

First Bancorp, Inc /ME/
Form DEF 14A
March 08, 2013
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

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:
 Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting material Pursuant to §240.14a-12
THE FIRST BANCORP, INC.
(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):
 No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1)	Title of each class of securities to which transaction applies:
(2)	Aggregate number of securities to which transaction applies:
(3)	Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
(4)	Proposed maximum aggregate value of transaction:
(5)	Total fee paid:
..	Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed

March 18, 2013

Dear Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of The First Bancorp, Inc., which will be held at Samoset Resort, 220 Warrenton Street in Rockport, Maine 04856, on Wednesday, April 24, 2013, at 11:00 a.m. Eastern Daylight Time. The accompanying Notice of Annual Meeting of Shareholders and Proxy Statement describe the matters to be considered and acted upon.

This year we will be voting to elect Directors, to approve (on a non binding basis) the compensation of the Company's executives, and to ratify the Company's independent auditors. These matters are discussed in greater detail in the accompanying Proxy Statement. The Board of Directors unanimously recommends that you vote FOR each proposal. Your prompt completion and return of the proxy will be appreciated.

It is important that you be represented at the Annual Meeting, regardless of the number of shares that you own and whether or not you are able to attend the meeting in person. Shares held in "street name" by banks, brokers or other nominees who indicate on their proxy cards that they do not have discretionary authority to vote such shares as to a particular matter, which we refer to as "broker non-votes," will be counted for the purpose of determining whether a quorum exists but will not be considered as present and entitled to vote with respect to a particular matter unless the beneficial owner(s) of the shares instructs such record holder how to vote such shares.

Please take the time to review the material, mark, sign, date, and return the enclosed proxy in the envelope provided for your convenience.

If you have any questions about matters discussed in the Proxy Statement, please contact me at 207-563-3195 or 1-800-564-3195, extension 2010. Your continued support of The First Bancorp, Inc. is sincerely appreciated.

Very truly yours,

/s/ Daniel R. Daigneault

Daniel R. Daigneault
President and Chief Executive Officer

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The First Bancorp, Inc.
Post Office Box 940, 223 Main Street, Damariscotta, Maine 04543

Notice of Annual Meeting of Shareholders
To Be Held Wednesday, April 24, 2013

To the Shareholders:

Notice is hereby given that the Annual Meeting of Shareholders of The First Bancorp, Inc., the one-bank holding company of The First, N.A., will be held at Samoset Resort, 220 Warrenton Street, Rockport, Maine 04856, on Wednesday, April 24, 2013, at 11:00 a.m. Eastern Daylight Time, for the following purposes:

- To elect as Directors of the Company the nominees listed in the enclosed Proxy Statement as noted.
- To approve (on a non binding basis) the compensation of the Company's executives.
- To ratify the Audit Committee's selection of Berry Dunn McNeil & Parker, LLC as independent auditors of the Company for 2013.
- To transact such other business as may properly come before the meeting or any adjournment thereof.

Directors are elected by the vote of the holders of a majority of the outstanding shares of stock entitled to vote at the meeting. To be approved, any other matters submitted to our Shareholders, including the ratification of Berry Dunn McNeil & Parker, LLC, as our independent auditors, require the affirmative vote of the majority of shares present in person or represented by proxy at the annual meeting and entitled to vote.

Shares that abstain from voting as to a particular matter will be counted for purposes of determining whether a quorum exists and for purposes of calculating the vote with respect to such matter, but will not be deemed to have been voted in favor of such matter. Shares held in "street name" by banks, brokers or other nominees who indicate on their proxy cards that they do not have discretionary authority to vote such shares as to a particular matter, which we refer to as "broker non-votes," will be counted for the purpose of determining whether a quorum exists but will not be considered as present and entitled to vote with respect to a particular matter unless the beneficial owner(s) of the shares instructs such record holder how to vote such shares. Accordingly, abstentions will have the effect of a vote against a proposal, and broker non-votes will not have any effect upon the outcome of voting with respect to any matters voted on at the annual meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 24, 2013:

The First Bancorp's Annual Report to Shareholders and Proxy Statement are available at <http://materials.proxyvote.com/31866P>.

By Order of the Board of Directors

/s/ Charles A. Wootton
Charles A. Wootton, Clerk
Damariscotta, Maine
March 18, 2013

Regardless of the number of shares you own, your vote is important. Whether or not you expect to attend the meeting, the prompt return of your proxy will save follow-up expenses and assure the proper representation of your shares.

Please mark, date, sign, and promptly return the enclosed proxy, using the postage-paid envelope provided.

You may revoke your proxy if you so desire at any time before it is voted.

The First Bancorp, Inc.
Post Office Box 940, 223 Main Street, Damariscotta, Maine 04543

Proxy Statement

Annual Meeting of Shareholders to be Held Wednesday, April 24, 2013

This Proxy Statement is being furnished to Shareholders of The First Bancorp, Inc. (the "Company"), the parent company of The First, N.A. (the "Bank"), in connection with the solicitation of Proxies on behalf of the Board of Directors, to be used at the Annual Meeting of Shareholders of the Company to be held at Samoset Resort, 220 Warrenton Street, Rockport, Maine 04856, on Wednesday, April 24, 2013, at 11:00 a.m. Eastern Daylight Time, and at any adjournment thereof for matters described in the Notice of Annual Meeting of Shareholders. This Proxy Statement is first being mailed to Shareholders on March 18, 2013. This solicitation is made by the Company, which will bear the expenses thereof.

The Proxy solicited hereby, if properly signed and returned to the Company and not revoked prior to its use, will be voted in accordance with the instructions contained therein. If no contrary instructions are given, each Proxy received will be voted for the nominees for Directors described herein and for approval of the matters described below and, upon the transaction of such other business as may properly come before the meeting, in accordance with the best judgment of the persons appointed as Proxies; provided, however, that broker non-votes will not be voted in favor of the election of Directors. Any Shareholder giving a Proxy has the power to revoke it at any time before it is exercised by (i) filing with the Clerk of the Company a written notice thereof (Charles A. Wootton, The First Bancorp, Inc., Post Office Box 940, 223 Main Street, Damariscotta, Maine 04543); (ii) submitting a duly executed Proxy bearing a later date; or (iii) appearing at the Annual Meeting and giving the Clerk notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment thereof and will not be used for any other meeting.

Only Shareholders of record at the close of business on February 13, 2013 (the "Voting Record Date") will be entitled to vote at the Annual Meeting. On the Voting Record Date, there were 9,892,466 shares of Common Stock of the Company issued and outstanding; in addition, the Company had 12,500 shares of non-voting preferred stock outstanding. Each share of Common Stock is entitled to one vote at the Annual Meeting on all matters properly presented thereat.

PROPOSAL 1: ELECTION OF DIRECTORS

The health of the Company depends on a strong, independent and attentive Board. The Nominating/Governance Committee of the Board of Directors believes that it is necessary for each of the Company's Directors to possess a considerable amount of business management and educational experience. In addition, Directors must have sound judgment, wisdom, integrity and ethics. Directors are encouraged to attend seminars and courses to enhance their directorship skills. Each of our outside Directors brings to the Company knowledge from his or her field of expertise, including leadership, finance, marketing and human resources through the management of their own companies or professional practices. These experiences provide perspective, analytical insight and objectivity when overseeing and evaluating Management. In addition, all Directors serve as referral sources for the Company's subsidiary. All Directors of the Company also serve on the subsidiary's Board and meet the requirements for Directors as set forth by the Office of the Comptroller of the Currency. The Board's familiarity with the Bank's systems and controls is crucial in maintaining the Company's safety and soundness. In order to be a candidate for a Director of the Company, each individual must meet the following criteria:

- Be a citizen of the United States.
- Have the financial capacity to own and/or purchase the minimum equity interest in the Company as specified in the Company's bylaws.
- Be available to attend the monthly meetings of the Board of Directors and Board Committee meetings, as scheduled from time to time.
- Have the ability and willingness to represent the interests of the Shareholders of the Company.
- Meet any additional criteria that the Office of the Comptroller of the Currency may establish for directors of a national bank.

If any person named as nominee should be unwilling or unable to stand for election at the time of the Annual Meeting, the holder of the Proxy will vote for any replacement nominee or nominees recommended by the Board of Directors. Each person listed below has consented to be named as a nominee, and the Board of Directors knows of no reason why any of the nominees may not be able to serve as a Director if elected.

The Nominating/Governance Committee has nominated the following individuals to be submitted to a vote of the Shareholders at the meeting, each to serve (if elected) for a one (1) year term and until his or her successor is duly elected:

Katherine M. Boyd (61) has served as a Director of the Company and the Bank since 1993. A resident of Boothbay Harbor, she owns the Boothbay Region Greenhouses with her husband and she serves as CFO. Ms. Boyd is past President of the Boothbay Region YMCA and graduated with a BA from Pitzer College in 1973.

The Board concluded that Ms. Boyd is well suited to serve as a director of the Company because of her several decades of experience as the manager of a successful Coastal Maine small business.

Daniel R. Daigneault (60) has served as President, Chief Executive Officer and a member of the Board of Directors of the Company and the Bank since 1994. Mr. Daigneault has worked in banking for 35 years and has held various positions covering all aspects of banking. In addition, he is a member of a national banking chief executive officer affiliation program that provides him broad exposure to industry issues, trends and best practices. Prior to being employed by the Bank, Mr. Daigneault was Vice President, Senior Commercial Loan Officer and Chief Financial Officer at Camden National Bank, Camden, Maine. He is a member of the University of Maine Business School Advisory Board and the University of Maine Board of Visitors.

