

LAKELAND BANCORP INC
Form DEF 14A
April 10, 2015

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 20, 2015

Notice is hereby given that the Annual Meeting of Shareholders of Lakeland Bancorp, Inc. will be held at The Knoll Country Club West, 990 Greenbank Road, Boonton, New Jersey 07005 on Wednesday, May 20, 2015, at 5:00 p.m. for the following purposes:

1. To elect four directors for three year terms.
2. To ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2015.
3. To approve, on an advisory basis, the executive compensation of Lakeland's named executive officers as described in this proxy statement.
4. To transact such other business as may properly come before the meeting and/or any adjournment or adjournments thereof.

In accordance with the Bylaws of Lakeland Bancorp, Inc., the close of business on March 30, 2015, 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

TIMOTHY J. MATTESON

EXECUTIVE VICE PRESIDENT,

GENERAL COUNSEL AND CORPORATE

SECRETARY

Oak Ridge, New Jersey

April 13, 2015

LAKELAND BANCORP, INC.

PROXY STATEMENT

Annual Meeting of Shareholders: May 20, 2015

Approximate Mailing Date April 13, 2015

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, 990 Greenbank Road, Boonton, New Jersey 07005 on Wednesday, May 20, 2015, 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 30, 2015, 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 the Board's nominees for election to the Board and in favor of Proposal 2 (ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for 2015), and 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 2014 annual report, or if you wish to receive a separate copy of future annual reports, please contact Mr. Harry Cooper 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 Mr. Cooper 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 20, 2015: This proxy statement and our 2014 annual report are available at www.lakelandbank.com.

Voting your Shares

Lakeland shareholders will have four alternative ways to vote:

by traditional paper proxy card;

by telephone;

via the Internet; 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 19, 2015. 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, 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, 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 30, 2015, there were 37,900,108 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 30, 2015 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	3,719,131 (1)	9.81%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	2,288,851 (2)	6.00%

- (1) Pursuant to a filing made by Wellington Management Group LLP, formerly named Wellington Management Company, LLP (Wellington Management) with the Securities and Exchange Commission on February 12, 2015, Wellington Management, in its capacity as investment adviser, may be deemed to beneficially own 3,719,131 shares of Lakeland s Common Stock which are held of record by clients of Wellington Management. The filing indicates that Wellington Management has shared power to vote or direct the vote with respect to 3,063,201 shares and shared dispositive power with respect to 3,719,131 shares. The filing further indicates that the clients who own the shares of record have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such shares, and that no client is known to Wellington Management to have such right or power with respect to more than 5% of Lakeland s Common Stock.

- (2) Pursuant to a filing made by BlackRock, Inc. with the Securities and Exchange Commission on January 30, 2015, BlackRock, Inc., a parent holding company or control person, beneficially owned 2,288,851 shares, or 6.0%, of Lakeland's Common Stock. The filing indicates that BlackRock has sole power to vote or to direct the vote with respect to 2,210,341 shares and sole power to dispose or to direct the disposition of 2,288,851 shares. The filing identifies the following subsidiaries of BlackRock, Inc. as having acquired the shares being reported: BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Investment Management, LLC, BlackRock Advisors, LLC and BlackRock Asset Management Canada Limited. 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 four persons named in Table I below to serve for three year terms and thereafter until their successors shall have been duly elected and shall have qualified. 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 13, 2015. 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 13, 2015. Shares covered by stock options are included in the tables below only to the extent that such options may be exercised by April 14, 2015.

All of the persons named in both tables have been directors of Lakeland and Lakeland Bank for at least five years, except that Mr. Flynn was appointed to the Boards of Lakeland and Lakeland Bank on June 9, 2010, and 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.

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 13, 2015	
				NUMBER OF SHARES	PERCENT OF CLASS
Bruce D. Bohuny Age 46	2007	2018	President, Brooks Ltd. Builders, Franklin Lakes, NJ (10/1993 to present) (construction company)	71,220 (a)	0.2%
Mary Ann Deacon Age 63	1995	2018	Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (5/24/11 to present); Vice Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (1/14/10 to 5/23/2011); Secretary/Treasurer of Deacon Homes, Inc. (1980 to present) (real estate development), Sparta, NJ	395,788 (b)	1.0%
Joseph P. O Dowd Age 68	1998	2018	President and Owner of O Dowd Advertising of Montville, NJ (4/14/82 to present); partner of O Dowd Associates (real estate holding company) (7/1/86 to present) and O Dowd Realty (7/1/86 to present)	65,462 (c)	0.2%
Brian Flynn Age 55	2010	2018	Partner, 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 2006)	52,844 (d)	0.1%

