BAR HARBOR BANKSHARES
Form PRE 14A
March 25, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

þ Preliminary Proxy Statement
o Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
o Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to § 240.14a-12

BAR HARBOR BANKSHARES
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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BAR HARBOR BANKSHARES
82 Main Street
Bar Harbor, ME
March 23, 2009

Dear Shareholder:

The **2009 Annual Meeting of the shareholders of Bar Harbor Bankshares will be held at 11:00 a.m. EDT on Tuesday, May 19, 2009**, at the Bar Harbor Club located at 111 West Street in Bar Harbor, Maine. Our directors and officers join me in inviting you to attend this meeting and the reception following.

Enclosed are the Clerk s official ***Notice of Annual Meeting***, a ***Proxy Statement***, and the ***Form of Proxy***. Please sign the Form of Proxy and return it in the envelope provided so that your shares will be voted at the Annual Meeting if you are unable to attend. Please also complete the reception postcard and mail it separately from the *Form of Proxy* if you will be attending the reception.

We look forward to seeing you on May 19^{th}. Please join us for the reception even if you are unable to attend the business meeting.

Very truly yours,

/s/ Joseph M. Murphy
Joseph M. Murphy
President and Chief Executive Officer

Enclosures

IT IS IMPORTANT THAT PROXIES BE RETURNED PROMPTLY

Each Shareholder is urged to fill in, date and sign the enclosed *Form of Proxy* and mail it in the envelope provided. A Shareholder who executes this *Form of Proxy* may, prior to its use, revoke it by written instrument, by a subsequently executed *Form of Proxy* or, if attending the Annual Meeting of Shareholders, by notifying the Clerk or by giving notice at the Annual Meeting.

BAR HARBOR BANKSHARES
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 19, 2009

Notice is hereby given that the **Annual Meeting of the Shareholders of Bar Harbor Bankshares** will be held at the Bar Harbor Club at 111 West Street in Bar Harbor, Maine, on **Tuesday, May 19, 2009, at 11:00 a.m. EDT** to consider and act upon the following proposals:

1. To elect fourteen (14) persons to serve as directors for a term of one year [Proposal I];

2. To set the number of directors for the ensuing year at fourteen (14) [Proposal II];

3. To approve the Bar Harbor Bankshares and Subsidiaries Equity Incentive Plan of 2009 [Proposal III];

4. To approve an advisory (non-binding) proposal on the Company s executive compensation policies and procedures [Proposal IV]; and

5. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Shareholders of record as of the close of business on **March 23, 2009**, will be entitled to notice of and to vote at the meeting.

The Board of Directors unanimously recommends that you vote FOR Proposal I to elect each of the fourteen (14) director-nominees as directors on the Company s Board of Directors and FOR Proposal II to set the number of directors for the ensuing year at fourteen (14).

The Board of Directors unanimously recommends that you vote FOR Proposal III to approve the Bar Harbor Bankshares and Subsidiaries Equity Incentive Plan of 2009.

The Board of Directors unanimously recommends that you vote FOR Proposal IV to approve the advisory (non-binding) proposal on the Company s executive compensation policies and procedures.

The Board of Directors requests that you complete, sign, and date the enclosed Proxy Card and mail it promptly in the enclosed postage-paid envelope. Any proxy that you deliver may be revoked prior to the Annual Shareholder Meeting, in writing, delivered to the Company, Attention: Marsha C. Sawyer, Clerk, 82 Main Street, Bar Harbor, Maine 04609, stating that your proxy is revoked or by delivering a subsequently dated proxy. Shareholders of record of the Company s common stock who attend the Annual Shareholder Meeting may vote in person, even if they have previously delivered a signed Proxy Card.

By Order of the Board of Directors

/s/ Marsha C. Sawyer
Marsha C. Sawyer, Clerk

Important Notice Regarding the Internet Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on May 19, 2009: This proxy statement, along with our Annual Report Form 10-K for the fiscal year ended December 31, 2008 and our 2008 Annual Report, are available free of charge on the Investor Relations section of our website(www.BHBT.com)

BAR HARBOR BANKSHARES
82 Main Street
Bar Harbor, ME
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD TUESDAY, MAY 19, 2009
PROXY STATEMENT

This Proxy Statement is furnished to the Shareholders of Bar Harbor Bankshares (the Company) in connection with the solicitation of proxies on behalf of the Board of Directors for use at the Annual Meeting of Shareholders (the Meeting). The Meeting will be held on Tuesday, May 19, 2009, at 11:00 a.m. EDT at the Bar Harbor Club located at 111 West Street in Bar Harbor, Maine. The official *Notice of the Annual Meeting of Shareholders* accompanies this Statement. A *Form of Proxy* for use at the meeting and a return envelope for the proxy are enclosed. A Shareholder who executes the proxy may, prior to its use, revoke it by written instrument, by a subsequently executed proxy or, if attending the Meeting, by notifying the Clerk or by giving notice at the Meeting. This *Proxy Statement* and the enclosed *Form of Proxy* will be mailed to the Shareholders of the Company on or about April 7, 2009.

Proxies are being solicited by the Board of Directors of the Company, (the Board), principally through the mail. The Board of Directors and Management of the Company may also solicit proxies personally, or by telephone, e-mail, or facsimile transmission. The entire expense of solicitation, including costs of preparing, assembling, and mailing the proxy material will be borne by the Company. In addition, the Company has engaged the Laurel Hill Advisory Group to assist in the solicitation of proxies at an approximate cost of $6,000 plus reimbursement of customary expenses.

Unless contrary instructions are specified, if the enclosed proxy is executed and returned (and not revoked) prior to the Annual Meeting, the shares of common stock of the Company represented thereby will be voted [1] **FOR** the election of the fourteen (14) persons nominated as directors by the Board of Directors for a term of one year, [2] **FOR** setting the number of directors at fourteen (14), [3] **FOR** approving the Bar Harbor Bankshares and Subsidiaries Equity Incentive Plan of 2009, and [4] **FOR** approving the advisory (non-binding) proposal on the Company s executive compensation policies and procedures.. Except for procedural matters incident to the conduct of the Annual Meeting, the Board of Directors does not know of any matters other than those described in the Notice of Annual Meeting that are to come before the Annual Meeting. If any other matters are properly brought before the Annual Meeting, the persons named in the proxy will vote the shares represented by such proxy on such matters as determined by a majority of the Board of Directors.

Shareholders of record as of the close of business on March 23, 2009, (the Record Date) will be entitled to notice of and to vote at the Annual Meeting. Each share of Company common stock issued and outstanding is entitled to one vote upon each matter presented at the Meeting. Only Shareholders of record at the close of business on the Record Date are entitled to vote at the Meeting. The presence at the Meeting, either in person or by proxy, of the holders of not less than a majority of the shares entitled to vote at any meeting will constitute a quorum. If a quorum is present at the Annual Meeting, action may be taken on any matter considered, excepting only the election of directors, by the holders of a majority of the shares present and voting. Directors are elected by a plurality of the votes cast by the shares entitled to vote in the election at a meeting at which a quorum is present. The inspector of election will treat abstentions and broker non-votes as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but not for purposes of voting with respect to determining the approval of any matter submitted to the Shareholders for a vote. Shareholders who are present will have an opportunity to vote on each matter properly brought before the Meeting. A broker non-vote occurs when a broker or other nominee holder, such as a bank, submits a proxy representing shares that another person actually owns, and that person has not given voting instructions to the broker or other nominee. A broker may only vote those shares if the beneficial owner gives the broker voting instructions.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As of March 16, 2009, the Company had outstanding 2,870,221 shares of its voting common stock (the Common Stock), par value $2.00 per share.

