

Edgar Filing: SALISBURY BANCORP INC - Form 8-K

SALISBURY BANCORP INC
Form 8-K
September 10, 2008

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 10, 2008

SALISBURY BANCORP, INC.
(Exact name of registrant as specified in charter)

Connecticut (State or other jurisdiction of incorporation)	000-24751 (Commission File Number)	06-1514263 (IRS Employer Identification No.)
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5 Bissell Street, Lakeville, Connecticut (Address of principal executive offices)	06039-1868 (zip code)
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Registrant's telephone number, including area code: (860) 435-9801

N/A
(Former Name or Former Address, if Changed Since Last Report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 C.F.R. 230.425)
- Soliciting material pursuant to Rule 14a-2 under the Exchange Act (17 C.F.R. 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 C.F.R. 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 C.F.R. 240.13e-4(c))

Form 8-K, Current Report
Salisbury Bancorp, Inc.

Section 8. Other Events

Item 8.01. Other Events

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Salisbury Bancorp, Inc. ("Salisbury" or the "Company") (AMEX: SAL), parent company of Salisbury Bank and Trust Company ("Bank"), announced today that the U.S. Government's actions with respect to Fannie Mae and Freddie Mac would adversely impact the value of Salisbury's preferred stock investments in Fannie Mae.

On September 7, the U.S. Treasury, the Federal Reserve and the Federal Housing Finance Agency (FHFA) announced that the FHFA was putting Fannie Mae and Freddie Mac under conservatorship and giving management control to their regulator, the FHFA. Key provisions of the U.S. Government's Plan announced to date were as follows:

- o Dividends on Fannie Mae and Freddie Mac common and preferred stock were eliminated.
- o Fannie Mae and Freddie Mac will be required to reduce their mortgage portfolios over time.
- o The U.S. Government agreed to provide equity capital to cover mortgage defaults in return for \$1 billion of senior preferred stock in Fannie Mae and Freddie Mac and warrants for the purchase of 79.9% of the common stock of Fannie Mae and Freddie Mac.
- o The U.S. Government also announced that the U.S. Treasury would provide secured loans to Fannie Mae and Freddie Mac as needed until the end of 2009 and that the U.S. Treasury plans to purchase mortgage backed securities from Fannie Mae and Freddie Mac in the open market.

As of September 9, 2008, Salisbury Bancorp owned preferred stock in Federal Home Loan Mortgage Corporation ("FHLMC") with an amortized cost basis of \$2,975,000. This represents approximately 1.8% of the Bank's total Investment portfolio of \$166,372,708 and is approximately 7.1% of the Bank's total capital position of \$41,853,459.

The impact of the Government's actions described above and concerns in the market place about the future value of the perpetual preferred stock of Fannie Mae and Freddie Mac have caused values for these investments to decrease materially. It is unclear when and if the value of the investments will improve in the future. Given the above developments, Salisbury expects to record a non-cash other-than-temporary impairment on these investments for the quarter ending September 30, 2008.

Management has evaluated the capital condition of both Salisbury Bancorp, Inc. and its banking subsidiary, Salisbury Bank and Trust Company, and concluded both will remain above the highest regulatory capital level of "well capitalized" under any valuation scenario involving the FHLMC preferred stock holdings. Management continues to evaluate all of its options related to these securities.

SIGNATURES

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

Dated: September 10, 2008

SALISBURY BANCORP, INC.

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By: /s/ John F. Perotti

John F. Perotti

Chairman and Chief Executive Officer