

LAKELAND BANCORP INC
Form DEF 14A
April 09, 2012

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.

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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:

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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:

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(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 9, 2012

Notice is hereby given that the Annual Meeting of Shareholders of Lakeland Bancorp, Inc. will be held at the Grand Chalet, 1377 Route 23 South, Wayne, New Jersey 07470 on Wednesday, May 9, 2012 at 5:00 p.m. for the following purposes:

1. To elect four directors for three year terms.
2. To ratify the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for 2012.
3. To approve, on an advisory basis, the executive compensation of the Company's named executive officers as described in this proxy statement.
4. To vote, on an advisory basis, on how often the Company will conduct an advisory vote on executive compensation.
5. 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 29, 2012, 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

SECRETARY

Oak Ridge, New Jersey

April 9, 2012

LAKELAND BANCORP, INC.

PROXY STATEMENT

Annual Meeting of Shareholders: May 9, 2012

Approximate Mailing Date: April 9, 2012

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 Grand Chalet, 1377 Route 23 South, Wayne, New Jersey 07470 on Wednesday, May 9, 2012 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 29, 2012, 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, in favor of Proposals 2 (ratification of the appointment of Grant Thornton LLP as the Company's independent registered public accounting firm for 2012) and 3 (non-binding approval of the compensation of the Company's executives as described in this proxy statement), and with respect to Proposal 4, in favor of the Company holding an annual advisory vote on executive compensation. 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 2011 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.

All share information, including stock option information, contained in this proxy statement has been adjusted to reflect Lakeland's previously effectuated 5% stock dividends, including the 5% stock dividend distributed on February 16, 2011 to shareholders of record on January 31, 2011. Such share information has not been adjusted, however, to reflect Lakeland's recently declared 5% stock dividend, payable on April 16, 2012 to shareholders of record at the close of business March 30, 2012.

Important notice regarding the availability of proxy materials for the annual meeting of shareholders to be held on May 9, 2012: This proxy statement and our 2011 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, FOR Proposals 2 and 3 and with respect to Proposal 4, FOR approval of an annual advisory vote on executive compensation.

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 8, 2012. 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:

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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, Corporate Secretary of Lakeland; or

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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, 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. With respect to Proposal 4, the option of one year, two years or three years that receives the highest number of votes cast will be the frequency of the vote on the compensation of our named executive officers that has been approved by the shareholders on an advisory basis. 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 (or, with respect to Proposal 4, every one year, every two years or every three years) are included. Abstentions and broker non-votes are counted only for the purpose of determining whether a quorum is present at the Annual Meeting. Broker non-votes occur when brokers who hold their customers' shares in street name submit proxies for such shares on some matters, but not others. Generally, this would occur when brokers have not received any instructions from their customers. In these cases, the brokers, as the holders of record, are permitted to vote on routine matters, which typically include the ratification of the independent registered public accounting firm, but not on non-routine matters. The election of directors and votes on executive compensation matters are not considered routine matters.

CAPITAL STOCK OUTSTANDING

At the close of business on March 29, 2012, there were 25,678,882 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.

Lakeland's management is not aware of any individual or entity that owned of record or beneficially more than five percent of the outstanding voting securities of Lakeland as of the record date, other than BlackRock, Inc. The following table provides information regarding the beneficial ownership of Lakeland's Common Stock by BlackRock, Inc.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	1,351,548 (1)	5.29%

- (1) Pursuant to a filing made by BlackRock, Inc. with the Securities and Exchange Commission on February 13, 2012, BlackRock, Inc., a parent holding company or control person, beneficially owned 1,351,548 shares, or 5.29%, of Lakeland's Common Stock. The filing identified the following subsidiaries of BlackRock, Inc. as having acquired the shares being reported: BlackRock Japan Co. Ltd., BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Investment Management, LLC, BlackRock Advisors, LLC and BlackRock Asset Management Canada Limited.

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 1, 2012. 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 1, 2012. Shares covered by stock options are included in the tables below only to the extent that such options may be exercised by April 1, 2012.

