LAKELAND FINANCIAL CORP
Form DEF 14A
March 05, 2015

P.O. Box 1387 • Warsaw, Indiana 46581 • (574) 267-6144

March 5, 2015

Dear Shareholder:

On behalf of the board of directors and management of Lakeland Financial Corporation, we cordially invite you to attend the annual meeting of shareholders of Lakeland Financial Corporation to be held at 4:30 p.m. (local time) on April 14, 2015, at the Fort Wayne Country Club, located at 5221 Covington Road, Fort Wayne, Indiana 46804.

This year we are using the Securities and Exchange Commission rule that allows us to furnish our proxy statement, our 2014 summary annual report to shareholders, a copy of our annual report on Form 10-K and proxy card to shareholders over the Internet. This means that our shareholders will receive only a notice containing instructions on how to access the proxy materials over the Internet and vote online. If you receive this notice but would still like to request paper copies of the proxy materials, please follow the instructions on the notice or on the website referred to on the notice. By delivering proxy materials electronically to our shareholders, we can reduce the costs of printing and mailing our proxy materials. Please visit www.proxyvote.com for more information about the electronic delivery of proxy materials.

There are a number of proposals to be considered at the meeting. Our Nominating and Corporate Governance Committee has nominated thirteen persons to serve as directors, each of whom is an incumbent director. If elected, each of them would serve a one-year term. Additionally, we have also included a non-binding advisory proposal on the compensation of certain executive officers. Finally, our Audit Committee has selected, and we recommend that you ratify the selection of, Crowe Horwath LLP to continue as our independent registered public accounting firm for the year ending December 31, 2015. We recommend you vote your shares for the director nominees, for the compensation of our executive management, and for the ratification of our accountants. Additionally, at the meeting, we will review our performance in 2014 and update you on our strategic plan as we move forward. You are welcome to attend a reception immediately following the annual meeting.

We encourage you to attend the meeting in person. However, whether or not you plan to attend the meeting in person, please take the time to vote by following the instructions provided on the notice as soon as possible. This will ensure that your shares are represented at the meeting.

We look forward with pleasure to seeing and visiting with you at the meeting.

Very truly yours,

/s/ David M. Findlay
David M. Findlay
President and Chief
Executive Officer

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD APRIL 14, 2015

To the Shareholders:

The annual meeting of the shareholders of Lakeland Financial Corporation will be held on Tuesday, April 14, 2015, at 4:30 p.m. (local time) at the Fort Wayne Country Club, located at 5221 Covington Road, Fort Wayne, Indiana, for the following purposes:

1. to elect 13 members of the board of directors;

2. to approve a non-binding advisory proposal on the compensation of certain executive officers, otherwise known as a “say-on-pay” proposal;

3. to ratify the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015; and

4. to transact such other business as may properly be brought before the meeting and any adjournments or postponements of the meeting.

Only shareholders of record on our books at the close of business on February 25, 2015, the record date for the annual meeting, will be entitled to vote at the annual meeting. In the event there are an insufficient number of votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the annual meeting, the meeting may be adjourned or postponed in order to permit us to further solicit proxies.

By order of the
board of
directors,

/s/ Kristin L.
Pruitt
Kristin L. Pruitt
Secretary

Warsaw, Indiana
March 5, 2015

LAKELAND FINANCIAL CORPORATION

PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS
April 14, 2015

Lakeland Financial Corporation, an Indiana corporation, with its principal executive offices located in Warsaw, Indiana, is the holding company for Lake City Bank. We also own all of the common securities of Lakeland Statutory Trust II, a Connecticut business trust created for the issuance of trust preferred securities and all of the common stock of LCB Risk Management, Inc., a Nevada corporation founded as a captive insurance company. Lake City Bank owns all of the common stock of LCB Investments II, Inc., which was formed to manage a portion of the Bank's securities portfolio. LCB Investments II, Inc., owns all of the common stock of LCB Funding, Inc., a real estate investment trust.

This proxy statement is being furnished to our shareholders in connection with the solicitation by our board of directors of proxies to be used at the annual meeting of shareholders to be held at the Fort Wayne Country Club, located at 5221 Covington Road, Fort Wayne, Indiana on Tuesday, April 14, 2015 at 4:30 p.m. (local time), or at any adjournments or postponements of the meeting. Our summary annual report to shareholders, including the consolidated financial statements for the fiscal year ended December 31, 2014, and a copy of our Form 10-K, which we filed with the Securities and Exchange Commission (the "SEC"), are also available. These proxy materials are first being made available or distributed to shareholders on or about March 5, 2015.

The following is information regarding the meeting and the voting process, presented in a question and answer format. As used in this proxy statement, the terms "Lakeland Financial," "the Company," "we," "our" and "us" all refer to Lakeland Financial Corporation and its direct and indirect subsidiaries.

Why did I receive access to the proxy materials?

We have made the proxy materials available to you over the Internet because on February 25, 2015, the record date for the annual meeting, you owned shares of our common stock. This proxy statement describes the matters that will be presented for consideration by the shareholders at the annual meeting. It also gives you information concerning those matters to assist you in making an informed decision.

When you vote pursuant to one of the methods set forth herein, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you instruct, thereby ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, we ask that you instruct the proxies how to vote your shares in advance of the meeting just in case your plans change.

If you appointed the proxies to vote your shares and an issue comes up for a vote at the meeting that is not identified in the proxy materials, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

Why did I receive a notice regarding the Internet availability of proxy materials instead of paper copies of the proxy materials?

We are using the SEC notice and access rule that allows us to furnish our proxy materials over the Internet to our shareholders instead of mailing paper copies of those materials to each shareholder. As a result, beginning on or about February 25, 2015, we sent our shareholders by mail a notice containing instructions on how to access our proxy materials over the Internet and vote online. This notice is not a proxy card and cannot be used to vote your shares. If you received a notice this year, you will not receive paper copies of the proxy materials unless you request the materials by following the instructions on the notice or on the website referred to in the notice.

