

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): **June 28, 2023**

LAKE SHORE BANCORP, INC.
(Exact name of registrant as specified in its charter)

United States
(State or other jurisdiction of incorporation)

000-51821
(Commission File Number)

20-4729288
(IRS Employer Identification No.)

31 East Fourth Street, Dunkirk, New York 14048
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(716) 366-4070**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.01 per share	LSBK	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01 Entry into a Material Definitive Agreement.

Effective as of June 28, 2023, Lake Shore, MHC and Lake Shore Bancorp, Inc. (collectively, the “Companies”), the parent savings and loan holding companies of Lake Shore Savings Bank, a federal savings bank (the “Bank”), entered into a written agreement (the “Agreement”) with the Federal Reserve Bank of Philadelphia (the “Reserve Bank”), the Companies’ regulator. The Agreement provides, among other things, that the Companies and/or their Board of Directors:

- take appropriate steps to fully utilize the Companies’ financial and managerial resources to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Consent Order entered into with the Office of the Comptroller of the Currency on February 9, 2023, and any other supervisory action taken by the Bank’s federal regulator;
- not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval must be received in writing at least 30 days prior to the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral;
- not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior approval must be received at least 30 days prior to the proposed transaction date;
- comply with the prior notice requirements to the Reserve Bank in accordance with applicable federal law and regulation prior to appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position;
- comply with the restrictions on indemnification and severance payments under applicable federal law and regulation; and
- within 45 days after the end of each calendar quarter following the date of the Agreement, submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of the Agreement and the results thereof.

The foregoing description of the Agreement is qualified in its entirety by reference to the Agreement which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
<u>10.1</u>	<u>Written Agreement by and between Lake Shore, MHC, Lake Shore Bancorp, Inc. and the Federal Reserve Bank of Philadelphia, dated June 28, 2023</u>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

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

Lake Shore Bancorp, Inc.

DATE: June 30, 2023

By: /s/ Kim C. Liddell

Name: Kim C. Liddell

Title: President and Chief Executive Officer

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

LAKE SHORE MHC
Dunkirk, New York

LAKE SHORE BANCORP, INC.
Dunkirk, New York

and

FEDERAL RESERVE BANK OF
PHILADELPHIA
Philadelphia, Pennsylvania

Docket No. 23-011-WA/RB-HC

WHEREAS, Lake Shore MHC, Dunkirk, New York (“Lake Shore MHC”), is a registered savings and loan holding company that owns and controls Lake Shore Bancorp Inc., Dunkirk, New York (“Lake Shore BC”);

WHEREAS, Lake Shore BC is a registered savings and loan holding company that owns and controls Lake Shore Savings Bank, Dunkirk, New York, a federal savings bank (“Lake Shore FSB”);

WHEREAS, it is the common goal of Lake Shore MHC and Lake Shore BC (collectively, the “Companies”), and the Federal Reserve Bank of Philadelphia (the “Reserve Bank”) to maintain the financial soundness of the Companies so that the Companies may serve as a source of strength to Lake Shore FSB;

WHEREAS, the Companies and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, the boards of directors of the Companies have authorized the undersigned to enter into this Agreement on behalf of each of the Companies, and consent to compliance with each and every provision of this Agreement by the Companies.

NOW, THEREFORE, Lake Shore MHC, Lake Shore BC, and the Reserve Bank agree as follows:

Source of Strength

1. The boards of directors of the Companies shall take appropriate steps to fully utilize the Companies’ financial and managerial resources, pursuant to section 38A of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. § 1831o-1) and section 238.8(a) of Regulation LL of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 238.8(a)), to serve as a source of strength to Lake Shore FSB, including, but not limited to, taking steps to ensure that Lake Shore FSB complies with the Consent Order entered into with the Office of the Comptroller of the Currency on February 9, 2023, and any other supervisory action taken by Lake Shore FSB’s federal regulator.

Capital Conservation

2. (a) Effective immediately, the Companies shall not, directly or indirectly, declare or pay dividends, engage in share repurchases, or make any other capital distribution in respect of common shares, preferred shares, or other capital instruments, including, without limitation, any interest payments due on subordinated debentures, without the prior written approval of the Reserve Bank and the Director of Supervision and Regulation of the Board of Governors. All requests for prior approval shall be received in writing at least 30 days prior to the earlier of the proposed declaration, payment, or distribution date, or required notice of deferral, and shall contain, at a minimum, current and projected information, as appropriate, on Lake Shore MHC’s and Lake Shore BC’s respective capital, earnings, and cash flow; Lake Shore FSB’s asset quality, earnings, and allowance for loan and lease losses; and identification of the source(s) of funding for the proposed payment or distribution.

(b) Effective immediately, the Companies shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior approval shall be received at least 30 days prior to the proposed transaction date and contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

Compliance with Laws and Regulations

3. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, the Companies shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation LL of the Board of Governors (12 C.F.R. §§ 238.71 *et seq.*).

(b) The Companies shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

4. Within 45 days after the end of each calendar quarter following the date of this Agreement, the Companies' boards of directors shall each submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

5. All communications regarding this Agreement shall be sent to:

- (a) Mr. James W. Corkery, Jr.
Assistant Vice President
Federal Reserve Bank of Philadelphia
10 Independence Mall
Philadelphia, Pennsylvania 19106
- (b) Mr. John Terruso
Assistant Vice President - Legal
Federal Reserve Bank of Philadelphia
10 Independence Mall
Philadelphia, Pennsylvania 19106
- (c) Mr. Kim C. Liddell
President and CEO
Lake Shore MHC
Lake Shore Bancorp, Inc.
125 East Fourth Street
Dunkirk, New York 14048

Miscellaneous

6. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Companies to comply with any provision of this Agreement.

7. The provisions of this Agreement shall be binding upon the Companies and their institution-affiliated parties, as defined in sections 3(u) and 8(b)(3) of the FDI Act (12 U.S.C. §§ 1813(u) and 1818(b)(3)), in their capacities as such, and their successors and assigns.

8. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

9. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting the Companies, Lake Shore FSB, any nonbank subsidiary of the Companies, or any of their current or former institution-affiliated parties and their successors and assigns.

10. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 28 day of June, 2023.

LAKE SHORE MHC

FEDERAL RESERVE BANK OF PHILADELPHIA

By: /s/ Kim C. Liddell
Kim C. Liddell
President and CEO

By: /s/ James W. Corkery, Jr.
James W. Corkery, Jr.
Assistant Vice President

LAKE SHORE BANCORP, INC.

By: /s/ Kim C. Liddell
Kim C. Liddell
President and CEO