JACOBS SY
Form SC 13G/A
February 14, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934
(Amendment No. 1)*

Lake Shore Bancorp, Inc.
(Name of Issuer)

Common Stock, par value $0.01
(Title of Class of Securities)

510700107
(CUSIP Number)

December 31, 2012
(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[_] Rule 13d-1(b)

[x] Rule 13d-1(c)

[_] Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No 510700107

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Sy Jacobs

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a) [_]
(b) [x]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

United States

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

3,475

6. SHARED VOTING POWER

326,171

7. SOLE DISPOSITIVE POWER

3,475

8. SHARED DISPOSITIVE POWER

326,171

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

329,646

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)
[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.55%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
IN

CUSIP No 510700107

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Jacobs Asset Management, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a) [_]
(b) [x]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

326,171

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

326,171

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

326,171

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)

[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.49%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
OO, IA

CUSIP No 510700107

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

JAM Partners, L.P.

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a) [_]
(b) [x]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

326,171

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

326,171

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

326,171

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES
CERTAIN SHARES (SEE INSTRUCTIONS)
[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.49%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
PN

CUSIP No 510700107

1. NAME OF REPORTING PERSONS
I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

JAM Managers, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (SEE INSTRUCTIONS)
(a) [_]
(b) [x]

3. SEC USE ONLY

4. CITIZENSHIP OR PLACE OF ORGANIZATION

Delaware

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

326,171

7. SOLE DISPOSITIVE POWER

0

8. SHARED DISPOSITIVE POWER

326,171

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

326,171

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES (SEE INSTRUCTIONS)

[_]

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9)

5.49%

12. TYPE OF REPORTING PERSON (SEE INSTRUCTIONS)
OO

CUSIP No 510700107

Item 1. (a). Name of Issuer:

Lake Shore Bancorp, Inc.

(b). Address of issuer's principal executive offices:
31 East Fourth Street
Dunkirk, NY 14048

Item 2. (a). Name of persons filing:
Sy Jacobs
Jacobs Asset Management, LLC
JAM Partners, L.P.
JAM Managers, LLC

(b). Address or principal business office or, if none, residence:
11 East 26 Street
New York, New York 10010

(c). Citizenship:
Sy Jacobs – United States
Jacobs Asset Management, LLC – Delaware limited liability company
JAM Partners, L.P. – Delaware limited partnership
JAM Managers, LLC – Delaware limited liability company

(d). Title of class of securities:

Common Stock, par value $0.01

(e). CUSIP No.:

510700107

Item 3. If This Statement is filed pursuant to §§.240.13d-1(b) or 240.13d-2(b), or (c), check whether the person filing is a

(a) [_] Broker or dealer registered under section 15 of the Act (15 U.S.C. 78o).

(b) [_] Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).

(c) [_] Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).

(d) [_] Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C. 80a-8).

(e) [_] An investment adviser in accordance with § 240.13d-1(b)(1)(ii)(E);

(f) [_] An employee benefit plan or endowment fund in accordance with § 240.13d-1(b)(1)(ii)(F);

(g) [_] A parent holding company or control person in accordance with §240.13d-1(b)(1)(ii)(G);

(h) [_] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C.1813);

(i) [_] A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);

(j) [_] A non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J);

(k) [_] Group, in accordance with §240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with §240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership.

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

Sy Jacobs:

(a) Amount beneficially owned:

329,646

(b) Percent of class:

5.55%

(c) Number of shares as to which the person has:

(i)	Sole power to vote or to direct the vote	3,475,
(ii)	Shared power to vote or to direct the vote	326,171,
(iii)	Sole power to dispose or to direct the disposition of	3,475,
(iv)	Shared power to dispose or to direct the disposition of	326,171.

Jacobs Asset Management, LLC:

(a) Amount beneficially owned:

326,171

(b) Percent of class:

5.49%

(c) Number of shares as to which the person has:

(i)	Sole power to vote or to direct the vote	0,
(ii)	Shared power to vote or to direct the vote	326,171,
(iii)	Sole power to dispose or to direct the disposition of	0,
(iv)	Shared power to dispose or to direct the disposition of	326,171.