What matters will be voted on at the meeting?

You are being asked to vote on: (i) the election of 13 directors of Lakeland Financial for a term expiring in 2016; (ii) a non-binding advisory proposal on the compensation of certain executive officers, otherwise known as a “say-on-pay” proposal; and (iii) the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the 2015 fiscal year. These matters are more fully described in this proxy statement.

If I am the record holder of my shares, how do I vote?

You may vote by telephone, by Internet, by mail by completing signing, dating and mailing the proxy card you received in the mail, if you received paper copies of the proxy materials, or in person at the meeting. If you vote using one of the methods described above, your shares will be voted as you instruct.

If you sign and return your proxy card or vote over the Internet or by telephone without giving specific voting instructions, the shares represented by your proxy card will be voted "for" all nominees named in this proxy statement, and "for" each of the other proposals described in this proxy.

Although you may vote by mail, we ask that you vote instead by Internet or telephone, which saves us postage and processing costs.

You may vote by telephone by calling the toll-free number specified on your notice card or by accessing the Internet website referred to on your notice card, each by following the preprinted instructions on the notice card. If you submit your vote by Internet you may incur costs, such as cable, telephone and Internet access charges. Votes submitted by telephone or Internet must be received by 11:59 p.m. on Monday, April 13, 2015. The giving of a proxy by either of these means will not affect your right to vote in person if you decide to attend the meeting.

If you want to vote in person, please come to the meeting. We will distribute written ballots to anyone who wants to vote at the meeting. Please note, however, that if your shares are held in the name of a broker or other fiduciary (or what is usually referred to as "street name"), you will need to arrange to obtain a proxy from the record holder in order to vote in person at the meeting. Even if you plan to attend the annual meeting, we ask that you complete and return your proxy card in advance of the annual meeting in case your plans change.

If I hold shares in the name of a broker or fiduciary, who votes my shares?

If you are a beneficial owner and a broker or other fiduciary is the record holder, then you received access to these proxy materials from the record holder. The record holder should have given you instructions for directing how the record holder should vote your shares. It will then be the record holder's responsibility to vote your shares for you in the manner you direct.

Under the rules of various national and regional securities exchanges, brokers and other fiduciaries may generally vote on routine matters, such as the ratification of an independent registered public accounting firm, without your direction but cannot vote on non-routine matters unless they have received voting instructions from the person for whom they are holding shares. The election of directors and the say-on-pay vote are considered non-routine matters. If your broker or fiduciary does not receive instructions from you on how to vote your shares on these matters, your broker or fiduciary will return the proxy card to us indicating that he or she does not have authority to vote. This is generally referred to as a "broker non-vote" and may affect the outcome of the voting on these matters.

We therefore encourage you to provide directions to your broker as to how you want your shares voted on all matters to be brought before the meeting. You should do this by carefully following the instructions your broker gives you concerning its procedures.

What does it mean if I receive more than one proxy card?

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with brokers. To vote all of your shares by proxy, please follow the separate voting instructions that you received for your shares of common stock held in each of your different accounts.

What if I change my mind after I return my proxy card?

If you hold your shares in your own name, you may revoke your proxy and change your vote at any time before the polls close at the meeting. You may do this by:

- signing another proxy with a later date and returning that proxy to us;
- timely submitting another proxy via the telephone or Internet;
- sending notice to us that you are revoking your proxy; or
- voting in person at the meeting.

If you hold your shares in the name of your broker or other fiduciary and desire to revoke your proxy, you will need to contact that party to revoke your proxy.

How many votes do we need to hold the annual meeting?

A majority of the shares that are outstanding and entitled to vote as of the record date must be present in person or by proxy at the meeting in order to hold the meeting and conduct business.

Shares are counted as present at the meeting if the shareholder either:

- is present and votes in person at the meeting; or
- has properly submitted a signed proxy card or other form of proxy (through the telephone or Internet).

On February 25, 2015, the record date, there were 16,604,568 shares of common stock issued and outstanding. Therefore, at least 8,302,285 shares need to be present at the annual meeting.

What happens if a nominee is unable to stand for re-election?

The board may, by resolution, provide for a lesser number of directors or designate a substitute nominee. In the latter case, shares represented by proxies may be voted for a substitute nominee. Proxies cannot be voted for more than 13 nominees. As of the date of this proxy statement, we have no reason to believe any nominee will be unable to stand for re-election.

What options do I have in voting on each of the proposals?

You may vote “for” or “withhold authority to vote for” each nominee for director. You may vote “for,” “against,” or “abstain” on each of the other proposals described in this proxy statement and on any other proposal properly brought before the meeting.

How many votes may I cast?

Generally, you are entitled to cast one vote for each share of stock you owned on the record date.

How many votes are needed for each proposal?

A majority of the votes cast by the holders of the stock having voting power at the meeting will approve each matter that arises at the annual meeting.

Please note, however, because the say-on-pay vote is advisory, it will not be binding upon the board of directors or the Compensation Committee. Also, please remember that the election of directors and the say-on-pay vote are each considered non-routine matters. Consequently, if your shares are held by a broker or other fiduciary, it cannot vote your shares on these matters unless it has received voting instructions from you.

Abstentions and broker non-votes, if any, will not be counted as entitled to vote but will count for purposes of determining whether or not a quorum is present. So long as a quorum is present, broker non-votes will have no effect on any of the matters presented for a vote at the annual meeting.

Where do I find the voting results of the meeting?

If available, we will announce voting results at the meeting. The voting results will also be disclosed on a Form 8-K that we will file with the SEC within four business days after the meeting.

