LAKELAND BANCORP INC
Form DEF 14A
April 10, 2015

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

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

(Amendment No. __)

Filed by the Registrant |X|

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))

|X| 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):

|X| No fee required.

|_| Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

|_| Fee paid previously with preliminary materials.

|_| Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

LAKELAND BANCORP, INC.

250 OAK RIDGE ROAD

OAK RIDGE, NEW JERSEY 07438

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held May 20, 2015

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

1. To elect four directors for three year terms.

2. To ratify the appointment of KPMG LLP as the Company s independent registered public accounting firm for 2015.

3. To approve, on an advisory basis, the executive compensation of Lakeland s named executive officers as described in this proxy statement.

4. To transact such other business as may properly come before the meeting and/or any adjournment or adjournments thereof.

In accordance with the Bylaws of Lakeland Bancorp, Inc., the close of business on March 30, 2015, has been fixed as the record date for the determination of shareholders entitled to receive notice of, and to vote at, the Annual Meeting of Shareholders or any adjournment or adjournments thereof.

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

By Order of the Board of Directors

TIMOTHY J. MATTESON

EXECUTIVE VICE PRESIDENT,

GENERAL COUNSEL AND CORPORATE

SECRETARY

Oak Ridge, New Jersey

April 13, 2015

LAKELAND BANCORP, INC.

PROXY STATEMENT

Annual Meeting of Shareholders: May 20, 2015

Approximate Mailing Date April 13, 2015

SOLICITATION OF PROXY

General

THE ENCLOSED PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS OF LAKELAND BANCORP, INC. (hereinafter called Lakeland or the Company) for use in connection with the Annual Meeting of Shareholders to be held at The Knoll Country Club West, 990 Greenbank Road, Boonton, New Jersey 07005 on Wednesday, May 20, 2015, at 5:00 p.m., and at any adjournments thereof. The matters to be considered and acted upon at such meeting are referred to in the enclosed notice of such meeting and are more fully discussed below.

Only shareholders of record at the close of business on March 30, 2015, the record date fixed by the Board of Directors, will be entitled to notice of, and to vote at, the Annual Meeting. If the enclosed proxy is properly executed and returned to Lakeland and not revoked before its exercise, all shares represented thereby will be voted as specified in the form of proxy. If the proxy is signed but no specification is given, the shares will be voted in favor of the Board s nominees for election to the Board and in favor of Proposal 2 (ratification of the appointment of KPMG LLP as the Company s independent registered public accounting firm for 2015), and Proposal 3 (the non-binding approval of the compensation of Lakeland s executives as described in this proxy statement). The proxy will enable you to assure that your shares are voted and to aid in securing a quorum at the annual meeting.

In order to reduce the number of annual reports being sent to one address, only one annual report is being delivered to multiple security holders sharing an address unless Lakeland has received contrary instructions from one or more of the security holders. This is called householding . Lakeland will deliver a separate copy of the annual report to any security holder who requests a copy in writing or by telephone. If you wish to receive a separate copy of the 2014 annual report, or if you wish to receive a separate copy of future annual reports, please contact Mr. Harry Cooper at Lakeland Bancorp, Inc., 250 Oak Ridge Road, Oak Ridge, New Jersey 07438 (toll-free telephone 866-284-1291). If you are currently receiving multiple copies of the annual report at the same address, and wish to have one annual report sent to multiple security holders sharing that address in the future, please contact Mr. Cooper at the above address and telephone number.

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

Important notice regarding the availability of proxy materials for the annual meeting of shareholders to be held on May 20, 2015: This proxy statement and our 2014 annual report are available at www.lakelandbank.com.

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Voting your Shares

Lakeland shareholders will have four alternative ways to vote:

- by traditional paper proxy card;
- by telephone;
- via the Internet; or
- in person at the Annual Meeting.

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

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

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

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

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

The deadline for voting by telephone or through the Internet as a shareholder of record of Lakeland is 11:59 p.m., local time, on May 19, 2015. For shareholders whose shares are registered in the name of a broker or other nominee, please consult the voting instructions provided by your broker or other nominee for information about the deadline for voting by telephone or through the Internet.

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

Changing your Vote

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

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

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

- Submitting a later-dated proxy card; or

- Submitting a new proxy via telephone or the Internet.

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

Required Vote

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

CAPITAL STOCK OUTSTANDING

At the close of business on March 30, 2015, there were 37,900,108 shares of Lakeland s common stock, no par value (the Common Stock), outstanding and entitled to vote at the Annual Meeting. Each share will be entitled to one vote on all matters properly coming before the meeting.

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

Set forth below is the name and address of each shareholder of Lakeland known by Lakeland to have beneficially owned more than five percent of Lakeland s Common Stock as of the March 30, 2015 record date, along with the number of shares of Common Stock believed to be owned by such shareholder on such date and such shareholder s percentage ownership, based on filings made with the Securities and Exchange Commission.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Wellington Management Group LLP c/o Wellington Management Company LLP 280 Congress Street Boston, MA 02210	3,719,131 (1)	9.81%
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	2,288,851 (2)	6.00%

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

(2) Pursuant to a filing made by BlackRock, Inc. with the Securities and Exchange Commission on January 30, 2015, BlackRock, Inc., a parent holding company or control person, beneficially owned 2,288,851 shares, or 6.0%, of Lakeland s Common Stock. The filing indicates that BlackRock has sole power to vote or to direct the vote with respect to 2,210,341 shares and sole power to dispose or to direct the disposition of 2,288,851 shares. The filing identifies the following subsidiaries of BlackRock, Inc. as having acquired the shares being reported: BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Investment Management, LLC, BlackRock Advisors, LLC and BlackRock Asset Management Canada Limited. The filing states that various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of Lakeland s Common Stock, and that no one person s interest is more than 5% of the total outstanding shares of Lakeland s Common Stock.

PROPOSAL 1

ELECTION OF DIRECTORS

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

Table I sets forth the names and ages of the nominees for election to the Board of Directors, the positions and offices presently held by each such person within Lakeland, the period during which each such person has served on Lakeland s Board of Directors, the expiration of their respective terms, the principal occupations and employment of each such person during the past five years, and the number of shares of Lakeland Common Stock which they beneficially owned as of February 13, 2015. Except as otherwise indicated, Table II sets forth comparable information with respect to those directors whose terms of office will continue beyond the date of the Annual Meeting. Unless otherwise indicated, positions have been held for more than five years. Unless otherwise stated in the footnotes following the tables, the nominees and other directors listed in the tables have sole power to vote and dispose of the shares which they beneficially owned as of February 13, 2015. Shares covered by stock options are included in the tables below only to the extent that such options may be exercised by April 14, 2015.

All of the persons named in both tables have been directors of Lakeland and Lakeland Bank for at least five years, except that Mr. Flynn was appointed to the Boards of Lakeland and Lakeland Bank on June 9, 2010, and Messrs. Deutsch and Marino were appointed to the Boards of Lakeland and Lakeland Bank on May 31, 2013, upon the closing of the mergers of Somerset Hills Bancorp into Lakeland and of Somerset Hills Bank into Lakeland Bank.

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

TABLE I

NOMINEES FOR ELECTION AS DIRECTORS

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM IF ELECTED	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 13, 2015	
				NUMBER OF SHARES	PERCENT OF CLASS
Bruce D. Bohuny Age 46	2007	2018	President, Brooks Ltd. Builders, Franklin Lakes, NJ (10/1993 to present) (construction company)	71,220 (a)	0.2%
Mary Ann Deacon Age 63	1995	2018	Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (5/24/11 to present); Vice Chairman, Lakeland Bancorp, Inc. and Lakeland Bank (1/14/10 to 5/23/2011); Secretary/Treasurer of Deacon Homes, Inc. (1980 to present) (real estate development), Sparta, NJ	395,788 (b)	1.0%
Joseph P. O Dowd Age 68	1998	2018	President and Owner of O Dowd Advertising of Montville, NJ (4/14/82 to present); partner of O Dowd Associates (real estate holding company) (7/1/86 to present) and O Dowd Realty (7/1/86 to present)	65,462 (c)	0.2%
Brian Flynn Age 55	2010	2018	Partner, O Connor Davies, LLP in Paramus, NJ (1990 to present); Director, TD Bank, N.A. (formerly TD Banknorth, N.A.) and TD Banknorth, Inc. and Member of Audit Committee (February 2006 to February 2007); Director and Member of Audit Committee, Hudson United Bancorp and Hudson United Bank (January 2004 to January 2006)	52,844 (d)	0.1%

TABLE II

CONTINUING DIRECTORS

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

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

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 13, 2015 NUMBER OF SHARES	PERCENT OF CLASS
Mark J. Fredericks Age 54	1994	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.	393,404 (h)	1.0%
Janeth C. Hendershot Age 60	2004	2017	Global Project Team Lead, Munich Re Group (prior to 2/1/10); Insurance Company Operations General Manager, Senior Vice President, Munich-American Risk Partners at Munich Reinsurance America, Inc. (prior to 12/1/06); President, Exchange Insurance Company and Regional Vice President at Selective Insurance Group (prior to 10/1/97)	60,213	0.2%
Robert B. Nicholson, III	2003	2017	President and Chief Executive Officer,	123,865	0.3%