The following table sets forth information with respect to the beneficial ownership of the Company s voting Common Stock as of March 16, 2009, by: (i) each person or entity known by the Company to own beneficially more than five percent (5%) of the outstanding Common Stock, (ii) each current director-nominee for director on the Company s Board of Directors, (iii) the Company s named executive officers (as defined on page 22 of this Proxy under the heading 2008 Summary Compensation Table, and (iv) all executive officers and directors as a group.

Name of Beneficial Owners	Title of Class	Amount of Beneficial Ownership[1]	Percent of Class
5% or more beneficial owners			
Shufro Rose & Co., LLC 745 Fifth Avenue New York, NY 10151-2600	Common	210,650[3]	7.34%
John Sheldon Clark 1633 Broadway, 30th Floor New York, NY 10019	Common	162,156[2]	5.65%
Directors/Nominees:			
Robert C. Carter	Common	2,400[9]	*
Thomas A. Colwell	Common	5,633[9]	*
Jacquelyn S. Dearborn	Common	2,060[9]	*
Peter Dodge	Common	4,760[9]	*
Martha T. Dudman	Common	2,518[9]	*
Lauri E. Fernald	Common	1,150[9]	*
Gregg S. Hannah	Common	1,000[9]	*
Clyde H. Lewis	Common	2,853[4,9]	*
Joseph M. Murphy (Director and Named Executive Officer)	Common	115,906[9,10]	4.04%
Robert M. Phillips	Common	2,000[5,9]	*
Constance C. Shea	Common	1,600[6,9]	*
Kenneth E. Smith	Common	1,641[7,9]	*
Scott G. Toothaker	Common	1,750[8,9]	*
David B. Woodside	Common	1,200[9]	*
Named Executive Officers:			
Gerald Shencavitz	Common	20,114[10]	*
Michael W. Bonsey	Common	12,255[10]	*
Gregory W. Dalton	Common	9,349[10]	*
Daniel A. Hurley, III	Common	12,039[10]	*
Total Ownership of all directors, named executive officers, and specified Trust shares of the Company as a group (eighteen (18) persons)		**231,028**[11]	**8.05%**

1

The number of shares beneficially owned by the persons set forth above is determined under the rules of Section 13 of the Securities Exchange Act of 1934, as amended, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, an individual is considered to beneficially own any shares of Common Stock if he or she directly or indirectly has or shares, (i) voting power, which includes the power to vote or to direct the voting of the shares, or (ii) investment power, which includes the power to dispose or direct the disposition of shares. Unless otherwise indicated, an individual has sole voting power and sole investment power with respect to the indicated shares. All individual holdings amounting to less than 1% of issued and outstanding Common Stock are marked with an (*).

[2] Includes 2,000 shares beneficially owned by Mr. Clark s spouse over which Mr. Clark has shared voting and dispositive powers. This figure also includes 84,566 shares held by trusts for which Mr. Clark serves as the sole trustee.

[3] Includes 7,500 shares with sole voting power and dispositive power over all 210,650 shares.

[4] Includes 2,275 shares held jointly with Mr. Lewis spouse.

5 Includes 500 shares over which voting and dispositive power are shared jointly with Mr. Phillips spouse.

6 All shares held are owned jointly with Mrs. Shea s spouse.

7 Includes 1,189 shares owned jointly with Mr. Smith s spouse.

8 Includes 250 shares jointly owned with Mr. Toothaker s minor children and 1,000 shares owned jointly with his spouse.

9 Ownership figures for directors **include** 500 director-qualifying shares owned by each person indicated.

10 Includes shares over which present executives have voting power under the Company s 401(k) Plan and options to purchase shares of common stock granted pursuant to the Company stock option plan which are exercisable within 60 days of March 3, 2009, as follows:

Name	401(k) Plan	Exercisable Options
Joseph M. Murphy	25,406	90,000
Gerald Shencavitz	2,730	16,884
Michael W. Bonsey	835	10,740
Gregory W. Dalton	2,124	7,225
Daniel A. Hurley, III	1,799	7,340

11 **Total beneficial ownership includes,** 30,800 shares (1.07%) of the Common Stock held by two trusts, which, for purposes of voting, are allocated equally among the directors present at the Annual Meeting under the terms of the respective trust instruments. No director has any other beneficial interest in these shares. These trusts are denominated for purposes of this Proxy Statement as the Parker Trust and the The Fred & Hattie Lynam Private Foundation formerly known as the Lynam Trust.

The Parker Trust was established in 1955 in perpetuity. Bar Harbor Trust Services, the Company s second tier non-depository trust services company located in Ellsworth, Maine, is the sole Trustee, with full powers, of this trust benefiting the Mt. Heights Cemetery in Southwest Harbor, Maine.

The Fred & Hattie Lynam Private Foundation formerly known as the Lynam Trust was established in 1942 in perpetuity to benefit four named non-profit entities and to provide scholarships to graduates of Mount Desert Island High School. Bar Harbor Trust Services is the sole Trustee, with full powers, and administers the trust with the assistance of an established Scholarship Committee made up of members of the Bar Harbor Bankshares Board of Directors and one community representative.

The information provided is based on the records of the Company and on information furnished by the persons listed.

The Company is not aware of any arrangement that could at a subsequent date result in a change in control of the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires the Company s officers, directors, and persons who own more than ten percent (10%) of a registered class of the Company s equity securities (collectively Section 16 Persons) to file initial reports of ownership and reports of changes of ownership with the U. S. Securities and Exchange Commission (the Commission) and the NYSE Amex. (formerly the American Stock Exchange or AMEX and hereinafter NYSE Amex). Section 16 Persons are required by the Commission regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company s knowledge, based solely on review of such reports provided to the Company and written representations, all reports were filed timely and as required except for:

On September 3, 2008, Mr. Clyde Lewis, a director of the Company, purchased 100 shares of Company common stock for which timely reporting did not occur. On January 30, 2009, a Form 4 was filed reflecting his correct ownership.

On August 21, 2008, Mr. Stephen Leackfeldt, Senior Vice President of Retail Banking at Bar Harbor Bank & Trust, purchased and sold 300 shares of Company common stock. On August 26, 2008, a Form 4 was filed reflecting his transactions.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Nominees:

Proposal I Election of Directors

At the Annual Meeting of Shareholders, fourteen (14) director-nominees will stand for re-election to serve until the 2010 Annual Meeting of Shareholders and until each director s successor is elected and qualified. The Company s Bylaws were amended in November, 2007 to provide for the annual election of all directors. Each director-nominee has consented to serve and to the use of his or her name in this Proxy. All fourteen (14) of the director-nominees currently serve on the Board of the Company.

The Board has determined the majority of director-nominees are independent directors as required in accordance with applicable laws, regulations, and NYSE Amex listing requirements. The exception is director-nominee Murphy, who serves as President and Chief Executive Officer of the Company. Mr. Murphy does not serve as a voting member of the Audit, Compensation and Human Resources, or Governance Committees.

Proxies will be voted, unless authority to do so is expressly withheld, in favor of the fourteen (14) director-nominees. The Board of Directors recommends voting **FOR** the election of each nominee as a director of the Company.

Proposal II Setting the Number of Directors to Fourteen (14)

The Company s Board of Directors currently consists of fourteen (14) members. The Board of Directors recommends the number of Company directors for the coming year be set at fourteen (14). The Bylaws of the Company provide for no fewer than nine (9) or more than twenty-seven (27) directors, with directors serving *annual terms*. The Board of Directors recommends that you vote **FOR** setting the number of directors for the ensuing year at fourteen (14).

The following table sets forth for each director-nominee for election, their name, age as of March 23, 2009, and positions with the Company or its subsidiaries, Bar Harbor Bank &Trust (BHBT) and Bar Harbor Trust Services (BHTS) for purposes of the next two tables.