The Board concluded that Mr. Daigneault is well suited to serve as a director of the Company because of his extensive community banking experience in all areas spanning more than three decades.

Robert B. Gregory (59) has served as a Director of the Company and the Bank since 1987 and served as Chairman of both the Company and the Bank from September 1998 to April 2007. Mr. Gregory has been a practicing attorney since 1980, first in Lewiston, Maine and since 1983 in Damariscotta, Maine. In addition, he and his wife Sim serve as

advisors to the Bowdoin Christian Fellowship.

The Board concluded that Mr. Gregory is well suited to serve as a director of the Company because of his legal expertise and extensive transactional experience in financial, banking, and commercial real estate matters.

Tony C. McKim (45) joined the Company as Executive Vice President, Chief Operating Officer and a member of the Board of Directors of the Company and the Bank upon completion of the mergers of FNB Bankshares ("FNB") and its subsidiary into the Company and the Bank on January 14, 2005. Prior to the mergers, Mr. McKim was President and Chief Executive Officer of FNB and its subsidiary. Mr. McKim is involved in several local associations, including Harbor House, The Maine Seacoast Mission, Jackson Laboratory, Acadian Youth Sports, as well as the Maine Bankers Association and is a member of the Government Relations Council of the American Bankers Association. The Board concluded that Mr. McKim is well suited to serve as a director of the Company because of his experience as the former CEO of FNB Bankshares and more than two decades in bank management.

Carl S. Poole, Jr. (67) has served as a Director of the Company since its organization in 1985 and has served as a Director of the Bank since 1984. Mr. Poole was President, Secretary and Treasurer of Poole Brothers Lumber, a lumber and building supply company with locations in Damariscotta, Pemaquid and Boothbay Harbor, Maine until the sale of the company in October 2005.

The Board concluded that Mr. Poole is well suited to serve as a director of the Company because of his financial background stemming from years of experience running a retail business from multiple locations.

Mark N. Rosborough (64) has served as a Director of the Company and the Bank since completion of the mergers of FNB and its subsidiary into the Company and the Bank on January 14, 2005. Prior to the mergers, Mr. Rosborough served as Chairman of the Board of Directors of FNB and its subsidiary. Mr. Rosborough is President of J. T. Rosborough Insurance Agency. He is also a partner in Rosborough Rentals, Penrose and TISA. He currently serves on the MEMIC Advisory Board as well as the Hanover Insurance Company Advisory Board and is Treasurer of The Open Door Recovery. He has served on the Ellsworth City Council, as well as the Ellsworth Chamber of Commerce and the American Red Cross for Hancock and Waldo Counties.

The Board concluded that Mr. Rosborough is well suited to serve as a director of the Company because of his experience as the former Chairman of FNB Bankshares and his overall banking expertise and knowledge.

Stuart G. Smith (59) has served as a Director of the Company and the Bank since 1997 and has served as Chairman of both the Company and the Bank since May 2007. A resident of Camden, he and his wife, Marianne, own and operate Maine Sport Outfitters in Rockport and Camden, the Lord Camden Inn, the Grand Harbor Inn, and Bayview Landing in Camden. Mr. Smith is a member and part owner in Breakwater Marketplace and the Rockland Harbor Park Center in Rockland. Currently he is a board member of the nonprofit Camden International Film Festival, and the nonprofit Mid Coast Recreation Center. Mr. Smith holds a BS in economics and history from Duke University and a Master of Environmental Studies from Duke University School of Forestry and Environmental Science. He has served for ten years on the public school board of SAD 28 and The Five Town CSD school board as both a director and chairperson, serving on budget and finance committees, labor negotiations, compensation, planning and facility development and management. He has also served as a board member and president of the Camden, Rockport, Lincolnville Chamber of Commerce and the Camden Area YMCA.

The Board concluded that Mr. Smith is well suited to serve as a director of the Company because of his varied experience in retail, lodging and hospitality services, as well as real estate development and management.

David B. Soule, Jr. (67) has served as a Director of the Company and the Bank since 1989. Mr. Soule has been practicing law in Wiscasset since 1971. Mr. Soule's law firm focuses on real estate, including land conservation, bank financing and real estate closing; in addition he deals with trusts and estate planning and represents small businesses. He served two terms in the Maine House of Representatives, is a past President of the Lincoln County Bar Association and is a former Public Administrator for Lincoln County. He served as Trustee of the Wiscasset Public Library and as Selectman, Planning Board Chair and other volunteer positions with the Town of Westport. Mr. Soule is a currently a director of the Maine Wilderness Watershed Trust and Trustee of the Morse High School Scholarship Fund.

The Board concluded that Mr. Soule is well suited to serve as a director of the Company because of his four decades as a practicing attorney and extensive knowledge of corporate governance, gained through his chairmanship of the

Company's Audit Committee for many years.

Bruce B. Tindal (62) has served as a Director of the Company and the Bank since 1999. Mr. Tindal has been a licensed real estate broker since 1974. Mr. Tindal formed and is owner of Tindal & Callahan Real Estate in Boothbay Harbor, which has been in operation since 1985. He currently serves on the Boothbay Regional Land Trust Board of Advisors. Mr. Tindal is also a member of the National Association of Realtors, Council of Residential Specialists, Real Estate Buyers Agent Council and the Boothbay Harbor Rotary Club.

The Board concluded that Mr. Tindal is well suited to serve as a director of the Company because of his in-depth knowledge of the coastal Maine real estate market and trends.

* Directors' ages are as of December 31, 2012.

In order to be elected a Director of the Company, a nominee must receive the affirmative vote of the holders of a majority of the shares of Company's Common Stock outstanding on the Voting Record Date. Broker non-votes or abstentions will not be counted as affirmative votes.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT THE SHAREHOLDERS VOTE FOR PROPOSAL NO. 1

About the Board of Directors and Its Committees

As of the date of this Proxy Statement, The First Bancorp, Inc. had a Board comprised of nine Directors. During 2012 there were eight regular Board meetings, and one Annual Meeting. After each regular Board meeting time is provided for an executive session without Management present. The Board's Attendance Policy states that all members of the Board are strongly encouraged to attend each meeting of the Board and Committees on which they serve. All Directors attended at least 75% of Board meetings and meetings held by Committees of which they were members in 2012. The aggregate attendance at Board and Committee meetings by all members of the Board of Directors and its Committees in 2012 was in excess of 90%. All Directors are expected to attend the 2013 Annual Meeting of Shareholders, and all Directors were in attendance at the 2012 Annual Meeting.

Although the Company does not have a formal policy with respect to diversity, the Board and the Nominating/Governance Committee believe it is essential that the Board members represent diverse view points (such as gender, race, national origin and education as well as professional experience), and consider each nominee's/Director's credentials, competencies and skills as well as the candidate's area(s) of qualifications and expertise that would enhance the Board's composition and effectiveness.

Audit Committee. The members of the Company's Audit Committee for 2013 are David B. Soule, Jr., - Chairman, Robert B. Gregory and Mark N. Rosborough. This Committee met four times during 2012. The Company's Audit Committee receives and reviews reports on examinations and accounting audits of the Company, and works to ensure the adequacy of operating practices, procedures and controls. The Company's Board of Directors has adopted a written charter for the Company's Audit Committee, which was published in the Company's 2004 Annual Proxy Statement and can be found on the Company's website www.thefirstbancorp.com.

The 2012 report of the Audit Committee can be found on page 32 of this document.

Nominating/Governance Committee. The members of the Company's Nominating/Governance Committee are Mark N. Rosborough - Chairman, Carl S. Poole, Jr. and Stuart G. Smith. This Committee met three times during 2012. As stated in the Nominating/Governance Committee Charter adopted on February 19, 2004, the Committee is responsible for the nomination of Board of Director members, establishing the tenure and the retirement policies for members of the Board of Directors and reviewing their overall effectiveness. The charter can be found on the Company's website www.thefirstbancorp.com. Under the Company's Bylaws, if a Shareholder wishes to nominate a Director, he or she must be a Shareholder of record and have continuously held at least \$2,000 in market value of the Company's Common Stock (as determined by the President) for at least one year as of the date of submittal of such proposal and must continue to hold those securities through the date of such annual meeting. The Committee will also consider if a

proposed candidate meets the criteria set forth on page 3. Each member of the Nominating/Governance Committee is independent as defined under the listing standards of the NASDAQ stock market.

Compensation Committee. The Company's Compensation Committee is a standing committee of the Bank's Board of Directors since all executive compensation is paid by the Bank. The Committee consists of Bruce B. Tindal - Chairman, Carl S. Poole, Jr., Mark N. Rosborough and Stuart G. Smith. This Committee met four times during 2012. No Director of the Bank or the Company serves as a Director on the board of any other corporation with a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 or that is subject to the reporting requirements of Section 15(d) of the Securities Exchange Act of 1934, or of any company registered as an investment company under the Investment Company Act of 1940, as amended. The function of this Committee is to establish the compensation of the Chief Executive Officer and to review and approve the compensation of other Senior Executive Officers. The Compensation Committee Charter adopted in 2007 can be found in the Company's 2007 Annual Proxy Statement and on the Company's website www.thefirstbancorp.com.