Age 50	Eastern Propane Corporation (1988 to present); President and Chief Executive Officer, Eastern Propane Energy Corporation (1993 to present); General Partner, Eastern Properties, L.P. (1999 to present); Managing Member, East Coast Development Associates, LLC (2004 to present); Managing Member, Sparta Junction, LLC (2010 to present); President and CEO, Landmark America Corporation (1988 to present)

NAME AND AGE	DIRECTOR SINCE	EXPIRATION OF TERM	BUSINESS EXPERIENCE	SHARES BENEFICIALLY OWNED AS OF February 13, 2015 NUMBER OF SHARES	PERCENT OF CLASS
Edward B. Deutsch Age 68	2013	2017	Managing Partner, McElroy, Deutsch, Mulvaney & Carpenter, LLP (law firm); Director of Somerset Hills Bancorp and Somerset Hills Bank (2003 to May 31, 2013)	175,922 (i)	0.5%
Thomas J. Marino Age 67	2013	2016	Co-CEO, CohnReznick LLP (accounting and consulting firm); Director of Somerset Hills Bancorp and Somerset Hills Bank (2003 to May 31, 2013)	30,985 (j)	0.1%

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

(a) Includes 7,232 shares held by the Bohuny Family LLC of which Mr. Bohuny is a passive member; 515 shares held by Mr. Bohuny s wife; 1,638 shares held by Mr. Bohuny as custodian for his children; and 30,388 shares issuable upon the exercise of stock options. Includes 7,499 shares pledged as security for loan obligations.

(b) Includes 18,935 shares held in the name of Mary Ann Deacon s husband; 260,334 shares held in the name of the Philip Deacon Limited Partnership; and 96,177 shares held by the Deacon Homes, Inc. Profit Sharing Plan of which Ms. Deacon is a trustee.

(c) Includes 63,011 shares owned jointly by Mr. O Dowd and his wife.

(d) Includes 28,941 shares issuable upon the exercise of stock options.

(e) Includes 34 shares owned jointly by Mr. McCracken and his wife; 4,154 shares held as custodian for his children; 74,925 shares held by REM, LLC of which Mr. McCracken is sole managing member; 10,689 shares held by Smith McCracken Funeral Home Profit Sharing Plan of which Mr. McCracken is a trustee; 14,524 shares held by the McCracken Family Trust, of which Mr. McCracken is a co-trustee; and 22,224 shares held in the Shirley McCracken Irrevocable Trust, of which Mr. McCracken is a Trustee.

(f) Includes 145,250 shares owned jointly by Mr. Shara and his wife; 1,904 shares held as custodian for his son; 752 shares held by a family partnership of which Mr. Shara and his wife are general partners or trustees; and 20,968 shares subject to restricted stock awards that have not yet vested. These 20,968 shares vest as follows: 2,332 shares on January 25, 2016, 13,565 shares on February 1, 2016, 2,056 shares on January 30, 2017, and 3,015 shares on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 25,599 shares subject to RSUs that have not yet vested. For each year during the RSUs three-year performance period (January 1, 2014 through December 31, 2016), one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders of at least $9.362 million for that year. The RSUs, to the extent earned, will vest if Mr. Shara remains employed by the Company through the date that the Compensation Committee certifies the achievement of the performance goal for the final year of the performance period. However, the RSUs, to the extent earned, will also become vested if Mr. Shara terminates employment due to (i) death, (ii) disability after having at least five years of service with the Company or the Bank, or (iii) retirement after attaining age 65 with at least five years of service. If Mr. Shara terminates employment after attaining age 55 and completing at least ten years of service, then 50% of the RSUs, to the extent earned, will vest. All performance-based RSUs which have not been forfeited will vest upon a change in control of the Company.

(g) Includes 47,823 shares held by Mr. Tilton s wife; 3,514 shares held by Chaumont Holdings, Inc. of which Mr. Tilton is Chairman and Chief Executive Officer; and 49,949 shares held by the Tilton Securities LLC Profit Sharing Plan of which Mr. Tilton is the beneficiary.

(h) Includes 53,785 shares owned by Mr. Fredericks wife; 47,350 shares held by Mark J. Fredericks as custodian for his children; 42,136 shares held by Mark J. Fredericks as Trustee of the Keil Oil Employee Profit Sharing Plan; 27,015 shares held by Mark J. Fredericks as Trustee for the Fredericks Fuel & Heating Service Profit Sharing Plan; and 23,515 shares held by Fredericks Fuel & Heating Service of which Mark Fredericks is President. Includes 200,000 shares pledged as security for loan obligations.

(i) Includes 44,842 shares held by the Edward B. Deutsch Holding Trust; 2,782 shares held in the name of Mr. Deutsch s wife; 58,746 shares held by the Nancy Deutsch 2014 Irrevocable Trust; and 26,993 shares issuable upon the exercise of stock options.

(j) Includes 9,372 shares owned jointly by Mr. Marino and his wife; 2,511 shares held in the name of Mr. Marino s wife; and 18,978 shares issuable upon the exercise of stock options.

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

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

Although Lakeland s by-laws provide that the minimum value of Lakeland common stock to be held by directors is $1,000, during 2010, the Board adopted Corporate Guidelines which established a goal that directors own or otherwise control, at a minimum, the number of shares or share equivalents of Lakeland Common Stock equal to approximately five times (5x) the director annual retainer fee, with new directors attaining that goal within five years. The Compensation Committee periodically reviews this stock ownership goal, and has determined that all directors have attained the prescribed goal.

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

Board Qualifications

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

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

Mr. Bohuny s over 20 years of experience in the real estate business, particularly land development and building, and his background in the equity and fixed income markets, led the Board to conclude that this individual should serve as a director of Lakeland.

Ms. Deacon s over 30 years of extensive experience in the real estate development process, building contracting, property management and sales, her service to a number of community associations, her reputation in the broader business community as well as in the local real estate markets and her dedication to Lakeland and Lakeland Bank led the Board to conclude that this individual should serve as a director of Lakeland. Ms. Deacon is responsible for the planning and administration of numerous operating companies, three condominium associations and an equipment leasing entity. Her past participation in the state and local real estate associations includes leadership positions and committee experience in ethics, professional standards, strategic planning and governance. Ms. Deacon is committed to enhancing her professional participation as a director of Lakeland and frequently attends continuing education seminars and institutes applicable to directors of banks and bank holding companies. During her 19 year tenure at Lakeland, she has served on every committee of the Board. In January 2010, she was elected Vice Chairman of the Board of Lakeland and Lakeland Bank and in May 2011, she was elected Chairman of the Board of Lakeland and Lakeland Bank.

Mr. O Dowd s knowledge of the banking industry, gained through his service as a director of Lakeland for 17 years and for the 12 years prior to his joining Lakeland, as a director of Metropolitan State Bank, his experience and reputation in the business community and his civic service led the Board to conclude that this individual should serve as a director of Lakeland. He is president of his own advertising company, a partner in two real estate holding companies and the former owner and operator of a food manufacturing business. He is the director of the Montville Chamber of Commerce, a past president of the Montville Kiwanis Club and has served as Deputy Mayor and Chairman of the Planning Board of Montville Township.

Mr. Flynn is a Partner at O Connor Davies, LLP, one of the largest regional accounting firms in the tri-state area. He received his Bachelor of Science Degree, cum laude, from Monmouth College. With over 30 years of experience as a practicing CPA, Mr. Flynn brings in depth knowledge of generally accepted accounting principles and auditing standards to our Board. He has worked with audit committees and boards of directors in the past, including previously serving on the Boards of TD Banknorth, Inc. and Hudson United Bancorp, and provides Lakeland s Board of Directors and its Audit Committee with extensive experience in auditing and preparation of financial statements. For these reasons, the Board has concluded that this individual should serve as a director of Lakeland.

Mr. Fredericks experience in managing three businesses in Lakeland s market area, his long service as a director of Lakeland and Lakeland Bank and his charitable work led the Board to conclude that this individual should serve as a director of Lakeland. His business experience includes serving as president of Fredericks Fuel and Heating Service, Keil Oil Inc. and F&B Trucking Inc. He is knowledgeable about the real estate industry as a result of his management of a number of real estate partnerships. He has served as a trustee (1998-2008) of Chilton Memorial Hospital (and served as a member of the finance committee during that time) and as president of the West Milford Education Foundation (1996 to present).

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

Mr. Nicholson s business experience with Eastern Propane Corporation (including his serving as president and CEO of that entity since 1988), his educational background in finance and business management, his experience in buying and selling companies and commercial real estate properties and his reputation in the business and local community led the Board to conclude that this individual should serve as a director of Lakeland. In 2009, Mr. Nicholson was honored with the Outstanding Citizen of the Year award from Sparta Township and as a Distinguished Citizen by the Boy Scouts of America, Patriots Path Council. In March 2010, Mr. Nicholson received the Distinguished Alumni Award from Florida Southern College for outstanding service to his professions and community. Mr. Nicholson currently serves as the Immediate Past Chairman of the board of trustees for the Sussex County New Jersey Chamber of Commerce.