Who bears the cost of soliciting proxies?

We will bear the cost of soliciting proxies. In addition to solicitations by mail, officers, directors or employees of Lakeland Financial may solicit proxies in person or by telephone. These persons will not receive any special or additional compensation for soliciting proxies. We may reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for forwarding proxy and solicitation materials to shareholders.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be Held on April 14, 2015.

Our proxy statement for the annual meeting of shareholders to be held on April 14, 2015, other proxy materials, and our 2014 annual report to shareholders are available at www.lakecitybank.com.

SECURITY OWNERSHIP OF CERTAIN

BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information with respect to the beneficial ownership of our common stock at February 25, 2015, by each person known by us to be the beneficial owner of more than 5% of the outstanding common stock, by each director or nominee, by each executive officer named in the Summary Compensation Table, which can be found later in this proxy statement, and by all directors and executive officers of Lakeland Financial Corporation as a group. Beneficial ownership has been determined for this purpose in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended, under which a person is deemed to be the beneficial owner of securities if he, she or it has or shares voting power or investment power in respect of such securities or has the right to acquire beneficial ownership of securities within 60 days of February 25, 2015.

Name of Individual or Number of Individuals in Group	Amount and Nature of Beneficial Ownership(1,2)	Percent of Class
5% Shareholders		
FMR LLC(3)	1,264,185	7.6%
BlackRock, Inc.(4)	1,081,643	6.5%
Columbia Wanger Asset Management, L.P.(5)	870,697	5.2%
Directors and Nominees		
Blake W. Augsburger	8,918(6)	*
Robert E. Bartels, Jr.	10,575(7)	*
Daniel F. Evans, Jr.	6,496(8)	*
David M. Findlay	87,239(9)	*
Thomas A. Hiatt	22,130(10)	*
Michael L. Kubacki	198,358(11)	1.2%
Charles E. Niemier	129,136(12)	*
Emily E. Pichon	7,975	*
Steven D. Ross	20,374	*
Brian J. Smith	30,405(13)	*
Bradley J. Toothaker	10,789(14)	*
Ronald D. Truex	36,383(15)	*
M. Scott Welch	110,326(16)	*
Other Named Executive Officers		
Lisa M. O'Neill	1,500(17)	*
Eric H. Ottinger	18,182(18)	*
Kevin L. Deardorff	29,938	*
Kristin L. Pruitt	4,806	*
All directors and executive officers as a group (23 persons)	761,961(19)	4.6%

*Indicates that the individual or entity owns less than one percent of Lakeland Financial's common stock.

(1) The total number of shares of common stock issued and outstanding on February 25, 2015 was 16,604,568.

(2) The information contained in this column is based upon information furnished to us by the persons named above and as shown on our transfer records. The nature of beneficial ownership for shares shown in this column, unless otherwise noted, represents sole voting and investment power.

(3) Includes entities related to reporting entity. Based upon a schedule 13G filed with the SEC on February 13, 2015. The address for the reporting entity is 245 Summer Street, Boston, MA 02210.

(4) Includes entities related to reporting entity. Based upon a schedule 13G filed with the SEC on January 29, 2015. The address for the reporting entity is 55 East 52nd Street, New York, NY 10022.

(5) Based upon a schedule 13G filed with the SEC on February 11, 2015. The address for the reporting entity is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.

(6) Includes 4,043 shares credited to Mr. Augsburger's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(7) Includes 1,000 options, which are currently exercisable, over which Mr. Bartels has no voting power and sole investment power.

(8) Includes 5,871 shares credited to Mr. Evans' account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(9) Includes 2,500 shares held by Mr. Findlay's individual retirement account; 2,000 shares held by Mr. Findlay's wife, as to which shares he has no voting or investment power and 10,000 options, which are currently exercisable, over which Mr. Findlay has no voting power and sole investment power.

(10) Includes 25 shares held by Mr. Hiatt's individual retirement account; 616 shares held by Mr. Hiatt's wife's individual retirement account, as to which shares he shares voting and investment power; and 11,103 shares credited to Mr. Hiatt's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(11) Includes 15,000 options, which are currently exercisable, over which Mr. Kubacki has no voting power and sole investment power.

(12) Includes 71,180 shares held by Mr. Niemier's individual retirement account; 8,857 shares held by Mr. Niemier's wife's individual retirement account, as to which shares he has no voting or investment power; 19,257 shares held in trust, as to which shares he shares voting and investment power; 1,000 options, which are currently exercisable, over which Mr. Niemier has no voting power and sole investment power; and 28,842 shares credited to Mr. Niemier's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(13) Includes 17,779 shares held in a trust in which he serves as trustee; 4,653 shares credited to Mr. Smith's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(14) Includes 3,914 shares credited to Mr. Toothaker's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(15) Includes 5,183 shares held by Mr. Truex's wife, as to which shares he has no voting or investment power; 20,000 held by CB Financial, LLC, as to which shares he shares voting and investment power; and 5,825 shares credited to Mr. Truex's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(16)

Includes 838 shares held by Mr. Welch's individual retirement account; 1,930 shares held by Mr. Welch's wife's individual retirement account, as to which shares he shares voting and investment power; 16,000 shares held by BEL Leasing LLP, as to which shares he has sole voting and investment power; and 25,182 shares credited to Mr. Welch's account as of February 5, 2015 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

(17) Includes 1,500 shares held by Ms. O'Neill's individual retirement account.

(18) Includes 3,500 options, which are currently exercisable, over which Mr. Ottinger has no voting power and sole investment power.

(19) This includes shares which have been allocated to executive officers under the 401(k) plan through December 31, 2014.

ELECTION OF DIRECTORS

Shareholders will be entitled to elect 13 directors for a term expiring in 2016 at the annual meeting. At the annual meeting in 2012, our shareholders approved an amendment to our Articles of Incorporation providing for the declassification of our board of directors and the entire board of directors is up for election at our annual meeting.