In addition to the Compensation Committee, there are five other standing committees of the Bank's Board of Directors: Executive, Audit, Asset/Liability, Trust and Directors' Loan. Certain members of Management also serve on some committees of the Bank. There are no family relationships among any of the Directors of the Company. Except as set forth in the merger agreement between the Company and FNB, in which it was specified that Messrs. McKim and Rosborough and one additional person to be named later will be added to the Company's Board of Directors, there are no arrangements or understandings between any Director and any other person pursuant to which that Director has been or is to be elected.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

No member of the Compensation Committee was, or ever has been, an officer or employee of the Company or the Bank. All Committee members are customers of and engage in transactions with the Bank in the ordinary course of business. As described in "Certain Relationships and Related Transactions", all loans to such individuals were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with persons not related to the Bank and, in the opinion of Management, did not involve more than the normal risk of collectability or present other unfavorable features.

Director Independence

The Board reviewed the independence of the Company's Directors in January 2013 based on NASDAQ standards. In this review, the Board considered transactions and relationships between each Director (and any member of his or her immediate family) and the Company or the Bank and between certain entities in which any Director or any immediate family member has certain interests, on the one hand, and the Company or the Bank, on the other hand. The purpose of this review was to determine which of such transactions or relationships were inconsistent with a determination that the Director is independent under NASDAQ rules. As a result of the review, the Board affirmatively determined that as of January 2013 all of the Directors are independent of the Company and the Bank under NASDAQ rules with the exception of President Daigneault and EVP McKim.

Risk Oversight

The Board takes an active role as a whole and also at the committee level in overseeing Management of the Company's risk. The Board regularly reviews information regarding the Company's liquidity and operations as well as the risks associated with each. While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board of Directors is regularly informed through committee reports about such risk. The Company's Compensation Committee is responsible for overseeing the management of risks relating to the Company's executive compensation practices and plans. The Asset/ Liability Committee is responsible for overseeing financial risk. The Audit Committee oversees reports from examiners and auditors of both the internal audit function and independent outside auditors and federal regulators. The Directors' Loan Committee monitors lending policies to ensure they are adequate and that the lending function follows sound practices. The Trust Committee reviews

activities of the Trust and Investment Department to ensure that all trust functions are conducted in accordance with Bank policy, applicable laws and regulations and in a sound manner consistent with fiduciary standards and duties. The Nominating/Governance Committee manages risk associated with the independence of the Board of Directors and potential conflicts.

Leadership Structure

The Company believes that having an independent Director serving as Chairman of the Board is prudent. The Chairman of the Board is elected by a vote of the Directors to serve a one-year term with a maximum appointment of eight terms. The Chief Executive Officer serves on the Board of Directors; however, his main focus is to provide leadership to the Company for accomplishing the directives established by the Board of Directors and is responsible for the general administration, oversight, care and management of all property and business of the Company, and for all of its departments as well as full authority over all officers, managers and employees.

Code of Ethics

The Company's Code of Ethics for Senior Financial Officers, which was adopted by the Board of Directors on June 19, 2003, and the Company's Code of Business Conduct and Ethics, which was adopted by the Board of Directors on April 15, 2004, are incorporated in the Company's 2006 Annual Report on Form 10-K as Exhibits 14.1 and 14.2, respectively. They are available on the Company's website at www.thefirstbancorp.com, and a copy may be obtained, free of charge, by written request to the Company.

Audit Committee Financial Expert

Pursuant to Section 407 of the Sarbanes-Oxley Act of 2002 and Item 407(d)(5) of Regulation S-K promulgated by the Securities and Exchange Commission, the Company is required to disclose whether it has at least one "Financial Expert" serving on its Audit Committee and if so, the name of the expert and whether the expert is independent of Management. A company that does not have an Audit Committee Financial Expert must disclose this fact and explain why it has no such expert.

At the present time, the Company's Audit Committee does not have a member who meets the Securities and Exchange Commission's complete definition of a financial expert. It is the opinion of the Company's Board of Directors, however, that the Company addresses its audit functions with a depth of penetration and rigor that meets the intent of the requirements of the Sarbanes-Oxley Act for the following reasons:

The Company is a one-bank holding company owning all of the capital stock in the Bank. All Directors of the Bank meet the requirements and qualifications imposed by the Office of the Comptroller of the Currency, the Bank's principal regulator, which conducts regular supervisory examinations of the Bank. In addition to requiring knowledge of the banking industry and the financial regulatory system, these qualifications require a "background, knowledge, and experience in business or another discipline to oversee the Bank."

All members of the Audit Committee of the Bank and the Company are independent Directors, as defined by the Securities and Exchange Commission and NASDAQ. The three members operate their own businesses and have knowledge of accounting for both their own businesses as well as for the Bank and the Company. The members of the Audit Committee have considerable experience as Directors of the Bank and the Company.

Internal audit work of the Bank and the Company is outsourced to a professional firm which conducts all internal audits except for loan review, for which a second professional firm performs quality control loan review. Both firms provide detailed quarterly reports to the Audit Committee and the Directors' Loan Committees, respectively.

The Bank is a highly regulated entity which undergoes regular and thorough examination by the Office of the Comptroller of the Currency, with additional oversight by the Federal Deposit Insurance Corporation. The Company is a "Financial Holding Company" as defined by the Federal Reserve Board and as such is regulated and regularly examined by the Federal Reserve Board.

The Company also continuously reviews, at its own initiative, the expertise of the members of its Board of Directors and its Audit Committee.

Security Ownership of Directors, Management and Principal Shareholders

The following table sets forth the number of shares of Common Stock of the Company beneficially owned as of February 13, 2013 by (i) each person known by the Company to own beneficially more than 5.0% of the Company's Common Stock, (ii) each nominee for Director of the Company, (iii) the Named Executive Officers, and (iv) all Executive Officers and Directors of the Company as a group. Except as otherwise indicated below, each of the Directors and Executive Officers owning more than five percent of the Company's stock has sole voting and investment power with respect to all shares of stock beneficially owned as set forth opposite his or her name. There are no Shareholders that own more than five percent of the Company's stock.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Katherine M. Boyd	35,246 ¹ 2,830 ²	*
Common Stock	Daniel R. Daigneault	177,441 ¹ 22,000 ² 15,000 ⁴ 5,388 ⁸	2.22%
Common Stock	Robert B. Gregory	43,404 ¹ 649 ² 4,000 ⁵	*
Common Stock	Tony C. McKim	76,684 ¹	*
Common Stock	Carl S. Poole, Jr.	275,763 ¹ 2,640 ²	2.81%
Common Stock	Mark N. Rosborough	133,832 ¹ 4,642 ² 3,621 ⁶ 3,621 ⁷	1.47%
Common Stock	Stuart G. Smith	110,415 ¹ 456 ²	1.20%
Common Stock	David B. Soule, Jr.	20,781 ¹ 3,500 ² 225 ³	*
Common Stock	Bruce B. Tindal	22,985 ¹ 1,000 ²	*
Common Stock	Susan A. Norton	19,989 ¹ 6,000 ⁴	*
Common Stock	F. Stephen Ward	41,054 ¹ 5,000 ⁴	*
Common Stock	Charles A. Wootton	18,040 ¹ 10,000 ⁴	*
Total Ownership of all Directors and Executive Officers as a Group			1,088,725 11.22%

¹ Direct holdings including sole ownership, joint ownership, DRIP, ESPP, Grants and 401(k) Shares

² Spouse's holdings

³ Company's holdings

⁴ Vested options

⁵ Trustee for First Fruit Foundation

⁶ Trustee for Anna Batchelor TR

⁷ Trustee for Sam Batchelor TR

⁸ POA for Roland and Alice Daigneault

* Less than one percent of total outstanding shares

Executive Officers

Each Executive Officer of the Company and the Bank is identified in the following table, which also sets forth their respective offices and periods served as an Executive Officer of the Company or the Bank. The ages shown are as of December 31, 2012.

Name	Office & Position	Period Served
Daniel R. Daigneault	President & Chief Executive Officer of the Company and the Bank	1994 to date
Tony C. McKim	Executive Vice President & Chief Operating Officer of the Company and the Bank	2005 to date
F. Stephen Ward	Treasurer, Executive Vice President & Chief Financial Officer of the Company and the Bank	1993 to date
Charles A. Wootton	Executive Vice President and Clerk of the Company, Executive Vice President and Senior Loan Officer of the Bank	2000 to date
Susan A. Norton	Executive Vice President, Human Resources and Compliance Officer of the Bank	2002 to date
Richard M. Elder	Senior Vice President, Retail Services of the Bank	2002 to date
Steven H. Poulin	Senior Vice President, Senior Credit Officer of the Bank	2012 to date

Daniel R. Daigneault (60) has served as President, Chief Executive Officer and a member of the Board of Directors of both the Company and the Bank since 1994. Prior to being employed by the Company and the Bank, Mr. Daigneault was Vice President, Senior Commercial Loan Officer and Chief Financial Officer at Camden National Bank, Camden, Maine.

Tony C. McKim (45) joined the Company as Executive Vice President, Chief Operating Officer and a member of the Board of Directors of the Company and the Bank with the merger of FNB Bankshares on January 14, 2005. Prior to the merger, Mr. McKim was President and Chief Executive Officer of FNB Bankshares and The First National Bank of Bar Harbor beginning in 2000.

F. Stephen Ward (59) has served as Treasurer and Chief Financial Officer of the Company since 1994 and as Chief Financial Officer of the Bank since 1993. In 2005, Mr. Ward was promoted to Executive Vice President. Mr. Ward has been employed by the Bank since 1990 and served as Marketing Officer from 1990 to 1993.