Mr. Deutsch joined the Lakeland and Lakeland Bank Boards of Directors upon the closing of the mergers with Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013. He is the founding and Managing Partner of McElroy, Deutsch, Mulvaney & Carpenter, LLP, New Jersey s largest law firm with more than 300 attorneys. Mr. Deutsch is a civil trial attorney, certified by the Supreme Court of New Jersey and has been a fellow of the American College of Trial Lawyers since 1992. He was the founder and Chairman of the Board of Directors of Somerset Hills Bancorp and Somerset Hills Bank. He was recently ranked number 10 on the NJBIZ Power 50 Banking List of the 50 most powerful people in N.J. banking and number 47 on the NJBIZ Power 100 list. He is consistently ranked by PolitickerNJ and NJBIZ as one of the top 100 most influential people doing business in New Jersey. He is also consistently listed as a top lawyer by Best Lawyers, the oldest and most highly respected peer review guide to the legal profession worldwide. Mr. Deutsch has served on a number of other boards of directors and trustees, and is active in numerous charitable endeavors.

Mr. Marino joined the Lakeland and Lakeland Bank Boards of Directors upon the closing of the mergers with Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013. He had previously served as a director of Somerset Hills Bancorp and Somerset Hills Bank. He is a Partner and Co-CEO of CohnReznick LLP, which is headquartered in New York and among the 10th largest accounting and consulting firms in the United States. Mr. Marino brings his more than 40 years of experience as a CPA to the Lakeland Board. Mr. Marino has expertise in the areas of real estate, construction, private companies and publicly traded companies. His membership in professional associations and his advisory roles in local community service organizations and foundations further enable him to make valuable contributions to the Board.

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

Mr. Shara s over 30 years of experience in the banking industry, his stature and reputation in the banking and local community, and his service as President and CEO of Lakeland and Lakeland Bank since April 2008 led the Board to conclude that this individual should serve as a director of Lakeland. His knowledge and understanding of all facets of the business of banking, the leadership he has demonstrated at Lakeland and at prior institutions and his involvement in charitable and trade organizations make him extremely valuable as a Board member. Mr. Shara serves as a member of the Federal Reserve Bank of New York s Community Institutions Advisory Counsel, on the Board of Directors of the Commerce and Industry Association of New Jersey, the Board of Trustees of the Boys and Girls Club of Paterson and Passaic, New Jersey and the Board of Trustees of the Chilton Hospital

Foundation. He also serves on the Board of Governors of the Ramapo College Foundation. Mr. Shara earned a Master s Degree in Business Administration as well as a Bachelor of Science Degree from Fairleigh Dickinson University.

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

Security Ownership of Management

The following table sets forth information regarding the beneficial ownership of Lakeland s Common Stock as of February 13, 2015 by (i) the four Named Executive Officers (as defined below under Executive Compensation) who are not directors of Lakeland and (ii) all current executive officers and directors of Lakeland as a group. Unless otherwise indicated, each of the named shareholders possesses sole voting and investment power with respect to the shares beneficially owned. For information concerning the beneficial ownership of Lakeland s Common Stock by directors and nominees for director, see the tables above under Election of Directors . Shares covered by stock options are included in the table below only to the extent that such options may be exercised by April 14, 2015.

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

(A) Includes 12,763 shares issuable upon the exercise of stock options. Also includes 5,786 shares subject to restricted stock awards that have not yet vested. The 5,786 shares of restricted stock vest as follows: 1,040 shares vest on January 25, 2016, 3,170 shares vest on February 1, 2016, 872 shares vest on January 30, 2017 and 704 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 9,475 shares subject to restricted stock units, or RSUs, that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

(B) Includes 3,882 shares held jointly with his wife; 20,619 shares which have been allocated to Mr. Vandenbergh in the National Bank of Sussex County and Affiliated Subsidiaries Employee Stock Ownership Plan (the ESOP); and 12,763 shares issuable upon the exercise of stock options. Also includes 11,379 shares subject to restricted stock awards that have not yet vested. The 11,379 shares underlying Mr. Vandenbergh s restricted stock awards vest as follows: 1,428 shares vest on January 25, 2016, 7,199 shares vest on February 1, 2016, 1,152 shares vest on January 30, 2017 and 1,600 shares vest on February 1, 2018. All of these restricted shares may be voted, unless forfeited. Excludes 11,304 shares subject to RSUs that have not yet vested. See the paragraph below the footnotes for a description of these RSUs.

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

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

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

The following description applies to all of the RSUs referred to in the preceding footnotes. For each year during each of the above-mentioned RSUs three-year performance period (January 1, 2014 through December 31, 2016), one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders of at least $9.362 million for that year. The RSUs, to the extent earned, will vest if the Named Executive Officer remains employed by the Company through the date that the Compensation Committee certifies the achievement of the performance goal for the final year of the performance period. However, the RSUs, to the extent earned, will also become vested if the Named Executive Officer terminates employment due to (i) death, (ii) disability after having at least five years of service with the Company or the Bank, or (iii) retirement after attaining age 65 with at least five years of service. If the Named Executive Officer terminates employment after attaining age 55 and completing at least ten years of service, then 50% of the RSUs, to the extent earned, will vest. All performance-based RSUs which have not been forfeited will vest upon a change in control of the Company.

Stock Ownership Guidelines for Executive Officers

During 2010, the Board, through the Compensation Committee, adopted executive officer stock ownership guidelines which established certain goals that current executive officers own or otherwise control, at a minimum, the following number of shares or share equivalents of Company stock within the next three years: for the President and Chief Executive Officer, 100,000 shares; for Senior Executive Vice Presidents, 50,000 shares; and for Executive Vice Presidents, 25,000 shares. New executive officers would be expected to attain the prescribed goals within three years from the date of promotion or joining Lakeland. The Compensation Committee periodically reviews these stock ownership goals, and has determined that as of the date of this proxy statement, all executive officers are in compliance with the prescribed guidelines.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder require Lakeland s directors, executive officers and 10% shareholders to file with the SEC certain reports regarding such persons ownership of Lakeland s securities. Lakeland is required to disclose any failures to file such reports on a timely basis. Based solely upon a review of the copies of the forms or information furnished to Lakeland, Lakeland believes that during 2014, all filing requirements applicable to its directors and officers were satisfied on a timely basis.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview

The following discussion provides an overview and analysis of the Compensation Committee s philosophy and objectives in designing the Company s compensation programs as well as the compensation determinations relating to our named executive officers, or NEOs. For 2014, our NEOs were:

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

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

Executive Summary

Financial and Strategic Highlights

Lakeland completed another successful year in 2014. Our net income for the year was at a record level, our asset quality continued to improve and our net interest margin was stable as compared to the third quarter of 2014.

Financial highlights include:

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

At December 31, 2014, loans totaled $2.66 billion, an increase of $42.2 million, or 2%, from September 30, 2014, and $185.3 million, or 8%, compared to December 31, 2013. The overall increase was primarily in total commercial loans, which increased by $175.2 million, or 11%, in 2014.

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

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

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

Key NEO Compensation Decisions

Our compensation decisions for 2014 reflected our strong performance during the year as well as the successful integration of our Somerset Hills acquisition, which closed on May 31, 2013. Our annual and long-term incentive plans are designed to bring award opportunities more in line with market practice while enhancing the link between compensation and corporate, as well as individual, performance.

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

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

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

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

Say on Pay Vote

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

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

Executive Compensation Philosophy

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

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

Role of the Compensation Committee

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

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

Role and Relationship of the Compensation Consultant

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

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

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

Reviewed the competitiveness of the compensation elements currently offered by the Company to its CEO and CFO, including base salary, annual and long-term incentives, all other compensation, and changes in retirement benefits as compared to that of the customized peer group

- Reviewed the competitiveness of the Company s commercial lenders compensation to market
- Advised the Committee regarding executive retirement benefits and performed a market analysis of current trends among the Company s peers
- Assisted the Committee in its review and audit of 2014 performance plan calculations
- Assisted the Committee in its preparation of compensation disclosures as required under Regulation S-K with respect to this proxy statement including this CD&A and associated tables and disclosures included herein by reference

The Committee evaluated McLagan s analysis and recommendations alongside other factors when making compensation decisions affecting our 2014 executive compensation program and when submitting its own recommendations to the Board on these matters.

Role of Management

The CEO and COO assist the Compensation Committee in recommending agenda items for its meetings and by gathering and producing information for these meetings. As requested by the Compensation Committee, the CEO and COO participate in Committee meetings to discuss executive compensation, evaluate the performance of both the Company and individual executives, and provide pertinent financial, legal, or operational information. The CEO and COO provide their insights and suggestions regarding compensation, but only Compensation Committee members vote on executive compensation decisions and other Company compensation matters under their purview for recommendation to the Board of Directors.

In 2014, the CEO and COO made recommendations to the Committee regarding base salaries, incentive goals, and equity awards for executives other than themselves. The Committee retained discretion to approve or modify recommendations prior to approval or, in the case of equity awards, prior to presentation before the Board of Directors for ratification. The Committee discussed the CEO s recommendations with him but made final deliberations in executive session, without any members of management present.

