

LAKELAND BANCORP INC
Form DEF 14A
April 03, 2017

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No. __)

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 Rule 14a-12

LAKELAND BANCORP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Consent 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:

LAKELAND BANCORP, INC.

250 OAK RIDGE ROAD

OAK RIDGE, NEW JERSEY 07438

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 10, 2017

Notice is hereby given that the Annual Meeting of Shareholders of Lakeland Bancorp, Inc. will be held at the Knoll Country Club West, 12 Knoll Drive, Boonton, New Jersey 07005 on Wednesday, May 10, 2017, at 5:00 p.m. for the following purposes:

1. To elect five directors for the terms described in the attached proxy statement.
2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2017.
3. To approve, on an advisory basis, the executive compensation of the Company's named executive officers as described in this proxy statement.
4. To transact such other business as may properly come before the Annual Meeting and/or any adjournment or adjournments thereof.

In accordance with the Bylaws of Lakeland Bancorp, Inc., the close of business on March 23, 2017, has been fixed as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Annual Meeting of Shareholders or any adjournment or adjournments thereof.

Enclosed are the proxy statement and a form of proxy. You will also be receiving an Annual Report. You are cordially invited to attend this meeting. It is important that your shares be represented, regardless of the number you own. Whether or not you plan to attend the meeting, please return the proxy, duly signed, as promptly as possible, in the envelope provided to you, or vote by telephone or via the Internet, as described in the proxy statement.

By Order of the Board of Directors

Lakeland Bancorp, Inc.

Timothy J. Matteson

Executive Vice President,

Chief Administrative Officer,

General Counsel and Corporate Secretary

Oak Ridge, New Jersey

April 6, 2017

LAKELAND BANCORP, INC.

PROXY STATEMENT

Annual Meeting of Shareholders: May 10, 2017

Approximate Mailing Date April 6, 2017

SOLICITATION OF PROXY

General

THE ENCLOSED PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS OF LAKELAND BANCORP, INC. (hereinafter called Lakeland or the Company) for use in connection with the Annual Meeting of Shareholders to be held at the Knoll Country Club West, 12 Knoll Drive, Boonton, New Jersey 07005 on Wednesday, May 10, 2017, at 5:00 p.m., and at any adjournments thereof. The matters to be considered and acted upon at such meeting are referred to in the enclosed notice of such meeting and are more fully discussed below.

Only shareholders of record at the close of business on March 23, 2017, the record date fixed by the Board of Directors, will be entitled to notice of, and to vote at, the Annual Meeting. If the enclosed proxy is properly executed and returned to Lakeland and not revoked before its exercise, all shares represented thereby will be voted as specified in the form of proxy. If the proxy is signed but no specification is given, the shares will be voted in favor of Proposal 1 (which provides for voting in favor of the Board's nominees for election to the Board), in favor of Proposal 2 (ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2017), and in favor of Proposal 3 (the non-binding approval of the compensation of Lakeland's executives as described in this proxy statement). The proxy will enable you to assure that your shares are voted and to aid in securing a quorum at the annual meeting.

In order to reduce the number of Annual Reports being sent to one address, only one Annual Report is being delivered to multiple security holders sharing an address unless Lakeland has received contrary instructions from one or more of the security holders. This is called householding. Lakeland will deliver a separate copy of the Annual Report to any security holder who requests a copy in writing or by telephone. If you wish to receive a separate copy of the 2016 Annual Report, or if you wish to receive a separate copy of future Annual Reports, please contact Ms. Patricia Backman, Vice President, at Lakeland Bancorp, Inc., 250 Oak Ridge Road, Oak Ridge, New Jersey 07438 (toll-free telephone 866-284-1291). If you are currently receiving multiple copies of the Annual Report at the same address, and wish to have one annual report sent to multiple security holders sharing that address in the future, please contact Ms. Backman at the above address and telephone number.

The entire cost of this solicitation will be borne by Lakeland. Officers and regular employees of Lakeland may also, but without additional compensation, solicit proxies by further mailings, personal conversations, telephone, facsimile or e-mail. Lakeland will make arrangements with brokerage houses, custodians, nominees and fiduciaries for the forwarding of proxy solicitation materials to beneficial owners of shares held of record by these brokerage houses, custodians, nominees and fiduciaries and Lakeland will reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in connection with the solicitation.

Important notice regarding the availability of proxy materials for the Annual Meeting of Shareholders to be held on May 10, 2017: This proxy statement and our 2016 Annual Report are available at www.lakelandbank.com.

Voting your Shares

Lakeland shareholders will have four alternative ways to vote:

via the Internet;

by telephone;

by traditional paper proxy card; or

in person at the Annual Meeting.

Please take a moment to read the instructions, choose the way to vote that you find most convenient and cast your vote as soon as possible.

Voting by Proxy Card. If proxy cards in the accompanying form are properly executed and returned, the shares represented thereby will be voted in the manner specified therein. If you vote by proxy card but make no specification on your proxy card that you have otherwise properly executed, your shares will be voted FOR the election of the Board's nominees for director and FOR Proposals 2 and 3.