DIRECTOR-NOMINEES FOR RE-ELECTION

Terms to Expire in 2010

Name	Age	Year First Elected Director	Current Term to Expire	Position with the Company	Positions with Subsidiaries
Thomas A. Colwell	64	1991	2009	Chairman and Director	Director, BHBT since 1991.
Robert C. Carter	65	2003[1]	2009	Director	Director, BHBT since 1996. Director, BHTS since 2004.
Jacquelyn S. Dearborn	56	2006	2009	Director	Director, BHBT since 2006. Director, BHTS since 2006.
Peter Dodge	65	2003[2]	2009	Director	Director, BHBT since 1987.
Martha T. Dudman	57	2003	2009	Director	Director, BHBT since 2003. Director, BHTS since 2003.
Lauri E. Fernald	47	2005	2009	Director	Director, BHBT since 2005.
Gregg S. Hannah	66	2006	2009	Director	Director, BHBT since 2006. Director, BHTS since 2006.
Clyde H. Lewis	64	2005	2009	Director	Director, BHBT since 2005.
Joseph M. Murphy	66	2002	2009	Director President and Chief Executive Officer	Chairperson and Director, BHBT since 2002. Chief Executive Officer of BHBT since 2003. President, BHBT since February, 2005. Director, BHTS since 2002.
Robert M. Phillips	67	2003[3]	2009	Director	Director, BHBT since 1993. Director, BHTS from 2000 through 2004.
Constance C. Shea	64	2003	2009	Director	Director, BHBT since 2001.
Kenneth E. Smith	55	2004	2009	Director	Director, BHBT since 2004. Director, BHTS since 2004.
Scott G. Toothaker	46	2003	2009	Director	Director, BHBT since 2003.
David B. Woodside	57	2003	2009	Director	Director, BHBT since 2003.

1 Robert Carter served as a director of the

Company from 1996 through 2000 and then again from 2003 to present.

2 Peter Dodge served as a director of the Company from 1987 through 2000 and then again from 2003 to present.

3 Robert Phillips served as a director of the Company from 1993 through 2000 and then again from 2003 to present.

Executive Officers:

Set forth below is a list of the Company s executive officers, including their ages as of March 23, 2009, and positions with the Company and its subsidiaries, Bar Harbor Bank & Trust (BHBT) and Bar Harbor Trust Services (BHTS) as of the Record Date:

Name	Age	Year First Elected As Officer	Position with the Company	Positions with Subsidiaries
Joseph M. Murphy	66	2002	Director, President and Chief Executive Officer	Chairperson and Director, BHBT since 2002. Chief Executive Officer, BHBT since 2003. President, BHBT since February 2005. Director, BHTS since 2002.
Gerald Shencavitz	55	1998	Executive Vice President Chief Financial Officer and Treasurer	Executive Vice President, Chief Financial Officer, and Chief Operating Officer since December, 2007 of BHBT Chief Financial Officer, Senior Vice President, and Chief Operating Officer from 2001 through December 2007 for BHBT. Treasurer, BHTS since 2001.
Michael W. Bonsey	44	2001	N/A	Senior Vice President of BHBT since 2001.
Gregory W. Dalton	49	2000	N/A	Senior Vice President of BHBT since 2000.
Daniel A. Hurley III	56	2004	N/A	President of BHTS and Senior Vice President of BHBT since 2004.

The Bylaws of the Company provide that the executive officers be elected annually by the Board of Directors and that the President and Chief Executive Officer, Chairperson of the Board, Treasurer, and Clerk shall serve at the pleasure of the Board and until their successors have been chosen and qualified. All other officers serve at the pleasure of the Chief Executive Officer. There are no arrangements or understanding between any of the directors, executive officers, or any other persons pursuant to which the above directors have been selected as directors or any of the above officers have been selected as officers. There are no family relationships as defined by the Commission, between any director, executive officer, or person nominated or chosen by the Company to become a director or executive officer.

Business Experience

The principal occupation and business experience for at least the last five (5) years for each director, nominee, and executive officer is set forth below. None of the organizations discussed below, except for Bar Harbor Bank & Trust and Bar Harbor Trust Services, are affiliated with the Company.

Directors and Nominees:

Robert C. Carter. Mr. Carter resides in Machias, Maine, is now retired and is the former owner of the Machias Motor Inn, Machias, Maine. He presently operates Carter Enterprises, a rental management business also located in Machias, Maine.

Thomas A. Colwell. Mr. Colwell resides in Deer Isle, Maine. Mr. Colwell is the former President of Colwell Bros. Inc. (lobster pounding) and retired from that position as of December 31, 2006.

Jacquelyn S. Dearborn. Mrs. Dearborn resides in Holden, Maine, and serves as a mediator for the Ellsworth and Bangor court systems. Mrs. Dearborn is also employed as Treasurer of the law office of Joel A. Dearborn Sr. Esq., PA located in Brewer, Maine, and former President of C. K. Foster, Co., Inc. located in Ellsworth, Maine.

Peter Dodge. Mr. Dodge resides in Blue Hill, Maine, and is President, Insurance Agent, and majority owner of Peter Dodge Agency d/b/a Merle B. Grindle Agency, John R. Crooker Agency, and The Endicott Agency, providing insurance services from locations in Blue Hill, Bucksport, and Castine, Maine.

Martha T. Dudman. Ms. Dudman resides in Northeast Harbor, Maine, and is an author and President of Dudman Communications Corporation.

Lauri E. Fernald. Ms. Fernald resides in Mount Desert, Maine, and is a Funeral Director, Assistant Treasurer, and an owner in Jordan-Fernald headquartered in Mount Desert, Maine. She is also Managing Partner of Jordan Family Properties LLC and L. E. Fernald LLC, operating as real estate holding companies.

Gregg S. Hannah. Mr. Hannah resides in Surry, Maine, and formerly served as Secretary and Treasurer of Hannah & Associates Inc., a marketing consulting firm. He is a past Associate Professor of Business Management at Nichols College in Dudley, Massachusetts.

Clyde H. Lewis. Mr. Lewis resides in Sullivan, Maine, and is Vice President, General Manager, and an owner of Morrison Chevrolet Inc., of Ellsworth, Maine.

Joseph M. Murphy. Mr. Murphy resides in Mount Desert, Maine, and is President and Chief Executive Officer of Bar Harbor Bankshares and Bar Harbor Bank & Trust.

Robert M. Phillips. Mr. Phillips resides in Sullivan, Maine, and is a former consultant for Cherryfield Foods, Maine Wild Blueberry, and Oxford Foods, food processors with locations in Washington County, Maine. Mr. Phillips serves as a consultant for the Wild Blueberry Association of North America and the Maine Wild Blueberry Commission.

Constance C. Shea. Mrs. Shea resides in Mount Desert, Maine, and is a Real Estate Broker and a former owner in Sylvia Shea Inc. d/b/a Lynam Real Estate Agency, Bar Harbor, Maine. Mrs. Shea is also the owner of a commercial real estate property located in Bar Harbor, Maine.

Kenneth E. Smith. Mr. Smith resides in Bar Harbor, Maine, and has been owner and Innkeeper of Manor House Inn since 2003 and former owner of Wonder View Inn, both lodging facilities located in Bar Harbor, Maine.

Scott G. Toothaker. Mr. Toothaker resides in Ellsworth, Maine, and is Principal and Vice President of Melanson Heath & Co., PC, a CPA firm with an office located in Ellsworth, Maine.

David B. Woodside. Mr. Woodside resides in Bar Harbor, Maine, and is President and General Manager of Acadia Corporation, a corporation operating restaurants and retail shops located in Acadia National Park and Bar Harbor, Maine.