We have no knowledge that any nominee will refuse or be unable to serve, but if any of the nominees is unavailable for election, the holders of the proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

Set forth below is information concerning the nominees for election, including the age, the year first appointed or elected as a director and the other positions held by the person at Lakeland Financial and Lake City Bank. The nominees, if elected at the annual meeting, will serve as directors for a one-year term expiring in 2016. Each of the nominees is an incumbent director and has served as a director of Lakeland financial for at least one term.

The directors will be elected by a majority voting standard. Each vote is required to be counted "for" or "against" the director's election. Consequently, to be elected as a director, the votes cast "for" a nominee's election must exceed the number of votes cast "against" such nominee's election. Shareholders will also be entitled to abstain with respect to the election of a director although abstentions will have no effect in determining whether the required affirmative majority vote has been obtained. We recommend that shareholders vote "FOR" each of the nominees for director nominee.

NOMINEES

	Director Since	Positions with Lakeland Financial and Lake City Bank
Term Expires 2016		
Blake W. Augsburger (age 51)	2011	Director of Lakeland Financial and Lake City Bank
Robert E. Bartels, Jr. (age 50)	2002	Director of Lakeland Financial and Lake City Bank
Daniel F. Evans, Jr. (age 65)	2010	Director of Lakeland Financial and Lake City Bank
David M. Findlay (age 53)	2010	President and Chief Executive Officer and Director of Lakeland Financial and Lake City Bank
Thomas A. Hiatt (age 67)	2007	Director of Lakeland Financial and Lake City Bank
Michael L. Kubacki (age 63)	1998	Executive Chairman of Lakeland Financial and Lake City Bank
Charles E. Niemier (age 59)	1998	Director of Lakeland Financial and Lake City Bank
Emily E. Pichon (age 51)	2002	Director of Lakeland Financial and Lake City Bank
Steven D. Ross (age 60)	2000	Director of Lakeland Financial and Lake City Bank
Brian J. Smith (age 50)	2011	Director of Lakeland Financial and Lake City Bank
Bradley J. Toothaker (age 46)	2011	Director of Lakeland Financial and Lake City Bank
Ronald D. Truex (age 64)	2010	Director of Lakeland Financial and Lake City Bank
M. Scott Welch (age 54)	1998	Director of Lakeland Financial and Lake City Bank

All directors will hold office for the terms indicated, or until their earlier death, resignation, removal or disqualification, and until their respective successors are duly elected and qualified. Other than pursuant to Mr. Kubacki's Transitional Employment Agreement, as described herein, there are no arrangements or understandings between any of the nominees, directors or executive officers and any other person pursuant to which any of our nominees, directors or executive officers have been selected for their respective positions. No nominee, member of the board of directors or executive officer is related to any other nominee, member of the board of directors or executive officer. No nominee or director has been a director of another "public corporation" (i.e. subject to the reporting requirements of the Securities Exchange Act of 1934) or of any investment company within the past five years.

The business experience of each of the nominees and continuing directors for the past five years, as well as their qualifications to serve on the board, is as follows:

Mr. Augsburger is Executive Vice President and serves as America's Country Manager of Harman International Industries, Incorporated, a Fortune 500 company that designs and manufactures audio and infotainment products and systems. He also serves as the President of the Harman Professional Division, which is based in Northridge, California. We consider Mr. Augsburger to be a qualified candidate for service on the board, as well as the Nominating and Corporate Governance Committee, due to his leadership skills and expertise as an executive of a large, complex public company.

Mr. Bartels, Jr. is President and Chief Executive Officer of Martin's Supermarkets, Inc., a regional supermarket chain headquartered in South Bend, Indiana. We consider Mr. Bartels to be a qualified candidate for service on the board, as well as the Audit Committee and the Nominating and Corporate Governance Committee, due to his skills and expertise acquired as the leader of a successful business that is prominent in many of our markets.

Mr. Evans, Jr. is the President and Chief Executive Officer of Indiana University Health, a large, statewide health care and hospital system headquartered in Indianapolis, Indiana. In addition, Mr. Evans is an attorney with private practice and governmental relations experience. Mr. Evans also has strong banking experience, having served as the Chairman of the Federal Home Loan Bank of Indianapolis from 1987-1990 and as the chairman of the Federal Housing Finance Board, the regulator of the Federal Home Loan Banks, from 1990-1993. We consider Mr. Evans to be qualified to serve on the board, as well as the Nominating and Corporate Governance Committee, due to his experience managing a large organization, his experience in the banking industry and his knowledge of the Indianapolis market as we look to expand our presence in Indianapolis.

Mr. Findlay presently serves as the President and Chief Executive Officer of Lakeland Financial and Lake City Bank. Mr. Findlay also served as President and Chief Financial Officer from 2010-2014 and Chief Financial Officer from 2000-2010. Prior to joining Lakeland Financial in September of 2000, Mr. Findlay served as the Chief Financial Officer of Quality Dining, Inc., a publicly traded company with its headquarters in South Bend, Indiana. Prior to that, he served in various capacities with The Northern Trust Company in Chicago, Illinois. We consider Mr. Findlay to be qualified to serve on the board due to the familiarity with Lakeland Financial's operations he has acquired as its President and Chief Financial Officer, his experience in the financial services industry and his prior experience as the chief financial officer of a publicly traded company.

Mr. Hiatt is Managing Director and Founding Partner of Centerfield Capital Partners, an investment firm that provides private equity and mezzanine debt to middle-market companies, headquartered in Indianapolis, Indiana. We consider Mr. Hiatt to be a qualified candidate for service on the board, as well as the Nominating and Corporate Governance Committee, due to his business and financial expertise acquired as the founding partner in his venture capital investment company, and his knowledge of, and prominence in, the Indianapolis market.

