



March 6, 2009

Special Inspector General-TARP
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D.C. 20220

Dear Special Inspector General-TARP:

On behalf of Bar Harbor Bankshares ("BHB") I am pleased to submit this report in response to your request dated February 6, 2009. BHB is a Maine corporation and a bank holding company registered under the Bank Holding Company Act of 1956, as amended.

On January 16, 2009, BHB successfully concluded its agreement with the U. S. Treasury ("UST") to participate in the TARP/Capital Purchase Program ("CPP"). On that date, BHB issued to Treasury 18,751 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, no par value, liquidation preference \$1,000 per share and a Warrant to purchase 104,910 shares of BHB common stock, par value \$2.00 per share, all in exchange for \$18,751,000.00.

On January 16, 2009, UST wired \$18.751 million to the benefit of BHB. BHB then down-streamed the proceeds to Bar Harbor Bank & Trust ("the Bank"), which is the wholly owned first-tier banking subsidiary of BHB. On January 16, 2009, those funds were used in their entirety to pay down a portion of the Bank's borrowings at the Boston FHLB in the amount of \$13.751 million and brokered certificates of deposits in the amount of \$ 5.0 million. For documentation of that usage, please refer to Exhibit A.

Among the initial intended uses of the CPP proceeds by the Bank was an intention to deploy the CPP funds primarily for increased consumer and commercial lending to stimulate economic activity in the Bank's local and regional markets and prior to and concurrent with this deployment the Bank had indicated that the funds may be also used to augment the Bank's securities portfolio. In this manner the Bank believes it can effectively use these funds in the near term to generate earnings and additional capital, while funding future loans with anticipated cash flows from its securities portfolio. During the two months ended February 28, 2009, the Bank purchased the following securities:

- Mortgage-backed securities issued by U.S. Government-sponsored enterprises - \$17.4 million;
- Mortgage-backed securities issued by U.S. Government agencies - \$5.4 million; and
- Obligations of State and Political Subdivisions thereof ("bank qualified municipal bonds") - \$5.6 million.

The Bank believes that agency mortgage-backed securities ("MBS") are the investment of choice for community financial institutions, such as the Bank, and that an orderly flow of private capital in the secondary MBS market is also in the best interest of the national economy at this time. The Bank also believes that the investment in municipal bonds is in the best interest of the national economy as they provide permanent financing for small towns, municipalities and school districts across the country. For documentation of this use of CPP funds, please refer to Exhibit B.

The Bank has a balanced lending portfolio, comprised of approximately 48% consumer loans and 52% commercial and municipal loans as of February 28, 2009. In planning for deployment of CPP funds, the Senior Management of the Bank has estimated that it will require an extended period of time for local credit demand to consume the opportunity presented by the additional CPP capital. However, Senior Management has identified the following potential opportunities, which we are committed to support in the near term:

- Despite expectations of diminished demand for business lending in our local market during 2009 compared to 2008, the Bank has increased its business-lending budget from \$30 million in new originations to \$42 million or an additional \$12 million;
- Because of the infusion of the CPP capital, the Bank will enjoy increased capacity due to the proportional increase in its legal lending limit to a single borrower from approximately \$14 million (pre-CPP) to approximately \$18 million (post-CPP).

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- The Bank is also experiencing a sharply higher demand for residential lending by local consumers who are seeking to take advantage of mortgage refinance opportunities. Many consumers are seeking the opportunity to consolidate higher-rate debt into their primary residential mortgage, either in the form of a new first mortgage or home equity loans or lines of credit, all of which is now at historically low rates. For the first two months of 2009, the Bank's residential lending pipeline is running significantly higher than the same period of 2008, which has allowed us to raise our expectations for this market segment, which had been flat. For the full year of 2009, the Bank expects to originate approximately \$60 million in gross new loans compared to \$49 million for 2008, for an increase in gross loan originations of \$11 million. The Bank intends to accommodate this demand by offering attractive market rates and responsive service, while underwriting to its traditional credit standards.
- In addition, the Bank is promoting greater access to its products geared to first time homebuyers, which feature favorable terms and reduced closing costs. Because we are based in a rural area of Maine with a small, dispersed population, we do not expect a large volume of applications for these products, perhaps no more than \$1 million of total new such loans for all of 2009. However, we are certain that these products represent welcome opportunities to the families who may take advantage of them.