TABLE II
CONTINUING DIRECTORS

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 13, 2015	
				NUMBER OF SHARES	PERCENT OF CLASS
Robert E. McCracken Age 57	2004	2016	Sole managing member and owner (11/98 to present), REM, LLC (a real estate and investment company), Newton, NJ; owner/manager (1/00 to present), Wood Funeral Home, Branchville, NJ; owner/ manager (10/90 to p r e s e n t) , Smith-McCracken Funeral Home, Newton, NJ	143,811 (e)	0.4%
Thomas J. Shara Age 57	2008	2016	President and CEO, Lakeland Bancorp, Inc. and Lakeland Bank (4/2/08 to present); President and Chief Credit Officer (5/07 to 4/1/08) and Executive Vice President and Senior Commercial Banking Officer (2/06 to 5/07), 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 2/06)	200,159 (f)	0.5%
Stephen R. Tilton, Sr. Age 68	2001	2016	Chairman, Tilton Automotive LLC (5/08 to present); Chairman and Chief Executive Officer,	791,711 (g)	2.1%

Tilton Securities LLC, Upper Montclair, NJ (investment trader) (10/98 to present); Chairman and Chief Executive Officer, Chaumont Holdings, Inc. (real estate holding company) (9/92 to present); Chairman and Chief Executive Officer, Fletcher Holdings, LLC (commercial real estate company) (10/98 to present); Chairman, Lottery Hill Holdings, LLC (commercial real estate company) (3/04 to present)

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 13, 2015	
				NUMBER OF SHARES	PERCENT OF CLASS
				Mark J. Fredericks Age 54	1994
Janeth C. Hendershot Age 60	2004	2017	Global Project Team Lead, Munich Re Group (prior to 2/1/10); Insurance Company Operations General Manager, Senior Vice President, Munich-American Risk Partners at Munich Reinsurance America, Inc. (prior to 12/1/06); President, Exchange Insurance Company and Regional Vice President at Selective Insurance Group (prior to 10/1/97)	60,213	0.2%
Robert B. Nicholson, III	2003	2017	President and Chief Executive Officer,	123,865	0.3%

Age 50

Eastern Propane Corporation (1988 to present); President and Chief Executive Officer, Eastern Propane Energy Corporation (1993 to present); General Partner, Eastern Properties, L.P. (1999 to present); Managing Member, East Coast Development Associates, LLC (2004 to present); Managing Member, Sparta Junction, LLC (2010 to present); President and CEO, Landmark America Corporation (1988 to present)

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 13, 2015	
				NUMBER OF SHARES	PERCENT OF CLASS
				Edward B. Deutsch Age 68	2013
Thomas J. Marino Age 67	2013	2016	Co-CEO, CohnReznick LLP (accounting and consulting firm); Director of Somerset Hills Bancorp and Somerset Hills Bank (2003 to May 31, 2013)	30,985 (j)	0.1%

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

- (a) Includes 7,232 shares held by the Bohuny Family LLC of which Mr. Bohuny is a passive member; 515 shares held by Mr. Bohuny's wife; 1,638 shares held by Mr. Bohuny as custodian for his children; and 30,388 shares issuable upon the exercise of stock options. Includes 7,499 shares pledged as security for loan obligations.
- (b) Includes 18,935 shares held in the name of Mary Ann Deacon's husband; 260,334 shares held in the name of the Philip Deacon Limited Partnership; and 96,177 shares held by the Deacon Homes, Inc. Profit Sharing Plan of which Ms. Deacon is a trustee.
- (c) Includes 63,011 shares owned jointly by Mr. O'Dowd and his wife.
- (d) Includes 28,941 shares issuable upon the exercise of stock options.
- (e) Includes 34 shares owned jointly by Mr. McCracken and his wife; 4,154 shares held as custodian for his children; 74,925 shares held by REM, LLC of which Mr. McCracken is sole managing member; 10,689 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; and 22,224 shares held in the Shirley McCracken Irrevocable Trust, of which Mr. McCracken is a Trustee.
- (f) Includes 145,250 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 20,968 shares subject to restricted stock awards that have not yet vested. These 20,968 shares vest as follows: 2,332 shares on January 25, 2016, 13,565 shares on February 1, 2016, 2,056 shares on January 30, 2017, and 3,015