Competitive Benchmarking and Peer Groups

While the Compensation Committee did not undertake a formal benchmarking analysis in 2014, it believes that it is important to review compensation in the context of Lakeland s corporate performance and the compensation offered by its peers in the market, which it considers to include companies of similar size, markets, and products. In 2014, the Compensation Committee undertook a scaled review of executive compensation, focusing on the CEO and CFO positions. A complete analysis was completed in 2012.

The Committee considered companies with the following criteria in determining its peers:

- Total assets between $1.5 billion and $7.5 billion
- Located in Maryland, New Jersey, New York, or Pennsylvania
- Positive net income over the prior twelve month period
- No TARP participants

The companies included in the 2014 peer group (including their state abbreviation and stock ticker symbol) are:

Financial Institutions Inc. (NY, FISI)	Metro Bancorp Inc. (PA, METR)	S&T Bancorp Inc. (PA, STBA)
First of Long Island Corp. (NY, FLIC)	Northfield Bancorp Inc. (MHC) (NJ, NFBK)	Sandy Spring Bancorp Inc. (MD, SASR)
Flushing Financial Corp. (NY, FFIC)	OceanFirst Financial Corp. (NJ, OCFC)	Sterling Bancorp (NY, STL)
Hudson Valley Holding Corp. (NY, HVB)	Oritani Financial Corp. (NJ, ORIT)	Sun Bancorp Inc. (NJ, SNBC)
Kearny Financial Corp. (MHC) (NJ, KRNY)	Provident Financial Services (NJ, PFS)	Tompkins Financial Corporation (NY, TMP)
		Univest Corp. of Pennsylvania (PA, UVSP)

Performance Comparison to Market

Lakeland performed well in 2014 compared to our peer group. The table below illustrates that our performance was generally better than the median of the peer group in 2014 on key banking industry performance measures.

Performance Measure	LBAI	Peer Group Median	LBAI to Peers (Percentile Rank)
Total Assets ($000)	3,538,325	3,194,752	60%
Net Income ($000)	31,129	26,185	55%
ROAA (%)	0.92	0.91	67%
Net Interest Margin (%)	3.64	3.28	88%
Non-Performing Assets / Total Assets (%)[1]	0.61	0.69	64%

On a long-term basis, Lakeland has also outperformed organizations similar to ourselves. As shown below, our five-year total shareholder return (TSR) exceeds that of our 2014 peer group (named above).

[1] NPA calculation excludes restructured loans

Discussion of Executive Compensation Components

The following table outlines the major elements of 2014 total compensation for our executives:

Compensation Element	Description and Purpose	Link to Performance	Fixed/ Performance Based	Short/Long-Term
Base Salary	Helps attract and retain executives through periodic payments of market-competitive base pay	Based on individual performance, experience, and scope of responsibility. Used to establish cash and equity incentive award opportunities.	Fixed	Short-Term
Cash Incentives	Encourages achievement of financial performance metrics that create near-term shareholder value	Quantitatively ties the executive s compensation directly to factors that are judged important to the success of the Company and within each executive s own sphere of influence. The majority of incentives are based on a Company profitability goal and three profitability goals relative to peers, while a portion of the incentives is tied to individual goals. Incentives for all executives are conditioned on additional performance triggers that help ensure Company remains positioned to perform over the long-term.	Performance Based	Short-Term
Long-Term Incentive Awards	Aligns long-term interests of executives and shareholders while creating a retention incentive through multi-year vesting	Grant values are based partially on the achievement of predefined Company performance objectives and partially on the Board s subjective evaluation of performance. Resulting awards are designed to maintain a link to the long-term interests of shareholders and emphasize long-term demonstrated financial performance	Performance Based	Long-Term

		through a tie to the Company s stock price and dividend payments.		
Supplemental Executive Retirement Plan	Provides market-competitive income security into retirement while creating a retention incentive through multi-year vesting	--	Fixed	Long-Term
Other Compensation	Dividends on restricted stock and dividend equivalents on restricted stock units, limited perquisites and health and welfare benefits on the same basis as other employees	Dividends on restricted stock and dividend equivalents on restricted stock units further enhance the executive s link to shareholders by ensuring they share in the distribution of income generated from ongoing financial performance.	Fixed & Performance Based	Short-Term & Long-Term

Base Salary

We believe that a key objective of our salary process is to maintain reasonable fixed compensation costs, while taking into account the performance of our executive officers. In determining salary levels for our NEOs, the Compensation Committee reviews salary levels at our peer organization, but always bases final determinations on the qualifications, experience and performance of the individual executives and value of the position to the organization.

After reviewing certain market salary information provided by McLagan and noting the performance of the Company and individual executives, the Committee determined to increase salaries by 2.5% to 3.4% for 2014 for all NEOs except Mr. Shara. In the case of Mr. Shara, the Committee determined that a more significant salary increase, of 5.0%, was appropriate because of his leadership and Lakeland s continuing growth and success. 2014 annual salary rates for our NEOs are shown in the table below.

Name	Title	2013 Salary	2014 Salary	% Change
Thomas Shara	President & CEO	600,000	630,000	5.0%
Joseph Hurley	EVP, Chief Financial Officer	284,981	293,527	3.0%
Robert Vandenbergh	Sr. EVP, Chief Operating Officer	340,039	350,173	3.0%
Stewart E. McClure, Jr.*	Sr. EVP	320,000	328,123	2.5%
Ronald Schwarz	EVP, Chief Retail Officer	250,250	258,731	3.4%

* Mr. McClure joined Lakeland upon the acquisition of Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013. In accordance with his employment agreement, his annual salary for 2013 was $320,000, although he was paid $184,616 by Lakeland in 2013. The % Change for Mr. McClure compares his annualized salaries for 2013 and 2014.

2014 Incentive Compensation Program

Our 2014 incentive compensation program for our NEOs consisted of two distinct plans: the 2014 Annual Incentive Plan and the 2014 Long-Term Incentive Plan.

2014 Annual Incentive Plan

Our 2014 Annual Incentive Plan, or AIP, is designed to motivate executives to attain superior annual performance in key areas that we believe create long-term value to Lakeland and its shareholders. Awards under the plan were payable in cash, and were contingent on performance in the following areas:

- Corporate financial performance relative to budgeted amounts;
- Corporate financial performance relative to peers; and
- Individual performance relative to pre-established goals

AIP Award Opportunities

The table below shows the cash incentive award opportunities for each NEO as a percentage of his base salary, as well as the weightings on the various performance objectives used to calculate awards.

	Cash Incentive Award Opportunity as % of Salary	Goal Weighting

Name	Threshold	Target	Maximum	Corporate (Absolute)	Corporate (Peer)	Individual
Thomas Shara	9.1%	21%	31.5%	60%	30%	10%
Joseph Hurley	10.8%	24.75%	36%	60%	30%	10%
Robert Vandenbergh	10.8%	24.75%	36%	60%	30%	10%
Stewart E. McClure, Jr.	10.8%	24.75%	36%	55%	10%	35%
Ronald Schwarz	10%	22.5%	35%	55%	10%	35%

AIP Corporate Performance Objectives

The following table depicts our 2014 corporate performance objectives and performance results for each of the measures selected by the Committee.

Annual Performance Goals	Threshold	Target	Max	Actual
Corporate Goal				
Pre-Tax Net Income ($M)	38.868	45.727	52.586	**46.288**
Peer Group Comparison				
Net Interest Margin (1/3 of Peer Group Goals)	35th Percentile	50th Percentile	75th Percentile	**88th Percentile**
Efficiency Ratio (1/3 of Peer Group Goals)	35th Percentile	50th Percentile	75th Percentile	**63rd Percentile**
Core ROAA[2] (1/3 of Peer Group Goals)	35th Percentile	50th Percentile	75th Percentile	**55th Percentile**

For any of the performance measures shown above, performance below threshold will result in no award payout for that measure, while payouts for any one measure and the plan as a whole are capped at maximum performance level.

In addition to the performance goals listed in the previous tables, the following performance triggers needed to be met as of December 31, 2014 in order for any incentive payments to be made under the plan:

Capital Trigger	Must Exceed	Actual
Leverage Ratio	5%	9.08%
Tier 1 Capital Ratio	6%	11.76%
Total Risk-Based Capital Ratio	10%	12.98%

Asset Quality Trigger	Must Not Exceed	Actual
Non-Performing Assets/Total Assets[3]	2%	0.61%

Each of the performance triggers listed above was satisfied as of December 31, 2014.

AIP Individual Performance Objectives

Each of our NEOs had three to four individual performance objectives that impacted the calculation of their annual incentive awards for 2014. The Compensation Committee considered strategic leadership roles, each executive s scope of responsibility and significant upcoming corporate or line of business initiatives in establishing specific performance criteria for each of the NEOs. Examples of these performance criteria include integration of Somerset Hills, loan and deposit growth, investor relations activities, and cost savings targets. In early 2015, the Committee subjectively evaluated each NEO s achievements regarding their unique performance criteria and assigned each performance measure a score on a range from threshold of 85 to maximum of 115. Target achievement received a score of 100. The individual performance score was one of the components considered in calculating the amount of each NEO s award. Goals were weighted as previously described.

2

Core Return on Average Assets is calculated for Lakeland and peers using a standard definition from SNL, which excludes from the calculation the after-tax impact of extraordinary one-time items, income attributable to controlling interests, securities gain and losses, nonrecurring revenues and expenses, and intangibles and goodwill.