• _____ expect to set a minimum target of \$1 million of such loans over the next twelve months.

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- The Bank recognizes that the spirit of the CPP initiative presumes active outreach to inspire entrepreneurial energy to help stimulate the local economy and create jobs. In that regard, the Bank is in contact with a number of community based organizations to identify a number of potential partners who can help the Bank identify opportunities for designated pools of community development loans, proportionate to our local markets, and specifically designed to promote local small business initiatives.

In this regard we are having active conversations with such community development organizations

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7. Over the next twelve months, we hope to make approximately \$1 million in such loans, each less than \$50,000. In addition, we will look to work with Federal agencies, such as the SBA and the RDA to find additional common ground for opportunities with larger borrowers. b(4)

- While seeking opportunities to make new loans, the Bank is also looking to provide support to local borrowers experiencing financial difficulty. As an example, all along the coast of Maine, the lobster fishing communities have been hard hit by the combined burden of very low prices for lobster and very high costs of fuel and bait fish. This phenomenon has devastated the cash flow of these fishing communities and many fishermen have been unable to support their bank debt, which is largely devoted to financing boats and equipment.

During the latter weeks of 2008 and into 2009, with the expectation of CPP funding, the Bank committed its support to this critical coastal industry. The Bank has agreed to provide payment relief through loan modifications to approximately 50 fishermen to carry them through the winter off-season with the expectation that the 2009 hauling season will restore their cash flow to industry norms. These restructured loans represent approximately \$4 million of total debt. Please refer to Exhibit C for a summary of these loans.

- In its planning for the deployment of CPP funds, the Bank also identified credit support for local municipalities as an intended use of the Bank's enhanced credit capacity. Virtually all municipalities in our market area are experiencing revenue shortfalls and diminished taxpayer capacity. Since receiving CPP funding, the Bank has participated in three bid opportunities to support local cities and towns. We have been successful in two and lost the third bid to another local bank. These recent opportunities are summarized as Exhibit D. The Bank is committed to be a credit provider of choice to our local communities and we will continue to be aggressive in pursuit of these opportunities.

The Bank understands that foreclosure mitigation is an underlying principle of UST's efforts to support local economies. The Bank has not yet seen a significant increase in the number of residential mortgages that have deteriorated to the foreclosure stage in the Bank's market. In every case we work with cooperative borrowers to avoid foreclosure. Most loans that result in a completed foreclosure and subsequent sale of the property are the result of incommunicative and uncooperative borrowers who abandon the property and frequently leave our area. As of this writing, there are nine (9) residential loans in foreclosure, of which two (2) of these borrowers could be said to be cooperative. We will continue to do everything reasonable to avoid foreclosure as we always have done. The Bank is watching national legislation closely but is

Special Inspector General-TARP

March 6, 2009

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uncertain at this time how eventual rulemaking will require adjustments to our current practices. We are committed to comply with foreclosure mitigation practices that are consistent with expectations for Banks, which are CPP participants.

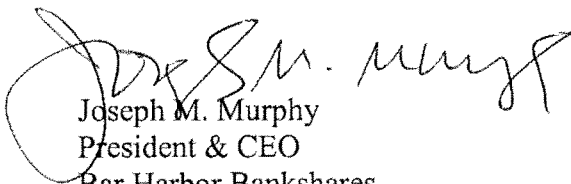
One of the most compelling uses of CPP funding has been to provide additional capital support during a period when the Bank will face economic uncertainty of unknown proportions. The Bank has no reason to suspect that its markets along the coast of Maine will escape the difficulties now being experienced by other parts of the country. In order to prepare for those ongoing uncertainties, at its meeting of February 17, 2009, the Bank's Board of Directors voted to raise its minimum leverage capital ratio from 6.50 % to 7%. Please see Exhibit E for documentation of this board action.

The Board and the entire Senior Management team is engaged in making sure that the bank's participation in CPP provides the maximum benefit to the Bank's constituents. I have asked two senior Bank officers, Michael Bonsey, SVP-Credit Administration and Stephen Leackfeldt, SVP of Retail Banking and CRA Officer to jointly lead the Bank's efforts to take full advantage of the opportunities presented by the CPP.

At its regular meeting of February 17, 2009, the Board of Directors of BHB voted to confirm its commitment to comply with all current and subsequent requirements for executive compensation as promulgated under EESA and implemented through rulemaking provided by the Department of Treasury. The text of this vote is attached as Exhibit F.