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Mr. Kubacki presently serves as Executive Chairman of the Board of Directors of Lakeland Financial and Lake City Bank. Mr. Kubacki also served as Chief Executive Officer of Lakeland Financial and Lake City Bank from 1998 to 2014 and as President from 1998 to 2010. Prior to joining Lakeland Financial in 1998, Mr. Kubacki served as Executive Vice President of The Northern Trust Bank of California, N.A. We consider Mr. Kubacki to be a qualified candidate for service on the board due to the intimate familiarity with Lakeland Financial's operations he has acquired as its Chairman and Chief Executive Officer and his skills and experience in the financial services industry.

Mr. Niemier is the former Chief Operating Officer of International Operations for Biomet, Inc., which is a manufacturer of medical and orthopedic devices based in Warsaw, Indiana. He is also a former director of Biomet, which was a public company during the time he served as a director. Mr. Niemier also serves as a trustee of Valparaiso University. We consider Mr. Niemier to be a qualified candidate for service on the board, as well as the Audit Committee and the Compensation Committee, due to his experience as a Chief Financial Officer of Biomet, his financial accounting background and his general experience in business and our markets.

Ms. Pichon is the Chairman of ExTech Plastics, Inc., an extruder of plastic sheet, and an officer and director of the Olive B. Cole Foundation and the M E Raker Foundation, each a private charitable foundation focused on northeast Indiana education, economic development and conservation based in Fort Wayne, Indiana. We consider Ms. Pichon to be qualified to serve on the board, as well as the Audit Committee and the Compensation Committee, due to her experience with two prominent charitable foundations located in Fort Wayne and her education and training as an attorney.

Mr. Ross is the former President of Heartland Coffee Company, a regional coffee and beverage service company, based in Warsaw, Indiana. Mr. Ross is also the former President of Bertsch Services, Inc., a regional food service and vending company, that was based in Warsaw, Indiana prior to its sale. We consider Mr. Ross to be a qualified candidate for service on the board, as well as the Nominating and Corporate Governance Committee, due to his skills and expertise acquired as president of a successful business in Kosciusko County and his knowledge of the business community in this region.

Mr. Smith is co-Chief Executive Officer of Heritage Financial Group, Inc., a real estate investment and management and consumer finance company based in Elkhart, Indiana. We consider Mr. Smith to be a qualified candidate for service on the board, due to his expertise in the manufactured housing and consumer finance industries, which is a significant industry in northern Indiana, and his knowledge of, and prominence in, the Elkhart market. Additionally, Mr. Smith has a strong financial background as a certified public accountant, which adds meaningful expertise to the Audit Committee.

Mr. Toothaker is the President and Chief Executive Officer of Bradley Company, a large Midwest-based, full-service real estate company. We consider Mr. Toothaker to be a qualified candidate for service on the board due to his extensive knowledge of the real estate sector in our region and his knowledge of the Northern Indiana market.

Mr. Truex is the President of Creighton Brothers, LLC, a diversified agribusiness company focused on egg and grain production, headquartered in Warsaw, Indiana. We consider Mr. Truex to be a qualified candidate for service on the board due to his skills and expertise in the agricultural industry and his knowledge of the agricultural communities in many of our markets.

Mr. Welch is the Chief Executive Officer of Welch Packaging Group, Inc., which is primarily engaged in producing industrial and point of purchase packaging and is headquartered in Elkhart, Indiana. We consider Mr. Welch to be a qualified candidate for service on the board, as well as the Audit Committee and the Nominating and Corporate Governance Committee, due to his skills and expertise in the manufacturing industry and his past experience with growing organizations.

In addition, the following individuals serve as executive officers of Lakeland Financial and are named in the compensation tables included in this proxy statement:

Lisa M. O'Neill, age 47, presently serves as Executive Vice President and Chief Financial Officer of Lakeland Financial Corporation and Lake City Bank, a position she has held since April 2014. Prior to that, Ms. O'Neill served as Chief Financial Officer of Bank First National Corporation located in Manitowoc, Wisconsin from 2007-2014. From 1999-2006, Ms. O'Neill was the Controller of Private Bancorp, Inc. Prior to 1999, Ms. O'Neill was with Arthur Andersen in its financial institutions group audit practice since 1989.

Eric H. Ottinger, age 44, presently serves as an Executive Vice President of Lakeland Financial and as head of our Commercial Banking Department, a position which he has held since August 2011. He joined Lake City Bank in April 1999 as Vice President, Commercial Loan Officer. In April 2002 he was promoted to Commercial East Regional Manager. In April 2009, he was promoted to head of our Wealth Advisory Group. Prior to that time, Mr. Ottinger was a commercial lending officer at another bank since 1993.

Kevin L. Deardorff, age 53, presently serves as an Executive Vice President of Lakeland Financial and as head of Retail Banking, positions he has held since 2001. He has served as an officer of Lake City Bank since 1993.

Kristin L. Pruitt, age 43, presently serves as a Executive Vice President and General Counsel of Lakeland Financial, a position she has held since 2014. She joined Lakeland Financial in 2008 as Senior Vice President and General Counsel. Before joining Lake City Bank, she served as Assistant General Counsel at 1st Source Bank in South Bend, Indiana since 2004. Prior to joining 1st Source Bank, Ms. Pruitt was associated with Skadden, Arps, Slate, Meagher & Flom, LLP's Washington DC office as an attorney since 1999.

Section 16(a) Beneficial Ownership Reporting Compliance.

