

Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name Bar Harbor Bankshares		2 Issuer's employer identification number (EIN) 01-0393663	
3 Name of contact for additional information Josephine Iannelli	4 Telephone No. of contact (208)228-3314	5 Email address of contact jiannelli@bhbt.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact P.O. Box 400, 82 Main Street		7 City, town, or post office, state, and Zip code of contact Bar Harbor, ME 04609-0400	
8 Date of action January 13, 2017		9 Classification and description Common Stock, \$2.00 par value per share	
10 CUSIP number 066849100	11 Serial number(s) n/a	12 Ticker symbol BHB	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On January 13, 2017, Lake Sunapee Bank Group ("LSBG") (EIN 02-0430695), the holding company for Lake Sunapee Bank, was merged with and into Bar Harbor Bankshares ("BHB" or the "Company") (EIN 01-0393663), with BHB as the surviving entity pursuant to the terms and conditions in the Merger Agreement dated May 5, 2016.**

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **Pursuant to the Merger Agreement, each share of LSBG common stock issued and outstanding immediately prior to the effective date was cancelled and converted into the right to receive 0.4970 shares of BHB common stock and cash in lieu of any fractional shares.**

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **LSBG shareholders received 0.4970 shares of BHB common stock for every share of common stock owned. Cash based on the average of the closing sales price per share of BHB common stock for the (10) ten trading days immediately preceding the effective date on the NYSE was exchanged in lieu of fractional shares resulting from the exchange ratio.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ **IRC Sec. 368(a)(1)(A) - tax free reorganization: IRC Sec. 368(a)(1)(f) - change in identity.**

18 Can any resulting loss be recognized? ▶ **No. The merger was a tax free reorganization in which stock was exchanged for stock. There is no gain or loss associated with the exchange of securities.**

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ **The merger occurred on January 13, 2017 and will be reported by the Company for tax purposes in the calendar year ended December 31, 2017.**

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶ /s/ Josephine Iannelli Date ▶ _____

Print your name ▶ **Josephine Iannelli** Title ▶ **EVP-CFO and Treasurer**

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name ▶				Firm's EIN ▶
	Firm's address ▶				Phone no.