Executive Officers:

Joseph M. Murphy. For a summary of Mr. Murphy s business experience, refer to the Directors Nominee section immediately above.

Gerald Shencavitz. Mr. Shencavitz resides in Mount Desert, Maine, and has served as Executive Vice President, Chief Financial Officer, and Treasurer of the Company since December, 2007. Prior to his promotion in December 2007 to Executive Vice President, he served as Chief Financial Officer and Treasurer of the Company since June 2001. Mr. Shencavitz has served as Executive Vice President, Chief Financial Officer, and Chief Operating Officer of Bar Harbor Bank & Trust since his promotion in December, 2007. He was Chief Financial Officer, Senior Vice President and Chief Operating Officer of Bar Harbor Bank & Trust between 2001 and December, 2007. Mr. Shencavitz also serves as Treasurer of Bar Harbor Trust Services, an office he has held since 2001.

Michael W. Bonsey. Mr. Bonsey resides in Bar Harbor, Maine, and has served as Senior Vice President of Credit Administration of Bar Harbor Bank & Trust since December, 2001. Mr. Bonsey served as Vice President of Credit Administration from 2000 through December, 2001.

Gregory W. Dalton. Mr. Dalton resides in Mount Desert, Maine, and has served as Senior Vice President of Business Banking of Bar Harbor Bank & Trust since 2000. He is also an owner in both the Bar Harbor Jam Co. and its real estate holding company, Blueberry Partners LLC, located in Bar Harbor, Maine.

Daniel A. Hurley III. Mr. Hurley resides in Ellsworth, Maine, and has served as President of Bar Harbor Trust Services and Senior Vice President of Bar Harbor Bank & Trust since August of 2004. He was formerly Vice President and Senior Trust Officer at Essex Savings Bank.

CORPORATE GOVERNANCE

Board of Directors:

A Board of Directors comprised of fourteen (14) members managed the Company during 2008. A majority of the Board of Directors meets the independence standards established by NYSE Amex. The Board has determined that all the named director-nominees listed in this Proxy, with the exception of Mr. Murphy, meet applicable independence standards established by NYSE Amex. The Board of Directors of the Company held a total of twelve (12) regular meetings, one (1) special meeting, and one (1) annual meeting during 2008. The Bylaws of the Company provide for a minimum of quarterly meetings. Each director attended at least 75% of the total number of board and committee meetings that he or she was eligible to attend.

The Board encourages, but does not require, each director to attend its Annual Meeting. All of the Board s members attended the 2008 Annual Meeting.

Committees:

The Board of Directors has a standing Audit Committee, Executive Committee, Governance Committee, and Compensation and Human Resources Committee.

Executive Committee

The Bylaws of the Company provide that after each Annual Meeting of Shareholders, the Board shall designate from among its members an Executive Committee with the authority to exercise all the powers of the Board of Directors in regard to ordinary operations of the business of the Company when the Board is not in session, subject to any specific vote of the Board. The Executive Committee for 2008 included directors Colwell, Dodge, Dudman, Murphy, Phillips, Shea, and Toothaker. Mr. Colwell serves as Chairperson. The Executive Committee held one (1) meeting in 2008.

Audit Committee

The members of the Audit Committee included directors Toothaker, Dudman, Fernald, Hannah, Smith, and Woodside. Mr. Toothaker serves as Chairperson of the Committee. The Audit Committee met five (5) times during 2008. See **Appendix A** for a Report of Audit Committee. The Audit Committee has a written charter which was recently amended to comply with Item 407(d)(3) of Regulation S-K and PCAOB Rule 3526 regarding independent accountant communications with audit committees concerning auditor independence. A copy of the updated charter is attached to this Proxy Statement and labeled Appendix B. It also may be viewed on the Company s general website under the Investor Relations section at www.BHBT.com.

The Company s Board has determined that the Audit Committee is composed of independent directors, in accordance with applicable NYSE Amex listing requirements and Rule 10A-3(b)(1) under the Exchange Act. The Audit Committee operates under a written charter, which has been adopted by the Audit Committee and the Company Board. Audit Committee members do not accept any consulting, advisory, or other compensatory fees (except directors fees) and are not affiliated with the Company (except as a director) or any of its subsidiaries. The Board of Directors has determined that the Company has at least one audit committee financial expert serving on its Audit Committee. Mr. Scott G. Toothaker, CPA, meets the criteria for an audit committee financial expert and is independent within the meaning of the rules adopted by the NYSE Amex pursuant to the Sarbanes-Oxley Act of 2002.

The Audit Committee has the sole authority to appoint and replace the Independent Registered Public Accounting Firm. The Audit Committee is responsible for the compensation and oversight of the Independent Registered Public Accounting Firm and this firm reports directly to the Audit Committee. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities with respect to (i) the financial information to be provided to shareholders and the Commission; (ii) the review of quarterly financial statements; (iii) the system of financial controls management has established; and (iv) the internal audit, external audit, and loan review processes.

Governance Committee

The Governance Committee for 2008 was comprised of directors Shea, Colwell, Dodge, Fernald, and Phillips. The Governance Committee met three (3) times during 2008. Directors Dodge and Phillips were replaced by directors Carter and Dearborn during the latter part of 2008. Mrs. Shea served as Chairperson of the Committee. The Company Board of Directors has determined that each member of the Governance Committee is independent for purposes of NYSE Amex listing standards.

The Governance Committee s responsibilities include screening director candidates, recommending nominees to the full Board of Directors (including the slate of returning directors) to be elected each year, making recommendations concerning the size and composition of the Board of Directors, recommending Committee structure and membership, and sponsoring new director orientation and education. The Governance Committee has a written charter, which may be viewed on the Company s general website under the Investor Relations section at www.BHBT.com.

The Governance Committee expects to identify nominees to serve as directors of the Company primarily by accepting and considering the suggestions and nominee recommendations made by directors, management, and shareholders. To date the Governance Committee has not engaged any third parties to assist it in identifying candidates for the Board of Directors. The Governance Committee considers among other things the background, business and professional experience (including any requisite financial expertise or other special qualifications), current employment, community service, and other board service of its director-nominees, as well as racial, ethnic, and gender diversity of the Board as a whole. The Governance Committee generally considers a candidate s qualifications in light of these broad criteria as well as an assessment as to whether the candidate can make decisions on behalf of or while representing the Company in a manner consistent with its stated business goals and objectives. The Governance Committee will also consider the candidate s independent status in accordance with applicable regulations and listing standards. The Governance Committee will consider nominees recommended by shareholders. Any shareholder wishing to nominate a candidate for director must follow the procedures for submission of proposals set forth in the section of this Proxy Statement entitled Nominations by Shareholders.

Compensation and Human Resources Committee

The Compensation and Human Resources Committee reviews and considers recommendations from management, consultants, and directors concerning executive compensation policies, employee benefit plans, and salary administration programs, including reviewing annually the performance, total compensation, and recommended adjustments for all executive officers and the executive officers of the Company s subsidiaries. The deliberations of the Compensation and Human Resources Committee are reported to the Board of Directors for review and approval. The Compensation and Human Resources Committee has a written charter, which may be viewed on the Company s general website under the Investor Relations section at www.BHBT.com.

The Compensation and Human Resources Committee is comprised of Company directors Phillips, Dearborn, Dodge, Fernald, and Shea. Mr. Phillips serves as Chairperson of the Committee. The Company s and Bank s President and Chief Executive Officer, Mr. Murphy, serves on the Committee in a non-voting, ex-officio capacity, as does the Bank s Human Resources Officer, Mrs. Marsha C. Sawyer. All voting members of the Compensation Committee are independent for purposes of NYSE Amex listing standards. The Compensation and Human Resources Committee met eight (8) times during 2008.