JAM Partners, L.P.:

(a) Amount beneficially owned:

326,171

(b) Percent of class:

5.49%

(c) Number of shares as to which the person has:

(i)	Sole power to vote or to direct the vote	0,
(ii)	Shared power to vote or to direct the vote	326,171,
(iii)	Sole power to dispose or to direct the disposition of	0,
(iv)	Shared power to dispose or to direct the disposition of	326,171.

JAM Managers, LLC:

(a) Amount beneficially owned:

326,171

(b) Percent of class:

5.49%

(c) Number of shares as to which the person has:

(i)	Sole power to vote or to direct the vote	0,
(ii)	Shared power to vote or to direct the vote	326,171,
(iii)	Sole power to dispose or to direct the disposition of	0,
(iv)	Shared power to dispose or to direct the disposition of	326,171.

Instruction: For computations regarding securities which represent a right to acquire an underlying security see §240.13d-3(d)(1)..

Item 5. Ownership of Five Percent or Less of a Class.

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following [_].

Instruction: Dissolution of a group requires a response to this item.

Item 6. Ownership of More Than Five Percent on Behalf of Another Person.

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

N/A

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

If a parent holding company or control person has filed this schedule, pursuant to Rule 13d-1(b)(1)(ii)(G), so indicate under Item 3(g) and attach an exhibit stating the identity and the Item 3 classification of the relevant subsidiary. If a parent holding company or control person has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identification of the relevant subsidiary.

N/A

Item 8. Identification and Classification of Members of the Group.

If a group has filed this schedule pursuant to §240.13d-1(b)(1)(ii)(J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

N/A

Item 9. Notice of Dissolution of Group.

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity. See Item 5.

N/A

Item 10. Certification.

The following certification shall be included if the statement is filed pursuant to §240.13d-1(c):

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 14, 2013
(Date)

/s/ Sy Jacobs
Sy Jacobs

JACOBS ASSET MANAGEMENT, LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM PARTNERS, L.P.
By: JAM Managers, LLC, its general partner

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM MANAGERS, LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Note. Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. See s.240.13d-7 for other parties for whom copies are to be sent.

Attention. Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

AGREEMENT

The undersigned agree that this Schedule 13G/A dated February 14, 2013 relating to the Common Stock of Lake Shore Bancorp, Inc. shall be filed on behalf of the undersigned.

/s/ Sy Jacobs
Sy Jacobs

JACOBS ASSET MANAGEMENT, LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM PARTNERS, L.P.
By: JAM Managers, LLC, its general partner

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

JAM MANAGERS, LLC

By: /s/ Sy Jacobs
Name: Sy Jacobs
Title: Managing Member

February 14, 2013
Date

SK 01252 0009 1357436

h="7%">

Nine Months Ended (dollars in millions)	**September 30, 2008**	**September 30, 2007**	**% Change**	**Attributable to Changes in the Following Factors: Currency Translation**	**Acquisitions/ Divestitures**	**Organic**
Industrial & Institutional Services	$1,391.0	$1,285.9	8.2%	5.6%	(3.2)%	5.8%
Energy Services	1,104.8	938.1	17.8%	3.1%	(0.7)%	15.4%
Paper Services	607.3	577.4	5.2%	5.1%		0.1%
Other	78.4	77.0	1.9%	5.9%		(4.0)%
Net sales	$3,181.5	$2,878.4	10.5%	4.6%	(1.6)%	7.5%

The Industrial and Institutional Services division reported sales of $1,391.0 million for the nine months ended September 30, 2008, an 8.2% increase over the $1,285.9 million for the nine months ended September 30, 2007. Organically, sales grew 5.8%, with double-digit growth in Latin America and more modest growth in Asia, EAME and North America at 8.2%, 5.1% and 4.0%, respectively. The growth in EAME was mostly attributable to a double-digit improvement in Emerging Markets. The 3.2% decrease in sales from acquisitions/divestitures was attributable to our now-ended waste coal agglomeration (synfuel) business, partly offset by sales of Nalco Mobotec, which was acquired in December 2007.