[3] NPA calculation excludes restructured loans.

The average individual performance scores for each of our NEOs were as follows:

Name	Avg. Performance Score
Thomas Shara	100
Joseph Hurley	100
Robert Vandenbergh	100
Stewart E. McClure, Jr.	95
Ronald Schwarz	100

AIP Awards for 2014

In February 2015, the Compensation Committee determined the degree to which our financial performance goals were achieved during 2014. The CEO (or the Compensation Committee in the case of the CEO) then determined the degree to which the individual performance goals were achieved during 2014 for each executive.

The following cash payments under the 2014 AIP were made upon approval by the Compensation Committee:

Name	2014 AIP Award	AIP Award as % of Targ
Thomas Shara	$146,906	111%
Joseph Hurley	$80,300	110%
Robert Vandenbergh	$95,796	110%
Stewart E. McClure, Jr.	$79,020	97%
Ronald Schwarz	$61,817	106%

2013 Long-Term Incentive Plan (LTIP) Awards Made in 2014

2013 LTIP Opportunities

Each of our NEOs had the opportunity to earn long-term incentive compensation based on 2013 performance under the 2013 Long-Term Incentive Plan. All awards earned were payable in restricted stock units, or RSUs. Note that, due to SEC reporting rules, the amount of any restricted stock units granted in 2014 based on 2013 performance is reported in the Summary Compensation Table as 2014 compensation.

The following table shows the LTIP opportunity for our NEOs, as well as the weightings on the formulaic and discretionary evaluations used to calculate the awards. Because Stewart E. McClure, Jr. joined Lakeland upon the acquisition of Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013, he was not included in the 2013 LTIP, but did receive discretionary RSUs for 2013.

		Total Incentive Award Opportunity as % of Salary			Goal Weighting	
Name	2013 Salary	Threshold	Target	Maximum	Corporate	Discretion
Thomas Shara	600,000	19.5%	45%	67.5%	50%	50%
Joseph Hurley	284,981	15.6%	35.75%	52%	50%	50%
Robert Vandenbergh	340,039	15.6%	35.75%	52%	50%	50%
Stewart E. McClure, Jr.	--	--	--	--	--	--

Ronald Schwarz	250,250	12%	27%	42%	50%	50%

2013 LTIP Performance Objectives

The table below depicts our 2013 performance objectives and performance results for the two measures utilized in the 2013 LTIP:

Long-Term Performance Goals	Threshold	Target	Max	Actual
Corporate Goals				
Reported ROAA (%)	0.67	0.79	0.91	**0.80**
1-Year Relative TSR (Peer Comparison)	35th Percentile	50th Percentile	75th Percentile	**24th Percentile**

Based on the results shown above, our ROAA performance resulted in an award slightly above target for that portion of the plan, while our one-year TSR compared to our peers was below the threshold performance level of the 35th percentile and resulted in no award.

2013 LTIP Discretionary Performance Evaluation

As described above, 50% of the total award opportunity for our NEOs other than Stewart E. McClure, Jr. is determined through the Compensation Committee s discretionary assessment of corporate and individual performance in the preceding year. In determining the discretionary awards for 2013, the Committee took into consideration:

Our NEOs roles in the negotiation of the Somerset Hills acquisition, receipt of the required regulatory approval, and successful early steps of the integration.

Lakeland s solid overall financial performance in 2013.

The fact that our one-year TSR for 2013 was 24.9%, which we consider to be a very favorable result, although it was below the payout threshold for the LTIP (as compared to our peers).

After considering all relevant factors, the Committee determined to award each of our NEOs the maximum number of restricted stock units available to him under the discretionary portion of the LTIP as a reflection of Lakeland s and our NEOs strong performance in 2013.

Equity Awards for 2013

The following restricted stock unit awards (RSUs) were granted in February 2014 upon approval by the Compensation Committee:

	Corporate Performance Award		Discretionary Award		Cumulative Award	
Name	# of RSUs	Grant Date Fair Value	# of RSUs	Grant Date Fair Value	Total Grant Date Fair Value	Total Grant Date Value as % of Target Award
Thomas Shara	6,598	$70,313	19,001	$202,500	$272,813	101%
Joseph Hurley	2,491	$26,553	6,984	$74,425	$100,978	99%
Robert Vandenbergh	2,972	$31,678	8,332	$88,790	$120,468	99%
Stewart E. McClure, Jr.	--	--	7,624	$81,250	$81,250	--
Ronald Schwarz	1,668	$17,780	4,960	$52,868	$70,648	104%

The restricted stock units granted to each NEO will vest 100% on the third anniversary of the grant date, provided that Lakeland has achieved pre-established performance metrics over a three year period and the executive remains employed by the Company. The RSUs, to the extent earned, will also become vested if the NEO 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 NEO 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.

2014 LTIP Opportunities

As mentioned above, we also maintained our 2014 Long-Term Incentive Plan (LTIP) for awards granted in early 2015 based on 2014 performance. The purposes of the LTIP are: 1) to provide award opportunities to our executives that are close to market-competitive levels; and 2) to provide more formal structure to the performance conditions associated with the awards. The Compensation Committee believes that formalizing the connection between corporate performance and award payouts for a portion of our long-term incentive awards provides concrete, measurable objectives for our executives to strive for, and ultimately will help motivate long-term value creation for our shareholders.

Awards under the 2014 LTIP were conditioned on three elements:

Lakeland s ROAA (reported Return on Average Assets) in 2014 relative to our budgeted expectations
Lakeland s total shareholder return (TSR) in 2014 relative to the peer group
The Committee s discretionary assessment of corporate and individual performance in 2014

LTIP Award Opportunities

The table below shows the LTIP award opportunities for each NEO as a percentage of his base salary, as well as the weightings on the formulaic and discretionary evaluations used to calculate awards.

	Long-Term Incentive Award Opportunity as % of Salary			Goal Weighting	
Name	**Threshold**	**Target**	**Maximum**	**Corporate**	**Discretion**
Thomas Shara	16.9	39.0	58.5	50	50
Joseph Hurley	13.2	30.25	44.0	50	50
Robert Vandenbergh	13.2	30.25	44.0	50	50
Stewart E. McClure, Jr.	13.2	30.25	44.0	50	50
Ronald Schwarz	10.0	22.5	35.0	50	50

LTIP Performance Objectives

The table below depicts our 2014 performance objectives and performance results for the two measures utilized in the 2014 LTIP.

Long-Term Performance Goals	Threshold	Target	Max	Actual
Corporate Goals				
Reported ROAA (%)	.78	.92	1.06	**.92**
1-Year Relative TSR (Peer Comparison)	2.48	7.61	15.34	**2.22**

Based on the results shown above, our ROAA performance resulted in an award at target for that portion of the plan, while our one-year TSR compared to our peers was below the threshold performance level of the 35th percentile and resulted in no award.

Discretionary Performance Evaluation

As described above, 50% of the total award opportunity for each of our NEOs is determined through the Compensation Committee s discretionary assessment of corporate and individual performance in the preceding year. In determining the discretionary awards for 2014, the Committee took into consideration Lakeland s solid overall financial performance in 2014, as previously described.

After considering all relevant factors, the Committee determined to award each of our NEOs the maximum number of shares available to such NEO under the discretionary portion of the LTIP as a reflection of Lakeland s and our NEOs strong performance in 2014.

Equity Awards for 2014

The following restricted stock unit awards (RSUs), which will be reported in our 2016 proxy statement as 2015 compensation, were granted in February 2015 upon approval by the Compensation Committee:

	Corporate Performance Award		Discretionary Award		Cumulative Award	
Name	# of RSUs	Grant Date Fair Value	# of RSUs	Grant Date Fair Value	Total Grant Date Fair Value	Total Grant Date Value as % of Target Award
Thomas Shara	5,559	61,425	16,676	184,275	245,700	100
Joseph Hurley	2,018	22,298	5,870	64,867	87,165	98
Robert Vandenbergh	2,407	26,601	7,003	77,385	103,986	98
Stewart E. McClure, Jr.	2,256	24,926	6,562	72,512	97,438	98
Ronald Schwarz	1,324	14,625	4,118	45,500	60,125	103

The restricted stock units granted to each NEO will vest 100% on the third anniversary of the grant date, provided that Lakeland has achieved pre-established performance metrics over a three year period and the executive remains employed by the Company. The RSUs, to the extent earned, will also become vested if the NEO 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 NEO 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.

Other Elements of Compensation for Executive Officers

In order to attract and retain qualified executives, we provide executives with a variety of benefits and perquisites, consisting primarily of retirement benefits through our 401(k) and various retirement plans, executive life insurance, and the use of automobiles. Details of the values of these benefits and perquisites may be found in the footnotes and narratives to the Summary Compensation Table. Lakeland has also entered into Supplemental Executive Retirement Plan Agreements with Mr. Shara, Mr. McClure and Mr. Vandenbergh. See Employment Agreements and Other Arrangements with Executive Officers.

Employment and Other Agreements

Our agreements with the Named Executive Officers are described later in this proxy statement. See Employment Agreements and Other Arrangements with Executive Officers.