Charles A. Wootton (56) has been employed by the Bank since January 2000. In 2001, Mr. Wootton was promoted to Senior Vice President of Banking Services and Senior Loan Officer. In 2005, Mr. Wootton was promoted to Executive Vice President. From 1981 to 2000 Mr. Wootton was employed by Camden National Bank, serving as branch manager, commercial loan and business development officer, becoming Vice President responsible for branch administration in 1996.

Susan A. Norton (52) has been employed by the Bank since 1992 and was promoted to Senior Vice President, Human Resources and Compliance in 2005. In January 2009, Ms. Norton was promoted to Executive Vice President. Ms. Norton has also served as Assistant Compliance Officer and Education Officer. She currently holds the position of CRA Officer and Compliance Officer for the Company and is certified as a Senior Professional in Human Resources.

Richard M. Elder (47) has been employed by the Bank since 1993. In 2001, Mr. Elder was promoted to Vice President of Retail Services and in 2005, Mr. Elder was promoted to Senior Vice President. Mr. Elder previously served as Manager of the Bank's Boothbay Harbor branch and Senior Commercial Loan Officer.

Stephen H. Poulin (57) has been employed by the Bank since 2002. In February of 2012, Mr. Poulin was promoted to Senior Vice President – Senior Credit Officer. Mr. Poulin previously served as Vice President, Senior Business Relationship Officer, in the Bank's Rockport and Damariscotta offices.

There are no family relationships among any of the Executive Officers, nor are there any arrangements or understandings between any Executive Officer and any other person pursuant to which that Executive Officer has been or is to be elected.

Compensation Discussion and Analysis

Executive Summary

The Compensation Committee of the Board of Directors of The First Bancorp, Inc. oversees the Company's executive compensation program. The Committee consists solely of "Independent Directors", i.e., those Directors who are neither officers or employees of the Company or its subsidiaries nor have a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment to carry out the responsibilities of a Director and who are otherwise "independent" under the rules of the NASDAQ Stock Market, Inc.

The Committee has the direct responsibility to:

1. Review and approve corporate goals and objectives relevant to the compensation of the Company's Chief Executive Officer ("CEO"), evaluate the CEO's performance in light of those goals and objectives and determine the CEO's compensation level based on this evaluation. The corporate goals which are developed to encourage Management to not take undue or excessive risk, are established jointly between the Compensation Committee and the CEO and are driven by the Company's strategic plan and annual operating budget. In addition to the Company-wide goals, the Committee and the CEO jointly agree on individual performance goals for the CEO. Examples of these goals, which may vary from year to year, include the Company's earnings targets, loan and deposit growth objectives, risk management analysis, as well as specific individual goals such as implementing components of the approved strategic plan and leadership development.
2. Review and approve the compensation of all other Executive Officers of the Company with recommendations and input from the CEO.
3. Review and approve grants, awards and issuances under, or any material amendment of, the equity based long-term and short-term incentive plans, which are described below. In consultation with Management, oversee regulatory compliance with respect to compensation matters, including overseeing the Company's policies on structuring compensation programs to preserve tax deductibility and, as and when required, establish performance goals and certify that performance goals have been attained for purposes of Section 162(m) of the Internal Revenue Code.
4. Review and approve any severance or similar termination payments proposed to be made to any current or former Executive Officer of the Company, and any agreements providing for such payments.

In 2008, the Company's Shareholders approved the Company's participation in the Capital Purchase Program (CPP) offered by the United States Department of the Treasury. As a participant in this program, the Company is subject to certain restrictions on executive compensation. The compensation limits apply to Senior Executive Officers ("SEOs") of public or private institutions that participate in the CPP. SEOs include the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO") and the three most highly compensated Executive Officers other than the CEO and CFO as determined by compensation at the time the Company entered into the program. The officers affected are Messrs. Daigneault, Ward, McKim and Wootton and Ms. Norton. The specific compensation limits under the CPP and the Company's compliance with them are detailed below:

- Limits on Incentives Tied to Unnecessary and Excessive Risk: In accordance with the CPP guidelines, in 2012 the Compensation Committee met twice with the Company's Senior Risk Officer, Mr. Daigneault, to discuss the Company's compensation programs and whether they present or encourage the exposure of the Company to unnecessary and excessive risk. These discussions were held at the committee's meetings on May 17, 2012 and October 17, 2012. The Compensation Committee concluded the Company's compensation program is designed with an appropriate balance of risk and reward in relation to the Company's overall business strategy and does not incentivize executives to take unnecessary or excessive risks. The Compensation Committee will meet with the Senior Risk Officer as required to recertify this information. The Senior Risk Officer is the employee principally responsible for risk monitoring and oversight. Other employees who are involved in monitoring risk, such as the Chief Financial Officer, the Chief
- 1.

Operating Officer, the Senior Loan Officer, and the Compliance Officer, report directly to the Senior Risk Officer with respect to such matters. In 2012, the Company added additional risk controls at the Bank level including the

2. creation of an Officers Loan Committee to review larger credit decisions, a lower threshold at which a proposed loan needs Board approval, and an executive session between the Senior Credit Officer and the Directors Loan Committee following each Directors Loan Committee meeting.

Restrictions on Payment of Incentive Compensation: The CPP prohibits the Company from paying any incentive compensation to the SEOs other than "long-term restricted stock" meeting certain criteria and limitations. Thus, the

3. SEOs are not eligible, while the Company remains a CPP participant, to receive cash bonus compensation or stock options.

Clawback Provision: As required under the CPP, any bonus or incentive compensation paid to a SEO may be recovered if the bonus or incentive was based on financial statements or other performance metric criteria later

4. found to be materially inaccurate. This provision applies to all SEOs, irrespective of whether the SEO had any role in the inaccuracy.

Prohibition on Severance Payments: Under the CPP, the Company may not enter into agreements with any of its SEOs providing for severance payments. As noted elsewhere in the proxy statement, FNBBH had entered into a

5. severance agreement with Mr. McKim in 2000 which became an obligation of the Company by virtue of the merger of FNBBH into the Company in 2005. No other agreements providing for severance payments to an SEO by the Company are in place.

Deductibility Under Section 162(m): The CPP imposes stricter rules on the tax deductibility of compensation under

6. new Code Section 162(m)(5).

Philosophy of Our Executive Compensation Program

The Company recognizes that the attraction and retention of high-performing employees are among the key components of the organization's past performance and future success. In support of that objective, the Compensation Committee believes that the most effective executive compensation program is one that rewards annually the achievement of established long-term and strategic goals, and aligns executives' interests with those of Shareholders and the long-term interests of the Company. The Committee evaluates both performance and compensation of our executives relative to the compensation paid to similar executives at comparably sized and similarly performing banks. Our goal is to maintain an appropriate relationship between the compensation of our executives and the Company's performance. The overall objectives of our compensation program are:

- a) To provide both short-term and long-term alignment between pay and performance;
- b) To align executive interests with those of Shareholders;
- c) To remain competitive within the relevant marketplace in terms of total compensation; and
- d) To enable the Company to attract, retain, and motivate top talent.

The elements of our compensation program are discussed in more detail below, but in summary, the elements of our program are as follows:

- a) Base Pay will target slightly above the market median (55th to 75th percentile) of the Company's peer group, established by Pearl Meyer & Partners and described below, and will reflect the individual executive's role, experience and contribution to the Company.
 - b) Short-term incentives will reflect annual goals related to the Company's profitability and asset quality as well as the achievement of individual goals for each named executive.
 - c) Long-term incentives which focus on achievement of longer-term objectives and reduce incentives driven by short-term developments may be awarded on an annual basis and are intended to promote the retention of the executive team.
 - d) The Committee will determine an appropriate mix of base pay, short-term and long-term incentives based on the executive's position and tenure in the Company.
 - e) Other benefits will be competitive and appropriate to retain and attract talented individuals
-

f) All elements of our compensation are evaluated by the Compensation Committee to ensure they are not designed to encourage or incentivize Management to cause the Company to take excessive or undue risk.

Total compensation is expected to vary each year, and evolve over the long-term to reflect our performance relative to our peers and the industry with corresponding returns for our Shareholders.

Considerations in Determining Executive Compensation

In 2012, Pearl Meyer & Partners, a consulting firm specializing in compensation and benefits for financial institutions, conducted a comprehensive total senior executive compensation analysis for the Company. The peer group utilized by the Company was publicly traded non-metropolitan bank holding companies located in New England and New York. The results of this review were used to guide the Committee's refinement of the Company's compensation philosophy and resulting compensation programs for senior executives.

Compensation Benchmarking: Understanding and having a comparative analysis of the compensation of senior banking executives in the banking industry is a key element considered by the Committee in making compensation decisions. Similar to the Company's past internal practices, Pearl Meyer & Partners assisted the Committee with defining a peer group of institutions of similar asset size and regional location. The peer group includes the two comparable banks located in the state of Maine and other banks located in similar non-metropolitan areas in the Northeast. The comparable companies are reviewed annually and may change slightly depending on changes either in the market or in the peer group banks themselves. The peer group targets approximately 15 institutions ranging from two-thirds to two times the Company's size in terms of assets. The overall objective is to position the Company at approximately the median salary levels of the peer group. Performance factors will also be taken into account should a company in the peer group have performance that varies greatly from that of the group and/or The First Bancorp. We may discount a defined peer bank or drop a company from the group should performance vary widely. The peer group used for 2012 was as follows:

Suffolk Bancorp	Hingham Institution for Savings
Camden National Corporation	Arrow Financial Corporation
Canandaigua National Corporation	Alliance Financial Corporation
United Financial Bancorp, Inc.	Merchants Bankshares Inc.
Westfield Financial, Inc.	Enterprise Bancorp Inc.
Bar Harbor Bankshares	New Hampshire Thrift Bancshares, Inc.
Bridge Bancorp	Chemung Financial Corporation

In addition to the peer group, the consultant included data from other industry data bases and surveys including Watson Wyatt Financial Institutions Benchmark Survey and Pearl Meyer & Partners' own annual survey. Data and competitive perspectives were assessed relative to base salary, total cash compensation, short- and long-term incentives, total direct compensation, benefits and other compensation and total compensation. The Committee reviewed data individually and in the aggregate. Data from the review was used to develop pay guidelines and as a reference for decisions for both short-term and long-term compensation.

