall preside at all meetings of the shareholders and of the Board of Directors. Subject to the Board of Directors, he shall exercise all the powers and perform all the duties usual to such office and shall have such other powers as may be prescribed by the Board of Directors or the Executive Committee or vested in him by the By-Laws.

SECTION 4.03 Chief Executive Officer. The Board of Directors shall designate the Chief Executive Officer of the corporation, which person may also hold the additional title of Chairman of the Board, President, Senior Vice Chairman or Vice Chairman. Subject to the Board of Directors, he shall exercise all the powers and perform all the duties usual to such office and shall have such other powers as may be prescribed by the Board of Directors or the Executive Committee or vested in him by the By-Laws.

SECTION 4.04 Chairman of the Board, President, Senior Vice Chairman, Vice Chairmen, Executive Vice Presidents, Senior Vice Presidents, Principals and Vice Presidents. The Chairman of the Board or, in his absence or incapacity the President or, in his absence or incapacity, the Senior Vice Chairman, the Vice Chairmen, the Executive Vice Presidents, or in their absence, the Senior Vice Presidents, in the order established by the Board of Directors shall, in the absence or incapacity of the Chief Executive Officer perform the duties of the Chief Executive Officer. The President, the Senior Vice Chairman, the Vice Chairmen, the Executive Vice Presidents, the Senior Vice Presidents, the Principals, and the Vice Presidents shall also perform such other duties and have such other powers as may be prescribed or assigned to them, respectively, from time to time by the Board of Directors, the Executive Committee, the Chief Executive Officer, or the By-Laws.

SECTION 4.05 Controller. The Controller shall perform all the duties customary to that office and except as may be otherwise provided by the Board of Directors shall have the general supervision of the books of account of the corporation and shall also perform such other duties and have such powers as may be prescribed or assigned to him from time to time by the Board of Directors, the Executive Committee, the Chief Executive Officer, or the By-Laws.

SECTION 4.06 Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors and of the shareholders and shall have the custody of the seal of the corporation. He

shall perform all other duties usual to that office, and shall also perform such other duties and have such powers as may be prescribed or assigned to him from time to time by the Board of Directors, the Executive Committee, the Chairman of the Board, the Chief Executive Officer, or the By-Laws.

ARTICLE V

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

SECTION 5.01 The corporation shall, to the fullest extent permitted by Section 721 of the New York Business Corporation Law, indemnify any person who is or was made, or threatened to be made, a party to an action or proceeding, whether civil or criminal, whether involving any actual or alleged breach of duty, neglect or error, any accountability, or any actual or alleged misstatement, misleading statement or other act or omission and whether brought or threatened in any court or administrative or legislative body or agency, including an action by or in the right of the corporation to procure a judgment in its favor and an action by or in the right of any other corporation of any type or kind, domestic or foreign, or any partnership, joint venture, trust, employee benefit plan or other enterprise, which any director or officer of the corporation is serving or served in any capacity at the request of the corporation by reason of the fact that he, his testator or intestate, is or was a director or officer of the corporation, or is serving or served such other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity, against judgments, fines, amounts paid in settlement, and costs, charges and expenses, including attorneys' fees, or any appeal therein; provided, however, that no indemnification shall be provided to any such person if a judgment or other final adjudication adverse to the director or officer establishes that (i) his acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

SECTION 5.02 The corporation may indemnify any other person to whom the corporation is permitted to provide indemnification or the advancement of expenses by applicable law, whether pursuant to rights granted pursuant to, or provided by, the New York Business Corporation Law or other rights created by (i) a resolution of shareholders, (ii) a resolution of directors, or (iii) an agreement providing for such indemnification, it being expressly intended that these By-Laws authorize the creation of other rights in any such manner.

SECTION 5.03 The corporation shall, from time to time, reimburse or advance to any person referred to in Section 5.01 the funds necessary for payment of expenses, including attorneys' fees, incurred in connection with any action or proceeding referred to in Section 5.01, upon receipt of a written undertaking by or on behalf of such person to repay such amount(s) if a judgment or other final adjudication adverse to the director or officer establishes that (i) his acts were committed in bad faith or were the result of active and deliberate dishonesty and, in either case, were material to the cause of action so adjudicated, or (ii) he personally gained in fact a financial profit or other advantage to which he was not legally entitled.

SECTION 5.04 Any director or officer of the corporation serving (i) another corporation, of which a majority of the shares entitled to vote in the election of its directors is held by the corporation, or (ii) any employee benefit plan of the corporation or any corporation referred to in clause (i), in any capacity shall be deemed to be doing so at the request of the corporation. In all other cases, the provisions of this Article V will apply (i) only if the person serving another corporation or any partnership, joint venture, trust, employee benefit plan or other enterprise so served at the specific request of the corporation, evidenced by a written communication signed by

the Chairman of the Board, the Chief Executive Officer, the President, the Senior Vice Chairman or any Vice Chairman, and (ii) only if and to the extent that, after making such efforts as the Chairman of the Board, the Chief Executive Officer, or the President shall deem adequate in the circumstances, such person shall be unable to obtain indemnification from such other enterprise or its insurer.