All of the persons named in both tables have been directors of Lakeland and Lakeland Bank for at least five years, except as follows: (a) Mr. McCracken and Ms. Hendershot were appointed to the Lakeland Bank Board on August 13, 2008, (b) Bruce D. Bohuny was appointed to the Boards of Lakeland and Lakeland Bank on July 11, 2007, (c) Thomas J. Shara was appointed to the Boards of Lakeland and Lakeland Bank on April 2, 2008 and (d) Mr. Flynn was appointed to the Boards of Lakeland and Lakeland Bank on June 9, 2010.

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 1, 2012	
				NUMBER OF SHARES	PERCENT OF CLASS
Bruce D. Bohuny Age 43	2007	2015	President, Brooks Ltd. Builders, Franklin Lakes, NJ (10/1993 to present) (construction company)	71,139(a)	.3%
Mary Ann Deacon Age 60	1995	2015	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	340,567(b)	1.3%

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM IF ELECTED	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 1, 2012	
				NUMBER OF SHARES	PERCENT OF CLASS
Joseph P. O Dowd Age 65	1998	2015	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)	54,741(c)	.2%
Brian Flynn Age 52	June 9, 2010	2015	Partner, O Connor Davies Munns & Dobbins, LLP in Paramus, NJ (1981 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)	27,501(d)	.1%

TABLE II

CONTINUING DIRECTORS

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 1, 2012	
				NUMBER OF SHARES	PERCENT OF CLASS
Robert E. McCracken Age 54	2004	2013	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	137,463(e)	.5%

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 1, 2012	
				NUMBER OF SHARES	PERCENT OF CLASS
Thomas J. Shara Age 54	April 2, 2008	2013	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)	143,528(f)	.6%
Stephen R. Tilton, Sr. Age 66	2001	2013	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)	727,723(g)	2.8%
Roger Bosma Age 69	1999	2014	President and CEO, Lakeland Bancorp, Inc. (6/1/99 to 4/2/08); President and CEO, Lakeland Bank (1/1/02 to 4/2/08)	132,891(h)	.5%

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 1, 2012	
				NUMBER OF SHARES	PERCENT OF CLASS
Mark J. Fredericks Age 51	1994	2014	President of Fredericks Fuel & Heating Service, Oak Ridge, NJ (1/1/02 to present); President of Keil Oil Company, Riverdale, NJ (1986 to present)	459,582(i)	1.8%
Janeth C. Hendershot Age 57	2004	2014	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)	85,003(j)	.3%
Robert B. Nicholson, III Age 47	2003	2014	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); President and CEO, Landmark America Corporation (1988 to present)	108,872(k)	.4%

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

- (a) Includes 15,536 shares held by the Bohuny Family LLC of which Mr. Bohuny is a passive member; 335 shares held by Mr. Bohuny's wife; 1,383 shares held by Mr. Bohuny as custodian for his children; and 27,562 shares issuable upon the exercise of stock options.

- (b) Includes 17,176 shares held in the name of Mary Ann Deacon's husband; 217,677 shares held in the name of the Philip Deacon Limited Partnership; and 87,236 shares held by the Deacon Home Inc. Profit Sharing Plan of which Ms. Deacon is a trustee.
- (c) Includes 52,692 shares owned jointly by Mr. O Dowd and his wife.
- (d) Includes 11,500 shares issuable upon the exercise of stock options.
- (e) Includes 32 shares owned jointly by Mr. McCracken and his wife; 3,475 shares held as custodian for his children; 66,196 shares held by REM, LLC of which Mr. McCracken is sole managing member; 13,175 shares held by the McCracken Family Trust, of which Mr. McCracken is a co-trustee; 8,947 held in the Shirley McCracken Irrevocable Trust, of which Mr. McCracken is a Trustee; and 30,387 shares issuable upon the exercise of stock options.
- (f) Includes 82,582 shares owned jointly by Mr. Shara and his wife; 1,625 shares held as custodian for his son; 642 shares held by a family partnership of which Mr. Shara and his wife are general partners or trustees; and 55,579 shares subject to restricted stock awards that have not yet vested. These 55,579 shares vest as follows: 15,750 shares vest on December 1, 2012; 21,150 shares vest 9,517 on January 25, 2013, 9,517 on January 25, 2014, and the remaining 2,116 on January 25, 2016; and 18,679 shares vest 45% on January 30, 2014, 45% on January 30, 2015 and the remaining 10% on January 30, 2017. All of these restricted shares may be voted, unless forfeited.
- (g) Includes 28,729 shares held by Mr. Tilton's wife; 3,188 shares held by Chaumont Holdings, Inc. of which Mr. Tilton is Chairman and Chief Executive Officer; and 50,067 shares held by the Tilton Securities LLC Profit Sharing Plan of which Mr. Tilton is the beneficiary.
- (h) Includes 49,933 shares held jointly by Mr. Bosma and his wife; and 21,000 shares issuable upon the exercise of stock options.
- (i) Includes 45,610 shares owned by Mr. Fredericks' wife; 158,480 shares held by Mark J. Fredericks as custodian for his children; 35,456 shares held by Mark J. Fredericks as Trustee of the Keil Oil Employee Profit Sharing Plan; 30,854 shares held by Mark J. Fredericks as Trustee for the Fredericks Fuel & Heating Service Profit Sharing Plan; and 21,330 shares held by Fredericks Fuel & Heating Service of which Mark Fredericks is President.
- (j) Includes 30,387 shares issuable upon the exercise of stock options.
- (k) Includes 30,387 shares issuable upon the exercise of stock options.