shares on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 25,599 shares subject to RSUs that have not yet vested. For each year during the RSUs three-year performance period (January 1, 2014 through December 31, 2016), one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders of at least \$9.362 million for that year. 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.
- (g) Includes 47,823 shares held by Mr. Tilton's wife; 3,514 shares held by Chaumont Holdings, Inc. of which Mr. Tilton is Chairman and Chief Executive Officer; and 49,949 shares held by the Tilton Securities LLC Profit Sharing Plan of which Mr. Tilton is the beneficiary.
 - (h) Includes 53,785 shares owned by Mr. Fredericks' wife; 47,350 shares held by Mark J. Fredericks as custodian for his children; 42,136 shares held by Mark J. Fredericks as Trustee of the Keil Oil Employee Profit Sharing Plan; 27,015 shares held by Mark J. Fredericks as Trustee for the Fredericks Fuel & Heating Service Profit Sharing Plan; and 23,515 shares held by Fredericks Fuel & Heating Service of which Mark Fredericks is President. Includes 200,000 shares pledged as security for loan obligations.
 - (i) Includes 44,842 shares held by the Edward B. Deutsch Holding Trust; 2,782 shares held in the name of Mr. Deutsch's wife; 58,746 shares held by the Nancy Deutsch 2014 Irrevocable Trust; and 26,993 shares issuable upon the exercise of stock options.
 - (j) Includes 9,372 shares owned jointly by Mr. Marino and his wife; 2,511 shares held in the name of Mr. Marino's wife; and 18,978 shares issuable upon the exercise of stock options.

Mr. Roger Bosma, who served as a director of Lakeland and Lakeland Bank since 1999 and as President and CEO of Lakeland and Lakeland Bank (from 1999 until April 2008), is retiring as of the Annual Meeting date. As of February 13, 2015, Mr. Bosma owned 138,924 shares of Lakeland's common stock, or 0.4% of the outstanding shares. These shares include 89,708 shares held by the Holly Bosma Living Trust of which Mr. and Mrs. Bosma are trustees; and 28,941 shares issuable upon the exercise of stock options.

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, during 2010, the Board 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. Bohuny's over 20 years of experience in the real estate business, particularly land development and building, and his background in the equity and fixed income markets, 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, three condominium associations and an equipment leasing entity. 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 19 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. O Dowd's knowledge of the banking industry, gained through his service as a director of Lakeland for 17 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. Flynn is a Partner at 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. Fredericks' experience in managing three businesses in Lakeland's market area, his long service as a director of Lakeland and Lakeland Bank and his charitable work led the Board to conclude that this individual should serve as a director of Lakeland. His business experience includes serving as president of Fredericks Fuel and Heating Service, Keil Oil Inc. and F&B Trucking Inc. He is knowledgeable about the real estate industry as a result of his management of a number of real estate partnerships. He has served as a trustee (1998-2008) of Chilton Memorial Hospital (and served as a member of the finance committee during that time) and as president of the West Milford Education Foundation (1996 to present).

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. Nicholson's business experience with Eastern Propane Corporation (including his serving as president and CEO of that entity since 1988), 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 currently serves as the Immediate Past Chairman of the board of trustees for the Sussex County New Jersey Chamber of Commerce.

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 more than 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 number 47 on the NJBIZ Power 100 list. He 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.

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 Partner and Co-CEO of CohnReznick LLP, which is headquartered in New York and among the 10th 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 membership in professional associations and his advisory roles in local community service organizations and foundations further enable him to make valuable contributions to the Board.

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 Federal Reserve Bank of New York's Community Institutions Advisory Counsel, 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.

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 serving 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 two automotive dealerships in northern New Jersey.

Security Ownership of Management

The following table sets forth information regarding the beneficial ownership of Lakeland's Common Stock as of February 13, 2015 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 14, 2015.