Section 16(a) of the Securities Exchange Act of 1934 requires that our executive officers, directors and persons who own more than 10% of our common stock file reports of ownership and changes in ownership with the SEC. They are also required to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms, and, if appropriate, representations made to us by any reporting person concerning whether a Form 5 was required to be filed for 2014, we are aware that one filing with respect to the exercise of options by Mr. Steven Ross was made late. Other than that one filing, we are not aware that any of our directors, executive officers or 10% shareholders failed to comply with the filing requirements of Section 16(a) during 2014.

CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

General

The board has adopted guidelines on significant corporate governance matters that, together with our Code of Conduct and other policies, create our corporate governance standards. You may view the Corporate Governance Guidelines and our committee charters and other policies in the Investor Relations section of our website at www.lakecitybank.com.

Generally, the board oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the board does not involve itself in the day-to-day operations of Lakeland Financial, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the board, which convene eight times a year, and through committee membership, which is discussed below. Our directors also discuss business and other matters with Mr. Kubacki, our Executive Chairman, Mr. Findlay, our President and Chief Executive Officer, Ms. O'Neill, our Chief Financial Officer, other key executives and our principal external advisers (legal counsel, auditors and other consultants). All members of our board of directors also serve as members of Lake City Bank's board of directors.

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With the exception of Mr. Kubacki and Mr. Findlay who are executive officers, all of our current directors are "independent," as defined by the NASDAQ Global Select Market, or Nasdaq, and we have determined that the independent directors do not have other relationships with us that prevent them from making objective, independent decisions. The board of directors has established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee, among other committees. In addition to our Corporate Governance Guidelines, the current charters of each of these committees are available on our website at www.lakecitybank.com. Also posted on the website is a general description regarding our Company and links to our filings with the SEC.

Our board of directors held nine meetings during 2014. All of the directors attended at least 75% of the board meetings and meetings of committees of which they were members. While we do not have a specific policy regarding attendance at the annual shareholder meeting, all directors are encouraged and expected to attend the meeting. All of our directors attended last year's annual meeting.

Audit Committee

In 2014, the Audit Committee was comprised of Charles E. Niemier, Robert E. Bartels, Jr., Emily E. Pichon, Brian J. Smith, Bradley J. Toothaker, Ronald D. Truex and M. Scott Welch. Assuming that they are re-elected, each current member is expected to serve on the Audit Committee through 2015. Each of the members is considered "independent" according to the Nasdaq listing requirements and the regulations of the SEC. The board of directors has determined that Mr. Niemier and Mr. Smith both qualify as "audit committee financial experts" under the regulations of the SEC. For Mr. Niemier, the board based its decision on Mr. Niemier's education, his professional experience at an audit firm and his experience as a former chief operating officer and board member of Biomet, Inc., a company whose common stock was quoted on the Nasdaq exchange until September 25, 2007, when the company was acquired by a private equity consortium and ceased trading as a public company. For Mr. Smith, the board based its decision on Mr. Smith's education, his certified public accounting certificate, his professional experience in public accounting at the firm of Ernst & Young from 1986-1990 and his strong financial background managing Heritage Financial Group.

The functions performed by the Audit Committee include, among other things, the following:

- overseeing our accounting and financial reporting;
- selecting, appointing and overseeing our independent registered public accounting firm;
- reviewing actions by management on recommendations of the independent registered public accounting firm and internal auditors;
- meeting with management, the internal auditors and the independent registered public accounting firm to review the effectiveness of our system of internal controls and internal audit procedures; and
- reviewing reports of bank regulatory agencies and monitoring management's compliance with recommendations contained in those reports.

To promote independence of the audit function, the committee consults separately and jointly with our independent registered public accounting firm, the internal auditors and management. We have adopted a written charter for the committee, which sets forth the committee's duties and responsibilities. Our current charter is available on our website at www.lakecitybank.com. In 2014, the Audit Committee met four times.

Compensation Committee

During 2014, the Compensation Committee was comprised of Daniel F. Evans, Jr., Thomas A. Hiatt, Charles E. Niemier, Emily E. Pichon and M. Scott Welch. Assuming they are re-elected, each current member is expected to serve on the committee through 2015. Each of the members is considered “independent” according to the Nasdaq listing requirements, an “outside” director pursuant to Section 162(m) of the Internal Revenue Code and a “non-employee” director under Section 16 of the Securities Exchange Act of 1934.

The functions performed by the Compensation Committee include, among other things, the following:

- review and approve the performance goals and objectives relevant to the compensation of our Chief Executive Officer, and the other executive officers;
- evaluate the performance of our Chief Executive Officer and the other executive officers and set the compensation level of our Chief Executive Officer and the other executive officers based upon such evaluation;
- review and approve all employment agreements, severance arrangements and change in control agreements or provisions, if any, for the executive officers;
- make recommendations to the full board of directors regarding annual compensation of the directors, including equity-based compensation;
- administer our equity incentive plans, our long term incentive plan and our executive incentive bonus plan;
- evaluate the risks associated with all employee compensation plans; and
- evaluate the independence of advisors to the Compensation Committee prior to their engagement.

We have adopted a written charter for the committee, which sets forth the committee’s duties and responsibilities. Our current charter is available on our website at www.lakecitybank.com. In 2014, the Compensation Committee met once.

Nominating and Corporate Governance Committee

We also have a Nominating and Corporate Governance Committee. In 2014, the members of the committee were Blake W. Augsburger, Robert E. Bartels, Jr., Daniel F. Evans, Jr., Thomas A. Hiatt, Steven D. Ross and M. Scott Welch. Each current member is expected to serve on the committee through 2015, assuming they are re-elected. Each of these members is considered “independent” according to the Nasdaq listing requirements. The primary purposes of the committee are to identify and recommend individuals to be presented to our shareholders for election or re-election to the board of directors and to review and monitor our policies, procedures and structure as they relate to corporate governance. We have adopted a written charter for the committee, which sets forth the committee’s duties and responsibilities. Our current charter is available on our website at www.lakecitybank.com. The Nominating and Corporate Governance Committee met twice in 2014.