Elements of the Compensation Program – Detail

Base Pay: Base salary is used to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our executives. When establishing base salaries for 2012, as noted previously, the Compensation Committee engaged the services of Pearl Meyer & Partners to conduct a comprehensive compensation analysis. One result of this analysis was the establishment of a peer group, detailed above, and the Committee made a decision to target base salaries just above the market median (55th to 75th percentile) of that peer group's base compensation for

similarly positioned executives. In addition to the peer group comparison, a variety of other factors are used to determine base compensation, including: the seniority of the individual, the

level of the officer's responsibility and the performance of the officer in meeting his/her annual goals. The annual goals of the SEOs, other than the CEO, are set jointly by the CEO and the Named Officer, and reviewed by the Compensation Committee. These goals are aligned with the Company's annual goals and individualized for the area of responsibility of the SEO. For example, goals of the Senior Loan Officer center on loan growth targets and loan quality parameters, the latter being measured on the basis of loan delinquency rates, level of non-performing loans and amount of loan charge-offs for the year. The CFO has goals based on asset/liability management, investment portfolio performance and quality of financial reporting. As a high-performing Company with consistent results, specifically in the categories of Return on Assets, Return on Equity and Efficiency Ratio that are typically in the upper third of our peer group, we believe that the base salaries of our executives should be reflective of our performance within our industry. Base salaries are reviewed at least annually by the Compensation Committee. The CPP guidelines impose significant restrictions on certain compensation payable by CPP participants, such as the Company, to its SEOs. It is not the intent of the Compensation Committee to use increased base pay to make up any shortfall in compensation for the SEOs resulting from the CPP restrictions. Under the 2010 Equity Incentive Plan approved by the Company's shareholders, long-term restricted stock grants complying with CPP guidelines can now be made available to the Company's SEOs. The Compensation Committee, with assistance from Pearl Meyer & Partners, has worked to design an effective program to motivate and retain SEOs, which may utilize long-term restricted stock.

Short-Term Incentives: In 2012, the Board of Directors approved a Short Term Incentive plan. The five SEOs and certain other senior executives are eligible for incentives under this program which is part of a total compensation package including base salary, annual incentives, equity and benefits. The philosophy of the Compensation Committee was to set competitive, reasonable base salaries and allow for the potential of meaningful incentives tied to the Company's short-term initiatives to optimize profitability, growth, and excellence in individual performance, and to promote teamwork among its participants. The Plan is designed to:

- § Ensure clarity of expectations in terms of expected results;
- § Recognize and reward achievement of annual business goals;
- § Motivate and reward superior performance;
- § Encourage teamwork and collaboration among the Company's leadership and across business groups;
- § Attract and retain talent needed to grow The First;
- § Be competitive with market; and
- § Ensure incentives are appropriately risk-balanced (i.e. do not unintentionally motivate inappropriate risk taking).

Employees who are eligible for incentive awards are subject to meeting the following requirements:

New hires must be employed prior to October 1st to be eligible to participate in the Plan for the performance period.

Employees hired after that date must wait until the next calendar year to be eligible for an award under the Plan.

§ Eligibility begins the first full month worked. Participants receive a pro-rated award using full months worked during the Plan year.

§ Awards under the Plan shall be limited to individuals employed by The First on the date of payment, except in the case of disability, death, or retirement.

§ Participants on a performance improvement plan or with an unsatisfactory performance rating at the time of payment or who have given notice of resignation at the time of payment are not eligible to receive an award.

Each participant had a target incentive opportunity based on his or her role. The target incentive reflected a percentage of base salary determined to be consistent with competitive market practices. Actual awards are based on achievement of specific goals and could range from 0%, for not achieving minimal performance, to

150% of target, for exceptional performance. Each participant had five predefined performance goals used to determine his or her short-term incentive award in three performance categories: Company-wide, individual specific, and discretionary. The goals were then weighted to reflect the focus and contribution for each position in the Company.

The plan is based on a balance of multiple measures, layered oversight, and reasonable ceilings for exceptional performance. These two basic plan features structure the plan to discourage excessive risk and rewards. The Compensation Committee reviewed the plan design to insure it is in line with best practices for risk. The altering, inflating, and/or inappropriate manipulation of performance/financial results or any other infraction of recognized ethical business standards will subject any participant to disciplinary action up to and including termination of employment. In addition, any incentive compensation as provided by the plan to which such a participant would otherwise be entitled will be revoked or subject to "claw back."

The Short-term Incentive Plan operates on a calendar year schedule (January 1 - December 31). Annual cash incentive awards will be paid out by March 15th immediately following the Plan year. While awards granted under this plan are intended to be in the form of cash, while the Company participates in the CPP program, the SEOs are not eligible for cash bonuses, so any award granted will be in the form of restricted stock. These grants were awarded by the Company's Compensation Committee on January 23, 2013, and were based on the previous day's closing price of \$16.73 per share. All awards are subject to cliff vesting, with Mr. Daigneault's vesting on January 2, 2015, and the remaining SEOs having a term of three years. As a result, termination of employment prior to vesting will result in a forfeiture of the stock award.

Further, the CPP compensation restrictions provide that long-term restricted stock must not fully vest until the repayment of all financial assistance by the CPP recipient. For each 25% of total financial assistance repaid, 25% of the total long-term restricted stock granted may become transferable, until the final repayment, at which time the remaining long-term restricted stock may become transferable. The employee must also provide services to the CPP recipient for at least two years from the date of the grant for the restricted stock to vest.

The following tables summarize the performance measures, weightings, as well as potential and actual payouts for each SEO in 2012:

Officer			Percent of Base	Amount
Daniel R. Daigneault	2012 Base Salary			\$404,000
Chief Executive Officer	2012 Incentive Target		15.0 %	\$60,600
	2012 Actual Payout		15.3 %	\$61,894
Performance Measures	Threshold	Target	Stretch	Weight
Net income	11,500	12,500	13,500	40.0 %
Return on Average Assets	0.82 %	0.87 %	0.92 %	15.0 %
Efficiency Ratio	51.75 %	49.75 %	47.75 %	15.0 %
Non-performing Assets to Total Assets YTD Average	2.47 %	1.97 %	1.47 %	10.0 %
Discretionary	50.00 %	100.00 %	150.00 %	20.0 %
Incentive Opportunity Range	Threshold	Target	Stretch	
Net income	\$12,120	\$24,240	\$36,360	
Return on Average Assets	\$4,545	\$9,090	\$13,635	
Efficiency Ratio	\$4,545	\$9,090	\$13,635	
Non-performing Assets to Total Assets YTD Average	\$3,030	\$6,060	\$9,090	
Discretionary	\$6,060	\$12,120	\$18,180	
	\$30,300	\$60,600	\$90,900	
			Weighted	
Actual Achievement	Actual Performance	Payout Allocation	Payout Percent	Actual Payout
Net income	12,688	109.4 %	43.8 %	\$26,519

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Return on Average Assets	0.89	%	120.0	%	18.0	%	10,908
Efficiency Ratio	51.01	%	68.5	%	10.3	%	6,227
Non-performing Assets to Total Assets YTD Average	1.96	%	101.0	%	10.0	%	6,120
Discretionary	100.0	%	100.0	%	20.0	%	12,120
					102.1	%	\$61,894