Further information regarding the Compensation and Human Resources Committee can be found below in this Proxy Statement beginning under the caption Role of the Compensation Committee. The Compensation Committee report appears at page 20 of this Proxy Statement.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

COMPENSATION OF EXECUTIVE OFFICERS

Compensation Discussion and Analysis

In the paragraphs that follow, we will provide an overview and analysis of our compensation program and policies, the material compensation decisions we have made under those programs and policies with respect to our named executive officers, and the material factors that we considered in making those decisions. Later in this Proxy Statement under the heading, Executive Compensation is a series of tables containing specific information about the compensation earned or paid in 2008 to the named executive officers, whom we refer to as our NEOs .

The discussion below is intended to help you understand the detailed information provided in those tables and put that information into context within our overall compensation program.

Named Executive Officers

As used in this proxy statement, the term named executive officers or NEOs includes: (i) the Company s Chief Executive Officer (CEO), Joseph M. Murphy and Chief Financial Officer (CFO), Gerald Shencavitz, and (ii) the Company s three other most highly compensated policy making, executive officers who earned more than $100,000 in total compensation during the Company s last fiscal year. In 2008, the other three NEOs were Senior Vice Presidents: Michael W. Bonsey, Gregory W. Dalton and Daniel A. Hurley III.

Objectives of the Company s Compensation Program

The objective of the Company s compensation program is to attract, retain, motivate, and reward NEOs and other executives who contribute to our financial and operational success, which ultimately builds value for our shareholders. We believe that, in order to do this effectively, our program must:

provide our NEOs with total compensation opportunities at levels that are competitive for comparable positions at companies and banks with whom we compete for talent;

directly link a significant portion of total compensation to the Company s achievement of performance goals in a way that proportionally rewards higher performance levels;

provide significant upside opportunities for exceptional individual performance, which can result in differentiated compensation among NEOs based on performance; and

closely align our NEOs interest with those of our shareholders by making stock-based incentives a core element of our executive s compensation.

Role of the Compensation Committee

The Compensation and Human Resources Committee (the Committee) oversees regulatory compliance for all Company compensation and benefit plans and administers the Company s executive compensation programs. The Committee recommends these programs to the Company s Board of Directors for approval at least annually and more frequently, if circumstances warrant. These executive programs are intended to provide a variety of competitive compensation components including base salaries, traditional benefits, annual cash performance incentives, and retirement programs. In addition, the Company has sought to align the long-term interests of its executives, including the NEOs, with those of the shareholders by providing share-based incentives in the form of stock option grants. The composition of the components may vary from year to year based on individual performance, the Company s business plan, market conditions, or other factors.

Market and Comparative Data

The Committee approves and recommends to the Board compensation programs it believes meets the Company s ongoing need to attract, motivate, and retain talented and qualified executives who have the capacity to make a major contribution to the leadership and success of the Company. In fulfilling this requirement, the Committee has used a variety of consultants, employment attorneys, and third party providers of service as sources to assist in the establishment and implementation of its executive compensation programs. The Committee regularly reviews industry-standard compensation surveys provided by objective sources for state and regional perspectives. These resources primarily include the Financial Institutions Compensation and Benefit Survey for Northern New England and survey information provided by the Company s compensation consulting firm, Pearl Meyer & Partners. Pearl Meyer & Partners draws salary information from its own proprietary data base along with the survey information from Clark Consulting and Watson Wyatt compensation survey firms. In addition, the Committee reviews comparative salary and benefit information gleaned from public filings of a peer group the Company established for compensation comparison (the Company Peer Group). The Committee felt it was important to expand its Compensation Peer Group to financial institutions outside of Maine to incorporate a larger selection of publicly-traded financial institutions and provide a representation of the geographical area that may be considered for recruitment purposes. With the assistance of Pearl Meyer & Partners, the Company redefined its Compensation Peer Group to the companies listed below. The Committee believes these Company Peer Group filings disclose compensation programs of similarly situated executives in comparable institutions throughout Maine and the Northeast region and they are a useful comparative tool for the Committee in establishing executive compensation programs and individual criteria for its executives including the NEOs. The Peer Group information is used as a guide in establishing reasonableness in the Company s compensation program.

In 2008, the Company Compensation Peer Group was comprised of the following:

PEER BANK	**STATE**	**TICKER SYMBOL**	**2007 AVERAGE ASSETS ($)**	**2007 TOTAL REVENUE ($)**	**2007 RETURN ON AVERAGE EQUITY (%)**
Alliance Financial Corp	NY	ALNC	1,307,281	53,774	8.48
Arrow Financial Corp	NY	AROW	1,584,846	62,586	14.68
Bancorp Rhode Island, Inc.	RI	BARI	1,477,119	52,029	7.87
Benjamin Franklin Bancorp, Inc.	MA	BFBC	903,278	31,495	3.36
Bridge Bancorp, Inc.	NY	BDGE	607,424	31,105	17.47
Camden National Corp	ME	CAC	1,716,788	62,522	18.34
Canandaigua National Corp	NY	CNND.OB	1,256,349	56,571	14.49
Chemung Financial Corp.	NY	CHMG.OB	788,874	42,565	8.58
Community BanCorp	VT	CMTV.OB	502,032	16,650	10.69
Enterprise Bancorp Inc.	MA	EBTC	1,057,666	50,787	12.11
Financial Institutions Inc.	NY	FISI	1,857,876	78,753	8.84
First National Lincoln Corp	ME	FNLC	1,223,250	41,981	11.89
Hampden Bancorp Inc.	MA	HBNK	524,070	14,016	(3.04)
Hingham Institution for Savings	MA	HIFS	744,602	17,736	8.40
LSB Corp	MA	LSBX	621,651	18,011	6.35
Legacy Bancorp Inc.	MA	LEGC	924,541	29,732	.88
Merchants Bankshares Inc.	VT	MBVT	1,170,743	47,557	15.37
NH Thrift Bancshares, Inc.	NH	NHTB	834,230	27,177	7.98
Northeast Bancorp	ME	NBN	556,801	23,232	4.59
Westfield Financial Inc.	MA	WFD	1,039,784	34,737	3.00
The Wilbur Corp	NY	GIW	793,680	31,592	11.84
50th Percentile			**924,541**	**34,737**	**8.58**
Bar Harbor Bankshares	ME	BHB	889,472	28,832	11.40

The Committee did not target the elements of its compensation program at any specific level or percentiles within the Peer Group, but used the data to determine the competitiveness of the Company s pay practices. Rather than rely on a formula based model, the Committee believes that retaining discretion to also assess the overall performance of NEOs gives the Committee the ability to more accurately reflect individual contributions that cannot be absolutely quantified. The Committee also considered their decision to implement a senior incentive program in 2008 tailored to provide more emphasis on incentive compensation for the NEO group for 2008.

The Committee used detailed compensation information disclosed in 2008 proxy filings available for competitive reference along with market salary survey information provided by Pearl Meyer & Partners. Limited peer group proxy information is available for the remaining three NEOs. The Committee further referenced salary survey information and guidance provided by Pearl Meyer & Partners in its process to establish compensation levels for this group.