As required, I hereby sign this report on behalf of BHB and the Bank and certify to the accuracy of all statements, representations and supporting information contained within subject to Title 18, United States Code, Section 1001.

Respectfully submitted,


Joseph M. Murphy
President & CEO
Bar Harbor Bankshares

FEDERAL HOME LOAN BANK OF BOSTON

Statement of Activity

BAR HARBOR BANK AND TRUST
TRUST COMPANY
ATTN: ACCOUNTING DEPARTMENT
P.O. BOX 400
BAR HARBOR, ME 04609

Docket #

Statement Period:
01/16/2009 To 01/31/2009

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Summary Of Account
Previous Statement Date 01/15/2009

Account #	Beginning Balance	Increases	Decreases	Ending Balance
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	496,960.62	265,904,796.62	266,371,398.70	30,358.54

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DEPOSITS AND OTHER CREDITS

Date	Amount	Description
01/16	14,400,150.00	CREDIT WIRE TRANSFER
01/16		CREDIT MEMO
01/20		CREDIT WIRE TRANSFER
01/20		SFK SWEEP TRANSFER
01/20		CREDIT MEMO
01/20		CREDIT MEMO
01/21		CREDIT WIRE TRANSFER
01/21		CREDIT MEMO
01/21		CREDIT MEMO
01/21		CREDIT MEMO
01/22		CREDIT WIRE TRANSFER
01/22		CREDIT MEMO
01/22		CREDIT MEMO
01/23		CREDIT WIRE TRANSFER
01/23		CREDIT MEMO
01/26		CREDIT WIRE TRANSFER
01/26		SFK SWEEP TRANSFER
01/26		CREDIT MEMO
01/26		SFK SWEEP TRANSFER
01/26		CREDIT MEMO
01/27		CREDIT WIRE TRANSFER
01/27		CREDIT MEMO
01/28		CREDIT WIRE TRANSFER

our wire to pay down advance #

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BROKERED
CD Payoff info.

DEPOSITORY TRUST COMPANY
SETTLEMENT SHEET

Issuer:	Bar Harbor Bank & Trust	
CUSIP Number:		
Interest Rate:	1.2500%	
All-in Cost:	2.050%	
Price:	99.932000%	
Face Amount:	\$5,000,000.00	XX
Wire Amount:	\$4,996,600.00	
Term:	1 Months	
Settlement Date:	December 16, 2008	
Maturity Date:	January 16, 2009	XX

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❖ Please review and sign the Master Certificate and **Overnight** to the following address:

Depository Trust Company
 55 Water Street
 1st Floor South
 New York, NY 10041
 Attn:

3,400 -

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❖ **The CD should be titled:** CEDE & Co. as nominee of the Depository Trust Company as custodian for its participants, each acting for itself and for others.

Address: 55 Water Street, New York, New York Tax ID#: 13-2555119

❖ **To expedite your wire** please fax the tracking number for the package containing the Master Certificate to

Tracking Number: _____
Courier Used: _____

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❖ **Audit Confirms:** Audit Confirms can be sent directly to DTC.

Attn:

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All Interest Payment

The Chase Manhattan Bank
 ABA # _____
 For Credit to a/c Cede & Co.
 C/o The Depository Trust Company
 Dividends Deposit Account # _____
 CUSIP #: _____

Maturity Payments:

The Chase Manhattan Bank
 ABA# _____
 For Credit to a/c Cede & Co.
 C/o The Depository Trust Company
 Redemption Deposit Account
 CUSIP #: _____

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❖ **Note:** If you would like information regarding the set up for DTC's ACH interest payment program, please call _____

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WIRE TRANSFER AUTHORIZATION

Bar Harbor Bank & Trust
 Wire Reference # _____
 Fax 667-1182

Request Type: <input checked="" type="checkbox"/> In Person <input type="checkbox"/> By Letter (fax w/request) <input type="checkbox"/> By Phone #	Payment Via: <input type="checkbox"/> Check/Sav # -Available Bal: \$ <input type="checkbox"/> Memo posted <input checked="" type="checkbox"/> Other 1105-50	Teller Stamp / Date <div style="font-size: 2em; font-family: cursive;">1/16/09</div> EBD Call Back By:
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Domestic Transfer		
Amount US 5,000,000.00	Wire Fee US -0-	Total 5,000,000.00