Compliance with Sections 162(m) and 409A of the Internal Revenue Code

Section 162(m) of the Internal Revenue Code denies a deduction to any publicly held corporation for compensation paid to certain covered employees in a taxable year to the extent that compensation exceeds $1,000,000 for a covered employee. Certain performance-based compensation that has been approved by our shareholders is not subject to this limitation. As a result, stock options and certain restricted stock and restricted stock units granted under our Equity Compensation Program are intended to not be subject to the limitations of Section 162(m).

It is our intention to maintain our executive compensation arrangements in conformity with the requirements of Section 409A of the Internal Revenue Code, which imposes certain restrictions on deferred compensation arrangements. However, the Company may from time to time pay compensation that does not qualify as performance-based compensation under Section 162(m) of the Code.

Clawback Policies

Compensation recovery policies, or clawbacks, began to be used with the enactment of the Sarbanes-Oxley Act in 2002, which required that in the event of any restatement based on executive misconduct, public companies must recoup incentives paid to the company s CEO and CFO within 12 months preceding the restatement. The Company s CEO and CFO are currently subject to the Sarbanes-Oxley clawback provision which is set forth in Section 304 of the Sarbanes-Oxley Act, and provides that if an issuer is required to prepare an accounting restatement due to material noncompliance of the issuer, as a result of misconduct, with any financial reporting requirement under the securities laws, the CEO and CFO shall reimburse the issuer for any bonus or other incentive-based or equity-based compensation received, and any profits realized from the sale of the securities of the issuer, during the year following issuance of the original financial report.

In addition, the Compensation Committee intends to fully comply with the Dodd-Frank Wall Street Reform and Consumer Protection Act regarding this issue once rulemaking has been completed with respect to these provisions. Until formal guidance is available, the Compensation Committee will address any situation that may arise and determine the proper and appropriate course of action in fairness to shareholders and award recipients.

Summary of Cash and Certain Other Compensation

The following table sets forth, for the three years ended December 31, 2014, 2013 and 2012, a summary of the compensation earned by Thomas J. Shara, our President and Chief Executive Officer, Joseph F. Hurley, our Chief Financial Officer, and our three other most highly compensated executive officers for 2014. We refer to the executive officers named in this table as the Named Executive Officers. None of the Named Executive Officers received option awards during the years presented in the table.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Thomas J. Shara, President and Chief	2014	630,000	--	272,813	146,906	137,841	38,981	1,226,541
Executive Officer of Lakeland Bancorp and	2013	600,000	--	281,359	96,220	102,047	37,505	1,117,131
CEO of Lakeland Bank	2012	550,000	--	187,538	--	105,609	34,674	877,821
Joseph F. Hurley, Executive Vice	2014	293,527	--	100,978	80,300	--	26,792	501,597
President and Chief Financial Officer of	2013	284,981	--	65,738	56,763	--	28,454	435,935
Lakeland Bancorp and Lakeland Bank	2012	276,462	43,825	79,484	--	--	28,522	428,293
Robert A. Vandenbergh, Senior	2014	350,173	--	120,468	95,796	116,397	36,439	719,273
Executive Vice President and Chief	2013	340,039	--	149,308	69,213	91,941	36,031	686,532
Operating Officer of Lakeland Bancorp and Regional President of Lakeland Bank	2012	330,154	--	105,088	--	92,669	35,061	562,972
Stewart E. McClure, Jr.	2014	328,123	--	81,250	79,020	95,574	23,358	607,325
Senior Executive Vice President of Lakeland Bancorp and Regional President of Lakeland Bank	2013*	184,616	--	--	43,750	45,269	11,329	239,695

Ronald E. Schwarz	2014	258,731	--	70,648	61,817	--	27,162	418,358
Executive Vice President and Chief	2013	250,250	--	49,703	48,115	--	27,878	375,947
Retail Officer of Lakeland Bancorp and Lakeland Bank	2012	240,462	33,135	58,977	--	--	26,479	359,053

* Mr. McClure joined Lakeland upon the closing of the mergers with Somerset Hills Bancorp and Somerset Hills Bank on May 31, 2013. He had previously served as President and CEO of Somerset Hills Bancorp and Somerset Hills Bank.

In the table above:

When we refer to amounts under Stock Awards, we are referring to the aggregate grant date fair value in accordance with FASB ASC Topic 718. The stock awards in the table for each year were based on the prior year s performance. See the Compensation Discussion and Analysis for a description of restricted stock units granted in February 2015 based on 2014 performance. These restricted stock units vest over a three year period based on continued service and the satisfaction of specified performance goals.

When we refer to Change in Pension Value and Nonqualified Deferred Compensation Earnings , we are referring to the aggregate change in the present value of Mr. Shara s, Mr. Vandenbergh s and Mr. McClure s accumulated benefits for 2014 under their respective Supplemental Executive Retirement Plans.

All Other Compensation for 2015 includes the following:

For Mr. Shara, $5,395 for the use of an automobile, $2,620 for premiums for group term life insurance for Mr. Shara s benefit, $16,668 for cash dividends paid on restricted stock and restricted stock units, $6,498 for the annual contribution to the Company s profit sharing plan on behalf of Mr. Shara, and a contribution of $7,800 to the Company s 401(k) Plan on behalf of Mr. Shara to match a pre-tax deferral contribution (included under Salary) made by Mr. Shara to that Plan;

For Mr. Hurley, $5,601 for the use of an automobile, $3,717 for premiums for group term life insurance for Mr. Hurley s benefit, $5,401 for cash dividends paid on restricted stock and restricted stock units, $6,613 for the annual contribution to the Company s profit sharing plan on behalf of Mr. Hurley, and a contribution of $5,460 to the Company s 401(k) Plan on behalf of Mr. Hurley to match a pre-tax deferral contribution (included under Salary) made by Mr. Hurley to that Plan;

For Mr. Vandenbergh, $7,599 for the use of an automobile, $5,492 for premiums for group term life insurance for Mr. Vandenbergh s benefit, $8,794 for cash dividends paid on restricted stock and restricted stock units, $6,754 for the annual contribution to the Company s profit sharing plan on behalf of Mr. Vandenbergh, and a contribution of $7,800 to the Company s 401(k) Plan on behalf of Mr. Vandenbergh to match a pre-tax deferral contribution (included under Salary) made by Mr. Vandenbergh to that Plan;

For Mr. McClure, $4,003 for the use of an automobile, $3,816 for premiums for group term life insurance for Mr. McClure s benefit, $1,143 for cash dividends paid on restricted stock units, $6,595 for the annual contribution to the Company s profit sharing plan on behalf of Mr. McClure, and a contribution of $7,800 to the Company s 401(k) Plan on behalf of Mr. McClure to match a pre-tax deferral contribution (included under Salary) made by Mr. McClure to that Plan; and

For Mr. Schwarz, $6,508 for the use of an automobile, $2,422 for premiums for group term life insurance for Mr. Schwarz s benefit, $3,942 for cash dividends paid on restricted stock and restricted stock units, $6,490 for the annual contribution to the Company s profit sharing plan on behalf of Mr. Schwarz, and a contribution of $7,800 to the Company s 401(k) Plan on behalf of Mr. Schwarz to match a pre-tax deferral contribution (included under Salary) made by Mr. Schwarz to that Plan.

The Company has a Profit Sharing Plan for all eligible employees. The Company s annual contribution to the plan is determined by its Board of Directors. Annual contributions are allocated to participants on a point basis for years of service and salary, with accumulated benefits payable at retirement, or, at the discretion of the plan committee, upon termination of employment. Contributions made by the Company on behalf of the Named Executive Officers are included in the table above under All Other Compensation.

Grant of Plan Based Awards

During 2014, the only equity incentive plan awards to our Named Executive Officers were restricted stock units, sometimes referred to as RSUs , granted in February 2014 based on 2013 performance. The information in the table below under columns (b), (i) and (l) pertain to these grants. The Named Executive Officers did not receive option awards in 2014. Our Named Executive Officers earned non-equity incentive plan awards for 2014 in the form of cash. These cash payments were made in March 2015 and, in accordance with SEC rules, are included in the Summary Compensation Table under Non-equity Incentive Plan Compensation for 2014. The information in the table below under columns (c), (d) and (e) pertain to these cash incentive awards. The amounts in the columns under Estimated Possible Payouts Under Equity Incentive Plan Awards are denominated in dollars, although the applicable payouts were made in grants of RSUs under the Company s 2009 Equity Compensation Program. For a description of the Company s 2014 incentive compensation plan, including the various performance targets, and the payouts that were made, see the Compensation Discussion and Analysis.