The Clark Consulting and the Watson Wyatt surveys provided salary information for institutions within the $500M to $2B range. The Financial Institutions Survey of Northern New England provided information on institutions in the $700M to $999M range. After deliberations and considering all factors, 2008 compensation and comparative market salary information is detailed below:

	BHB 2008 Base Salary ($)	Aged Peer Group Base at 25th, 50th & 75th Percentile[1] ($)	25th, 50th & 75th Market Composite Base Data[2] ($)	BHB 2008 Total Cash Compensation ($)	Aged Peer Total Cash Compensation at 25th, 50th, & 75th Percentile[1] ($)	25th, 50th& 75th Market Composite Cash Compen-sation Data[2] ($)	BHB 2008 Total Compensation ($)	Aged Peer Group Total Compensation at 25th, 50th & 75th Percentile[1] ($)
Joseph M. Murphy	**273,946**	271,900 335,000 375,580	275,400 318,400 377,600	**331,914**	271,900 372,260 475,150	299,400 363,200 462,300	**583,847**	381,950 507,170 882,700
Gerald Shencavitz	**174,000**	172,813 192,600 243,325	163,700 179,100 223,800	**213,907**	185,275 219,100 264,882	177,100 199,000 256,600	**297,626**	236,561 277,462 353,325
Michael W. Bonsey	**116,000**	N/A	90,700 114,000 126,200	**131,533**	N/A	104,200. 121,600 129,600	**143,109**	N/A
Gregory W. Dalton	**132,000**	N/A	128,300 135,000 147,000	**161,693**	N/A	135,400 145,700 167,100	**173,232**	N/A
Daniel A. Hurley III	**126,500**	N/A	113,700 132,400 142,300	**148,028**	N/A	115,900 138,300 156,200	**167,298**	N/A

1 2007 Peer Group Proxy filing base salary, cash compensation, and total compensation figures aged to 2008 for comparable purposes.

2 Base salaries and cash

compensation reported at the 25th and 50th percentile (averaged) from the disclosed Proxy Peer Group, and the Clark, Wyatt, and Financial Institutions of Northern New England salary surveys.

The Committee also considers the relative scarcity of senior banking executive candidates in its immediate market area and the difficulties of recruiting out-of-market candidates to work in rural Maine. The Committee does not use any formal, fixed, or indexed criteria for establishing compensation levels for any of its NEOs within market identified ranges. The Committee believes over time, the growth in total compensation provided to its executive officers should be more heavily weighted towards incentive compensation opportunities directly tied to corporate performance with less emphasis upon growth in base salaries.

Role of Management in Establishing Compensation

On an annual basis Mrs. Marsha C. Sawyer, the Senior Vice President of Human Resources, with the oversight of the Chief Executive Officer, provides the Committee with general information on executive officer compensation, including the NEOs. The Committee then reviews, discusses, and considers this information and any recommendations. The Chief Executive Officer and the Senior Vice President of Human Resources generally attend Committee meetings but were not present for the executive sessions or for any discussion of their own compensation. Mrs. Sawyer assists in the administration of all executive compensation programs, prepares Committee and Board meeting materials and performs work as requested by the Committee, including working directly with the Company s Compensation Consultant in preparation of peer analyses for the Committee s consideration. Mr. Murphy, the Company s President & Chief Executive Officer, attends portions of the Committee s meetings and makes recommendations on base salary, annual incentives, and equity compensation for executive officers who report to him. The Committee has the discretion to accept, reject, or modify the CEO s recommendations. No changes occurred in 2008 with respect to this participation by management in the compensation process.

Compensation Consultants

The Committee has occasionally utilized, and expects to utilize in the future, various outside consultants, actuaries, and employment attorneys to assist it in developing and implementing certain of the Company s compensation program components, including its stock option program, Supplemental Executive Retirement Plan (SERP), and incentive compensation arrangements.

During 2008, Committee Chair, Robert Phillips attended a multi-day conference sponsored by *Bank Director Magazine*, NASDAQ, and Institutional Shareholder Services specifically targeted at Bank Executive &

Board Compensation best practices. In January, 2008, the Committee, under authority granted by its Charter, engaged Pearl Meyer & Partners to assist in a total review of the Company s executive officer and director compensation packages. During 2008, Pearl Meyer s engagement included:

A comprehensive and competitive review of the Company s total compensation arrangements including base salaries, equity and retirement programs for the Company s CEO and its senior executives including the NEOs;

A comprehensive review of the Company s compensation program for its directors;

Recommendations for an expanded, appropriate Peer Company comparison group for compensation purposes;

Assisting in the establishment of an appropriate compensation mix and pay for performance plan based on the Company s size, geographic location, and unique characteristics;

Developing a short term, annual cash incentive plan for its executives, including NEOs with thresholds, targets, and stretch goals tied to the Company s strategic and long-term financial plans; and

Assist with the development of an equity incentive plan to encourage decision-making with the long-term interests of the Company in mind by executives including the NEOs.

Compensation Plan Components

The Company s executive compensation program applicable to the NEOs is comprised of the following primary components: (a) base salaries and benefits, (b) annual incentive cash compensation programs, (c) long-term incentives in the form of stock option grants, and (d) retirement benefits:

(a) ***Base Salary and Benefits***. The executive compensation program provides base salaries and benefits, which include health and life insurance programs, a 401(k) retirement program, and vacation awards to compensate executive officers for capable performance of core duties and responsibilities associated with their positions. The Committee reviews base salaries annually in the context of the comparative industry information, as described above. The Committee also considers the specific contributions of the individual executive officer and the officer s opportunity for professional growth, as well as market factors, when it sets and adjusts base salaries. In addition, the Committee considers the prevailing economic climate, the overall performance of the Company, and its most current business plan.

Upon performance evaluations and the advice and market salary data supplied by Pearl Meyer & Partners, the Committee made performance and market adjustments to the 2008 base salaries for NEOs as follows:

Named Executive	2007 Base Salary	2008 Base Salary	2008 Increase	Percentage
Joseph M. Murphy President and CEO of Bar Harbor Bankshares and Bar Harbor Bank & Trust	$258,440	$273,946	$15,506	6.00%
Gerald Shencavitz EVP, CFO and Treasurer of Bar Harbor Bankshares and EVP, CFO, and COO of Bar Harbor Bank & Trust	$174,000	$174,000[1]	N/A	N/A
Michael W. Bonsey SVP, Credit Administration of Bar Harbor Bank & Trust	$104,000	$116,000	$12,000	11.54%
	$117,106	$132,000	$14,894	12.72%

Gregory W. Dalton SVP, Business Banking of Bar Harbor Bank & Trust				
Daniel A. Hurley III President of Bar Harbor Trust Services and SVP of Bar Harbor Bank & Trust	$126,500	$126,500[2]	N/A	N/A

1 Mr. Shencavitz s salary was adjusted in December 2007 to $174,000 in recognition of his promotion to Executive Vice President. No further adjustment was made to his 2008 compensation.

2 Mr. Hurley was provided a one time payment in lieu of a base salary adjustment for 2008 to allow the company to realign its internal equity with new comparative salary information.

(b) ***Short-term, Annual Incentive Cash Compensation Program***. During 2008, nine senior managers including NEOs, Messrs. Murphy, Shencavitz, Bonsey, Dalton, and Hurley participated in an annual cash incentive compensation plan developed under the guidance of Pearl Meyer & Partners. The philosophy of the Compensation Committee was to set reasonable base salaries and allow for the potential of meaningful incentives tied to the Company s short-term initiatives to optimize profitability, growth, excellence in individual performance, and to promote teamwork among its participants. This plan was approved by the Company s Board of Directors for 2008 and is detailed below:

Incentive Payout Opportunity

Each participant had a target incentive opportunity based on their role. The target incentive reflected a percentage of base salary determined to be consistent with competitive market practices. Actual awards varied based on achievement of specific goals. The opportunity reflects a range of potential awards. Actual awards ranged from 0% (for not achieving minimal performance) to 150% of target (for exceptional performance). The table below summarizes the incentive ranges for the 2008 plan year.