Stock Ownership Guidelines for Directors

Although the Company's by-laws provide that the minimum value of Company 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 Company 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.

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. Bosma's 50 years of banking experience and the breadth of his knowledge in all areas of banking, including asset/liability management, loans and asset quality, retail banking and bank marketing, the audit function and overall bank operations, and his stature in the banking industry, led the Board to conclude that this

individual should serve as a director of the Company. Mr. Bosma has an intimate knowledge of Lakeland and the Company after serving as President and Chief Executive Officer from 1999 to April 2008. He has served in many prominent positions in the banking industry, including as chairman of the New Jersey Bankers Association and a member of the Community Bankers Committee of the American Bankers Association. Mr. Bosma has held leadership positions in numerous charitable organizations, including the Chilton Hospital Foundation, the Juvenile Diabetes Research Foundation, the Ramapo College Foundation and Paterson Habitat for Humanity.

Mr. Mark Fredericks' experience in managing three businesses in the Company's market area, his long service as a director of the Company and Lakeland Bank and his charitable work led the Board to conclude that this individual should serve as a director of the Company. 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 the Company.

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 the Company. 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. Flynn is a Partner at O'Connor Davies Munns & Dobbins, 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 nearly 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 the Company'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 the Company.

Mr. Bohuny's 19 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 the Company.

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 the Company and Lakeland Bank led the Board to conclude that this individual should serve as a director of the Company. 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 16 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 the Company and Lakeland Bank and in May 2011, she was elected Chairman of the Board of the Company and Lakeland Bank.

Mr. O Dowd's knowledge of the banking industry, gained through his service as a director of Lakeland for 14 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 the Company. 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 on the Planning Board of Montville Township.

Mr. McCracken's knowledge of the banking industry, his over 15 years of service on the boards of various banks (including serving on the Company'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 the Company's non-institutional shareholder base and his involvement in many non-profit and local charities (including serving as Chairman of the Newton Medical Center Advisory Board and member of the Board of Atlantic Health Systems) led the Board to conclude that this individual should serve as a director of the Company.

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 the Company and Lakeland Bank since April 2008 led the Board to conclude that this individual should serve as a director of the Company. His knowledge and understanding of all facets of the business of banking, the leadership he has demonstrated at the Company 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 the Company. 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 1, 2012 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 1, 2012.

Shareholder	Shares Beneficially Owned as of February 1, 2012	
	Number	Percent
Joseph F. Hurley	81,895(A)	.3%
Robert A. Vandenberg	137,673(B)	.5%
Ronald E. Schwarz	31,485(C)	.1%
Louis E. Luddecke	104,260(D)	.4%
All current executive officers and directors as a group (19 persons)	2,830,107(E)	10.9%