Foreign Transfer				
Amount US Foreign <input type="checkbox"/>	BHBT Wire Fee \$	FLEET Wire Fee \$	Total US\$	
To be sent in (Currency):				

Bank Name & Address	Routing & Transit Number	By Order Of:
JP Morgan Chase	_____ Ops: Bank Telegraphic Name:	_____
Originator Name/Account Owner Bar Harbor Bank & Trust	Required: SSN or EIN	Required Customer: <input type="checkbox"/> Non-Customer: X
Required: Street Address (Not P.O. Box): 82 Main Street		Telephone: 288-3314 x-2317
Required: City, State, and Zip Code: Bar Harbor, ME 04609		Time:
Describe ID: (License/Passport)	Issued By:	Number:

Name of Beneficiary Depository Trust Company	Beneficiary Account Number 066027306
Street Address: 55 Water Street	
City, State and Zip Code NY, NY 10041	
Describe ID of Beneficiary (if Available)	Issued By
Number	
PAYMENT INSTRUCTIONS CUSIP 066851JK3	

Please note this important disclosure: If your payment order identifies an intermediate bank, beneficiary bank, or beneficiary by name and number, we and every receiving or beneficiary bank may rely upon the identifying number rather than the name to make payment, even if the number identifies an intermediate bank, person, or account different from the bank or beneficiary identified by name. Neither any receiving or beneficiary bank nor we have any responsibility to determine whether the name and identifying number refer to the same bank or person.

SIGNATURE OF ORIGINATOR (CUSTOMER) <div style="font-size: 1.5em; font-family: cursive;">Debbie Maffucci</div>	PREPARED BY: BANK AUTHORIZED SIGNATURE <div style="font-size: 1.5em; font-family: cursive;">L. P. ...</div>
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Exhibit B (1/1)

Municipal Bonds

Cusip	Description	Maturity	Cost/Book Value
414946JF1	Harris County Texas Municipal Utilities	09/01/2013	\$ 143,166
535548AR2	Lindsay California Unified School District	10/01/2014	\$ 367,596
535548AS0	Lindsay California Unified School District	10/01/2015	\$ 503,382
903698BW7	Ukiah California Unified School District	08/01/2019	\$ 728,432
762497CE3	Rialto California Unified School District	09/01/2021	\$ 166,508
693734AY1	Pacheco California Unified School District	02/01/2030	\$ 98,324
10973RBZ4	Brisbane California School District	07/13/2036	\$ 177,593
10973RCA8	Brisbane California School District	07/01/2037	\$ 222,954
509552YC3	Lake Dallas Texas Independent School	08/15/2041	\$ 173,624
561074JL0	Malcomson Texas Road Utility District	04/01/2020	\$ 186,168
771095GQ3	Robstown Texas -- Public Improvements	02/01/2024	\$ 110,299
771095GR1	Robstown Texas -- Public Improvements	03/01/2025	\$ 212,156
508408DN8	Lake County Illinois Public Water District	05/01/2026	\$ 325,000
771095GU4	Robstown Texas -- Public Improvements	03/01/2027	\$ 501,760
016394KQ0	Alisal California Unified School District	08/01/2027	\$ 684,018
017452HQ9	Allegheny Valley Pennsylvania School	11/01/2034	\$ 996,302
Total			\$5,597,282

Government National Mortgage Association – Mortgage-backed Securities

Cusip	Description	Maturity	Current Par
36241KEZ7	GNMA Pool #781952	07/15/2035	\$ 991,889
36200FB80	GNMA Pool #599563	09/20/2037	\$ 686,310
36200FCC0	GNMA Pool #599567	10/20/2037	\$ 670,440
36296SAA3	GNMA Pool #699401	03/15/2044	\$3,007,200
Total			\$5,355,839

Fannie Mae – Mortgage-backed Securities

Cusip	Description	Maturity	Current Par
31411DK73	FNMA Pool #904918	02/01/2037	\$ 2,278,031
31410F6B6	FNMA Pool #888366	04/01/2037	\$ 1,919,852
31412XCY8	FNMA Pool #937587	06/01/2037	\$ 1,807,942
31410GEF6	FNMA Pool #888534	08/01/2037	\$ 1,899,868
31413J562	FNMA Pool #947041	08/01/2037	\$ 1,964,177
31415BQB8	FNMA Pool #982050	05/01/2038	\$ 1,888,487
31415LPW1	FNMA Pool #983437	05/01/2038	\$ 2,614,677
31401ABJ5	FNMA Pool #702141	03/01/2033	\$ 2,231,052
31371NAT2	FNMA Pool #256618	01/01/2037	\$ 751,685
Total			\$17,355,771