2008 Short-Term Incentive Targets

Role	Below Threshold	Threshold (50% of Target)	Target (100%)	Stretch (150% of Target)
CEO/President	0%	12.50%	25.00%	37.50%
EVP	0%	10.00%	20.00%	30.00%
SVP	0%	7.50%	15.00%	22.50%

Incentive Plan Measures

Each participant had predefined performance goals used to determine their short-term incentive award. There were two performance categories: BHB Team and Individual. BHB Team performance was reflected by common goals for all participants. Individual goals reflected each participant s individual contributions based on their role. The specific allocations of goals were weighted to reflect the focus and contribution for each role/level in the Company.

The table below provided the guidelines for the allocation of participant s incentives for each performance component

Position	BHB/Team Performance	Individual Performance
CEO/President	75%	25%
EVP	65%	35%
SVP Line	30%	70%
SVP Staff	50%	50%

BHB Performance

BHB Team performance goals for 2008 were increased Net Income and a decreased Efficiency Ratio. The table below shows the specific performance goal at Threshold, Target (budget) and Stretch for 2008.

Company Performance Measures	2008 Performance Goals Threshold	Target	Stretch
Net Income (to be adjusted for Visa IPO gain)	7,496	7,577 (budget)	8,407
Efficiency Ratio	63.7 (budget)	62.6 (2007)	61.6

Individual Performance

In addition to the BHB s Team performance goals, participants had 2 3 individual goals that focused on either department/team performance (e.g. lending growth, deposit growth, budget constraint) and/or individual performance on assigned strategic projects. The mix of these goals varied by role. A minimum achievement of threshold level performance was required for the plan to pay for each component.

Plan Trigger

In order for the Annual Incentive Plan to activate or turn on, the Company needed to achieve at least $7,496 in Net Income representing an increase of 4.77% over 2007 Net Income. If BHB did not meet this level, the plan would not pay out any awards for the year, regardless of performance on other goals.

The Company achieved Net Income of $7,731 or an 8.07% increase over 2007.

2008 Incentive Payment Summary

Named Executive	Percentage Of Base (%)	Total Payout ($)	Net Income ($)	Efficiency Ratio ($)	Credit Asset Quality ($)	Loan and Deposit Growth ($)	Individual Goals ($)
Joseph M. Murphy	21	57,968	26,937	20,546	10,485	0	0
Gerald Shencavitz	23	39,907	11,197	10,440	0	0	18,270[1]
Michael W. Bonsey	13	15,533	3,734	5,220	2,664	3,915	0
Gregory W. Dalton	17	22,157	2,834	2,970	2,424	13,929	0
Daniel A. Hurley III	11	13,509	2,714	2,846	0	0	7,949[2]
Totals		**149,074**	**47,416**	**42,022**	**15,573**	**17,844**	**26,219**

1 Mr. Shencavitz earned $6,525 for exceeding investment income targets, $6,525 for placing in the 75th percentile on investment yield against

peer, and $5,220 for his oversight and leadership on five assigned strategic projects completed in 2008 for a total incentive payment of $18,270 in this category.

2 Mr. Hurley earned $7,949 for exceeding income projections for the reorganized Bar Harbor Financial Services function.

Details of the above payments disclosed into Threshold, Target, and Stretch categories can be found on page 27.

(c) ***Stock Option Plan***. Since adopting its Stock Option Plan in 2000, the Company has provided its officers and managers, including its NEOs, with a share-based compensation component in the form of stock options. This compensation component is used to align the interest of the Company s participating officers and managers, particularly its executive officers, with those of its Shareholders over a long-term horizon and to serve as a retention tool. The Company grants options upon date of hire or promotion for qualified individuals, and from time to time for special recognition. The Company awards all grants at the closing market price of the business day of the enabling vote by the Company s Board of Directors. The Board of Directors also sets the vesting schedule, which is typically over a period of three to seven years. The Company did not grant any stock options to its NEOs in 2008.

(d) ***Benefits, Retirement and Post Termination Compensation Elements***. The Company provides for all employees meeting minimum age and service requirements a 401(k) benefit retirement plan. In addition, the Company provides a nonqualified, noncontributory, defined-benefit plan, (SERP) for certain highly compensated officers. Currently, the Chief Executive Officer and Executive Vice President/Chief Financial Officer are the only two NEOs that participate in the SERP. The Company s 401(k) plan has imbedded regulatory ceilings that limit the two most senior executives from deferring amounts sufficient to provide for a reasonable, final average salary retirement benefit. The Company utilizes its SERP plan as a vehicle to assist in funding the Chief Executive Officer s and Executive Vice President/Chief Financial Officer s total retirement program.

The Company also maintains change in control agreements for NEOs Murphy, Shencavitz, Bonsey, Dalton and Hurley. No golden parachute payments will be made under these agreements to the extent that such payments are prohibited by applicable law due to the Company s participation in the U.S. Treasury s Capital Purchase Program.

The agreements were in effect for the 2008 reporting year and provided for the payment of their salary and other specified benefits for a period of twelve to twenty-four months in the event of both a change of control of the Company and subsequent termination (or constructive termination) within set timeframes after a change of control, unless such termination was for cause. These specific payments and timeframes were established under the advice of a compensation consultant and employment attorney as representative of similar type agreements in the industry.

The Committee believes that the Company s SERP plan and change in control agreements are advisable to provide a competitive total compensation plan to attract and retain the employment of NEOs that are a party to the agreements.

Other Compensation and Benefits

In addition to the foregoing, all executive officers of the company are entitled to participate in certain group health, dental, and term life insurance benefits. In accordance with Company policy, all such benefits are generally available to employees of the Company and its subsidiaries.

Stock Ownership Guidelines

While many of the Company s executive officers have significant Company stock holdings, the Company does not have specific guidelines regarding stock ownership for its NEOs.

Compliance with Internal Revenue Code Section 409A

Section 409A of the Internal Revenue Code was enacted in 2005 and provides that if a service provider is entitled to nonqualified deferred compensation benefits that are subject to Section 409A, and such benefits do not comply with Section 409A, the service provider would be subject to adverse tax treatment, including accelerated income recognition and a potential 20% tax penalty. The Company has modified its affected compensation plans to comply with the Section 409A tax provisions because the Company s NEOs meet the definition of a service provider under Section 409A.

Participation in the U.S. Treasury s Capital Purchase Program

Capital Purchase Program Participation

In January 2009, the Company issued and sold preferred stock and a warrant to purchase common stock for an aggregate purchase price of $18,751,000 to the U.S. Treasury under the Capital Purchase Program. Under the terms of the purchase agreement, for as long as the U.S. Treasury holds any Company securities acquired under the purchase agreement or the warrant, the Company must ensure that its compensation, bonus, incentive and other benefit plans, arrangements and agreements, including golden parachute and severance and employment agreements, with respect to its senior executive officers, as such term is defined in the Emergency Economic Stabilization Act of 2008 (EESA), comply with Section 111(b) of the EESA and applicable guidance and regulations under EESA

promulgated by the U.S. Treasury. Each such officer consented to and waived any claims against both the U.S. Treasury and the Company with respect to any amendments or modifications to their compensation or benefits required for the company to so comply.

As a result of the Company s participation in the Capital Purchase Program and in accordance with the EESA as originally enacted, the company amended, the benefits plans and agreements in which any of the senior executive officers (who are also the named executive officers) could receive payments upon termination or change in control. The amendments cover the period required by Section 111(b) of the EESA and applicable guidelines and regulations that prohibit any golden parachute payment as defined under Section 280G of the Code. Under Section 280G as modified by the EESA, golden parachute payment is defined generally to mean any payment made on account of any severance from employment by reason of involuntary termination or in connection with any bankruptcy filing, insolvency or receivership, to the extent that the aggregate present value of such payments equals or exceeds three times the named executive officer s average annual compensation for the five years prior to the severance from employment. However, see 2009 EESA Amendments below for additional information on changes to the definition of the term golden parachute payment.