The Energy Services division reported sales of $1,104.8 million for the nine months ended September 30, 2008, a 17.8% gain over the $938.1 million for the year-ago period. Organically, sales rose 15.4%, with double-digit gains reported by our Oilfield and Adomite businesses, and near double-digit growth posted by our Downstream business.

The Paper Services division reported sales of $607.3 million for the nine months ended September 30, 2008, a 5.2% increase over the $577.4 million reported for the first nine months of 2007. Sales were flat on an organic basis, as declines in EAME were marginally offset by a 4.5% organic increase in Latin America and more modest improvements in Asia and North America.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

The 4.0% organic decrease in sales in our Other segment was mostly attributable to quarter-over-quarter variations in revenue recognition. We have historically applied our corporate revenue recognition adjustments to our Other segment. These adjustments are primarily made for shipments reflected in Division results, but which were shipped late enough in the quarter that they would not have been received by customers and properly recognized as revenue in the period.

Direct contribution by reportable segment for the nine months ended September 30, 2008 and September 30, 2007 may be compared as follows:

	Nine Months Ended			Attributable to Changes in the Following Factors		
(dollars in millions)	September 30, 2008	September 30, 2007	% Change	Currency Translation	Acquisitions/ Divestitures	Organic
Industrial & Institutional Services	$ 280.7	$ 276.9	1.4%	6.0%	(7.4)%	2.8%
Energy Services	221.9	207.6	6.9%	3.3%	(0.9)%	4.5%
Paper Services	75.5	89.8	(16.0)%	4.3%		(20.3)%
Other	(71.8)	(68.0)	(5.5)%	(2.7)%	(0.1)%	(2.7)%

Direct contribution of the Industrial and Institutional Services division was $280.7 million for the nine months ended September 30, 2008, an increase of 1.4% over the $276.9 million reported for the nine months ended September 30, 2007. Organically, direct contribution grew 2.8% as a result of higher sales volume and a modest increase in operating expenses of 1.1%. The 7.4% decrease in direct contribution from acquisitions/divestitures was mostly attributable to the expiration of our synfuel business at the end of 2007.

The Energy Services division reported direct contribution of $221.9 million for the nine months ended September 30, 2008, a 6.9% improvement over the $207.6 million reported for the first nine months of 2007. On an organic basis, direct contribution rose 4.5% on the strength of higher sales volumes. Operating expenses were up 12.1% organically, with the largest increases in salaries, employee benefits, travel and outside services to support the current and expected growth in business.

The Paper Services division reported direct contribution of $75.5 million for the nine months ended September 30, 2008, a 16.0% decrease from the direct contribution of $89.8 million reported for the year-ago period. Direct contribution declined 20.3% on an organic basis, which was attributable to lower sales volumes and higher product costs. In addition, operating expenses grew 5.2% organically, nearly half of which resulted from higher bad debt expense.

The direct contribution loss of $71.8 million reported in Other for the nine months ended September 30, 2008 represented a 5.5% increase over the $68.0 million direct contribution loss reported in the first nine months of 2007, which was mainly attributable to our Integrated Channels business and increased investments in global research.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Liquidity and Capital Resources

Operating activities. Historically, our main source of liquidity has been our cash flow generated by operating activities. For the nine months ended September 30, 2008, cash provided by operating activities was $201.3 million, slightly higher than the $195.3 million for the same period last year.

Investing activities. Cash used for investing activities was $49.5 million for the nine months ended September 30, 2008, which was mostly the result of net property additions of $99.8 million and business acquisitions of $16.2 million. These investments were partly offset by $74.1 million in net proceeds from the divestiture of our Finishing Technologies unit.

Cash used for investing activities was $72.9 million for the nine months ended September 30, 2007, which was mostly the result of net property additions of $70.3 million.

Financing activities. Purchases of treasury stock of $95.0 million, a net decrease in borrowings of $53.4 million, and cash dividends of $14.8 million accounted for most of the $168.4 million of net cash used for financing activities for the nine months ended September 30, 2008. During the period, we repaid $50.0 million on our revolving credit facility, $29.1 million of term loans, and $27.8 million of unsecured notes, while borrowing additional funds, primarily against our receivables facility and to finance plant construction in Nanjing, China.