Restructured Fishing Loans

Restructure Date	A/O	Name	Note Number	Class Code	Purpose Code	Risk Rating	Orig Note Date	Maturity Date	Note Amount	Available Credit	Rate	Fee
11/14/08	CEM			9	190	4	11/03/06	11/03/16	\$50,000.00	\$0.00	P+1.00%	\$0.00
11/14/08	CEM			16	410	4	03/05/08	12/05/17	\$105,000.00	\$0.00	6.75%	\$0.00
11/20/08	CEM			16	410	6	11/20/08	11/20/12	\$21,000.00	\$0.00	12.00%	\$100.00
12/19/08	CEM			15	410	4	01/22/07	11/22/13	\$74,000.00	\$0.00	9.49%	\$0.00
12/23/08	CEM			16	410	6	12/14/07	11/14/14	\$83,000.00	\$0.00	10.00%	\$0.00
12/08/08	DWRH			16	410	6	02/20/08	09/20/18	\$110,000.00	\$0.00	8.25%	\$0.00
11/07/08	JEH			34	410	6	10/15/07	11/15/12	\$115,200.00	\$0.00	10.00%	\$75.00
12/04/08	LBS			32	410	5	03/21/08	12/21/09	\$15,000.00	\$0.00	9.00%	\$0.00
12/11/08	LBS			5	410	5	12/11/08	12/11/17	\$53,000.00	\$0.00	P+4.00	\$100.00
10/24/08	RIP			32	410	3	05/29/08	12/11/08	\$20,000.00	\$0.00	8.00%	\$0.00
11/14/08	RIP			15	410	6	08/31/07	08/30/12	\$66,500.00	\$0.00	11.99%	\$0.00
11/17/08	RIP			22	410	5	11/14/08	11/21/09	\$19,821.11	\$0.00	P+5.00%	\$0.00
10/23/08	RTS			15	410	5	11/17/08	11/17/14	\$32,000.00	\$0.00	9.25%	\$100.00
10/28/08	RTS			35	410	5	01/26/07	10/30/10	\$10,000.00	\$0.00	12.50%	\$0.00
10/30/08	RTS			35	410	5	02/11/08	10/30/13	\$25,000.00	\$0.00	8.75%	\$50.00
10/30/08	RTS			35	410	5	10/30/07	10/31/13	\$60,000.00	\$0.00	7.50%	\$0.00
11/01/08	RTS			35	410	7	03/20/07	10/30/10	\$175,000.00	\$0.00	9.50%	\$50.00
11/17/08	RTS			15	410	5	10/18/08	10/30/17	\$253,000.00	\$0.00	8.50%	\$100.00
11/20/08	RTS			22	410	5	02/20/04	10/31/13	\$90,000.00	\$0.00	P+1.50%	\$100.00
11/19/08	RTS			11	410	5	04/26/06	09/30/09	\$60,000.00	\$0.00	P+3.00%	\$0.00
11/20/08	RTS			17	410	5	03/17/08	10/30/11	\$15,000.00	\$0.00	7.75%	\$100.00
11/20/08	RTS			20	410	5	04/27/08	04/27/17	\$242,000.00	\$0.00	7.00%	\$100.00
11/24/08	RTS			35	410	5	03/05/08	11/30/13	\$57,500.00	\$0.00	7.50%	\$50.00
11/26/08	RTS			15	410	5	11/25/08	11/30/10	\$22,000.00	\$0.00	8.75%	\$50.00
11/28/08	RTS			35	410	5	02/23/07	10/30/12	\$17,000.00	\$0.00	9.25%	\$50.00
12/02/08	RTS			32	410	5	04/28/08	11/30/09	\$10,000.00	\$0.00	8.50%	\$50.00
12/04/08	RTS			17	410	4	12/13/06	11/30/10	\$8,372.00	\$0.00	9.25%	\$25.00
12/19/08	RTS			17	410	5	06/18/08	10/30/11	\$15,000.00	\$0.00	9.95%	\$50.00
12/24/08	RTS			35	410	3	10/30/07	10/30/13	\$60,000.00	\$0.00	7.50%	\$0.00
12/26/08	RTS			22	410	6	09/09/04	12/15/12	\$62,000.00	\$0.00	P+1.50%	\$50.00
10/29/08	VLH			5	410	5	03/19/08	12/30/12	\$75,000.00	\$0.00	7.75%	\$250.00
11/05/08	WRH			34	410	4	02/15/06	12/31/15	\$126,000.00	\$0.00	7.95%	\$0.00
11/17/08	WRH			15	410	6	05/10/06	11/10/16	\$151,000.00	\$0.00	8.75%	\$0.00
11/19/08	WRH			16	410	5	02/15/08	11/15/16	\$112,000.00	\$0.00	8.75%	\$0.00
11/20/08	WRH			17	410	5	05/16/07	11/16/12	\$58,000.00	\$0.00	13.99%	\$0.00
12/05/08	WRH			17	410	5	04/28/08	07/28/15	\$135,000.00	\$0.00	8.25%	\$0.00
12/23/08	WRH			32	410	5	05/22/08	08/22/09	\$4,210.00	\$0.00	12.99%	\$50.00
12/24/08	WRH			17	410	4	12/23/08	11/02/15	\$87,000.00	\$0.00	7.25%	\$0.00
12/24/08	WRH			32	410	6	09/05/07	09/02/12	\$11,000.00	\$0.00	12.00%	\$0.00
12/24/08	WRH			32	410	6	04/24/07	05/24/13	\$12,000.00	\$0.00	12.00%	\$0.00
12/24/08	WRH			17	410	6	07/14/08	11/15/12	\$90,000.00	\$0.00	8.25%	\$0.00
12/11/08	WRH			16	410	6	5/29/2008	11/29/2018	\$380,000.00	\$0.00	8.79%	\$0.00
									Totals 2008			
									\$3,186,603.11			\$1,550.00