Director Nominations and Qualifications

For the 2015 annual meeting, the Nominating and Corporate Governance Committee nominated for re-election to the board the thirteen incumbent directors whose terms are set to expire in 2015. This nomination was further approved by the full board. We did not receive any shareholder nominations for director for the 2014 annual meeting.

The Nominating and Corporate Governance Committee evaluates all potential nominees for election, including incumbent directors, board nominees and shareholder nominees, in the same manner. As described in our Corporate Governance Guidelines, the committee believes that, at a minimum, directors should possess certain qualities, including the highest personal and professional ethics and integrity, a sufficient educational and professional background, demonstrated leadership skills, sound judgment, a strong sense of service to the communities which we serve and an ability to meet the standards and duties set forth in our code of conduct. Additionally, all nominees must be under the age of 70, which is the mandatory retirement age established by the board. While we do not have a separate diversity policy, the committee does consider the diversity of its directors and nominees in terms of knowledge, experience, skills, expertise, and other demographics which may contribute to the board. The committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as effective board members and to determine whether they are “independent” in accordance with Nasdaq requirements (to ensure that at least a majority of the directors will, at all times, be independent). The committee has not, in the past, retained any third party to assist it in identifying candidates.

The committee identifies nominees by first evaluating the current members of the board whose terms are set to expire at the upcoming annual shareholder meeting and who are willing to continue in service. Current members of the board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the board does not wish to continue in service or if the committee or the board decides not to re-nominate a member for re-election, the committee would identify the desired skills and experience of a new nominee in light of the criteria above.

Shareholder Communication with the Board, Nomination and Proposal Procedures

General Communications with the Board. Shareholders may contact Lakeland Financial’s board of directors by contacting Kristin L. Pruitt, Corporate Secretary, at Lakeland Financial Corporation, P.O. Box 1387, Warsaw, Indiana, 46581-1387 or (574) 267-6144. Ms. Pruitt will generally not forward communications that are primarily commercial in nature or related to an improper or irrelevant topic.

Nominations of Directors. In accordance with our bylaws, a shareholder may nominate a director for election to the board at an annual meeting of shareholders by delivering written notice of the nomination to the Company’s chairman of the board not less than 150 days nor more than 180 days prior to the date of the annual meeting. The shareholder’s notice of intention to nominate a director must include the name and address of the proposed nominee, the principal occupation of the proposed nominee, the name and address of the shareholder making the nomination and the number of shares of capital stock of Lakeland Financial owned by the notifying shareholder. We may request additional information after receiving the notification.

For a shareholder nominee to be considered by our board as a Company nominee and included in our proxy statement, the nominating shareholder must file a written notice of the proposed director nomination with our corporate secretary, at the above address, at least 120 days prior to the date the previous year’s proxy statement was first made available to shareholders. Nominations must include the full name and address of the proposed nominee and a brief description of the proposed nominee’s business experience for at least the previous five years. All submissions must be accompanied by the written consent of the proposed nominee to be named as a nominee and to serve as a director if elected. The Nominating and Corporate Governance Committee may request additional information in order to make a determination as to whether to nominate the person for director.

Other Shareholder Proposals. For all other shareholder proposals to be considered for inclusion in our proxy statement and form of proxy relating to our annual meeting of shareholders to be held in 2016, shareholder proposals must be received by Kristin L. Pruitt, our Corporate Secretary, at the above address, no later than November 9, 2015, and must otherwise comply with the rules and regulations set forth by the SEC.

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Board Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer of Lakeland Financial have historically been combined, and Mr. Kubacki held both positions until April 2014 when he stepped down as Chief Executive Officer. At that time, Mr. Findlay was appointed President and Chief Executive Officer of Lakeland Financial Corporation. We also expect that Mr. Kubacki will continue serving as Chairman of the Board. We have a strong governance structure in place, including a designated lead independent director, as discussed below, and believe that Mr. Kubacki's active role in helping Mr. Findlay transition into his duties as Chief Executive Officer while remaining as Chairman of the Board will only make our governance structure stronger. Furthermore, consistent with Nasdaq listing requirements, the independent directors regularly have the opportunity to meet without Mr. Kubacki and/or Mr. Findlay in attendance and in 2014 there were three such executive sessions.

In 2003, the board of directors created the position of a lead independent director, and the Nominating and Corporate Governance Committee and in 2012 the board appointed M. Scott Welch as lead independent director and he continues to serve in that role. This appointment is reviewed annually by the Nominating and Corporate Governance Committee. The lead independent director assists the board in assuring effective corporate governance and serves as chairperson of the independent director sessions, and chairs board meetings during any meetings or portions of meetings if Mr. Kubacki is absent.

Code of Conduct

We have a code of conduct in place that applies to all of our directors and employees. The code sets forth the standard of ethics that we expect all of our directors and employees to follow, including our Chief Executive Officer, President and Chief Financial Officer. The code of conduct is posted on our website at www.lakecitybank.com. We intend to satisfy the disclosure requirements under Item 10 of Form 8-K regarding any amendment to or waiver of the code with respect to our Chief Executive Officer and President and Chief Financial Officer, and persons performing similar functions, by posting such information on our website.