Voting by Telephone. If you wish to vote by telephone and you are a shareholder of record of Lakeland, use a touch-tone telephone to call toll-free 1-800-PROXIES and follow the instructions. If you vote by telephone, you must have your control number and the proxy card available when you call.

Voting by the Internet. If you wish to vote through the Internet and you are a shareholder of record of Lakeland, you can access the web page at www.voteproxy.com and follow the on-screen instructions. If you vote through the Internet, you must have your control number and the proxy card available when you access the web page.

If your shares are registered in the name of a broker or other nominee, the voting form your broker or other nominee sent you will provide telephone and Internet voting instructions.

The deadline for voting by telephone or through the Internet as a shareholder of record of Lakeland is 11:59 p.m., local time, on May 9, 2017. For shareholders whose shares are registered in the name of a broker or other nominee, please consult the voting instructions provided by your broker or other nominee for information about the deadline for voting by telephone or through the Internet.

Voting in Person. If you attend the Annual Meeting, you may deliver your completed proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

Changing your Vote

You will be able to change your vote as many times as you wish and the last vote received chronologically by any means will supersede your prior vote(s). Please note, however, that if you vote by the Internet, the maximum number of times that you can access the website using any one control number is limited to five times per day.

Any Lakeland shareholder may revoke a proxy at any time before or at the Annual Meeting in one or more of the following ways:

Delivering a written notice of revocation, bearing a later date than the proxy, at any time prior to the vote at the Annual Meeting to Timothy J. Matteson, Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary of Lakeland; or

Submitting a later-dated proxy card; or

Submitting a new proxy via telephone or the Internet.

A Lakeland shareholder should send any written notice of revocation or subsequent proxy card to Lakeland Bancorp, Inc., Attention: Timothy J. Matteson, Executive Vice President, Chief Administrative Officer, General Counsel and Corporate Secretary, 250 Oak Ridge Road, Oak Ridge, New Jersey 07438, or hand deliver the notice of revocation or subsequent proxy card to Mr. Matteson before the taking of the vote at the Annual Meeting. Attendance at the Annual Meeting will not by itself constitute a revocation of a proxy.

Required Vote

The presence, in person or by proxy, of a majority of the shares of Common Stock outstanding on the record date will constitute a quorum for purposes of the Annual Meeting. Provided that a quorum is present, directors will be elected by a plurality vote (there is no right to vote stock cumulatively) and approval of Proposals 2 and 3 will require the affirmative vote of a majority of the votes cast with respect to each such proposal. For purposes of determining the votes cast with respect to any matter presented for consideration at the Annual Meeting, only those votes cast for or against are included. Abstentions and broker non-votes are counted only for the purpose of determining whether a quorum is present at the Annual Meeting.

CAPITAL STOCK OUTSTANDING

At the close of business on March 23, 2017, there were 47,327,944 shares of Lakeland's common stock, no par value (the Common Stock), outstanding and entitled to vote at the Annual Meeting. Each share will be entitled to one vote on all matters properly coming before the meeting.

All share information included in this proxy statement has been adjusted for all of the Company's previously effectuated stock dividends.

Set forth below is the name and address of each shareholder of Lakeland known by Lakeland to have beneficially owned more than five percent of Lakeland's Common Stock as of the March 23, 2017 record date, along with the number of shares of Common Stock believed to be owned by such shareholder on such date and such shareholder's percentage ownership, based on filings made with the Securities and Exchange Commission.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Wellington Management Group LLP c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	3,675,878 (1)	7.79%
BlackRock, Inc.	2,606,852 (2)	5.90%

55 East 52nd Street

New York, NY 10022

- (1) Pursuant to a filing made by Wellington Management Group LLP (Wellington Management) and certain related entities with the Securities and Exchange Commission on February 9, 2017, Wellington Management may be deemed to beneficially own 3,675,878 shares of Lakeland s Common Stock. The filing indicates that Wellington Management has shared power to vote or direct the vote with respect to 3,102,404 shares and shared dispositive power with respect to

3,675,878 shares. The filing further indicates that the securities reported as beneficially owned by Wellington Management, as parent holding company of certain holding companies and investment advisers (the Wellington Investment Advisers), are owned of record by clients of the Wellington Investment Advisers. According to the filing, Wellington Investment Advisers Holdings LLP controls directly, or indirectly through Wellington Management Global Holdings, Ltd., the Wellington Investment Advisers, Wellington Investment Advisers Holdings LLP is owned by Wellington Group Holdings LLP, and Wellington Group Holdings LLP is owned by Wellington Management.