Shareholder	Shares	
	Beneficially Owned	
	as of February 13, 2015	
	Number	Percent
Joseph F. Hurley	39,081 (A)	0.1%
Robert A. Vandenberg	123,342 (B)	0.3%
Stewart E. McClure, Jr.	153,486 (C)	0.4%
Ronald E. Schwarz	37,539 (D)	0.1%
All current executive officers and directors as a group (21 persons)	3,138,076 (E)	8.2%

(A) Includes 12,763 shares issuable upon the exercise of stock options. Also includes 5,786 shares subject to restricted stock awards that have not yet vested. The 5,786 shares of restricted stock vest as follows: 1,040 shares vest on January 25, 2016, 3,170 shares vest on February 1, 2016, 872 shares vest on January 30, 2017 and 704 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 9,475 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 3,882 shares held jointly with his wife; 20,619 shares which have been allocated to Mr. Vandenberg in the National Bank of Sussex County and Affiliated Subsidiaries Employee Stock Ownership Plan (the "ESOP"); and 12,763 shares issuable upon the exercise of stock options. Also includes 11,379 shares subject to restricted stock

awards that have not yet vested. The 11,379 shares underlying Mr. Vandenberg's restricted stock awards vest as follows: 1,428 shares vest on January 25, 2016, 7,199 shares vest on February 1, 2016, 1,152 shares vest on January 30, 2017 and 1,600 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 11,304 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(C) Includes an aggregate 40,643 shares issuable upon the exercise of stock options which Lakeland assumed upon the acquisition of Somerset Hills Bancorp. Excludes 7,624 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(D) Includes 4,353 shares subject to restricted stock awards that have not yet vested. The 4,353 shares underlying Mr. Schwarz's restricted stock awards vest as follows: 776 shares vest on January 25, 2016, 2,397 shares vest on February 1, 2016, 647 shares vest on January 30, 2017 and 533 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 6,628 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(E) Includes an aggregate of 225,936 shares issuable upon the exercise of stock options, 55,705 shares subject to restricted stock awards that have not yet vested and 20,619 shares which have been allocated under the ESOP. Excludes an aggregate of 80,431 shares subject to RSUs that have not yet vested.

The following description applies to all of the RSUs referred to in the preceding footnotes. For each year during each of the above-mentioned RSUs' three-year performance period (January 1, 2014 through December 31, 2016), one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders of at least \$9.362 million for that year. 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

During 2010, the Board, through the Compensation Committee, adopted executive officer stock ownership guidelines which established certain goals that current executive officers own or otherwise control, at a minimum, the following number of shares or share equivalents of Company stock within the next three years: 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 has 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 2014, all filing requirements applicable to its directors and officers were satisfied on a timely basis.

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 2014, our NEOs were:

Name	Title
Thomas J. Shara	President and Chief Executive Officer of Lakeland Bancorp and Lakeland Bank
Joseph F. Hurley	Executive Vice President and Chief Financial Officer of Lakeland Bancorp and Lakeland Bank
Robert A. Vandenberg	Senior Executive Vice President and Chief Operating Officer of Lakeland Bancorp and Regional President of Lakeland Bank
Stewart E. McClure, Jr.	Senior Executive Vice President of Lakeland Bancorp and Regional President of Lakeland Bank
Ronald E. Schwarz	Executive Vice President and Chief Retail Officer of Lakeland Bancorp 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 2014. Our net income for the year was at a record level, our asset quality continued to improve and our net interest margin was stable as compared to the third quarter of 2014.

Financial highlights include:

Net income for the year ended December 31, 2014 was \$31.1 million, or \$0.82 per diluted share, compared to \$25.0 million, or \$0.71 per diluted share, for 2013. Excluding pre-tax merger related expenses of \$2.8 million in 2013, net income was \$27.1 million or \$0.77 per diluted share.

At December 31, 2014, loans totaled \$2.66 billion, an increase of \$42.2 million, or 2%, from September 30, 2014, and \$185.3 million, or 8%, compared to December 31, 2013. The overall increase was primarily in total

commercial loans, which increased by \$175.2 million, or 11%, in 2014.

The provision for loan and lease losses was \$5.9 million for 2014, which was 37% lower than the \$9.3 million reported for 2013.

Net charge-offs at \$5.0 million (0.19% of average loans) for 2014 were 41% lower than the \$8.5 million (0.36% of average loans) for 2013.

The Company's net interest margin for the fourth quarter of 2014 was 3.58%, which equaled net interest margin for the third quarter of 2014. For 2014, net interest margin was 3.64%, a five basis point decrease from 2013.

Key NEO Compensation Decisions

Our compensation decisions for 2014 reflected our strong performance during the year as well as the successful integration of our Somerset Hills acquisition, which closed on May 31, 2013. 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.

Salaries: For each of our NEOs other than Mr. Shara, base salaries increased 2.5% to 3.3% percent in recognition of our solid performance in 2013 and general market movement in executive compensation. Mr. Shara's base salary increased 5.0% as a reflection of his leadership and Lakeland's continuing growth and success.