- (A) Includes 48,649 shares issuable upon the exercise of stock options. Also includes 20,894 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 7,917 shares vest 3,563 on January 30, 2014, 3,563 on January 30, 2015, and 791 on January 30, 2017; 9,458 shares vest 4,257 on January 25, 2013, 4,257 on January 25, 2014, and 944 on January 25, 2016; 3,519 shares vest 2,879 on January 26, 2013 and 640 on January 26, 2015. All of these shares may be voted, unless forfeited.
- (B) Includes 7,127 shares held jointly with his wife; 17,324 shares which have been allocated to Mr. Vandenberg in the ESOP; and 48,649 shares issuable upon the exercise of stock options. Also includes 25,751 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 10,467 shares vest 4,710 on January 30, 2014, 4,710 on January 30, 2015 and 1,047 on January 30, 2017; 12,952 shares vest 5,829 on January 25, 2013, 5,829 on January 25, 2014, and 1,294 on January 25, 2016; 2,332 shares vest 1,908 on January 26, 2013 and 424 on January 26, 2015. All of these shares may be voted, unless forfeited.
- (C) Includes 14,917 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 5,874 shares vest 2,643 on January 30, 2014, 2,643 on January 30, 2015, and 588 on January 30, 2017; 7,040 shares vest 3,168 on January 25, 2013, 3,168 on January 25, 2014, and 704 on January 25, 2016; and 2,003 shares vest 1,640 on January 26, 2013 and 363 on January 26, 2015. All of these shares may be voted, unless forfeited.
- (D) Includes seven shares held by Mr. Luddecke's wife and 48,649 shares issuable upon the exercise of stock options. Also includes 15,743 shares subject to restricted stock awards that have not yet vested. These shares vest as follows: 5,760 shares vest 2,592 on January 30, 2014, 2,592 on January 30, 2015, and 576 on January 30, 2017; 6,992 shares vest 3,147 on January 25, 2013, 3,147 on January 25, 2014, and 698 on January 25, 2016; 2,991 shares vest 2,448 on January 26, 2013 and 543 on January 26, 2015. All of these shares may be voted, unless forfeited.
- (E) Includes an aggregate of 375,627 shares issuable upon the exercise of stock options, 122,464 shares subject to restricted stock awards that have not yet vested; and 17,324 shares which have been allocated under the ESOP.

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 the Company. The Compensation Committee periodically reviews these stock ownership goals.

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 2011, all filing requirements applicable to its directors and officers were satisfied on a timely basis.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Objectives and the Focus of Our Compensation Rewards

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 combination of executive compensation that we provide fulfills these objectives and motivates key executives to remain with the Company for productive careers.

Currently, our executive compensation program has three key elements: (i) salary; (ii) long-term equity incentives; and (iii) other executive retirement benefits and perquisites. We annually review our mix of short term performance incentives versus long term incentives and seek a reasonable balance of those incentives, while maintaining discretion over the compensation plans.

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. Our Chief Executive Officer makes recommendations to the Compensation Committee concerning the compensation of our other executive officers, but does not participate in establishing his own compensation.

The guiding principle of our compensation philosophy is that the compensation of our executive officers should be based primarily on the financial performance of the Company, and partially on individual performance. While this pay-for-performance philosophy requires the Compensation Committee to first consider the Company'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 incentive bonus program, as described below.

Specific Elements of Our Compensation Program

We have described below the specific elements of our compensation program for executive officers.

Salary. We believe that a key objective of our salary structure is to maintain reasonable fixed compensation costs, while taking into account the performance of our executive officers.

Thomas J. Shara serves as President and Chief Executive Officer of the Company and Lakeland Bank under an employment agreement which provides that Mr. Shara will receive an annual base salary of at least \$400,000. See Employment Agreements and Other Arrangements with Executive Officers for a description of Mr. Shara's employment agreement, as well as descriptions of certain other agreements entered into with the other executive officers named in our summary compensation table. (Mr. Shara and the other executive officers named in our summary compensation table are referred to as the Named Executive Officers.) The Compensation Committee decided to increase Mr. Shara's salary from \$450,000 in 2010 to \$500,000 in 2011 because of his continuing leadership and performance.

Long-Term Equity Incentive Compensation and Equity Ownership. The Company's shareholders approved the Lakeland Bancorp, Inc. 2009 Equity Compensation Program (referred to as our Equity Compensation Program) at the Company's 2009 annual meeting of shareholders. The 2009 Equity Compensation Program replaced the 2000 Equity Compensation Program, which was scheduled to expire on February 8, 2010.