- (2) Pursuant to a filing made by BlackRock, Inc. with the Securities and Exchange Commission on January 25, 2017, BlackRock, Inc., a parent holding company or control person, beneficially owned 2,606,852 shares, or 5.9%, of Lakeland's Common Stock. The filing indicates that BlackRock has sole power to vote or to direct the vote with respect to 2,533,022 shares and sole power to dispose or to direct the disposition of 2,606,852 shares. The filing identifies the following subsidiaries of BlackRock, Inc. as having acquired the shares being reported: BlackRock (Netherlands) B.V., BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Asset Management Schweiz AG, BlackRock Financial Management, Inc., BlackRock Fund Advisors, BlackRock Institutional Trust Company, N.A. and BlackRock Investment Management, LLC. The filing states that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of Lakeland's Common Stock, and that no one person's interest is more than 5% of the total outstanding shares of Lakeland's Common Stock.

PROPOSAL 1

ELECTION OF DIRECTORS

Unless a shareholder either indicates withhold authority on his proxy or indicates on his proxy that his shares should not be voted for certain nominees, it is intended that the persons named in the proxy will vote for the election as directors of the five persons named in Table I below to serve for the terms specified in the Table and thereafter until their successors shall have been duly elected and shall have qualified. Each of Messrs. Fredericks and Nicholson and Ms. Hendershot has been nominated to serve for a three year term. Mr. Inserra has been nominated to serve for a two year term, and Mr. Deutsch has been nominated to serve for a one year term. Each of the Board's nominees has consented to be named in this proxy statement and to serve as a director of the Company if elected. Discretionary authority is also solicited to vote for the election of a substitute for any of said nominees who, for any reason presently unknown, cannot be a candidate for election.

Table I sets forth the names and ages of the nominees for election to the Board of Directors, the positions and offices presently held by each such person within Lakeland, the period during which each such person has served on Lakeland's Board of Directors, the expiration of their respective terms, the principal occupations and employment of each such person during the past five years, and the number of shares of Lakeland Common Stock which they beneficially owned as of February 10, 2017. Except as otherwise indicated, Table II sets forth comparable information with respect to those directors whose terms of office will continue beyond the date of the Annual Meeting. Unless otherwise indicated, positions have been held for more than five years. Unless otherwise stated in the footnotes following the tables, the nominees and other directors listed in the tables have sole power to vote and dispose of the shares which they beneficially owned as of February 10, 2017. Shares covered by stock options are included in the tables below only to the extent that such options may be exercised by April 10, 2017.

All of the persons named in both tables have been directors of Lakeland and Lakeland Bank for at least five years, except that Messrs. Deutsch and Marino were appointed to the Boards of Lakeland and Lakeland Bank on May 31, 2013, upon the closing of the mergers of Somerset Hills

Bancorp into Lakeland and of Somerset Hills Bank into Lakeland Bank, and Mr. Inserra was appointed to the Boards of Lakeland and Lakeland Bank on January 7, 2016, upon the closing of the mergers of Pascack Bancorp, Inc. into Lakeland and of Pascack Community Bank into Lakeland Bank.

For a description of the attributes of each director that the Board considered in determining that such director should serve on the Company's Board, see Board Qualifications below.

TABLE I
NOMINEES FOR ELECTION AS DIRECTORS

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM IF ELECTED	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 10, 2017	
				NUMBER OF SHARES	PERCENT OF CLASS
Edward B. Deutsch Age 70	2013	2018	Managing Partner, McElroy, Deutsch, Mulvaney & Carpenter, LLP (law firm); Director of Somerset Hills Bancorp and Somerset Hills Bank (2003 to May 31, 2013)	77,763 (a)	0.2%
Lawrence R. Inserra, Jr. Age 59	2016	2019	Chairman of the Board and CEO (2015 to present) and President (1982 to present) of Inserra Supermarkets, Inc. (family owned business founded in 1954); Director of Pascack Bancorp, Inc. and Pascack Community Bank (2011 to January 7, 2016)	55,491 (b)	0.1%
Mark J. Fredericks Age 56	1994	2020	President, Fredericks Fuel and Heating Service, Oak Ridge, NJ (2002 to present); President, Keil Oil Company, Riverdale, NJ (1986 to present); President, F & B Trucking (1987 to present); Managing Member of each of the following real estate companies: Mardian	395,195 (c)	0.8%

LLC (1995 to present), Mickens LLC (2010 to present), Osteridge LLC (1995 to present), and Wallkill LLC (1995 to present); Former trustee and finance committee member, Chilton Memorial Hospital.

Janeth C. Hendershot	2004	2020	Global Project Team Lead, Munich Re Group (prior to February 2010); Insurance Company Operations General Manager, Senior Vice President, Munich-American Risk Partners at Munich Reinsurance America, Inc. (prior to December 2006); President, Exchange Insurance Company and Regional Vice President at Selective Insurance Group (prior to October 1997)	255,376 (d)	0.5%
Age 62					

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM IF ELECTED	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 10, 2017	
				NUMBER OF SHARES	PERCENT OF CLASS
				Robert B. Nicholson, III Age 52	2003

TABLE II
CONTINUING DIRECTORS

NAME AND <u>AGE</u>	DIRECTOR <u>SINCE</u>	EXPIRATION <u>OF TERM</u>	BUSINESS <u>EXPERIENCE</u>	SHARES BENEFICIALLY OWNED AS OF February 10, 2017	
				<u>NUMBER OF SHARES</u>	<u>PERCENT OF CLASS</u>
Bruce D. Bohuny Age 48	2007	2018	President, Brooks Builders, Franklin Lakes, NJ (October 1993 to present) (building and real estate development company)	81,411 (f)	0.2%
Mary Ann Deacon Age 65	1995	2018	Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (May 2011 to present); Vice Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (January 2010 to May 2011); Secretary/Treasurer of Deacon Homes, Inc. (1980 to present) (real estate development), Sparta, NJ	398,883 (g)	0.8%
Brian Flynn Age 57	2010	2018	Partner, PKF O Connor Davies, LLP in Paramus, NJ (1990 to present); Director, TD Bank, N.A. (formerly TD Banknorth, N.A.) and TD Banknorth, Inc. and Member of Audit Committee (February 2006 to February 2007); Director and Member of Audit Committee, Hudson United Bancorp and Hudson United Bank (January 2004 to January	56,289 (h)	0.1%

2006)

Joseph P. O Dowd Age 71	1998	2018	President and Owner of O Dowd Advertising of Montville, NJ (April 1982 to present); partner of O Dowd Associates (real estate holding company) (July 1986 to present) and O Dowd Realty (July 1986 to present)	69,122 (i)	0.1%
Stephen R. Tilton, Sr. Age 71	2001	2018	Chairman, Tilton Automotive LLC (May 2008 to present); Chairman and Chief Executive Officer, Tilton Securities LLC, Upper Montclair, NJ (investment trader) (October 1998 to present); Chairman and Chief Executive Officer, Chaumont Holdings, Inc. (real estate holding company)	803,404 (j)	1.7%

NAME AND <u>AGE</u>	<u>DIRECTOR SINCE</u>	<u>EXPIRATION OF TERM</u>	<u>BUSINESS EXPERIENCE</u>	SHARES BENEFICIALLY	
				OWNED AS OF	
				February 10, 2017	
				<u>NUMBER OF SHARES</u>	<u>PERCENT OF CLASS</u>
			(September 1992 to present); Chairman and Chief Executive Officer, Fletcher Holdings, LLC (commercial real estate company) (October 1998 to present); Chairman, Lottery Hill Holdings, LLC (commercial real estate company) (March 2004 to present)		
Thomas J. Marino Age 69	2013	2019	Retired Partner, CohnReznick LLP (accounting and consulting firm); Director of Somerset Hills Bancorp and Somerset Hills Bank (2003 to May 31, 2013)	44,579 (k)	0.1%
Robert E. McCracken Age 59	2004	2019	Sole managing member and owner (November 1998 to present), REM, LLC (a real estate and investment company), Newton, NJ; owner/manager (January 2000 to present), Wood Funeral Home, Branchville, NJ; owner/manager (October 1990 to present), Smith-McCracken Funeral Home, Newton, NJ	148,106 (l)	0.3%
Thomas J. Shara Age 59	2008	2019	President and CEO, Lakeland Bancorp, Inc. and Lakeland Bank (April 2008 to present); President and Chief	201,735 (m)	0.4%

Credit Officer (May 2007 to April 2008) and Executive Vice President and Senior Commercial Banking Officer (February 2006 to May 2007), TD Banknorth, N.A.'s Mid-Atlantic Division; Executive Vice President and Senior Loan Officer, Hudson United Bancorp and Hudson United Bank (prior years to February 2006)

Included in the amounts beneficially owned listed in the tables, the directors of Lakeland held the following interests:

- (a) Includes 24,842 shares held by the Edward B. Deutsch Holding Trust; 29,478 shares issuable upon the exercise of stock options; and 3,094 shares subject to restricted stock awards that have not yet vested.
- (b) Includes 3,094 shares subject to restricted stock awards granted to Mr. Inserra that have not yet vested.

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- (c) Includes 53,785 shares owned by Mr. Fredericks' wife; 50,904 shares held by Mark J. Fredericks as custodian for his daughter; 63,495 shares held by Mark J. Fredericks as Trustee for the Fredericks Fuel & Heating Service Profit Sharing Plan; 23,515 shares held by Fredericks Fuel & Heating Service of which Mark Fredericks is President; and 3,094 shares subject to restricted stock awards that have not yet vested. Includes 196,000 shares pledged as security for loan obligations. (d)
 - (d) Includes 3,094 shares subject to restricted stock awards granted to Ms. Hendershot that have not yet vested.
 - (e) Includes 3,094 shares subject to restricted stock awards granted to Mr. Nicholson that have not yet vested.
 - (f) Includes 11,689 shares held by the Bohuny Family LLC of which Mr. Bohuny is a passive member; 539 shares held by Mr. Bohuny's wife; 1,727 shares held by Mr. Bohuny as custodian for his children; 30,388 shares issuable upon the exercise of stock options; and 3,094 shares subject to restricted stock awards that have not yet vested. Includes 7,499 shares pledged as security for loan obligations.
 - (g) Includes 18,935 shares held in the name of Ms. Deacon's husband; 260,334 shares held in the name of the Philip Deacon Limited Partnership; 96,177 shares held by the Deacon Homes, Inc. Profit Sharing Plan of which Ms. Deacon is a trustee; and 3,094 shares subject to restricted stock awards that have not yet vested.
 - (h) Includes 28,941 shares issuable upon the exercise of stock options to Mr. Flynn; and 3,094 shares subject to restricted stock awards that have not yet vested.
 - (i) Includes 63,431 shares owned jointly by Mr. O'Dowd and his wife; and 3,094 shares subject to restricted stock awards that have not yet vested.
 - (j) Includes 47,923 shares held by Mr. Tilton's wife; 5,014 shares held by Chaumont Holdings, Inc. of which Mr. Tilton is Chairman and Chief Executive Officer; 41,443 shares held by the Tilton Securities LLC Profit Sharing Plan of which Mr. Tilton is the beneficiary; and 3,094 shares subject to restricted stock awards that have not yet vested.
 - (k) Includes 9,372 shares owned jointly by Mr. Marino and his wife; 2,511 shares held in the name of Mr. Marino's wife; 29,478 shares issuable upon the exercise of stock options; and 3,094 shares subject to restricted stock awards that have not yet vested.
 - (l) Includes 34 shares owned jointly by Mr. McCracken and his wife; 4,402 shares held as custodian for his children; 74,925 shares held by REM, LLC of which Mr. McCracken is sole managing member; 10,997 shares held by Smith McCracken Funeral Home Profit Sharing Plan of which Mr. McCracken is a trustee; 14,524 shares held by the McCracken Family Trust, of which Mr. McCracken is a co-trustee; 22,870 shares held in the Shirley McCracken Irrevocable Trust, of which Mr. McCracken is a Trustee; and 3,094 shares subject to restricted stock awards that have not yet vested.
 - (m) Includes 186,037 shares owned jointly by Mr. Shara and his wife; 1,904 shares held as custodian for his son; 752 shares held by a family partnership of which Mr. Shara and his wife are general partners or trustees; and 3,016 shares of restricted stock awards that vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 77,349 shares subject to RSUs that have not yet vested. For each year during the RSUs three-year performance period, one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders in an amount at least equal to the prior year's dividends paid to common shareholders. The RSUs, to the extent earned, will vest if Mr. Shara remains employed by the Company through the date that the Compensation Committee certifies the achievement of the performance goal for the final year of the performance period. However, the RSUs, to the extent earned, will also become vested if Mr. Shara terminates employment due to (i) death, (ii) disability after having at least five years of service with the Company or the Bank, or (iii) retirement after attaining age 65 with at least five years of service. If Mr. Shara terminates employment after attaining age 55 and completing at least ten years of service, then 50% of the RSUs, to the extent earned, will vest. All performance-based RSUs which have not been forfeited will vest upon a change in control of the Company.

Stock Ownership Guidelines for Directors; Adoption of Prospective Anti-Pledging Policy

Although Lakeland's by-laws provide that the minimum value of Lakeland common stock to be held by directors is \$1,000, the Board has adopted Corporate Guidelines which established a goal that directors own or otherwise control, at a minimum, the number of shares or share equivalents of Lakeland Common Stock equal to approximately five times (5x) the director annual retainer fee, with new directors attaining that goal within five years. The Compensation Committee periodically reviews this stock ownership goal, and has determined that all directors have attained the prescribed goal.

In March 2013, Lakeland's Board adopted an anti-pledging policy that prohibits future pledging of Lakeland Common Stock by Lakeland's executive officers and directors. The policy does not require existing pledges to be unwound.

Board Qualifications

The Company's Board does not have a formal policy of considering diversity in identifying potential director candidates. However, since the Board believes that its membership should broadly reflect the banking community served by Lakeland, it has an informal practice of considering a nominee's age, race, ethnicity, national origin, gender, and geographic location in addition to such nominee's qualifications for Board service. See Nominating and Corporate Governance Committee Matters-Qualifications and the charter of such committee for a description of the qualifications the Company's directors must possess.

The Board considered the following attributes of its nominees and other directors in determining that each is qualified to serve as a director of the Company:

Mr. Deutsch joined the Lakeland and Lakeland Bank Boards of Directors upon the closing of the mergers with Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013. He is the founding and Managing Partner of McElroy, Deutsch, Mulvaney & Carpenter, LLP, New Jersey's largest law firm with approximately 300 attorneys. Mr. Deutsch is a civil trial attorney, certified by the Supreme Court of New Jersey and has been a fellow of the American College of Trial Lawyers since 1992. He was the founder and Chairman of the Board of Directors of Somerset Hills Bancorp and Somerset Hills Bank. He was recently ranked number 10 on the NJBIZ Power 50 Banking List of the 50 most powerful people in N.J. banking and consistently included on the NJBIZ Power 100 list. He also is consistently ranked by PolitickerNJ and NJBIZ as one of the top 100 most influential people doing business in New Jersey. He is also consistently listed as a top lawyer by Best Lawyers, the oldest and most highly respected peer review guide to the legal profession worldwide. Mr. Deutsch has served on a number of other boards of directors and trustees, and is active in numerous charitable endeavors. This experience led the Board to conclude that this individual should serve as a director of Lakeland.

Mr. Fredericks' experience in business, banking and real estate, as well as his extensive knowledge of the communities in which Lakeland operates, has led the Board to conclude that this individual should serve as a director of Lakeland. Mr. Fredericks' knowledge of banking comes from his 22 year tenure as a director of Lakeland, where he has served on several committees during this time. Mr. Fredericks owns and operates three businesses in Lakeland's markets: he is the president and CEO of Fredericks Fuel and Heating Services, as well as president of Keil Oil Inc. and F&B Trucking Inc. He also is the managing partner of several real estate partnerships in the area. Mr. Fredericks is a lifetime resident and active participant in the communities served by Lakeland, and has been a member of numerous charitable, civic and business organizations over the years. These include his prior service as Trustee of Chilton Memorial Hospital; member and past president of the West Milford Education Foundation and member and past president of the West Milford Rotary Club.

Ms. Hendershot has had significant experience in the leadership and management of various corporate entities and operations. She also has experience in managing and controlling risk-taking operations within the insurance industry, and in IT strategy and developments. This experience, as well as her educational background (including a degree in economics from Cornell University), led the Board to conclude that this individual should serve as a director of Lakeland.

Mr. Inserra joined the Lakeland and Lakeland Bank Boards of Directors upon the closing of the mergers with Pascack Bancorp, Inc. and Pascack Community Bank on January 7, 2016. He had previously served as a director of Pascack Bancorp, Inc. and Pascack Community Bank. Mr. Inserra is Chairman of the Board and CEO of Inserra Supermarkets, Inc., a family owned business founded in 1954 and one of the largest supermarket chains in the metropolitan area, which owns and operates 22 ShopRite stores throughout New Jersey and New York. Mr. Inserra also holds a number of leadership positions, both professionally and philanthropically, including board member and treasurer of Wakefern Food Corporation. In 2013, he was named Chairman of the Board of Governors at Hackensack University Medical Center (HUMC) after serving as first Vice Chairman and Chairman of the Human Resources Committee at HUMC. Mr. Inserra received a Bachelor of Science in business and economics from Lehigh University. Mr. Inserra's business experience, philanthropic endeavors and knowledge of Pascack Bancorp's markets led the Board to believe that this individual should serve as a director of Lakeland.

Mr. Nicholson's business experience with Eastern Propane Corporation (including his serving as president and CEO of that entity for 28 years), his educational background in finance and business management, his experience in buying and selling companies and commercial real estate properties and his reputation in the business and local community led the Board to conclude that this individual should serve as a director of Lakeland. In 2009, Mr. Nicholson was honored with the Outstanding Citizen of the Year award from Sparta Township and as a Distinguished Citizen by the Boy Scouts of America, Patriots Path Council. In March 2010, Mr. Nicholson received the Distinguished Alumni Award from Florida Southern College for outstanding service to his professions and community. Mr. Nicholson is the Past Chairman of the board of trustees for the Sussex County New Jersey Chamber of Commerce.

Mr. Bohuny's over 20 years of experience in the residential and commercial construction and real estate development fields, and his prior work experience in the equity and fixed income markets and service on various educational and philanthropic boards including the StonyBrook School, Eastern Christian School, Christian Healthcare Center and the New Canaan Society, led the Board to conclude that this individual should serve as a director of Lakeland.

Ms. Deacon's over 30 years of extensive experience in the real estate development process, building contracting, property management and sales, her service to a number of community associations, her reputation in the broader business community as well as in the local real estate markets and her dedication to Lakeland and Lakeland Bank led the Board to conclude that this individual should serve as a director of Lakeland. Ms. Deacon is responsible for the planning and administration of numerous operating companies and four condominium associations. Her past participation in the state and local real estate associations includes leadership positions and committee experience in ethics, professional standards, strategic planning and governance. Ms. Deacon is committed to enhancing her professional participation as a director of Lakeland and frequently attends continuing education seminars and institutes applicable to directors of banks and bank holding companies. During her 20 year tenure at Lakeland, she has served on every committee of the Board. In January 2010, she was elected Vice Chairman of the Board of Lakeland and Lakeland Bank and in May 2011, she was elected Chairman of the Board of Lakeland and Lakeland Bank.

Mr. Flynn is a Partner at PKF O'Connor Davies, LLP, one of the largest regional accounting firms in the tri-state area. He received his Bachelor of Science Degree, cum laude, from Monmouth College.

With over 30 years of experience as a practicing CPA, Mr. Flynn brings in-depth knowledge of generally accepted accounting principles and auditing standards to our Board. He has worked with audit committees and boards of directors in the past, including previously serving on the Boards of TD Banknorth, Inc. and Hudson United Bancorp, and provides Lakeland's Board of Directors and its Audit Committee with extensive experience in auditing and preparation of financial statements. For these reasons, the Board has concluded that this individual should serve as a director of Lakeland.