REDACTED

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Exhibit C (2/2)

Vol 67

Restructure Date	A/O	Name	Note Number	Class Code	Purpose Code	Risk Rating	Orig Note Date	Maturity Date	Orig Note Amount	Available Credit	Rate	Fee		
01/08/09	WRH	R E D A C T E D	R E D A C T E D	9	190	5	1/5/2004	1/5/2024	\$60,000.00	\$0.00	P+2.00%	\$0.00		
01/02/08	RTS			35	410	3	4/15/2005	12/30/2015	\$60,000.00	\$0.00	6.75%	\$50.00		
01/02/09	RTS			35	410	3	3/27/2006	12/30/2009	\$40,000.00	\$0.00	7.95%	\$50.00		
01/12/09	WRH			15	410	5	5/1/2006	10/1/2013	\$79,429.24	\$0.00	9.99%	\$0.00		
01/16/08	WRH			9	190	5	4/10/2006	8/10/2026	\$325,000.00	\$0.00	8.49%	\$0.00		
01/16/09	WRH			9	190	5	7/10/2008	11/10/2026	\$130,000.00	\$0.00	9.79%	\$0.00		
01/28/09	MTL			15	410	4	7/18/2006	3/18/2011	\$14,048.11	\$0.00	12.00%	\$0.00		
01/21/09	WRH			15	410	4	3/21/2002	7/21/2010	\$52,000.00	\$0.00	5.50%	\$0.00		
								Totals Jan. 09			\$760,477.35			\$100.00
02/06/09	WRH					15	410	6	1/12/2007	7/27/2010	\$5,500.00	\$0.00	18.00%	\$0.00
02/23/09	CEM					15	410	7	11/17/2006	9/17/2009	\$15,600.00	\$0.00	18.00%	\$0.00
								Totals Feb. 09			\$21,100.00			

Recent Bar Harbor Bankshares Bid Results for Municipal Funding Facilities

Town	Purpose	Maturity	Rate	Amount	Result
Knox County Tax Anticipation Note	General Fund	11 months	1.39%	\$ 3.650MM	Winning Bid
Town of Rockland Bond Anticipation Note	Water Pollution	24 Months	1.98%	\$2.25MM	Winning Bid
Town of Ellsworth Bond Anticipation Note	General Fund	12 months	2.41%	\$7.0MM	Losing Bid

MEMORANDUM

TO: Joseph M. Murphy, President & CEO
Bar Harbor Bank & Trust

FROM: Judith W. Fuller, Corporate Secretary

DATE: March 6, 2009

RE: Minutes of the Board of Directors

The following is an excerpt from the minutes of the Bar Harbor Bank & Trust Board of Directors' meeting of February 17, 2009.

