

LAKELAND BANCORP INC  
Form DEF 14A  
April 12, 2016

**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.

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- (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 18, 2016

Notice is hereby given that the Annual Meeting of Shareholders of Lakeland Bancorp, Inc. will be held at The Brickhouse, 179 Godwin Avenue, Wyckoff, New Jersey 07481 on Wednesday, May 18, 2016, 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 2016.
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, 2016, 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, 2016

**LAKELAND BANCORP, INC.**

**PROXY STATEMENT**

Annual Meeting of Shareholders: May 18, 2016

Approximate Mailing Date April 13, 2016

**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 Brickhouse, 179 Godwin Avenue, Wyckoff, New Jersey 07481 on Wednesday, May 18, 2016, 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, 2016, 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 2016), 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 2015 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 18, 2016: This proxy statement and our 2015 annual report are available at [www.lakelandbank.com](http://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](http://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 17, 2016. 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, 2016, there were 41,234,664 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, 2016 record date, along with the number of shares of Common Stock believed to be owned by such shareholder on such date, based on filings made with the Securities and Exchange Commission, and such shareholder's percentage ownership.

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)	9.02%
BlackRock, Inc.	2,221,619 (2)	5.39%

55 East 52nd Street

New York, NY 10022

- (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 26, 2016, BlackRock, Inc., a parent holding company or control person, beneficially owned 2,221,619 shares of Lakeland's Common Stock. The filing indicates that BlackRock has sole power to vote or to direct the vote with respect to 2,146,975 shares and sole power to dispose or to direct the disposition of 2,221,619 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, BlackRock Asset Management Canada Limited and BlackRock Asset Management Schweiz AG. 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. Marino, McCracken and Shara has been nominated to serve for a three year term. Mr. Tilton has been nominated to serve for a two year term, as he will reach the Board's retirement age of 72 in September 2017. Mr. Inserra, who was appointed to the Board of Directors upon the closing of the acquisition of Pascack Bancorp, Inc. in January 2016, 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 12, 2016. 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 12, 2016. Shares covered by stock options are included in the tables below only to the extent that such options may be exercised by April 12, 2016.

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 12, 2016	
				NUMBER OF SHARES	PERCENT OF CLASS
Thomas J. Marino Age 68	2013	2019	Partner, CohnReznick LLP (accounting and consulting firm); Director of Somerset Hills Bancorp and Somerset Hills Bank (2003 to May 31, 2013)	36,233 (a)	0.1%
Robert E. McCracken Age 58	2004	2019	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 present), Smith-McCracken Funeral Home, Newton, NJ	144,884 (b)	0.4%
Thomas J. Shara Age 58	2008	2019	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	201,163 (c)	0.5%

			and Senior Loan Officer, Hudson United Bancorp and Hudson United Bank (prior years to 2/06)		
Stephen R. Tilton, Sr. Age 70	2001	2018	Chairman, Tilton Automotive LLC (5/08 to present); Chairman and Chief Executive Officer, 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)	793,210 (d)	1.9%

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM IF ELECTED	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 12, 2016	
				NUMBER OF SHARES	PERCENT OF CLASS
				Lawrence R. Inserra, Jr. Age 58	2016



**TABLE II**  
**CONTINUING DIRECTORS**

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 12, 2016	
				NUMBER OF SHARES	PERCENT OF CLASS
Mark J. Fredericks Age 55	1994	2017	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 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.	394,003 (e)	1.0%
Janeth C. Hendershot Age 61	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);	60,213	0.1%

President, Exchange Insurance Company and Regional Vice President at Selective Insurance Group (prior to 10/1/97)

Robert B. Nicholson, III	2003	2017	President and Chief Executive Officer, 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)	127,417	0.3%
Age 51					

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 12, 2016	
				NUMBER OF SHARES	PERCENT OF CLASS
				Edward B. Deutsch Age 69	2013
Bruce D. Bohuny Age 47	2007	2018	President, Brooks Ltd. Builders, Franklin Lakes, NJ (10/1993 to present) (construction company)	75,582 (g)	0.2%
Mary Ann Deacon Age 64	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	395,789 (h)	1.0%
Joseph P. O Dowd Age 70	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)	65,952 (i)	0.2%
Brian Flynn Age 56	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	53,194 (j)	0.1%

Committee (February 2006 to February 2007); Director and Member of Audit Committee, Hudson United Bancorp and Hudson United Bank (January 2004 to January 2006)

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

- (a) 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 24,226 shares issuable upon the exercise of stock options.