Mr. O Dowd's knowledge of the banking industry, gained through his service as a director of Lakeland for 18 years and for the 12 years prior to his joining Lakeland, as a director of Metropolitan State Bank, his experience and reputation in the business community and his civic service led the Board to conclude that this individual should serve as a director of Lakeland. He is president of his own advertising company, a partner in two real estate holding companies and the former owner and operator of a food manufacturing business. He is the director of the Montville Chamber of Commerce, a past president of the Montville Kiwanis Club and has served as Deputy Mayor and Chairman of the Planning Board of Montville Township.

Mr. Tilton's extensive and diverse experience in the financial markets and knowledge of financial instruments, including his current positions as Chairman and Chief Executive Officer of Tilton Securities, LLC, led the Board to conclude that this individual should serve as a director of Lakeland. This experience also includes having served as Chairman of GovPx, a company organized by dealers and brokers in 1990, which provides financial prices on all U.S. Treasury securities, including MBS securities, playing a significant role in establishing a clearing house for all government securities trading globally, his expertise on interest rates and derivative products and his involvement in establishing various federal funds markets between 1967 and 1985. Additionally, Mr. Tilton serves as president of Tilton Automotive Group, which consists of several automotive dealerships in northern New Jersey.

Mr. Marino joined the Lakeland and Lakeland Bank Boards of Directors upon the closing of the mergers with Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013. He had previously served as a director of Somerset Hills Bancorp and Somerset Hills Bank. He is a retired partner of CohnReznick LLP, which is headquartered in New York and among the 11th largest accounting and consulting firms in the United States. Mr. Marino brings his more than 40 years of experience as a CPA to the Lakeland Board. Mr. Marino has expertise in the areas of real estate, construction, private companies and publicly traded companies. His experience, membership in professional associations and his advisory roles in local community service organizations and foundations led the Board to conclude that this individual should serve as a director of Lakeland.

Mr. McCracken's knowledge of the banking industry, his over 15 years of service on the boards of various banks (including serving on Lakeland's Board since 2004 and Lakeland Bank's Board since 2008), his business experience as an owner and operator of various businesses and real estate within Lakeland's footprint, his reputation in the community as a lifelong resident within Lakeland's footprint, his many long standing relationships with Lakeland's non-institutional shareholder base and his involvement in many non-profit and local charities (including serving as former Board Chairman of Newton Memorial Hospital, now known as the Newton Medical Center, and on the Atlantic Health System Board, as well as on the boards of other local organizations) led the Board to conclude that this individual should serve as a director of Lakeland.

Mr. Shara's over 30 years of experience in the banking industry, his stature and reputation in the banking and local community, and his service as President and CEO of Lakeland and Lakeland Bank since April 2008 led the Board to conclude that this individual should serve as a director of Lakeland. His knowledge and understanding of all facets of the business of banking, the leadership he has demonstrated at Lakeland and at prior institutions and his involvement in charitable and trade

organizations make him extremely valuable as a Board member. Mr. Shara serves as a member of the New Jersey Bankers Association Board of Directors, on the Board of Directors of the Commerce and Industry Association of New Jersey, the Board of Trustees of the Boys and Girls Club of Paterson and Passaic, New Jersey and the Board of Trustees of the Chilton Hospital Foundation. He also serves on the Board of Governors of the Ramapo College Foundation. Mr. Shara earned a Master's Degree in Business Administration as well as a Bachelor of Science Degree from Fairleigh Dickinson University.

Security Ownership of Management

The following table sets forth information regarding the beneficial ownership of Lakeland's Common Stock as of February 10, 2017 by (i) the four Named Executive Officers (as defined below under "Executive Compensation") who are not directors of Lakeland and (ii) all current executive officers and directors of Lakeland as a group. Unless otherwise indicated, each of the named shareholders possesses sole voting and investment power with respect to the shares beneficially owned. For information concerning the beneficial ownership of Lakeland's Common Stock by directors and nominees for director, see the tables above under "Election of Directors". Shares covered by stock options are included in the table below only to the extent that such options may be exercised by April 10, 2017.

<u>Shareholder</u>	Shares	
	Beneficially Owned	
	as of February 10, 2017	
	Number	Percent
Joseph F. Hurley	12,435 (A)	*
Robert A. Vandenberg	111,188 (B)	0.2%
Stewart E. McClure, Jr.	74,021 (C)	0.2%
Ronald E. Schwarz	33,909 (D)	0.1%
All current executive officers and directors as a group (20 persons)	2,922,581 (E)	6.2%

* Holds less than 0.0%

(A) Includes 705 shares of restricted stock that have not yet vested. These 705 shares of restricted stock vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 28,171 shares subject to restricted stock units, or RSUs, that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(B) Includes 8,392 shares held jointly with his wife and 21,859 shares which have been allocated to Mr. Vandenberg in the National Bank of Sussex County and Affiliated Subsidiaries Employee Stock Ownership Plan (the "ESOP"). Also includes 1,601 shares of restricted stock that have not yet vested. These 1,601 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 33,620 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(C) Excludes 28,524 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(D) Includes 534 shares of restricted stock that have not yet vested. These 534 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 19,424 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(E) Includes 43,950 shares of restricted stock that have not yet vested and 21,859 shares which have been allocated under the ESOP. Excludes an aggregate of 209,177 shares subject to RSUs that have not yet vested. Excludes Mr. McClure's stock ownership, as he retired from the Company on December 31, 2016.