Policy on Internal Revenue Code Section 162(m).

The Company intends for all incentive compensation paid to the named executive officers to be fully deductible for federal income tax purposes. Section 162(m) of the Code disallows publicly-traded companies from receiving a tax deduction on compensation paid to executive officers in excess of $1 million unless, among other things, the compensation meets the requirements for performance-based compensation. In structuring the compensation programs and in determining executive compensation, the Committee takes into consideration the deductibility limit for compensation and the performance-based requirements of Section 162(m). To date, none of the compensation paid to any executive offers have exceeded this limit on deductibility.

As a result of the Company s participation in the Capital Purchase Program, for as long as the U.S. Treasury holds any Company securities acquired under the purchase agreement or the warrant, the deduction limit for remuneration paid to the senior executive officers during any taxable year will be $500,000 instead of $1 million, and must be computed without regard to performance-based compensation and certain deferrals of income.

Clawback Provision.

As a result of the Company s participation in the Capital Purchase Program, the Company is required to provide for the recovery of any incentive or bonus payments paid to senior executive officers during the period that the U.S. Treasury holds any Company securities acquired under the purchase agreement or the warrant which are based on financial criteria later proven to be materially inaccurate. Accordingly, the Company has amended or modified each applicable incentive or other benefit plan to so provide. Each of the senior executive officers consented to and waived any claims against the U.S. Treasury and the Company with respect to such amendments and modifications.

2009 EESA Amendments

The American Recovery and Reinvestment Act of 2009 (ARRA), enacted on February 17, 2009, has materially amended Section 111 of EESA. In addition to making other changes, the ARRA restricts the amount of bonuses that can be paid to our NEOs, requires the Compensation Committee to conduct a risk assessment of all employee benefit programs twice a year, and our CEO and CFO to certify compliance with Section 111 of EESA as amended by the ARRA. Furthermore, the ARRA has amended the definition of a golden parachute payment generally to include any payment on account of an NEO s departure from the employer. U.S. Treasury guidance will be needed to clarify whether this completely prohibits the payment of severance, whether or not in a change of control situation. The Company may be required to make changes to its compensation and benefit programs applicable to our NEOs based on the determination it makes in the coming weeks and months regarding the scope of actions required to comply with amended Section 111 of EESA.

Compensation Committee Report

The Compensation Committee has reviewed the Compensation Discussion and Analysis included in this proxy statement and has discussed it with members of management. Based on such review and discussion, the

Compensation Committee recommended to the Board of Director members that the Compensation Discussion and Analysis be included in its Annual Report on Form 10-K and this Proxy Statement.

Risk Assessment

In accordance with the EESA, the Compensation Committee certifies that it will, prior to April 16, 2009, review with its designated senior risk officer the incentive compensation arrangements applicable to the Company s senior executive officers (as defined pursuant to the Section 111 of the Emergency Economic Stabilization Act of 2008), which includes each of the NEOs. The Compensation Committee will make reasonable efforts prior to April 16, 2009 to ensure that such arrangements do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of the Company and Bar Harbor Bank & Trust. April 16, 2009 is ninety (90) days from the date of the Company s initial receipt of Capital Purchase Program funds.

Robert M. Phillips, Chair
Jacquelyn S. Dearborn
Peter Dodge
Lauri E. Fernald
Constance C. Shea

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EXECUTIVE COMPENSATION

2008 Summary Compensation Table

The following table discloses compensation for the years ended December 31, 2008, 2007 and 2006, received by the Company s principal executive officer, principal financial officer, and three other most highly compensated executive officers (the NEOs). The Company, or the subsidiary by which he was employed, paid compensation for each named executive officer.

Name and Principal Position (a)	Year (b)	Salary[1] ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards[2] ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[3] ($) (h)	All Other Compensation[4] ($) (i)	Total ($) (j)
Joseph M. Murphy	2008	273,946			7,664	57,968	222,690	21,579	583,847
President and CEO	2007	258,440	0	0	49,956	32,305	201,145	20,999	562,845
of Bar Harbor	2006	258,440	0	0	49,956	0	175,028	22,391	505,815
Bankshares and Bar									
Harbor Bank & Trust									
Gerald Shencavitz	2008	174,000			17,029	39,907	56,966	9,724	297,626
EVP, CFO and	2007	153,351	0	0	18,466	19,169	51,518	7,807	250,311
Treasurer of Bar	2006	149,347	0	0	15,547	0	43,555	11,560	220,009
Harbor Bankshares									
and EVP, CFO, and									
COO of Bar Harbor									
Bank & Trust									
Michael W. Bonsey	2008	116,000			6,559	15,533		5,017	143,109
SVP, Credit	2007	104,000	0	0	10,191	13,004	0	4,563	131,758
Administration of	2006	102,003	0	0	6,969	0	0	7,568	116,540
Bar Harbor Bank &									
Trust									
Gregory W. Dalton	2008	132,000	7,536[5]		6,559	22,157		4,980	173,232
SVP, Business	2007	111,343	0	0	8,841	13,918	0	5,092	139,194
Banking of Bar	2006	105,007	0	0	4,847	0	0	7,925	117,779
Harbor Bank & Trust									
Daniel A. Hurley III	2008	126,500	8,019[6]		12,818	13,509		6,452	167,298
President, Bar	2007	126,500	0	0	12,514	15,813	0	6,308	161,135
Harbor Trust	2006	124,497	0	0	8,519	0	0	8,336	141,352
Services and SVP of									
Bar Harbor Bank &									
Trust									

1 Included in base salary amounts disclosed above for each named executive officer are monies they deferred pursuant to the Company s 401(k) Plan, which allows employees of the Company and its wholly owned subsidiaries to defer up to 50% of their compensation, subject to applicable limitations in section 401(k) of the Internal Revenue Code of 1986, as amended, and amounts deferred pursuant to the Company s Section 125 Cafeteria plan providing health, life, and disability insurance benefits.

2 The amounts included in the Option Awards column are the amounts of compensation cost recognized by the Company in fiscal 2008 related to stock option awards in prior fiscal years, as described in Financial Accounting

Standards No. 123(R). For a discussion of valuation assumptions, see Note 13 to the Company s 2008 Consolidated Financial Statements included in the Company s Annual Report on Form 10-K for the year ended December 31, 2008.

3 The amounts in this column reflect the changes in value of the Company s nonqualified, noncontributory, defined-benefit supplemental executive retirement program between December 31, 2006, December 31, 2007, and December 31, 2008.

4 Other Annual Compensation includes match and contribution amounts into the Company s 401(k) plan in the same formula and schedule as available to all other employees and imputed life insurance

amounts on group term insurance in excess of the allowable $50,000, non-taxable IRS limit.

5 One time payment for $7,536 ($5,000 net) in recognition of competitive market pressure pending full comparative salary review.

6 One time payment for $8,019 ($5,000 net) in lieu of 2008 base salary adjustment.

The NEOs also participate in certain group life, health, disability insurance, and medical reimbursement plans, not disclosed in the Summary Compensation Table, that are generally available to all employees and do not discriminate in scope, terms, and operation.

All Other Compensation Detail

Name	Year	Employer 401(k) Contribution Match and Contribution ($)	Club Dues ($)	Spousal Travel ($)	Imputed Life Insurance ($)	Other[1] ($)	TOTAL ($)
Joseph M. Murphy	2008	9,000	960	695	7,647	3,277	21,579
	2007	9,145	925	1,111	6,858	2,960	20,999
	2006	16,176	895	1,116	1,629	2,575	