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Officer			Percent		Amount	
Stephen Ward	2012 Base Salary				\$227,000	
Chief Financial Officer	2012 Incentive Target		12.5	%	\$28,375	
	2012 Actual Payout		13.1	%	\$29,669	
Performance Measures	Threshold	Target	Stretch	Weight		
Net income	11,500	12,500	13,500	40.0	%	
Return on Average Assets	0.82	% 0.87	% 0.92	15.0	%	
Efficiency Ratio	51.75	% 49.75	% 47.75	20.0	%	
UBPR Investment Yield Spread to Peers	0.25	% 0.75	% 1.25	10.0	%	
Discretionary	50.00	% 100.00	% 150.00	15.0	%	
Incentive Opportunity Range	Threshold	Target	Stretch			
Net income	\$5,675	\$ 11,350	\$ 17,025			
Return on Average Assets	\$2,128	\$ 4,256	\$ 6,384			
Efficiency Ratio	\$2,838	\$ 5,675	\$ 8,513			
UBPR Investment Yield Spread to Peers	\$1,419	\$ 2,838	\$ 4,256			
Discretionary	\$2,128	\$ 4,256	\$ 6,385			
	\$14,188	\$ 28,375	\$ 42,563			
Actual Achievement	Actual	Payout	Payout	Actual		
Net income	Performance	Allocation	Percent	Payout		
Net income	12,688	109.4	% 43.8	% \$12,417		
Return on Average Assets	0.89	% 120.0	% 18.0	% 5,108		
Efficiency Ratio	51.01	% 68.5	% 13.7	% 3,887		
UBPR Investment Yield Spread to Peers	1.16	% 141.0	% 14.1	% 4,001		
Discretionary	100.0	% 100.0	% 15.0	% 4,256		
			104.6	% \$29,669		
Officer			Percent		Amount	
Tony McKim	2012 Base Salary				\$227,000	
Chief Operating Officer	2012 Incentive Target		12.5	%	\$28,375	
	2012 Actual Payout		13.7	%	\$31,130	
Performance Measures	Threshold	Target	Stretch	Weight		
Net income	11,500	12,500	13,500	40.0	%	
Return on Average Assets	0.82	% 0.87	% 0.92	20.0	%	
Non-performing Assets to Total Assets YTD Average	2.47	% 1.97	% 1.47	15.0	%	
First Advisors' Revenues	1,500	1,600	1,700	10.0	%	
Discretionary	50.00	% 100.00	% 150.00	15.0	%	
Incentive Opportunity Range	Threshold	Target	Stretch			
Net income	\$5,675	\$ 11,350	\$ 17,025			
Return on Average Assets	\$2,838	\$ 5,675	\$ 8,513			
Non-performing Assets to Total Assets YTD Average	\$2,128	\$ 4,256	\$ 6,384			
First Advisors' Revenues	\$1,419	\$ 2,838	\$ 4,256			
Discretionary	\$2,128	\$ 4,256	\$ 6,385			
	\$14,188	\$ 28,375	\$ 42,563			
Actual Achievement	Actual	Payout	Payout	Actual		
Net income	Performance	Allocation	Percent	Payout		
Net income	12,688	109.4	% 43.8	% \$12,417		
Return on Average Assets	0.89	% 120.0	% 24.0	% 6,810		

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Non-performing Assets to Total Assets YTD Average	1.96	%	101.0	%	15.2	%	4,299
First Advisors' Revenues	1,636		118.0	%	11.7	%	3,348
Discretionary	100.0	%	100.0	%	15.0	%	4,256
					109.7	%	\$31,130

Officer				Percent of Base	Amount	
Charles Wootton		2012 Base Salary			\$215,000	
Senior Loan Officer		2012 Incentive Target		12.5 %	\$26,875	
		2012 Actual Payout		13.3 %	\$28,619	
Performance Measures		Threshold	Target	Stretch	Weight	
Net income		11,500	12,500	13,500	40.0 %	
Non-performing Assets to Total Assets YTD Average		2.47 %	1.97 %	1.47 %	15.0 %	
Classified Assets YTD Average		86,976	76,976	66,976	10.0 %	
Past Due Loans YTD Average		3.55 %	3.05 %	2.55 %	20.0 %	
Discretionary		50.00 %	100.00 %	150.00 %	15.0 %	
Incentive Opportunity Range		Threshold	Target	Stretch		
Net income		\$5,375	\$10,750	\$16,125		
Non-performing Assets to Total Assets YTD Average		\$2,016	\$4,031	\$6,047		
Classified Assets YTD Average		\$1,344	\$2,688	\$4,031		
Past Due Loans YTD Average		\$2,688	\$5,375	\$8,063		
Discretionary		\$2,015	\$4,031	\$6,047		
		\$13,438	\$26,875	\$40,313		
				Weighted		
Actual Achievement		Actual Performance	Payout Allocation	Payout Percent	Actual Payout	
Net income		12,688	109.4 %	43.8 %	\$11,761	
Non-performing Assets to Total Assets YTD Average		1.96 %	101.0 %	15.2 %	4,072	
Classified Assets YTD Average		73,420	117.8 %	11.8 %	3,165	
Past Due Loans YTD Average		3.01 %	104.0 %	20.7 %	5,590	
Discretionary		100.0 %	100.0 %	15.0 %	4,031	
				106.5 %	\$28,619	

Officer				Percent of Base	Amount	
Susan Norton		2012 Base Salary			\$185,000	
HR & Admin		2012 Incentive Target		12.5 %	\$23,125	
		2012 Actual Payout		13.6 %	\$25,174	
Performance Measures		Threshold	Target	Stretch	Weight	
Net income		11,500	12,500	13,500	40.0 %	
Return on Average Assets		0.82 %	0.87 %	0.92 %	10.0 %	
Efficiency Ratio		51.75 %	49.75 %	47.75 %	10.0 %	
Predictive Index Implementation		50.00 %	100.00 %	150.00 %	25.0 %	
Discretionary		50.00 %	100.00 %	150.00 %	15.0 %	
Incentive Opportunity Range		Threshold	Target	Stretch		
Net income		\$4,625	\$9,250	\$13,875		
Return on Average Assets		\$1,156	\$2,313	\$3,469		
Efficiency Ratio		\$1,156	\$2,313	\$3,469		
Predictive Index Implementation		\$2,891	\$5,781	\$8,672		

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Discretionary	\$ 1,735		\$ 3,468		\$ 5,203	
	\$ 11,563		\$ 23,125		\$ 34,688	
					Weighted	
Actual Achievement	Actual Performance		Payout Allocation		Payout Percent	Actual Payout
Net income	12,688		109.4	%	43.8	% \$10,120
Return on Average Assets	0.89	%	120.0	%	12.0	% 2,775
Efficiency Ratio	51.01	%	68.5	%	6.8	% 1,584
Predictive Index Implementation	125.0	%	125.0	%	31.3	% 7,227
Discretionary	100.0	%	100.0	%	15.0	% 3,468
					108.9	% \$25,174

Long-Term Incentives

Stock Options and Restricted Stock Awards: In 2010, the Company's shareholders voted to establish a new equity based long-term incentive plan which grants authority to issue stock options, restricted stock and other equity based grants to retain and motivate existing high-performing employees and to attract new members to the Management team should the need arise. The purpose of this plan is to incentivize executives through equity ownership and align their interests with those of the Shareholders while providing mid-term and longer-term incentives tied to overall Company performance. It is among the objectives of this plan that, by having a portion of the executive's compensation tied to the performance of the Company's stock, the individual will be rewarded for maximizing long-term shareholder value.

The mid- to long-term outlook of this type of compensation serves as a balance to the short-term rewards of base compensation and the short-term incentive plan. Due to conservative vesting restrictions, stock options and restricted stock grants are also intended to encourage an executive to remain with the Company. The amount of options granted reflects the executive's position in the organization, level of responsibility, impact on the Company's performance and actual performance in meeting individual performance goals.

The plan is administered by the Compensation Committee of the Board of Directors. As noted above, while the Company participates in the CPP, its CEOs will not be eligible to receive awards under this plan other than "long-term" restricted stock. The plan approved by shareholders implements all safeguards required under CPP, including clawbacks, to curtail undue short-term risk taking. The Compensation Committee is responsible for the design and oversight for these safeguards.

In 2010, no awards were made under this plan. In 2011, awards were made as follows: Mr. Daigneault received a grant of 1,500 shares that vest on January 2, 2015. Messrs. McKim, Ward and Wootton and Ms. Norton each received a grant of 1,000 shares with cliff vesting on the fifth anniversary of the grant. Two thousand shares were granted to other executives under the same five-year cliff vesting schedule.

In 2012, the Compensation Committee established specific long-term incentive targets for the CEOs based on position in the Company. Grants were awarded by the Company's Compensation Committee on January 23, 2013, and were based on the previous day's closing price of \$16.73 per share. All awards have cliff vesting, with Mr. Daigneault's vesting on January 2, 2015, Mr. Ward's having a term of three years from the date of grant, and the remaining CEOs having a term of five years from date of grant. The following table summarizes the 2012 targets and actual grants under the long-term incentive program:

	Target	Actual	Value	Shares
Daniel R. Daigneault	20 %	20 %	\$80,806	4,830
F. Stephen Ward	15 %	15 %	\$34,046	2,035
Tony C. McKim	15 %	15 %	\$34,046	2,035
Charles A. Wootton	15 %	15 %	\$32,255	1,928
Susan A. Norton	15 %	15 %	\$27,755	1,659

In addition to the above grants related to 2012 compensation, on March 1, 2012, the Compensation Committee made awards to the CEOs under the 2010 plan that were related to but not in conjunction with 2011 performance. As such, they are included in 2012 compensation. These awards were made as follows: Mr. Daigneault received a grant of 2,027 shares that vest on January 2, 2015. Mr. Ward received a grant of 2,704 shares which vest on the third anniversary of the grant date. Messrs. McKim, and Wootton and Ms. Norton received grants of 2,149 shares, 2,077 shares and 1,705 shares, respectively, with cliff vesting on the fifth anniversary of the grant. Grants to other executives totaled 2,065 shares under the same five-year cliff vesting schedule.

The Board of Directors is required to make appropriate adjustments in connection with the 2010 Plan and any outstanding awards to reflect stock dividends, stock splits and certain other events. In the event of a merger, liquidation or other reorganization event, as defined in the 2010 Plan, the Board of Directors is authorized to provide for outstanding options or other stock-based awards to be assumed or substituted for, and, if the acquiring or

succeeding corporation does not agree to assume or substitute for, such awards, the Board of Directors is authorized to provide for the acceleration of any award, and, if applicable, to make an award fully

exercisable prior to consummation of the reorganization event or to provide for a cash out of the value of any outstanding options. Upon the occurrence of a reorganization event, the repurchase and other rights of the Company under each outstanding award shall inure to the benefit of the Company's successor and shall apply to the cash, securities or other property which the Common Stock was converted into or exchanged for pursuant to such reorganization event in the same manner and to the same extent as they applied to the Common Stock subject to such restricted stock award.