Net cash used for financing activities totaled $45.8 million during the nine months ended September 30, 2007, which was mostly attributable to $37.0 million of share repurchases and $10.1 million of cash dividends.

Our liquidity requirements are significant, primarily due to debt service requirements, as well as research and development and capital investment. As of September 30, 2008, we had $250.0 million of borrowing capacity available under a revolving credit facility (excluding $20.6 million of outstanding standby letters of credit), subject to certain conditions. We believe that our financial position and financing structure will provide flexibility in worldwide financing activities and permit us to respond to changing conditions in credit markets.

Senior credit facilities. Our revolving credit facility is part of our senior credit facilities that were entered into on November 4, 2003. Our senior credit facilities initially included a $300 million term loan A facility (including an 88.0 million tranche) maturing on November 4, 2009 and a $1,300 million term loan B facility maturing on November 4, 2010. Borrowings under the senior credit facilities bear interest at a floating base rate plus an applicable margin.

At September 30, 2008, the outstanding balance of the term loan A and term loan B facilities was $35.7 million and $887.0 million, respectively.

Principal amounts outstanding under the revolving credit facility will be due and payable in full at maturity on November 4, 2009. At September 30, 2008, no borrowings were outstanding under the revolving credit facility.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

The senior credit facilities contain a number of covenants that, among other things, require Nalco Company to maintain the following financial covenants: a maximum total leverage ratio, a minimum interest coverage ratio and a maximum capital expenditures limitation. We were in compliance with all covenants at September 30, 2008.

Senior discount notes, senior notes and senior subordinated notes. In November 2003, Nalco Company issued $665 million aggregate principal amount of $7^3/4$% U.S. dollar-denominated senior notes due 2011, 200 million aggregate principal amount of $7^3/4$% euro-denominated senior notes due 2011, $465 million aggregate principal amount of $8^7/8$% U.S. dollar-denominated senior subordinated notes due 2013 and 200 million aggregate principal amount of 9% euro-denominated senior subordinated notes due 2013.

In January 2004, our subsidiaries, Nalco Finance Holdings LLC and Nalco Finance Holdings Inc., issued $694.0 million aggregate principal amount at maturity of 9.0% senior discount notes due 2014. Prior to February 1, 2009, interest will accrue on the notes in the form of an increase in the accreted value of such notes. The accreted value of each note will increase from the date of issuance until February 1, 2009 at a rate of 9.0% per annum, reflecting the accrual of non-cash interest, such that the accreted value will equal the principal amount at maturity on February 1, 2009. Cash interest payments on the notes will be due and payable beginning in 2009.

In December 2004, Nalco Finance Holdings LLC and Nalco Finance Holdings Inc. redeemed a portion of the senior discount notes with an accreted value of $162.3 million using proceeds from the initial public offering of common stock of Nalco Holding Company. After the partial redemption, the aggregate principal amount at maturity of the notes declined to $460.8 million from $694.0 million.

The indentures governing the senior discount notes, the senior notes and senior subordinated notes limit our ability and the ability of our restricted subsidiaries to:

- incur additional indebtedness;
- pay dividends on or make other distributions or repurchase certain capital stock;
- make certain investments;
- enter into certain types of transactions with affiliates;
- limit dividends or other payments by our restricted subsidiaries;
- use assets as security in other transactions; and
- sell certain assets or merge with or into other companies.

Subject to certain exceptions, the indentures governing the senior discount notes, the senior notes and senior subordinated notes permit our restricted subsidiaries and us to incur additional indebtedness, including secured indebtedness.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Covenant compliance. The breach of covenants in our senior credit agreement that are tied to ratios based on Adjusted EBITDA could result in a default under that agreement and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under our indentures. Additionally, under our debt agreements, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is also tied to ratios based on Adjusted EBITDA.

Adjusted EBITDA is used to determine our compliance with many of the covenants contained in the indentures governing the notes and in our senior credit agreement.

Adjusted EBITDA is defined as EBITDA further adjusted to exclude unusual items and other adjustments permitted in calculating covenant compliance under the indentures and our senior credit facility. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA are appropriate to provide additional information to investors to demonstrate compliance with our financing covenants.