Risk Based Capital/Capital Ratios Review:

EVP & CFO Shencavitz presented the capital ratios for Bank and Bankshares at year-end 2008. He explained that the Bank remains "well capitalized" and led a discussion of the effect of the CPP funds on the capital ratios. Management recommends restoring the Bank's target ratio from 6.5% to 7%. Moved by Director Dudman, seconded by Director Smith. Voted. All in favor.

MEMORANDUM

TO: Joseph M. Murphy, President & CEO
Bar Harbor Bank & Trust and Bar Harbor Bankshares

FROM: Judith W. Fuller, Corporate Secretary

DATE: March 6, 2009

RE: Minutes of the Board of Directors of Bar Harbor Bankshares

The following is an excerpt from the minutes of the Bar Harbor Bankshares Board of Directors' meeting of February 17, 2009.

Voted to amend benefit plans to comply with Emergency Economic Stabilization Act as attached. Moved by Director Fernald, seconded by Director Dudman. All in favor.

(Resolution attached to this excerpt)

BAR HARBOR BANKSHARES

February 17, 2009 Meeting of the Board of Directors

Action: Amend Benefit Plans to Comply with Emergency Economic Stabilization Act

WHEREAS, Bar Harbor Bankshares (the "Company") has entered into a Securities Purchase Agreement with the United States Department of Treasury (the "Agreement") as part of the Capital Purchase Program under the Emergency Economic Stabilization Act of 2008 ("EESA"); and

WHEREAS pursuant to the Agreement, the Company is required to amend its "Benefit Plans" with respect to its "Senior Executive Officers" (as such terms are defined in the Agreement) to the extent necessary to comply with Section 111(b) of EESA as implemented by guidance or regulations issued and in effect as of the closing date of the purchase transaction under the Agreement; and

WHEREAS the applicable "Benefit Plans" are the plans in which any Senior Executive Officer participates, or is eligible to participate, and the agreements to which any Senior Executive Officer is a party, that either: (i) provide for incentive or bonus compensation based on the achievement of performance goals tied to or affected by the Company's performance objectives ("Financial Performance Plans") or (ii) provide for payments or benefits upon an "applicable severance from employment" within the meaning of EESA ("Involuntary Separation Pay Arrangements");

RESOLVED that each Financial Performance Plan and Involuntary Separation Pay Arrangement is hereby amended effective as of the date of entry into the Agreement as follows:

1. Compliance With Section 111 of EESA. Each Financial Performance Plan and Involuntary Separation Pay Arrangement is hereby amended by adding the following provision as a final section to such arrangement:

"Compliance With Section 111 of EESA. Solely to the extent, and for the period, required by the provisions of Section 111(b) of the Emergency Economic Stabilization Act of 2008 ("EESA") applicable to participants in the Capital Purchase Program under EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008: (a) each "Senior Executive Officer" within the meaning of Section 111(b)(3) of EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008 who participates in this plan or is a party to this agreement shall be ineligible to receive compensation of any nature hereunder to the extent that the Board of Directors of the Company determines this plan or agreement includes incentives for the Senior Executive Officer to take unnecessary and excessive risks that threaten the value of 1) Bar Harbor Bankshares, and its respective affiliates, parents, successors, and subsidiaries, 2) and/or Bar Harbor Bank & Trust, and its respective affiliates, parents, successors,

and subsidiaries; (b) each Senior Executive Officer who participates in this plan or is a party to this agreement shall be required to forfeit any bonus or incentive compensation of any nature paid to the Senior Executive Officer hereunder during the period that the Department of the Treasury holds a debt or equity position in the Company based on statements of earnings, gains, or other criteria that are later proven to be materially inaccurate; and (c) the Company shall be prohibited from making to each Senior Executive Officer who participates in this plan or is a party to this agreement, and each such Senior Executive Officer shall be ineligible to receive hereunder, any "golden parachute payment" in connection with the Senior Executive Officer's "applicable severance from employment," in each case, within the meaning of Section 111 of EESA and the regulation issued by the Department of the Treasury as published in the Federal Register on October 20, 2008."

2. Continuation of Affected Plans. Except as expressly or by necessary implication amended hereby, each Financial Performance Plan and Involuntary Separation Pay Arrangement shall continue in full force and effect.