The 1995 stock option plan expired in April 2005. Prior to the expiration date, all of the options available under the plan were granted, with the last awards being made in January 2005.

Compensation Mix

With assistance from Pearl Meyer & Partners, the Compensation Committee believes that the Company has developed an appropriate mix of base pay, short-term incentives and long-term incentives for the Senior Executive Officers. With the 2010 Equity Incentive Plan being approved by the Shareholders, the Compensation Committee will review the mix and determine how long-term incentives will fit in with total compensation. The Committee's expectation is that long-term incentives will constitute 10% to 25% of total compensation depending on the executive and his or her position in the Company. In addition to the long-term incentive plan, the short term incentive plan approved by the Board in 2012 provides for short-term incentives that could also constitute 10% to 25% of total compensation depending on the executive, his or her position in the Company and the executive's job performance in the prior year. With the addition of the short-term and long-term incentive programs, base compensation should constitute 50% to 80% of total pay depending on the executive, his or her position and individual achievement in relation to his or her goals. These percentages are based on industry averages and best practices.

Supplemental Executive Retirement Plan: The Company also sponsors an un-funded, non-qualified supplemental retirement plan established in 1997 for certain Executive Officers. The plan provides supplemental retirement benefits payable in installments over 20 years, commencing upon retirement or death. The costs for this plan are recognized over the service lives of the participating Executive Officers. As of December 31, 2012, only two active executives (CEO Daigneault and CFO Ward) were participants in the plan. As originally adopted, the plan provides a projected retirement benefit for Mr. Daigneault, assuming he remains employed by the Bank until normal retirement age of 65, of \$169,329 per year, with such payments beginning in the year 2017. The projected retirement benefit for Mr. Ward, assuming he remains employed by the Bank until normal retirement age of 65, is \$61,127 per year, with such payments beginning in the year 2018. The benefits are capped at the above amounts. On December 30, 2008, the Company amended the plans to change the normal retirement age to receive the full benefit under the Plan from age 65 to age 63. The date on which the Executive Officer may begin to collect the retirement benefit payments does not change, however, and remains January 1 of the year in which the Executive Officer turns age 65. The plan also contains a restrictive covenant that may result in the Executive Officer forfeiting all accrued benefits should he accept employment with a competing financial institution within five years after his termination of employment with the Company.

Other Benefits

401(k) and Other Benefits: The Company's primary retirement plan is the 401(k) Plan. It is available to any employee who has attained the age of 21 and completed six months of continuous service. The Company typically provides a match at 50% of employee deferrals to the extent that the deferral does not exceed 6% of eligible compensation. In addition, an annual discretionary component of 2% to 3% may also be paid. The Board makes a determination at the end of each fiscal year as to what, if any, amount is to be paid based on the financial performance of the Company for that year. Employee contributions are 100% vested at all times, while employer contributions are vested over a five-year period. Upon termination of employment for any reason, a plan participant may receive his or her contribution account and earnings allocated to it, as well as the vested portion of his or her employer-matching

account and earnings allocated to it. Non-vested amounts are forfeited and are used by the Company to help defray plan administration expenses.

Stock Purchase Plan: The Company has a stock purchase plan available to all employees and Directors that provides an opportunity to purchase shares through payroll deduction. Directors may elect to have up to 100% of their fees placed in the stock purchase plan. The purchase price is at the fair market value of the shares without a commission as determined by the NASDAQ closing price on the day the shares are purchased.

Severance and Change of Control Benefits: The Company does not have any employment agreements with any of the executives of the Company. The Company also does not have a severance program for employees and executives, except for Mr. McKim, who entered into such agreement while employed by FNB Bankshares. As a result of not having employment agreements with the Company's executives, the Company does not have any formal change-of-control benefits except for those in favor of Mr. McKim and except for those described below.

The FNB Bankshares Continuity Agreement assumed by the Company in the merger, as subsequently amended in 2006 by agreement between the Company and Mr. McKim, provides that (a) if Mr. McKim's employment is terminated by the Company other than (i) for Cause (as defined in the agreement) or (ii) upon Mr. McKim's death or (b) if Mr. McKim terminates for Good Reason as defined in the agreement, he shall receive a severance in a single lump sum. The amount of the severance payment is calculated on a declining scale over a ten-year period that commenced in January 2005. Should another change of control take place under this amended Continuity Agreement, Mr. McKim shall be paid the amount set forth in his agreement based on the declining schedule.

In the event of a change of control, the non-vested portion of outstanding stock option grants will become fully vested upon the change of control. In addition, for the two active executives covered under the SERP, being CEO Daigneault and CFO Ward, their defined benefits under the SERP shall become fully vested upon a change of control.

Company Vehicle: Senior executives are provided mileage reimbursement for business travel when using their own vehicles. For certain named Executive Officers, a Company-owned vehicle may be provided subject to approval of the Compensation Committee. The non-business use of the vehicle is taxable income to the executive and is included as part of the executive's total compensation. In 2012, the four executives with Company-provided vehicles were CEO Daigneault, CFO Ward, EVP McKim and EVP Wootton.

Bank-Owned Life Insurance: The Company may purchase a single-premium life insurance policy on the life of an executive with a split dollar benefit between the Company and the executive's estate. The Company believes that Bank Owned Life Insurance is a good investment option for the Company and also provides key man protection upon the untimely death of a senior executive. The cash surrender value is an asset of the Company.

Supplemental Long Term Disability Insurance: In 2010, the Company purchased supplemental long-term disability insurance policies for the five most highly compensated executives. This insurance was purchased as a group policy through Union Central Insurance and is intended to assist with any shortfalls that may exist due to the insurance caps applicable to the Company's overall group policy.

Compensation of Chief Executive Officer and Other SEOs

Base Salary

As noted previously, the Compensation Committee has established targets for Base Pay at just above the market median (55th to 75th percentile) of the Company's peer group, established by Pearl Meyer & Partners, and each executive's actual base pay will reflect the executive's role, experience and contribution to the Company. CEO Daigneault's 2011 base salary of \$380,000 placed him at the 45th percentile for the peer group. Based upon the comprehensive reviews and comparative assessments for all SEOs performed by Pearl Meyer & Partners, and various other factors, including a review of responsibilities, experience in their roles, overall performance, and a review of the various components of compensation provided to the individual executive, in fiscal 2012 CEO Daigneault's base salary was set at an annual rate of \$404,000. This represents a \$24,000 or 6.32% increase above his 2011 base salary and placed him at the 55th percentile for the peer group.

The Compensation Committee's decisions related to 2012 base salaries were based on 2011 operating results. The Bank continued to outperform its national peer group in many areas – as measured by the Uniform Bank Performance Report. These included return on average assets, return on average equity, the efficiency ratio, and asset quality ratios. Building and strengthening the Company's capital is a priority, and in 2012 the Company's regulatory capital ratios remained strong.

The Board and Management place a high value on building shareholder value, and the \$0.78 per share annual dividend was maintained in 2012. Additionally, as shown in the chart on page 25 of the Company's 2012 Annual Report on Form 10-K, a \$100 investment in our stock on December 31, 2007 was worth \$143.72 on December 31, 2012. That same \$100 invested in the S&P 500 was worth \$108.58 on December 31, 2012 and, if invested in the NASDAQ Bank index, was worth \$79.63 at December 31, 2012.

Additional detail on the Company's performance is further detailed in Management's Discussion and Analysis of Financial Condition and Results of Operations in its Annual Report on Form 10-K.

Stock Grants/Long Term Incentives

As noted above, in 2011 stock grants were issued to CEO Daigneault, CFO Ward, and EVPs McKim, Norton and Wootton. These grants were made under the Equity Incentive Plan approved by stockholders in 2010. The types of grants made are considered eligible long term incentives under the guidelines of the CPP program. Mr. Daigneault received a grant of 1,500 shares that vest on January 2, 2015. Messrs. McKim, Ward and Wootton and Ms. Norton each received a grant of 1,000 shares with cliff vesting on the fifth anniversary of the grant.

In 2012, the Compensation Committee established specific long-term incentive targets for the SEOs based on position in the Company. Grants were awarded by the Company's Compensation Committee on January 23, 2012, and were based on the previous day's closing price of \$16.73 per share. All awards have cliff vesting, with Mr. Daigneault's vesting on January 2, 2015, Mr. Ward's vesting three years from the date of grant, and the remaining NEOs vesting five years from date of grant.

In addition to the above grants related to 2012 compensation, earlier in 2012 the Compensation Committee made awards to the SEOs under the plan that were related to but not in conjunction with 2011 performance. As such, they are included in 2012 compensation. These awards were made as follows: Mr. Daigneault received a grant of 2,027 shares that vest on January 2, 2015. Mr. Ward received a grant of 2,704 shares which vest three years from date of grant. Messrs. McKim, and Wootton and Ms. Norton received grants of 2,149 shares, 2,077 shares and 1,705 shares, respectively, with cliff vesting on the fifth anniversary of the grant.

Other Compensation

In 2012, there were no additional compensation items other than those detailed in the accompanying compensation table for CEO Daigneault, CFO Ward, EVP McKim, EVP Wootton and EVP Norton. The change in pension value and non-qualified retirement plan earnings for CEO Daigneault and CFO Ward represent the required accounting

accruals under the Supplemental Executive Retirement Plan and do not constitute cash payments.