Cash Incentives: The Company generally performed above targeted performance levels in 2014 and achieved its performance triggers relating to asset quality and capital levels. In addition, our NEOs achieved a majority of their individual goals at or above target performance level. As a result, cash incentive payouts under our 2014 Annual Incentive Plan were above target for each of our NEOs, ranging from 97% to 119% of target.

Long-Term Incentives for 2013 performance: We granted restricted stock units to our NEOs in February 2014 based on Company and individual performance in 2013. Fifty percent of the total award opportunity was determined based on a formulaic assessment of corporate performance, while the remaining 50% of the award opportunity was determined based on the Committee's subjective assessment of corporate and individual performance. As a result of these considerations, restricted stock unit awards ranged from 99% to 104% of target.

Long-Term Incentives for 2014 performance: We granted restricted stock units to our NEOs in February 2015 based on Company and individual performance in 2014. Fifty percent of the total award opportunity was determined based on a formulaic assessment of corporate performance, while the remaining 50% of the award opportunity was determined based on the Committee's subjective assessment of corporate and individual performance. As a result of these considerations, restricted stock unit awards ranged from 98% to 103% of target.

Say on Pay Vote

The Compensation Committee evaluates the Company's executive compensation programs in light of market conditions, shareholder views, and governance considerations, and makes changes as appropriate. As required by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Company is required to permit a separate non-binding shareholder vote to approve the compensation of its executives. The Company held this advisory say-on-pay vote at the 2014 annual shareholders meeting. Shareholders overwhelmingly approved the compensation of the executives, with 95% of shareholder votes cast in favor of the say-on-pay proposal.

The Company considered the number of votes cast in favor of the 2014 say-on-pay proposal to be a positive endorsement of its current pay practices and believes the vote result is evidence that its compensation policies and decisions have been in the best interests of shareholders. The Company will continue to monitor the level of support for each say-on-pay proposal in the future and will consider this alongside other factors as it makes future executive compensation decisions.

Executive Compensation Philosophy

Our compensation program is designed to attract highly qualified individuals, retain those individuals in a competitive marketplace for executive talent and reward performance in a manner that maximizes our corporate performance while ensuring that these programs do not encourage unnecessary or excessive risks that threaten the value of our Company. We seek to align individual executives' performance and their long-term interests with our long-term strategic business objectives and shareholder value. We believe that the executive compensation program that we provide fulfills these objectives and motivates key executives to remain with Lakeland for productive careers.

Our compensation philosophy is determined by our Board of Directors based upon the recommendations of the Compensation Committee, which is comprised solely of independent directors. The Compensation Committee annually reviews our mix of short-term versus long-term incentives and seeks a reasonable balance of those incentives. The guiding principle of our compensation philosophy is that the compensation of our executive officers should be based primarily on the financial and strategic performance of Lakeland, and partially on individual performance. While this pay-for-performance philosophy requires the Compensation Committee to first consider Lakeland's profitability, the Committee does not intend to reward unnecessary or excessive risk taking. These principles are reflected in the specific elements of our compensation program, particularly our annual and long-term incentive programs, as described below.

Role of the Compensation Committee

The Compensation Committee is responsible for the design, implementation and administration of the compensation programs for our executive officers and directors. The Compensation Committee completed the following actions relative to 2014 executive compensation:

- Reviewed and approved base salary increases
- Reviewed and approved the 2014 Executive Incentive Plan
- Reviewed and approved cash incentive payments for NEOs for 2014 performance
- Reviewed and approved equity awards granted in 2014 to NEOs for 2013 performance
- Reviewed the compensation peer group
- Reviewed contractual arrangements for NEOs
- Reviewed stock ownership requirements of NEOs
- Reviewed the Company's compensation philosophy
- Reviewed and approved equity awards granted in 2015 to NEOs for 2014 performance

Role and Relationship of the Compensation Consultant

As permitted by the Compensation Committee charter, the Committee periodically engages an independent outside compensation consultant to advise the Committee on executive compensation matters. In 2014, the Committee retained McLagan, an Aon Hewitt company, to provide independent executive compensation advice and market compensation information. Pursuant to the terms of its retention, McLagan reported directly to the Compensation Committee, which retains sole authority to select, retain, terminate, and approve the fees and other retention terms of its relationship with McLagan.

During 2014, McLagan assisted the Compensation Committee with the following:

Advised the Committee on changes in industry compensation practices and provided insight on emerging regulations