SECTION 5.05 Any person entitled to be indemnified or to the reimbursement or advancement of expenses as a matter of right pursuant to this Article V may elect to have the right to indemnification (or advancement of expenses) interpreted on the basis of the applicable law in effect at the time of the occurrence of the event or events giving rise to the action or proceeding, to the extent permitted by law, or on the basis of the applicable law in effect at the time indemnification is sought.

SECTION 5.06 The right to be indemnified or to the reimbursement or advancement of expenses pursuant to this Article V (i) is a contract right pursuant to which the person entitled thereto may bring suit as if the provisions hereof were set forth in a separate written contract between the corporation and the director or officer, (ii) is intended to be retroactive and shall be available with respect to events occurring prior to the adoption hereof, and (iii) shall continue to exist after the rescission or restrictive modification hereof with respect to events occurring prior thereto.

SECTION 5.07 If a request to be indemnified or for the reimbursement or advancement of expenses pursuant hereto is not paid in full by the corporation within thirty days after a written claim has been received by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled also to be paid the expenses of prosecuting such claim. Neither the failure of the corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of or reimbursement or advancement of expenses to the claimant is proper in the circumstances, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the claimant is not entitled to indemnification or to the reimbursement or advancement of expenses, shall be a defense to the action or create a presumption that the claimant is not so entitled.

SECTION 5.08 A person who has been successful, on the merits or otherwise, in the defense of a civil or criminal action or proceeding of the character described in Section 5.01 shall be entitled to indemnification only as provided in Sections 5.01 and 5.03, notwithstanding any provision of the New York Business Corporation Law to the contrary.

ARTICLE VI

SEAL

SECTION 6.01 Corporate Seal. The corporate seal shall contain the name of the corporation and the year and state of its incorporation. The seal may be altered from time to time at the discretion of the Board of Directors.

ARTICLE VII

SHARE CERTIFICATES

SECTION 7.01 Form. The certificates for shares of the corporation shall be in such form as shall be approved by the Board of Directors and shall be signed by the Chairman of the Board, the Chief Executive Officer, the President, the Senior Vice Chairman or any Vice Chairman and the Secretary or an Assistant Secretary, and shall be sealed with the seal of the corporation or a facsimile thereof. The signatures of the officers upon the certificate may be facsimiles if the certificate is countersigned by a transfer agent or registered by a registrar other than the corporation itself or its employees.

ARTICLE VIII

CHECKS

SECTION 8.01 Signatures. All checks, drafts and other orders for the payment of money shall be signed by such officer or officers or agent or agents as the Board of Directors may designate from time to time.

ARTICLE IX

AMENDMENT

SECTION 9.01 Amendment of By-Laws. The By-Laws may be amended, repealed or added to by vote of the holders of the shares at the time entitled to vote in the election of any directors. The Board of Directors may also amend, repeal or add to the By-Laws, but any By-Laws adopted by the Board of Directors may be amended or repealed by the shareholders entitled to vote thereon as provided herein. If any By-Law regulating an impending election of directors is adopted, amended or repealed by the Board, there shall be set forth in the notice of the next meeting of shareholders for the election of directors the By-Laws so adopted, amended or repealed, together with concise statement of the changes made.

ARTICLE X

SECTION 10.01 Construction. The masculine gender, when appearing in these By-Laws, shall be deemed to include the feminine gender.

I, Susan Johnson, Assistant Vice President of Bankers Trust Company, New York, New York, hereby certify that the foregoing is a complete, true and correct copy of the By-Laws of Bankers Trust Company, and that the same are in full force and effect at this date.

Susan Johnson
Assistant Vice President

DATED: September 28, 1999

Legal Title of Bank: Bankers Trust Company | Call Date: 06/30/99 | State#: 36-4840 | FFIEC 031
Address: 130 Liberty Street | Vendor ID: D | Cert#: 00623 | Page RC-1
City, State ZIP: New York, NY 10006 | Transit#: 21001003

11

CONSOLIDATED REPORT OF CONDITION FOR INSURED COMMERCIAL
AND STATE-CHARTERED SAVINGS BANKS FOR JUNE 30, 1999

All schedules are to be reported in thousands of dollars. Unless otherwise indicated, reported the amount outstanding as of the last business day of the quarter.