Executive Compensation

The following Summary Compensation Table sets forth the cash and non-cash compensation for each of the last three fiscal years earned by the Principal Executive Officer, the Principal Financial Officer as well as the three other highest paid active Executive Officers in fiscal 2012.

Name and Principal Position	Year	Salary ¹ (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ² Stock Awards (\$)	All Other Compensation ³ (\$)	Total (\$)
Daniel R Daigneault President	2012	404,000	173,112	196,805	791,475
Principal Executive Officer	2011	380,000	22,260	181,678	601,402
F. Stephen Ward Executive Vice President	2010	360,000	-	146,632	524,788
Principal Financial Officer	2012	227,000	104,268	61,248	405,685
Tony C. McKim Executive Vice President	2011	208,000	14,840	56,411	291,445
Chief Operating Officer	2010	191,057	-	45,757	248,347
Charles A. Wootton Executive Vice President	2011	227,000	97,415	-	338,210
Senior Loan Officer	2011	208,000	14,840	-	234,999
Susan A. Norton Executive Vice President	2010	195,827	-	-	207,242
Human Resources/ Compliance	2012	215,000	92,035	-	324,729
	2011	201,000	14,840	-	232,936
	2010	187,038	-	-	203,471
	2012	185,000	78,509	-	272,759
	2011	165,000	14,840	-	188,090
	2010	144,039	-	-	151,241

¹In 2010, eligible employees were paid a Stakeholder cash bonus of 6.1% of salary. In 2011, eligible employees were paid a Stakeholder cash bonus of 6.2% of salary. Because of the bank's participation in the CPP program, the above named executive officers were not eligible for the bonus. As of 2012, the above named executive officers were no longer eligible for the stakeholder bonus program.

²The amount shown represents the change in accrued liability in each of the years listed for the Supplemental Executive Retirement Plan detailed in the Pension Table.

³All Other Compensation is detailed in the table below and includes the following:

401(k) Matching and Profit Sharing Contributions. In all years, the Company provided a match at 50% of employee deferrals to the extent that the deferral does not exceed 6% of eligible compensation. The Company also provides a discretionary contribution to employees who have been employed one year or more. This was 2.0% of base salary in 2012, 2011 and 2010. All 401(k) match and profit sharing contributions are subject to the IRS regulations that govern the maximum amount of an Officer's earnings which are eligible to be considered for the match and profit share components of compensation.

Company-Owned Vehicle. The amounts shown represent the value of personal use for Company-Owned vehicles by the Named Executives.

Economic Value of Life Insurance. This represents the value of the Named Executives' portion of policies provided by Life Insurance Endorsement Split Dollar Plan agreement for Bank Owned Life Insurance.

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Name and Principal Position	401k Matching Year Contribution (\$)	401k Profit-Sharing Contribution (\$)	Company-Owned Vehicle (\$)	Economic Value of Life Insurance (\$)
Daniel R Daigneault	20127,500	5,000	4,209	849
President	20117,350	4,900	4,390	824
Principal Executive Officer	20107,350	4,900	5,128	778
F. Stephen Ward	20126,810	4,540	1,215	604
Executive Vice President	20116,240	4,160	1,215	579
Principal Financial Officer	20105,732	3,821	1,438	542
Tony C. McKim	20126,810	4,540	2,300	145
Executive Vice President	20116,240	4,160	1,625	134
Chief Operating Officer	20105,875	3,917	1,500	123
Charles A. Wootton	20126,450	4,300	6,944	-
Executive Vice President	20116,030	4,020	7,046	-
Senior Loan Officer	20105,611	3,698	7,124	-
Susan A. Norton	20125,550	3,700	-	-
Executive Vice President	20114,950	3,300	-	-
Human Resources/ Compliance	20104,321	2,881	-	-

Stock-Based Compensation

On December 15, 1994, the Company's Board of Directors adopted a Stock Option Plan (the "Option Plan") for the benefit of officers and other full-time employees of the Company and the Bank. This plan was approved by the Company's Shareholders at the 1995 Annual Meeting. Under the Option Plan, 600,000 shares (subject to adjustment to reflect stock splits and similar events) are reserved from the authorized but unissued Common Stock of the Company for future issuance by the Company for exercise of stock options granted to certain key employees of the Company and the Bank from time to time. The purpose of the Option Plan is to encourage the retention of such key employees by facilitating their purchase of a stock interest in the Company. The Option Plan is intended to provide for the granting of incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") to employees of the Company or the Bank.

The Option Plan is administered by the Compensation Committee of the Company's Board of Directors, which is comprised solely of Directors who are ineligible to receive grants of stock options under the Option Plan and who have not received grants of options within the 12 months preceding their appointment to the Compensation Committee. The Compensation Committee selects the employees of the Bank and the Company to whom options are to be granted and designates the number of options to be granted. The Option Plan may be amended only by the vote of the holders of a majority of the Company's outstanding Common Stock if such amendment would increase the number of shares available for issuance under the Option Plan, change the eligibility criteria for grants of options under the Option Plan, change the minimum option exercise price or increase the maximum term of options. Other amendments may be effected by the Compensation Committee.

Employees selected by the Compensation Committee receive, at no cost, options under the Option Plan. The option exercise prices are equal to or exceed the fair market value of the shares on the date of the grant, and no option is exercisable after the expiration of ten years from the date it is granted. The fair market value of the shares is determined by the Compensation Committee as specified in the Option Plan. The optionee cannot transfer or assign any option other than by will or in accordance with the laws of descent and distribution, and the option may be exercised only by the employee during the employee's lifetime. After an employee's death, options may be exercised by the employee's estate or heirs up to one year following the date of death. Code Section 422 limits option grants by providing that during the term of the Option Plan, no grant may be made to any employee owning more than 10% of the Company's outstanding shares unless the exercise price is at least 110% of the underlying shares' fair market value and such option is not exercisable more than five years following the option grant. The aggregate fair market value of the stock for which any employee may be granted incentive stock options which are first exercisable in any calendar year may generally not exceed \$100,000.

While generally no options may be exercisable before the second anniversary of the grant date, in the event of a change in control involving the Company, all options (other than those held by Officers or Directors of the Company or the Bank for less than six months) shall become immediately exercisable. Also, an employee whose employment is terminated in connection with or within two years after such a change in control event shall be entitled to exercise all options for up to three months following the date of termination; provided that options held by officers or Directors shall not be exercisable until six months after the grant date. Employees whose services are terminated, other than following a change in control as described above, shall thereupon forfeit any options held; provided, however, that following termination due to disability an employee shall be entitled to exercise options for up to one year (provided, further, that officers may exercise only with respect to options held for at least six months).

The Company receives no monetary consideration for the granting of incentive stock options. Upon exercise, the Company receives a cash payment from optionees in exchange for shares issued. No federal income tax consequences are incurred by the Company at the time incentive stock options are granted or exercised, unless the optionee incurs liability for ordinary income tax treatment upon exercise of the option, as discussed below, in which event the Company would be entitled to a deduction equal to the optionee's ordinary income attributable to the options. Provided the employee holds the shares received on exercise of a stock option for the longer of two years after the option was granted or one year after it was exercised, the optionee will realize capital gains income (or loss) in the year of sale in an amount equal to the difference between the sale price and the option exercise price paid for shares. If the employee sells the shares prior to the expiration of the period, the employee realizes ordinary income in the year of disposition equal to the difference between the fair market value of the shares on the date of exercise and the exercise price and capital gains income (or loss) equal to the difference (if any) between the sale price of the shares and the fair market value of the shares on the date of exercise. In addition to the tax consequences discussed above, the excess of the option price over the fair market value of the optioned stock at the time of option exercise is required to be treated by an incentive optionee as an item of tax preference for purposes of the alternative minimum tax.

At the 2010 Annual Meeting, shareholders approved the 2010 Equity Incentive Plan (the "2010 Plan"). This reserved 400,000 shares of Common Stock for issuance in connection with stock options, restricted stock awards and other equity based awards to attract and retain the best available personnel, provide additional incentive to officers, employees and non-employee Directors and promote the success of our business. Such grants and awards will be structured in a manner that does not encourage the recipients to expose the Company to undue or inappropriate risk. Options issued under the 2010 Plan will qualify for treatment as incentive stock options for purposes of Section 422 of the Internal Revenue Code. Other compensation under the 2010 Plan will qualify as performance-based for purposes of Section 162(m) of the Internal Revenue Code, and will satisfy NASDAQ guidelines relating to equity compensation.

In 2011, awards of 7,500 shares of restricted stock in the form of Long-Term Incentives were made under the 2010 Plan, including 5,500 shares to the five CEOs detailed in the table below and 2,000 shares to other executives, of which 500 have been forfeited. All of the shares awarded have cliff vesting on the fifth anniversary of the grant, except for President Daigneault's, which vest on January 2, 2015.

In 2012 and 2013, awards of 39,841 shares of restricted stock were made under the 2010 plan representing both Long and Short-Term Incentives included in 2012 compensation. These included 33,699 shares to the five CEOs as detailed in the table below and 6,142 shares to other executives. All of the shares have cliff vesting on the fifth anniversary of the grant except for President Daigneault's, which vest on January 2, 2015, and EVP Ward's which vest on the third anniversary of the grant date.

Grants of Plan-Based Awards

Name	Grant Date	All Other		Exercise Price of Option Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
		Stock Awards: Number of Shares of Stocks or Units (#)	Option Awards: Number of Securities Underlying Options (#)		
Daniel R Daigneault	3/1/2012	2,027	-	-	\$30,405
	1/23/2013				