



March 6, 2009

Special Inspector General – TARP
1500 Pennsylvania Avenue NW Suite 1064
Washington DC 20220

Dear Special Inspector General:

- (1) On January 9, 2009, The First Bancorp received a \$25 million investment from the U.S. Treasury under the Capital Purchase Program (CPP). When we applied for funding under the Program, our primary reason was to allow us to extend credit within our local market area. Realizing that it would take a number of months to fully use this funding, we expected to initially invest in Government securities – primarily in securities which support home mortgages. The Capital Purchase Program funds have not been specifically segregated from other institutional funds, however we do keep a separate report on the use of the funds and the following demonstrates the growth in our balance sheet which is well above the \$25 million in Program funds that we received.

Loans

Between December 31, 2008 and February 28, 2009, we have originated \$38.5 million in loans in our local market area. Of this total, \$19.8 million was made to small businesses, \$7.5 million to local municipalities, and \$11.2 million to individuals. During this period, we saw net growth in the loan portfolio of \$9.9 million, with \$12.4 million in loans to small businesses, \$7.8 million to local municipalities, and a decline of \$10.3 million in loans to individuals as a result of mortgages being refinanced and sold to the secondary market at very attractive rates.

Loans Originated December 31, 2008 to February 28, 2009

Type	Number	Amount
Commercial	113	\$19,819,503.17
Consumer	165	\$2,094,795.65
HELOC	42	\$4,275,408.28
Municipal	3	\$7,530,000.00
Residential Real Estate	19	\$4,743,150.00
	342	\$38,462,857.10

In addition to the above increase in loans to local municipalities on the bank's books since the approval of our CPP application, we have committed an additional \$14.6 million for a total of \$22.4 million. These funds would not have been committed if not for the \$25 million CPP provided capital. These

Daniel R. Daigneault
President and Chief Executive Officer

F. Stephen Ward
Treasurer

P.O. Box 940
Damariscotta, Maine
04543

www.the**first**bancorp.com

800.564.3195

commitments not only provided needed funding for local municipalities but also reduced the borrowing costs for them and the burden on the local taxpayers

Investments

Since our request was approved on November 21, 2008, we have purchased \$113.6 million in investment securities. Of this total, \$78.0 million was invested in GNMA mortgage-backed securities, \$34.3 million in U.S. Government Agency securities, and \$1.2 million in municipal securities. During this period, we saw net growth in the investment portfolio of \$48.1 million.

**Investment Portfolio Activity
November 21, 2008 to February 28, 2009**

	Amount
GNMA	78,011,804.48
Agency	34,294,962.63
Municipal	1,245,000.00
Total Purchases	113,551,767.11
Maturities/Calls	(61,861,173.04)
Repayments	(3,571,907.72)
Net Growth	48,118,686.35

- (2) Our existing executive compensation levels and plans at the time of closing met all the executive compensation requirements and have not been amended since then. (b) (4)

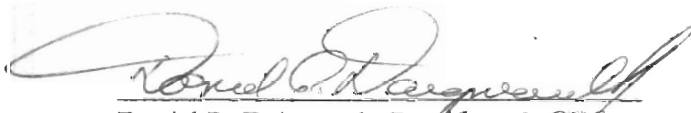
(b) (4) Our incentive compensation plans do not incent executives and/or employees to take excessive risks. (b) (4)

(b) (4)

I believe the above information satisfies the request as outlined in your February 6, 2009 letter. If additional detail or further clarification is needed, please contact me.

CERTIFICATION:

I, Daniel R. Daigneault, President & CEO of The First Bancorp, Inc., certify that: I have reviewed this response and supporting documents, and based on my knowledge, this response and the supporting documents do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading.



Daniel R. Daigneault, President & CEO
The First Bancorp, Inc.