Name (a)	Grant Date (b)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards			All other Stock Awards: Number of Shares of Stock or Units	Grant Date Fair Value of Stock and Option Awards
		Threshold ($)(c)	Target ($)(d)	Maximum ($)(e)	Threshold ($)(f)	Target ($)(g)	Maximum ($)(h)	(#)(i)	($)(l)
Thomas J. Shara	2/27/2014	57,330	132,300	198,450	117,000	270,000	405,000	25,599	272,813
Joseph F. Hurley	2/27/2014	31,844	72,975	106,146	44,669	102,367	148,897	9,475	100,978
Robert A. Vandenbergh	2/27/2014	37,989	87,058	126,630	53,346	122,251	177,819	11,304	120,468

Stewart E. McClure, Jr.	2/27/2014	35,597	81,576	118,656	--	--	--	7,624	81,250
Ronald E. Schwarz	2/27/2014	26,000	58,500	91,000	29,911	67,300	104,689	6,628	70,648

Outstanding Equity Awards at December 31, 2014

The following table sets forth, for each of the Named Executive Officers, information regarding (i) option awards and (ii) restricted stock awards and RSUs outstanding at December 31, 2014. As of that date, all stock options held by the Named Executive Officers were exercisable. The vesting dates applicable to each stock award and RSU that was not vested on December 31, 2014 are described following the table. At December 31, 2014, the Named Executive Officers did not hold any other equity awards.

	Option Awards				Stock Awards	
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Non-Exercisable (c)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)
Thomas J. Shara	--	--	--	--	69,402	812,003
Joseph F. Hurley	12,763	--	12.29	12/13/2015	23,065	269,861
Robert A. Vandenbergh	12,763	--	12.29	12/13/2015	35,542	415,841
	4,847		9.20	5/23/2017		
	13,188		5.99	2/1/2020		
Stewart E. McClure, Jr.		--			7,624	89,201
	12,560	--	7.83	2/2/2021		
		--				
	10,048	--	6.25	10/25/2021		
Ronald E. Schwarz	--	--	--	--	16,693	195,308

In the table above, we are disclosing:

- in column (b), the number of shares of our Common Stock underlying unexercised stock options that were exercisable as of December 31, 2014;

- in column (c), the number of shares of our Common Stock underlying unexercised stock options that were non-exercisable as of December 31, 2014;

- in columns (e) and (f), respectively, the exercise price and expiration date for each stock option that was outstanding as of December 31, 2014;

- in column (g), the number of shares of our Common Stock covered by restricted stock awards and RSUs that were not vested as of December 31, 2014; and in column (h), the aggregate market value as of December 31, 2014 of the stock awards and RSUs referenced in column (g).

In calculating the market values of restricted stock and RSUs in the table above, we have multiplied the closing market price of our Common Stock on the last trading day in 2014, which was $11.70, by the applicable number of shares of Common Stock underlying the Named Executive Officers stock awards and RSUs. The following summarizes by individual grants the total number of restricted shares and

RSUs for each Named Executive Officer in column (g) (the description of the RSUs that follows the bullets below is applicable to all of the RSUs that have been granted to the Named Executive Officers):

- Mr. Shara held 43,803 shares of restricted stock at December 31, 2014, which vest as follows: 9,268 shares vest on January 30, 2015, 13,567 shares vest on February 1, 2015, 2,332 shares vest on January 25, 2016, 13,565 shares vest on February 1, 2016, 2,056 shares vest on January 30, 2017 and 3,015 shares vest on February 1, 2018. Mr. Shara also held 25,599 performance-based RSUs at December 31, 2014.

- Mr. Hurley held 13,590 shares of restricted stock at December 31, 2014, which vest as follows: 706 shares vest on January 26, 2015, 3,928 shares vest on January 30, 2015, 3,170 shares vest on February 1, 2015, 1,040 shares vest on January 25, 2016, 3,170 shares vest on February 1, 2016, 872 shares vest on January 30, 2017 and 704 shares vest on February 1, 2018. Mr. Hurley also held 9,475 performance-based RSUs at December 31, 2014.

- Mr. Vandenbergh held 24,238 shares of restricted stock at December 31, 2014, which vest as follows: 468 shares vest on January 26, 2015, 5,192 shares vest on January 30, 2015, 7,199 shares vest on February 1, 2015, 1,428 shares vest on January 25, 2016, 7,199 shares vest on February 1, 2016, 1,152 shares vest on January 30, 2017 and 1,600 shares vest on February 1, 2018. Mr. Vandenbergh also held 11,304 performance-based RSUs at December 31, 2014.

- Mr. McClure held 7,624 performance-based RSUs at December 31, 2014.

- Mr. Schwarz held 10,065 shares of restricted stock at December 31, 2014, which vest as follows: 401 shares vest on January 26, 2015, 2,914 shares vest on January 30, 2015, 2,397 shares vest on February 1, 2015, 776 shares vest on January 25, 2016, 2,397 shares vest on February 1, 2016, 647 shares vest on January 30, 2017 and 533 shares vest on February 1, 2018. Mr. Schwarz also held 6,628 performance-based RSUs at December 31, 2014.

For each year during each of the above-mentioned RSUs three-year performance period (January 1, 2014 through December 31, 2016), one-third of the RSUs will be earned if the Company has Net Income Available to Common Stockholders of at least $9.362 million for that year. The RSUs, to the extent earned, will vest if the Named Executive Officer remains employed by the Company through the date that the Compensation Committee certifies the achievement of the performance goal for the final year of the performance period. However, the RSUs, to the extent earned, will also become vested if the Named Executive Officer terminates employment due to (i) death, (ii) disability after having at least five years of service with the Company or the Bank, or (iii) retirement after attaining age 65 with at least five years of service. If the Named Executive Officer terminates employment after attaining age 55 and completing at least ten years of service, then 50% of the RSUs, to the extent earned, will vest. All performance-based RSUs which have not been forfeited will vest upon a change in control of the Company.

Options Exercised and Stock Awards Vested

The following table sets forth, for each of the Named Executive Officers, information regarding stock options exercised during 2014 and stock awards vested during 2014. As indicated in the table, no stock options were exercised during 2014. The phrase value realized on exercise represents the difference between the market price on the date of exercise minus the exercise price, multiplied by the number of shares of Common Stock set forth in column (b). The phrase value realized on vesting represents the number of shares of Common Stock set forth in column (d) multiplied by the market price of our Common Stock on the date on which the Named Executive Officer s stock award vested.

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
Thomas J. Shara	--	--	19,759	217,859
Joseph F. Hurley	--	--	8,621	95,056
Robert A. Vandenbergh	--	--	11,619	128,130
Stewart E. McClure, Jr.	--	--	--	--
Ronald E. Schwarz	--	--	6,405	70,627

Pension Plans

The following table sets forth, for each of the Named Executive Officers, information regarding the benefits payable under each of our plans that provides for payments or other benefits at, following, or in connection with such Named Executive Officer s retirement. In accordance with the SEC s rules, the following table does not provide information regarding tax-qualified defined contribution plans or nonqualified defined contribution plans.

Name (a)	**Plan Name (b)**	**Number of Years of Credited Service (#) (c)**	**Present Value of Accumulated Benefit ($) (d)**	**Payments During Last Fiscal Year ($) (e)**
Thomas J. Shara	Supplemental Executive Retirement Plan	Not Applicable	607,494	--
Joseph F. Hurley	--	--	--	--
Robert A. Vandenbergh	Supplemental Executive Retirement Plan	Not Applicable	513,781	--
Stewart E. McClure, Jr.	Supplemental Executive Retirement Plan	Not Applicable	483,874	--
Ronald E. Schwarz	--	--	--	--

In the table above:

when we use the phrase present value of accumulated benefit , we are referring to the actuarial present value of the Named Executive Officer s accumulated benefits under the Supplemental Executive Retirement Plans, calculated as of December 31, 2014; and

column (e) refers to the dollar amount of payments and benefits, if any, actually paid or otherwise provided to the Named Executive Officer during 2014 under our pension plans.

See Employment Agreements and other Arrangements with Executive Officers for a description of various agreements with the Named Executive Officers.

Deferred Compensation

The following table sets forth, for each of the Named Executive Officers, information regarding each defined contribution plan that we maintain and each other plan that we maintain that provides for the deferral of compensation on a basis that is not tax-qualified**.**

Name (a)	Executive Contributions in 2014 ($) (b)	Registrant Contributions in 2014 ($) (c)	Aggregate Earnings in 2014 ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at December 31, 2014 ($) (f)
Thomas J. Shara	--	--	--	--	--
Joseph F. Hurley	--	--	--	--	--
Robert A. Vandenbergh	--	--	21,855	15,978	357,322
Stewart E. McClure, Jr.	--	--	--	--	--

Ronald E. Schwarz	--	--	--	--	--

In the table above:

when we refer to the term earnings , we are referring to the aggregate interest or other earnings accrued to the Named Executive Officer s account during 2014;

the amount included in column (d) of this table is also included under the column All Other Compensation in the Summary Compensation Table set forth above (the amount in column (e) was paid out of the amount set forth in column (d)); and

the amount included in column (f) of this table was not included in our Summary Compensation Table in any prior year s proxy statement or in the Summary Compensation Table set forth above.

The National Bank of Sussex County (NBSC) entered into a salary continuation agreement during 1996 with Mr. Vandenbergh, its President, which entitled him to certain payments upon his retirement. As part of the merger of the Company and NBSC s parent (High Point Financial Corp.) in July 1999, the Company placed in trust amounts equal to the present value of the amounts that would be owed to Mr. Vandenbergh in his retirement. This amount was $381,000. The earnings for 2014 were $21,855 and the aggregate balance of the trust at December 31, 2014 was $357,322. We have no further obligation to pay additional amounts pursuant to this agreement. The $15,978 withdrawn in 2014 was used to pay the premium for additional life insurance and trustee fees for Mr. Vandenbergh.