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- (b) Includes 34 shares owned jointly by Mr. McCracken and his wife; 4,274 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; and 22,870 shares held in the Shirley McCracken Irrevocable Trust, of which Mr. McCracken is a Trustee.
  - (c) Includes 183,981 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 5,072 shares subject to restricted stock awards that have not yet vested. These 5,072 shares vest as follows: 2,056 shares on January 30, 2017, and 3,016 shares on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 47,834 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.
  - (d) Includes 47,823 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; and 41,443 shares held by the Tilton Securities LLC Profit Sharing Plan of which Mr. Tilton is the beneficiary.
  - (e) Includes 53,785 shares owned by Mr. Fredericks' wife; 47,550 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 196,000 shares pledged as security for loan obligations.
  - (f) 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 24,226 shares issuable upon the exercise of stock options
  - (g) Includes 10,805 shares held by the Bohuny Family LLC of which Mr. Bohuny is a passive member; 527 shares held by Mr. Bohuny's wife; 1,681 shares held by Mr. Bohuny as custodian for his children; and 30,387 shares issuable upon the exercise of stock options. Includes 7,499 shares pledged as security for loan obligations.
  - (h) 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.
  - (i) Includes 63,431 shares owned jointly by Mr. O'Dowd and his wife.
  - (j) Includes 28,940 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. 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 of CohnReznick LLP, which is headquartered in New York and among the 11 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.

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. 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. 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 is the 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 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 is 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.

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 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. 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. 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.

### Security Ownership of Management

The following table sets forth information regarding the beneficial ownership of Lakeland's Common Stock as of February 12, 2016 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 12, 2016.

<u>Shareholder</u>	Shares	
	Beneficially Owned	
	as of February 12, 2016	
	Number	Percent
Joseph F. Hurley	22,648 (A)	0.1%
Robert A. Vandenberg	109,351 (B)	0.3%
Stewart E. McClure, Jr.	153,485 (C)	0.4%
Ronald E. Schwarz	36,278 (D)	0.1%
All current executive officers and directors as a group (21 persons)	3,027,600 (E)	7.3%

(A) Includes 1,576 shares subject to restricted stock awards that have not yet vested. The 1,576 shares of restricted stock vest as follows: 871 shares vest on January 30, 2017 and 705 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 17,363 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 8,271 shares held jointly with his wife and 21,220 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 2,754 shares subject to restricted stock awards that have not yet vested. The 2,754 shares underlying Mr. Vandenberg's restricted stock awards vest as follows: 1,153 shares vest on January 30, 2017 and 1,601 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 20,714 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 40,642 shares issuable upon the exercise of stock options which Lakeland assumed upon the acquisition of Somerset Hills Bancorp. Excludes 16,442 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(D) Includes 1,180 shares subject to restricted stock awards that have not yet vested. The 1,180 shares underlying Mr. Schwarz's restricted stock awards vest as follows: 646 shares vest on January 30, 2017 and 534 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 12,069 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 148,421 shares issuable upon the exercise of stock options, 15,030 shares subject to restricted stock awards that have not yet vested and 21,221 shares which have been allocated under the ESOP. Excludes an aggregate of 150,692 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 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**

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 (such as RSUs) 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 2015, all filing requirements applicable to its directors and officers were satisfied on a timely basis except that Bruce D. Bohuny, a director, reported late a purchase of 300 shares in May 2015 and a purchase of 500 shares in December 2015, and Mark J. Fredericks, a director, reported late a purchase of 600 shares in November 2015.

## 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 2015, 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 (Mr. Schwarz was promoted to Senior Executive Vice President and Chief Revenue Officer effective January 1, 2016.)

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 2015. Our net income for the year was at a record level, and our loans increased 12% from December 31, 2014 to December 31, 2015. By adding new lending teams and establishing two loan production offices, 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, 2015 was \$32.5 million, or \$0.85 per diluted share, compared to \$31.1 million, or \$0.82 per diluted share, for 2014. Excluding the impact of \$1.6 million in non-routine transactions, including \$1.2 million of expenses related to the merger with Pascack Bancorp, Inc., net income for the year ended December 31, 2015 would have been \$33.8 million or \$0.88 per diluted share.

At December 31, 2015, loans totaled \$2.97 billion, an increase of \$114.2 million, or 4%, from September 30, 2015, and \$312.3 million, or 12%, compared to December 31, 2014. The overall increase was primarily due to an increase in commercial real estate loans of \$285.9 million, or 18%, and commercial, industrial and other loans of \$68.8 million, or 29%.

The provision for loan and lease losses was \$1.9 million for 2015, compared to \$5.9 million for 2014.

Net charge-offs were \$1.8 million (0.06% of average loans) for 2015, compared to \$5.0 million (0.19% of average loans) for 2014.

Due to margin compression in the industry, the Company's net interest margin was 3.47% for 2015, compared to 3.64% for 2014. However, we maintained higher margins than our peers, achieving a 67<sup>th</sup> 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 2015 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.

*Salaries:* For each of our NEOs, base salaries increased 2.7% to 3.2% in recognition of our solid performance in 2015 and general market movement in executive compensation.

*Cash Incentives:* The Company generally performed above targeted performance levels in 2015 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 2015 Annual Incentive Plan were above target for each of our NEOs, ranging from 107% to 110% 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.

*Long-Term Incentives for 2015 performance:* We granted restricted stock units to our NEOs in February 2016 based on Company and individual performance in 2015. 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 were made at 100% 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 2015 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 2015 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 2015 executive compensation: