

BAR HARBOR BANKSHARES  
Form 8-K  
January 25, 2013

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

**FORM 8-K**

**Current Report Pursuant**  
**to Section 13 or 15(d) of the**  
**Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): January 25, 2013

**BAR HARBOR BANKSHARES**

(Exact name of registrant as specified in its charter)

|   |                             |                                      |
|---|-----------------------------|--------------------------------------|
| <b>Maine</b>                                      | <b>001-13349</b>            | <b>01-0393663</b>                    |
| (State or other jurisdiction<br>of incorporation) | (Commission<br>File Number) | (IRS Employer<br>Identification No.) |

**P.O. Box 400, 82 Main Street, Bar Harbor, ME**

**04609-0400**

(Address of principal executive offices)

(Zip code)

Registrant's telephone number, including area code: **(207) 288-3314**

**Not Applicable**

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**TABLE OF CONTENTS**

|   |        |
|---|--------|
| Item 5.02 Departure of Directors or Certain Officers;   | Page 3 |
| Election of Directors; Appointment of Certain Officers;<br>Compensatory Arrangements of Certain Officers. |        |
| Signatures  | Page 5 |

**Item 5.02.**

**Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(e) Compensatory Arrangements for Certain Officers.

On January 22, 2013, the Board of Directors of Bar Harbor Bankshares (the Company), upon the recommendation of the Company's Compensation Committee, which, among other things, reviews and approves incentive plans for executive officers, approved the 2013 Annual Incentive Plan (the Plan) and designated target awards for fiscal year 2013 (calculated as a percentage of base salary) for certain executive officers of the Company and its wholly owned first tier bank and second tier trust company subsidiaries, including the Company's named executive officers.

The Plan focuses on rewards for the achievement of specific goals that we believe are critical to the growth and profitability of the Company. The principal objectives of the plan are to:

- 
- Focus executive attention on key business metrics;
- 
- Align compensation with organizational and individual performance;
- 
- Encourage teamwork and collaboration across all areas of the Company to drive improved business results;
- 
- Motivate and reward the achievement of specific, measurable performance objectives;
- 
- Provide competitive total cash compensation;
- 
- Provide significant rewards for achieving and exceeding performance results; and
- 
- Enable the Company to attract and retain the talent needed to drive success.

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In order for the Plan to activate, the Company must achieve a net income trigger (\$11.07 million in 2013). The performance period and Plan operate on a calendar year basis (January 1<sup>st</sup> to December 31<sup>st</sup>).

The table below summarizes the incentive ranges for the 2013 Plan year as a percentage of base salary payout for the Company's named executive officers.

| <b>2013 Short-Term Incentive Targets</b>                                 | <b>Below<br/>Threshold</b> | <b>Threshold<br/>(50% of Target)</b> | <b>Target (100%)</b> | <b>Stretch<br/>(150%) of Target</b> |
|--|----------------------------|--------------------------------------|----------------------|-------------------------------------|
| Joseph M. Murphy,<br>President and CEO<br>Gerald Shencavitz,             | 0%                         | 12.50%                               | 25.00%               | 37.50%                              |
| Executive Vice President and CFO<br>Michael W. Bonsey,                   | 0%                         | 10.00%                               | 20.00%               | 30.00%                              |
| Executive Vice President<br>and Chief Risk Officer<br>Gregory W. Dalton, | 0%                         | 8.75%                                | 17.50%               | 26.25%                              |
| Executive Vice President<br>Business Banking<br>Stephen M. Leackfeldt,   | 0%                         | 8.75%                                | 17.50%               | 26.25%                              |
| Executive Vice President,<br>Retail Banking and Operations               | 0%                         | 8.75%                                | 17.50%               | 26.25%                              |

Plan team performance goals are based on net income and efficiency ratio measures. In addition each participant has two to four individual goals that focus on either departmental or team performance such as lending growth, deposits growth, or asset quality measures. The mix of these goals varies by role.

In addition to the mix of a net income and an efficiency ratio measure, Mr. Murphy has an asset quality matrix measure. Mr. Murphy will be eligible for a potential 2013 payment based on results of his assigned measures calculated against his earned base compensation through his retirement date of June 30, 2013. In addition to the overall team measures, Mr. Shencavitz's model includes measures based on investment income and investment yield measured against peers. The awards to Messrs. Bonsey, Dalton and Leackfeldt include the two team goals along with loan and the asset quality matrix measure. Mr. Dalton and Mr. Leackfeldt have a deposit growth measure and, in addition, Mr. Leackfeldt has a deposit rate measure.

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

| <b>Position</b>                 | <b>BHB/Team Performance</b> | <b>Individual Performance</b> |
|---------------------------------|-----------------------------|-------------------------------|
| Joseph M. Murphy, CEO/President | 75%                         | 25%                           |
| Gerald Shencavitz, EVP and CFO  | 70%                         | 30%                           |
| Michael W. Bonsey, EVP          | 50%                         | 50%                           |
| Gregory W. Dalton, EVP          | 30%                         | 70%                           |
| Stephen M. Leackfeldt, EVP      | 55%                         | 45%                           |

The Company has developed the Plan based on existing business, market and economic conditions. If substantial changes occur that affect these conditions, the Company may add to, amend, modify or discontinue any of the terms or conditions of the Plan at any time. The Compensation Committee may, at its sole discretion, waive, change or amend the Plan, as it deems appropriate.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BAR HARBOR BANKSHARES

(Registrant)

By: /s/ Joseph M. Murphy

Name: Joseph M. Murphy

Title: President and Chief Executive Officer

Date: January 25, 2013