SCHEDULE RC--BALANCE SHEET

Dollar Amounts in Thousands				C400 RCFD	
ASSETS					
1. Cash and balances due from depository institutions (from Schedule RC-A):					
a. Noninterest-bearing balances and currency and coin (1)				0081 2,138,000	1.a.
b. Interest-bearing balances (2)				0071 5,465,000	1.b.
2. Securities:					
a. Held-to-maturity securities (from Schedule RC-B, column A)				1754 0	2.a.
b. Available-for-sale securities (from Schedule RC-B, column D)				1773 1,811,000	2.b.
3. Federal funds sold and securities purchased under agreements to resell				135 19,558,000	3.
4. Loans and lease financing receivables:					
a. Loans and leases, net of unearned income (from Schedule RC-C)	RCFD 2122	22,038,000			4.a.
b. LESS: Allowance for loan and lease losses	RCFD 3123	458,000			4.b.
c. LESS: Allocated transfer risk reserve	RCFD 3128	0			4.c.
d. Loans and leases, net of unearned income, allowance, and reserve (item 4.a minus 4.b and 4.c)				2125 21,580,000	4.d.
5. Trading Assets (from schedule RC-D)				3545 18,767,000	5.
6. Premises and fixed assets (including capitalized leases)				2145 877,000	6.
7. Other real estate owned (from Schedule RC-M)				2150 88,,000	7.
8. Investments in unconsolidated subsidiaries and associated companies (from Schedule RC-M)				2130 948,000	8.
9. Customers' liability to this bank on acceptances outstanding				2155 230,,000	9.
10. Intangible assets (from Schedule RC-M)				2143 100,000	10.
11. Other assets (from Schedule RC-F)				2160 3,956,000	11.
12. Total assets (sum of items 1 through 11)				2170 75,518,000	12.

(1) Includes cash items in process of collection and unposted debits.
(2) Includes time certificates of deposit not held for trading.

Legal Title of Bank: Bankers Trust Company | Call Date: 06/30/99 | State#: 364840 | FFIEC 031
Address: 130 Liberty Street | Vendor ID: D | Cert#: 00623 | Page RC-2
City, State Zip: New York, NY 10006 | Transit#: 21001003

12

SCHEDULE RC--CONTINUED

Dollar Amounts in Thousands

LIABILITIES			
13. Deposits:			13
a. In domestic offices (sum of totals of columns A and C from Schedule RC-E, part I)	RCON 2200	16,538,000	13.a.
(1) Noninterest-bearing(1)	RCON 6631	2,636,000	13.a.(1)
(2) Interest-bearing	RCON 6636	13,902,000	13.a.(2)
b. In foreign offices, Edge and Agreement subsidiaries, and IBFs (from Schedule RC-E part II)	RCFN 2200	18,293,000	13.b.
(1) Noninterest-bearing	RCFN 6631	3,202,000	13.b.(1)
(2) Interest-bearing	RCFN 6636	15,091,000	13.b.(2)
14. Federal funds purchased and securities sold under agreements to repurchase	RCFD 2800	5,772,000	14.
15. a. Demand notes issued to the U.S. Treasury	RCON 2840	500,000	15.a.
b. Trading liabilities (from Schedule RC-D)	RCFD 3548	15,013,000	15.b.
16. Other borrowed money (includes mortgage indebtedness and obligations under capitalized leases):			16
a. With a remaining maturity of one year or less	RCFD 2332	3,157,000	16.a.
b. With a remaining maturity of more than one year through three years	A547	2,990,000	16.b.
c. With a remaining maturity of more than three years	A548	364,000	16.c
17. Not Applicable.			17.
18. Bank's liability on acceptances executed and outstanding	RCFD 2920	230,000	18.
19. Subordinated notes and debentures (2)	RCFD 3200	331,000	19.
20. Other liabilities (from Schedule RC-G)	RCFD 2930	6,588,000	20.
21. Total liabilities (sum of items 13 through 20)	RCFD 2948	69,776,000	21.
22. Not Applicable			22.
EQUITY CAPITAL			
23. Perpetual preferred stock and related surplus	RCFD 3838	1,500,000	23.
24. Common stock	RCFD 3230	2,127,000	24.
25. Surplus (exclude all surplus related to preferred stock)	RCFD 3839	541,000	25.
26. a. Undivided profits and capital reserves	RCFD 3632	1,798,000	26.a.
b. Net unrealized holding gains (losses) on available-for-sale securities	RCFD 8434	(5,000)	26.b.
c. Accumulated net gains (losses) on cash flow hedges	RCFD 4336	0	26c.
27. Cumulative foreign currency translation adjustments	RCFD 3284	(219,000)	27.
28. Total equity capital (sum of items 23 through 27)	RCFD 3210	5,742,000	28.
29. Total liabilities and equity capital (sum of items 21 and 28)	RCFD 3300	75,518,000	29

Memorandum

To be reported only with the March Report of Condition.

1. Indicate in the box at the right the number of the statement below that best describes the most comprehensive level of auditing work performed for the bank by independent external auditors as of any date during 1997	RCFD	6724 N/A	M.1

1 = Independent audit of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the bank

2 = Independent audit of the bank's parent holding company conducted in accordance with generally accepted auditing standards by a certified public accounting firm which submits a report on the consolidated holding company (but not on the bank separately)

3 = Directors' examination of the bank conducted in accordance with generally accepted auditing standards by a certified public accounting firm (may be required by state chartering authority)

4 = Directors' examination of the bank performed by other external auditors (may be required by state chartering authority)

5 = Review of the bank's financial statements by external auditors

6 = Compilation of the bank's financial statements by external auditors

7 = Other audit procedures (excluding tax preparation work)

8 = No external audit work

(1) Including total demand deposits and noninterest-bearing time and savings deposits.

(2) Includes limited-life preferred stock and related surplus.