Our Equity Compensation Program permits the Company to grant stock options, restricted stock awards and restricted stock unit awards. Stock options previously have been granted to our executive officers at an exercise price equal to the then current market price of our Common Stock. Stock options,

restricted stock awards and restricted stock unit awards may be recommended by the Compensation Committee and granted by the Board under the Equity Compensation Program on a discretionary basis, taking into account the Company's financial performance and each executive's contribution to such performance.

Repricing of Stock Options. Pursuant to the Company's Corporate Guidelines, the Board previously had considered the issue of repricing stock options and determined not to reprice stock options issued by the Company by reducing the option's exercise price. No further changes regarding this determination have been considered by the Board.

Other Incentive Compensation. In 2011, each of the Named Executive Officers had an opportunity to earn other incentive compensation, based on the achievement of specific performance targets. For Mr. Shara, the Company's President and Chief Executive Officer, and Mr. Vandenberg, the Company's Senior Executive Vice President and Chief Operating Officer, this incentive compensation was based 75% on the achievement of Company goals, including a net income performance target and favorable comparison of certain financial metrics to selected peer bank holding companies having total assets between \$2 billion and \$5 billion, and 25% on the achievement of individual goals. For Mr. Hurley, the Company's Chief Financial Officer, this incentive compensation was based 70% on the achievement of Company goals and 30% on the achievement of individual goals. For the other Named Executive Officers, this incentive compensation was based 65% on the achievement of Company goals and 35% on the achievement of individual goals. The individual performance criteria included an assessment of the executive's leadership and contributions to revenue enhancement, cost containment efforts, loan and deposit growth and maintenance of credit quality.

For 2011, the Company's net income performance target was \$20.9 million before U.S. Treasury Troubled Asset Relief Program (TARP) Capital Purchase Program expenses, or \$18.5 million after such expenses (the Net Income Target). Under the 2011 plan, for each full percentage point by which actual 2011 net income fell below the Net Income Target, the bonus amount payable would decrease by 5.4%, provided that if actual 2011 net income was less than 80% of the Net Income Target, no incentive compensation would be payable under this portion of the 2011 plan. For each full percentage point by which actual 2011 net income exceeded the Net Income Target, the incentive compensation amount payable would increase by 1.8%, up to the maximum amounts set forth in the table below. The Company's 2011 net income before TARP Capital Purchase Program expenses was \$19.7 million, and \$17.7 million after such expenses. As a result, the Company paid 72.25% of the incentive payments budgeted for the Net Income Target portion of the 2011 plan.

The companies selected for the 2011 peer group financial metrics comparison included: Financial Institutions, Inc., Hudson Valley Holding Corp., OceanFirst Financial Corp., Provident New York Bancorp, Inc., S&T Bancorp, Inc., Sandy Spring Bancorp, Inc., Sterling Bancorp, Inc., Sun Bancorp, Inc., Tompkins Financial Corp. and Univest Corp. of Pennsylvania. The three financial metrics selected for peer comparison purposes (Peer Comparison Goals) were: (1) net income margin, (2) efficiency ratio and (3) earnings per share growth ratio, as determined before taxes, provision and TARP Capital Purchase Program expenses. Based upon the foregoing metrics, the Company paid 100% of the incentive payments budgeted for the Peer Comparison Goals portion of the 2011 plan.

For 2011, the Company established a minimum performance threshold of 85% attainment of individual goals for payment eligibility under this portion of the 2011 plan. Each of the Named Executive Officers met or exceeded the threshold for eligibility under the individual goal portion of the 2011 plan, which resulted in the Company paying 95.12% of the incentive payments budgeted for the individual goals portion of the 2011 plan.

Based on the achievement of these performance goals for 2011, on January 30, 2012, the Company granted incentive compensation to Mr. Shara and the other Named Executive Officers in the form of restricted stock awards. The minimum (threshold), target and maximum bonus amounts that each Named Executive Officer could have received, and the actual amounts paid, are as follows:

Name	Estimated Future Payouts Under Equity Incentive Plan Awards (1)			Restricted Stock Awards
	Threshold (\$)	Target (\$)	Maximum (\$)	Granted January 2012 (1) (\$)
(a)				
Thomas J. Shara	119,778	225,000	250,000	187,538
Joseph F. Hurley	52,417	93,800	116,495	79,484
Robert A. Vandenberg				