Adjusted EBITDA is calculated as follows:

(dollars in millions)	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2008	Nine Months ended September 30, 2007
Net earnings	$ 57.4	$ 36.5	$ 130.8	$ 97.9
Interest, net	61.4	66.4	188.9	198.4
Income tax provision	43.9	24.0	66.4	52.4
Depreciation	33.9	33.0	103.8	97.0
Amortization	14.0	15.6	43.5	46.2
EBITDA	210.6	175.5	533.4	491.9
Non-cash charges (1)	10.0	12.5	24.9	26.0
Business optimization expenses (2)	10.4	7.2	12.8	9.5
Unusual items (3)	(36.2)	1.6	(30.6)	10.9
Other adjustments (4)	(2.1)	(1.5)	(6.5)	(5.1)
Adjusted EBITDA	$ 192.7	$ 195.3	$ 534.0	$ 533.2

(1) Non-cash charges are further detailed on the following table:

(dollars in millions)	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2008	Nine Months ended September 30, 2007
Profit sharing and 401(k) expense funded by Suez	$ 7.3	$ 7.3	$ 22.2	$ 20.5
Other	2.7	5.2	2.7	5.5
Non-cash charges	$ 10.0	$ 12.5	$ 24.9	$ 26.0

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Profit Sharing and 401(k) Expense Funded by Suez

In conjunction with the Acquisition , defined as the November 2003 acquisition of Ondeo Nalco Group, comprised of Nalco Company and Nalco International SAS Subsidiaries, by our subsidiary, Nalco Holdings LLC, from Suez S.A. (Suez), we entered into an agreement with Suez whereby Suez will reimburse us for certain profit-sharing and 401(k) matching contributions made by us to the Profit-Sharing Trust.

Other

Other non-cash charges include the non-cash impact on earnings of our equity investments and minority interests. Non-cash charges also includes the non-cash portion of rent expense under the sublease that we entered into with Suez in conjunction with the Acquisition.

(2) Business optimization expenses include costs associated with the redesign and optimization of work processes. See Note 7 to Item 1 for more information.

(3) Unusual items are further detailed on the following table:

(dollars in millions)	Three Months ended September 30, 2008	Three Months ended September 30, 2007	Nine Months ended September 30, 2008	Nine Months ended September 30, 2007
Pension settlement	$	$ 0.1	$	$ 0.1
Loss (gain) on sales, net of expenses	(38.2)	(0.4)	(37.3)	0.9
Other unusual items	2.0	1.9	6.7	9.9
Unusual items	$ (36.2)	$ 1.6	$ (30.6)	$ 10.9

Gain on sales, net of expenses, for the three months and nine months ended September 30, 2008 was mostly comprised of a

$38.1 million gain on divestiture. See Note 8 to Item 1 for more information.

(4) We are required to make adjustments to EBITDA for franchise taxes and 401(k) matching contributions.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)
Our covenant levels and ratios for the four quarters ended September 30, 2008 are as follows:

	September 30, 2008	
	Required	**Actual**
Senior credit facility (1)		
Minimum Adjusted EBITDA to cash interest ratio	1.85x	3.55x
Maximum net debt to Adjusted EBITDA ratio	5.25x	3.74x
Indentures (2)		
Minimum Adjusted EBITDA to fixed charge ratio required to incur additional debt pursuant to ratio provisions	2.00x	3.00x

(1) During 2008, our senior credit facility requires us to maintain an Adjusted EBITDA to cash interest ratio at a minimum of 1.85x and a net debt to Adjusted EBITDA ratio at a maximum of 5.25x, in each case for the most recent four quarter period. Failure to satisfy these ratio requirements would constitute a default under the senior credit agreement. If our lenders failed to waive any such default, our repayment obligations under the senior credit agreement could be accelerated, which would also constitute a

default under our indentures.

(2) Our ability to incur additional debt and make certain restricted payments under our indentures, subject to specified exceptions, is tied to an Adjusted EBITDA to fixed charge ratio of at least 2.0 to 1, except that we may incur certain debt and make certain restricted payments and certain permitted investments without regard to the ratio, such as up to an aggregate principal amount of $1,950 million (including $922.7 million that was outstanding under our term loan facilities as of September 30, 2008) and investments in similar business and other investments equal to 6% of Nalco Holding Company consolidated assets.

Local lines of credit. Certain of our non-U.S. subsidiaries have lines of credit to support local requirements. As of September 30, 2008, the aggregate outstanding balance under these local lines of credit was approximately $57.9 million. Certain of these lines of credit are equally and ratably secured with obligations under our senior credit facilities.

Receivables facility. Nalco Company entered into a three-year receivables facility on June 22, 2007 that provides up to $160 million in funding from a commercial paper conduit sponsored by Bank of America, N.A., one of the lenders under Nalco Company s senior credit facilities, based on availability of eligible receivables and satisfaction of other customary conditions.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Availability of funding under the receivables facility in a given month depends primarily upon the outstanding trade accounts receivable balance at the end of the previous month. Aggregate availability is determined by using a formula that reduces the gross receivables balance by factors that take into account historical default and dilution rates, excessive concentrations and average days outstanding and the costs of the facility. As of September 30, 2008, we had $150.0 million of outstanding borrowings under this facility, based on the amount of receivables eligible for financing as of August 31, 2008.

This facility is treated as a general financing agreement resulting in the borrowings and related receivables being shown as liabilities and assets, respectively, on our consolidated balance sheet and the costs associated with the receivables facility being recorded as interest expense.

Recent Accounting Pronouncements

See Note 3 to the condensed consolidated financial statements, included in Part I, Item 1, for information on recent accounting pronouncements.

Safe Harbor Statement Under Private Securities Litigation Reform Act of 1995

This Quarterly Report for the fiscal quarter ended September 30, 2008 (the Quarterly Report) includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends and other information that is not historical information. When used in this Quarterly Report, the words estimates, expects, anticipates, projects, plans, intends, believes, future or conditional verbs, such as will, should, could or may, and variations of such words or similar expressions intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management s examination of historical operating trends and data are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management s expectations, beliefs and projections will be achieved.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Quarterly Report. Additionally, important factors could cause our actual results to differ materially from the forward-looking statements we make in this Quarterly Report. Such risks, uncertainties and other important factors include, among others:

- our substantial leverage, particularly in view of current troubled conditions in global debt markets;
- limitations on flexibility in operating our business contained in our debt agreements;
- increases in interest rates as a result of our variable rate indebtedness;
- pricing pressure from our customers;
- our ability to respond to the changing needs of a particular industry and develop new offerings;
- technological change and innovation;
- risks associated with our non-U.S. operations;
- fluctuations in currency exchange rates;
- high competition in the markets in which we operate;
- adverse changes to environmental, health and safety regulations;
- operating hazards in our production facilities;
- inability to achieve expected cost savings;
- difficulties in securing the raw materials we use;
- significant increases in the costs of raw materials we use and our ability to pass any future raw material price increases through to our customers;
- our significant pension benefit obligations and the current underfunding of our pension plans;
- our ability to realize the full value of our intangible assets;
- our ability to attract and retain skilled employees, particularly research scientists, technical sales professionals and engineers; and
- our ability to protect our intellectual property rights.

There may be other factors that may cause our actual results to differ materially from the forward-looking statements. For further information regarding risk factors, please refer to Part I, Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2007.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this Quarterly Report and are expressly qualified in their entirety by the cautionary statements included in this Quarterly Report. We undertake no obligation to update or revise forward-looking statements which may be made to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

Use of Non-GAAP Financial Measures

Direct contribution, EBITDA, Adjusted EBITDA and Free Cash Flow are measures used by management to measure operating performance. Adjusted EBITDA is also used to determine our compliance with financial covenants and our ability to engage in certain activities such as incurring additional debt and making certain payments.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations (continued)

Direct contribution is defined as net sales, less cost of product sold, selling and service expenses, marketing expenses, research expenses and capital charges (an internal non-GAAP charge based on trade accounts receivable, inventories and equipment specifically identifiable to each of our operating segments). EBITDA is defined as net earnings plus interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA further adjusted for certain cash and non-cash charges, as permitted under our senior discount note, senior note and senior subordinated note indentures and our senior credit facility. Free Cash Flow is defined as net cash provided by operating activities, less capital expenditures and minority interest charges.

Direct contribution provides investors with the measurement used by our management to evaluate the performance of our segments. We believe EBITDA is useful to the investors because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. We consider the inclusion of supplementary adjustments to EBITDA applied in presenting Adjusted EBITDA appropriate to provide additional information to investors to demonstrate compliance with our financing covenants. We believe Free Cash Flow provides investors with a measure of our ability to generate cash for the optimization of our capital structure.

Direct contribution, EBITDA, Adjusted EBITDA and Free Cash Flow are not recognized terms under U.S. GAAP and do not purport to be alternatives to net earnings as an indicator of operating performance or to cash flows from operating activities as a measure of liquidity. Direct contribution is reconciled to consolidated earnings before income taxes and minority interests in Note 12 of our consolidated financial statements included in Part I, Item 1 of this Quarterly Report. The most direct comparable GAAP financial measures of each non-GAAP financial measure, as well as the reconciliation between each non-GAAP financial measure and the GAAP financial measure, are presented in the discussions of the non-GAAP financial measures above. Because not all companies use identical calculations, our measures may not be comparable to other similarly titled measures of other companies.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to our exposures to market risk since December 31, 2007.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) as of the end of the period, have concluded that our disclosure controls and procedures were effective as of September 30, 2008.

(b) Changes in internal controls over financial reporting.

There were no changes in our internal controls over financial reporting that occurred during the third quarter of 2008 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On November 27, 2006, the U.K. Health and Safety Executive (HSE) issued a criminal summons charging our U.K. subsidiary with a violation of the Health and Safety at Work Act. The summons was re-issued in the Crown Court of Worcester on July 23, 2007. The charge relates to a Legionella outbreak that is claimed to have originated at cooling towers owned by one of the subsidiary s customers. The Legionella outbreak is believed to have resulted in two fatalities and multiple injuries. The customer, H. P. Bulmer Limited, was also charged. Our subsidiary submitted a guilty plea to a portion of the charge, exposing non-employees to a health risk, on September 3, 2007. Similarly, our subsidiary s customer submitted a guilty plea. On July 1, 2008, the Crown Court issued a penalty of £300,000 ($0.6 million) and court costs of £50,000 ($0.1 million) against our subsidiary relating to this violation. An identical penalty was issued against the subsidiary s customer.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The table below sets forth information regarding repurchases of our common stock during the three months ended September 30, 2008:

	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)(2)
July 1, 2008 July 31, 2008		$		$ 161,585,078
August 1, 2008 August 31, 2008	1,213,930	$ 22.13	1,213,930	$ 134,723,347
September 1, 2008 September 30, 2008	1,978,613	$ 20.85	1,978,613	$ 93,464,216
Total	3,192,543	$ 21.34	3,192,543	$ 93,464,216

(1) On July 31, 2007, our Board of Directors authorized a $300 million share repurchase program, and gave our management discretion in determining the conditions under which shares may be

purchased from time to time. We intend to repurchase all shares under this authorization in open market transactions. There is no set timetable for share repurchases, and the program has no stated expiration date.

(2) For the quarter ended September 30, 2008, we expended \$73.3 million in cash for the repurchase of shares, which included \$8.7 million that was reported as a payable on the balance sheet at June 30, 2008 for share repurchases executed in June 2008 and settled in July 2008. At September 30, 2008, \$3.5 million was reported as a payable on the balance sheet for share repurchases executed in September 2008 and settling in October 2008.

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Item 6. Exhibits

(a) The following are included herein:

Exhibit 31.1 Certification of Chief Executive Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 31.2 Certification of Chief Financial Officer, Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

Exhibit 32.1 Certifications Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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SIGNATURE

The registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NALCO HOLDING COMPANY

/s/ BRADLEY J. BELL
Name: Bradley J. Bell
Title: Executive Vice President and Chief Financial Officer

Dated: October 30, 2008

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EXHIBIT INDEX

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