The following description applies to all of the RSUs referred to in the preceding footnotes. For each year during the RSUs' three-year performance period, one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders in an amount at least equal to the prior year's dividends paid to common shareholders. The RSUs, to the extent earned, will vest if the Named Executive Officer remains employed by the Company through the date that the Compensation Committee certifies the achievement of the performance goal for the final year of the performance period. However, the RSUs, to the extent earned, will also become vested if the Named Executive Officer terminates employment due to (i) death, (ii) disability after having at least five years of service with the Company or the Bank, or (iii) retirement after attaining age 65 with at least five years of service. If the Named Executive Officer terminates employment after attaining age 55 and completing at least ten years of service, then 50% of the RSUs, to the extent earned, will vest. All performance-based RSUs which have not been forfeited will vest upon a change in control of the Company.

Stock Ownership Guidelines for Executive Officers

The Board, through the Nominating and Corporate Governance and Compensation Committees, adopted executive officer stock ownership guidelines which established certain goals that current named executive officers of Lakeland own or otherwise control, at a minimum, the following number of shares or share equivalents of Company stock: for the President and Chief Executive Officer, 100,000 shares; for Senior Executive Vice Presidents, 50,000 shares; and for Executive Vice Presidents, 25,000 shares. New executive officers would be expected to attain the prescribed goals within three years from the date of promotion or joining Lakeland. The Compensation Committee periodically reviews these stock ownership goals, and have determined that as of the date of this proxy statement, all executive officers are in compliance with the prescribed guidelines.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder require Lakeland's directors, executive officers and 10% shareholders to file with the SEC certain reports regarding such persons' ownership of Lakeland's securities. Lakeland is required to disclose any failures to file such reports on a timely basis. Based solely upon a review of the copies of the forms or information furnished to Lakeland, Lakeland believes that during 2016, all filing requirements applicable to its directors and named executive officers were satisfied on a timely basis except that Edward B. Deutsch, a director of the Company, reported late a sale of 5,000 shares in June 2016 and two sales in November 2016 (one for 936 shares and the other for 9,064 shares).

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The following discussion provides an overview and analysis of the Compensation Committee's philosophy and objectives in designing the Company's compensation programs as well as the compensation determinations relating to our named executive officers, or NEOs. For 2016, our NEOs were:

Name	Title
Thomas J. Shara	President and Chief Executive Officer of Lakeland and Lakeland Bank
Joseph F. Hurley	Executive Vice President and Chief Financial Officer of Lakeland and Lakeland Bank
Robert A. Vandenberg	Senior Executive Vice President and Chief Operating Officer of Lakeland and Regional President of Lakeland Bank
Stewart E. McClure, Jr.	Senior Executive Vice President of Lakeland and Regional President of Lakeland Bank
Ronald E. Schwarz	Senior Executive Vice President and Chief Revenue Officer of Lakeland and Lakeland Bank

This discussion should be read together with the compensation tables for our NEOs, which can be found following this discussion.

Executive Summary

Financial and Strategic Highlights

Lakeland completed another successful year in 2016. Our net income for the year was at a record level, and our loans increased 30% from December 31, 2015 to December 31, 2016. By completing two mergers, adding new lending teams and establishing another loan production office, we expanded geographically within New Jersey while entering New York State for the first time.

Financial highlights include:

Net income for the year ended December 31, 2016 was \$41.5 million, or \$0.95 per diluted share, compared to \$32.5 million, or \$0.85 per diluted share, for 2015. Excluding merger related expenses and other items, net income for the year ended December 31, 2016 would have been \$44.3 million or \$1.02 per diluted share.

At December 31, 2016, loans totaled \$3.87 billion, an increase of \$905.9 million, or 30%, from December 31,

2015, with organic growth of \$325.6 million, or 11%.

Total Shareholder Return, or TSR, was at the 99th percentile of our peer group.

Our return on assets, return on equity and efficiency ratio all improved.

We maintained and improved our strong capital position.

Our ratio of non-performing assets to total assets decreased from 0.61% in 2015 to 0.42% in 2016.

Due to margin compression in the industry, the Company's net interest margin was 3.41% for 2016, compared to 3.47% for 2015. However, we maintained higher margins than our peers, achieving a 60th percentile ranking compared to our peer group. See "Competitive Benchmarking and Peer Groups" below for a listing of our peers.

Key NEO Compensation Decisions

Our compensation decisions for 2016 reflected our strong performance during the year. Our annual and long-term incentive plans are designed to bring award opportunities more in line with market practice while enhancing the link between compensation and corporate, as well as individual, performance.