NBSC also provided Mr. Vandenbergh with a split dollar life insurance death benefit, pursuant to which his beneficiary will receive an amount equal to three times his last salary. The one time premium for such insurance was paid prior to 2014.

Equity Compensation Plan Information

The following table gives information about the Company s common stock that may be issued upon the exercise of options under the Company s Amended and Restated 2000 Equity Compensation Program and the Company s Amended and Restated 2009 Equity Compensation Program as of December 31, 2014. These plans were the Company s only equity compensation plans in existence as of December 31, 2014. The 2009 Equity Compensation Program is the successor to the 2000 Equity Compensation Program, and no additional awards will be granted under the 2000 Equity Compensation Program. No warrants or rights may be granted, or are outstanding, under the 2000 or the 2009 Equity Compensation Programs.

Plan Category	(a) Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price Of Outstanding Options, Warrants and Rights	(c) Number Of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected In Column (a))
Equity Compensation Plans Approved by Shareholders	486,480	10.63	1,755,595
Equity Compensation Plans Not Approved by Shareholders	--	--	--
TOTAL	486,480	10.63	1,755,595

The number in column (a) does not include a total of 84,044 shares of Lakeland common stock that are issuable upon the exercise of options assumed in the Somerset Hills merger with a weighted average exercise price of $7.11.

Employment Agreements and Other Arrangements with Named Executive Officers

Thomas J. Shara

Thomas J. Shara joined the Company as President and Chief Executive Officer of Lakeland and Lakeland Bank on April 2, 2008. On May 22, 2008, Lakeland, Lakeland Bank and Mr. Shara executed an Employment Agreement (the Shara Employment Agreement). The Shara Employment Agreement provides that Mr. Shara will be employed as President and Chief Executive Officer of the Company and Lakeland Bank for a term commencing on April 2, 2008 (the Effective Date) and expiring on April 1, 2011 (the Initial Term). The Initial Term will automatically be extended for an additional one year period on each anniversary date of the Effective Date, unless on or before each such anniversary date either party provides written notice to the other of its (or his) intent not to extend the then current term, provided, however, that on and after the 15th anniversary of the Effective Date, if Mr. Shara remains employed, his employment will be on an at-will basis. The Initial Term and any renewal period through the 15th anniversary of the Effective Date collectively are referred to as the Term .

The Shara Employment Agreement further provides that Mr. Shara will be nominated for election (i) as a member of Lakeland Bank s Board of Directors at each annual meeting of the sole shareholder of Lakeland Bank occurring during the Term and (ii) as a member of the Company s Board of Directors at each annual meeting of shareholders of the Company at which Mr. Shara s term as a director of the Company expires occurring during the Term. Mr. Shara initially was appointed to the Lakeland Bank Board and the Company Board on April 2, 2008, and was nominated to stand for election at the Company s 2008 annual meeting of shareholders for a term of two years, at which he was so elected. He was nominated and elected for a three year term at the 2010 Annual Meeting and at the 2013 Annual Meeting.

The Shara Employment Agreement provides that Mr. Shara will receive a base salary of not less than $400,000 per year and that he will participate in the executive bonus program as approved annually by the Company s Board. Upon joining the Company on April 2, 2008, Mr. Shara received a restricted stock award of 60,000 shares, which vested in 25% increments on December 1, 2009, December 1, 2010, December 1, 2011 and December 1, 2012. The Shara Employment Agreement also provides that Mr. Shara will be entitled to participate in all employee benefit plans or programs, including without limitation the 401(k) Plan and Profit Sharing Plan, and to receive all benefits and perquisites, including without limitation an automobile, which are approved by the Boards of the Company and Lakeland Bank and are generally made available to executive officers of the Company, to the extent permissible under the general terms and provisions of such plans or programs.

The Shara Employment Agreement provides that if Mr. Shara s employment is terminated during the Term by the Company without Cause (as contractually defined) or Mr. Shara resigns for Good Reason (as contractually defined), Mr. Shara will receive a severance payment equal to 36 months of his annual base salary at the rate in effect as of the termination date. In addition, all of Mr. Shara s restricted shares and stock options (to the extent not already vested) will become fully vested, and he will be permitted to exercise any such option for the period specified in the Company s equity compensation plan as in effect at such time. He will also be entitled to the continuation of certain medical benefits. However, if within 90 days following a Change in Control (as contractually defined), Mr. Shara s employment is terminated without Cause or he resigns for Good Reason, then he will receive a severance payment equal to three times the sum of (a) an amount equal to his annual base salary at the rate in effect as of the termination date, plus (b) an amount equal to the highest annual bonus paid to Mr. Shara during the last three years prior to the his termination date.

The Shara Employment Agreement provides that in the event it is determined that any payment or benefit made or provided by the Company or Lakeland Bank pursuant to the terms of the Shara Employment Agreement or under any other arrangement (other than the Shara Deferred Compensation Agreement) would be subject to the excise tax (the Excise Tax) imposed by Section 4999 of the Internal Revenue Code, then Mr. Shara will be entitled to receive an additional payment from the Company (a Gross-Up Payment) such that the net amount received by Mr. Shara after deduction of such Excise Tax and any federal, state and local income tax, penalties, interest and Excise Tax upon the Gross-Up Payment will be equal to the payments otherwise payable to him under the terms of the Employment Agreement. Mr. Shara also agrees in the Employment Agreement not to compete with Lakeland Bank s business for a 12 month period following termination of employment in a geographic area equal to 20 miles from any of Lakeland Bank s branches at the time of Mr. Shara s termination of employment.

On May 22, 2008, Lakeland, Lakeland Bank and Mr. Shara executed a Supplemental Executive Retirement Plan Agreement (the Shara SERP). The Shara SERP provides that Mr. Shara will receive a normal retirement benefit of $150,000 per year for 15 years upon termination of his employment after the normal retirement age of 65. The benefit will be paid in monthly payments of $12,500 each. The Shara SERP further provides that if, prior to a Change in Control, Mr. Shara resigns

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his employment with the Company or Lakeland Bank for Good Reason, his employment with the Company or Lakeland Bank terminates due to disability, or his employment with the Company or Lakeland Bank is terminated by the Company or Lakeland Bank other than for Cause, he will receive the same benefit of $150,000 per year for 15 years, payable in monthly payments of $12,500 each, commencing with the month following Mr. Shara s 65th birthday. If Mr. Shara is employed by the Company or Lakeland Bank at the time of a Change in Control, he will receive the same benefit, beginning with the month following his 65th birthday. If Mr. Shara should die while employed, his beneficiary will receive the same monthly payment described above for the period specified, except that such payments will commence within 60 days of receipt of a death certificate. If Mr. Shara should die after the benefit payments have commenced but before receiving all such payments, the Company will pay the remaining benefits to his beneficiary at the same time and in the same amounts they would have been paid to Mr. Shara had he survived. The Shara SERP provides that Mr. Shara is not entitled to any benefit under the SERP if (i) the Company terminates his employment for Cause, or (ii) he resigns his employment with the Company other than for Good Reason prior to the earlier of attaining age 65 or a Change in Control. Amounts payable under the Shara SERP are subject to the same Gross-Up Payment provisions as are applicable under the Shara Employment Agreement.

On February 27, 2015, Lakeland, Lakeland Bank and Mr. Shara entered into a Deferred Compensation Agreement (the Deferred Compensation Agreement) pursuant to which the Company and Lakeland Bank (collectively, Lakeland) will credit to a deferral account established on Mr. Shara s behalf $16,500 for each calendar month from February 1, 2015 to December 2022 that Mr. Shara is actively employed by Lakeland. From March 1, 2015 until Mr. Shara s separation from service, the deferral account will be credited with interest at an annual rate equal to the lesser of 15% or the Company s return on equity for the preceding calendar year, compounded annually. The deferral account is generally payable to Mr. Shara in 180 monthly installments commencing upon separation from service after his attainment of age 65. If Mr. Shara s employment is involuntarily terminated without cause or he resigns for good reason (as those terms are defined in the Employment Agreement, dated April 2, 2008, entered into by Mr. Shara and Lakeland, as amended (the Employment Agreement)) prior to his attainment of age 65, or if he separates from service after a change in control (as defined in the Employment Agreement) but prior to age 65, then he will be entitled to an annual benefit, payable in 180 monthly installments, commencing at age 65 that is equal to the greater of $200,000 or the annual amount that would be payable over fifteen years based on his projected deferral account balance at age 65. The projected deferral account balance at age 65 is the deferral account at the time of separation from service, plus the monthly credits that would have been made to his deferral account until age 65 had he continued to be employed by Lakeland and interest credits to age 65 at the average return on equity from February 1, 2015 to the date of separation, compounded monthly. If Mr. Shara voluntarily terminates employment before age 65 other than for good reason, his deferral account will not be credited with any further monthly credits or interest.

If Mr. Shara separates from service due to death, his beneficiary will be paid an annual benefit under the Deferred Compensation Agreement equal to the greater of $200,000 or the annual amount that would be payable over fifteen years based on his projected deferral account balance at age 65 determined in the manner described above