Board's Role in Risk Oversight

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including general economic risks, credit risks, regulatory risks, audit risks, reputational risks and others, such as risks related to the unintentional effects our compensation plan may have on employee decision-making or the impact of competition. Management is responsible for the day-to-day management of risks the Company faces, while the board, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

While the full board of directors is charged with ultimate oversight responsibility for risk management, various committees of the board and members of management also have responsibilities with respect to our risk oversight. In particular, the Audit Committee plays a large role in monitoring and assessing our financial, legal, and operational risks, and receives regular reports from the management team's senior risk officer regarding comprehensive organizational risk as well as particular areas of concern. The board's Compensation Committee monitors and assesses the various risks associated with compensation policies and oversees incentive plans to ensure a reasonable and manageable level of risk-taking consistent with our overall strategy. In 2013, the Company established a Corporate Risk Committee of the board to oversee the risk management practices of Lake City Bank, including management's ability to assess and manage the Company's credit, market, interest rate, liquidity, legal and compliance, reputational, technology, operational Trust and Wealth Advisory risks. In addition, the Corporate Risk Committee provides a forum

for open and regular communication between senior management and the board in order to effectively manage risks. The Corporate Risk Committee began meeting in January 2013.

In addition, the Company has designated Ms. Kristin L. Pruitt, Executive Vice President and General Counsel, as its senior risk officer. Ms. Pruitt generally oversees management's role in its risk management practices, and she is invited to and generally attends all board and committee meetings. Additionally, Michael E. Gavin, Executive Vice President and Chief Credit Officer, is directly responsible for overseeing our credit risk.

We believe that establishing the right "tone at the top" and providing for full and open communication between management and the board of directors is essential for effective risk management and oversight. Our executive management meets regularly with our other senior officers to discuss strategy and risks facing the Company. Senior officers attend many of the board meetings, or, if not in attendance, are available to address any questions or concerns raised by the board on risk management-related issues and any other matters. The board has an annual offsite meeting with senior management to discuss strategies, key challenges, and risks and opportunities for the Company. Additionally, each of our board-level committees provides regular reports to the full board and apprises the board of our comprehensive risk profile and any areas of concern.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis describes Lakeland Financial's compensation philosophy and policies for 2014 as applicable to the executive officers named in the Summary Compensation Table on page 29. This section explains the structure and rationale associated with each material element of the executives' compensation, and it provides important context for the more detailed disclosure tables and specific compensation amounts provided following the section.

The Compensation Committee has overall responsibility for evaluating the compensation plans, policies and programs relating to the executive officers of Lakeland Financial Corporation.

The Compensation Committee relies upon Mr. Findlay's assessment of each executive officer's individual performance, which considers the executive's efforts in achieving his or her individual goals each year, managing and developing employees and the enhancement of long-term relationships with customers, if applicable to his or her position. Individual goals for executive officers are established by Mr. Findlay in consultation with each executive officer.

The Compensation Committee's charter gives it the authority to hire outside consultants to further its objectives and responsibilities. In 2013, the committee retained Pearl Meyer & Partners, a compensation consulting firm, to assess the effectiveness of the Company's executive compensation programs. Pearl Meyer & Partners are independent, report directly to the committee chair, and perform no other work for the Company other than assisting the committee in review of the total compensation program, including gathering and analyzing market data for compensation paid for similar positions at companies with which we compete for executive talent and for director compensation. Pearl Meyer & Partners also provide input on marketplace trends and best practices relating to competitive pay levels, as well as developments in regulatory and technical matters. In addition, the committee reviewed compensation survey data from industry sources such as Crowe Horwath LLP, Towers Watson and the American Bankers Association. The committee also retained Frederic W. Cook & Co., Inc., a second compensation consulting firm, to assist with the development of the Chief Executive Officer transition plan, discussed below. Given the thorough scope of the 2013 review, no consultants were retained for 2014, but the Compensation Committee reviewed compensation survey data in 2014 from industry sources such as the American Bankers Association and Bank Director Magazine.

Regulatory Impact on Compensation

As a publicly-traded financial institution, we must contend with several often overlapping layers of regulations when considering and implementing compensation-related decisions. These regulations do not set specific parameters within which compensation decisions must be made, but do require Lakeland Financial and the Compensation Committee to be mindful of the risks that often go hand-in-hand with compensation programs designed to incentivize the achievement of better than average performance. While the regulatory focus on risk assessment has been heightened over the last several years, the incorporation of general concepts of risk assessment into compensation decisions is not a recent development.

Under its long-standing Interagency Guidelines Establishing Standards for Safety and Soundness, the Federal Deposit Insurance Corporation (the “FDIC”) has long held that excessive compensation is prohibited as an unsafe and unsound practice. In describing a framework within which to make a determination as to whether compensation is considered excessive, the FDIC has indicated that financial institutions should consider whether aggregate cash amounts paid, or noncash benefits provided, to employees are unreasonable or disproportionate to the services performed by an employee. The FDIC encourages financial institutions to review an employee’s compensation history and to consider internal pay equity, and, as appropriate, to consider benchmarking compensation to peer groups. Finally, the FDIC provides that such an assessment must be made in light of the institution’s overall financial condition.

In addition, the various financial institution regulatory agencies have issued additional guidance, Guidance on Sound Incentive Compensation Policies, that serves as a compliment to the Safety and Soundness standards. As its title would imply, the joint agency guidance sets forth a framework for assessing the soundness of incentive compensation plans, programs and arrangements maintained by financial institutions. The joint agency guidance is narrower in scope than the Safety and Soundness standards because it applies only to senior executive officers and those other individuals who, either alone or as a group, could pose a material risk to the institution. With respect to those identified individuals, the joint agency guidance is intended to focus the institution’s attention on balanced risk-taking incentives, compatibility with effective controls and risk management, with a focus on general principles of strong corporate governance.

Also, once further risk assessment guidelines and procedures, as required under the Dodd-Frank Wall Street Reform & Consumer Protection Act, are finalized by the financial institution regulatory agencies and the SEC, we expect that we will also be subject to those further guidelines and procedures. Initial guidance respecting the Dodd-Frank Act risk assessment guidelines and procedures was issued in 2011. In large part, that guidance restates the frameworks set forth in the Safety and Soundness standards and joint agency guidance described above.

Finally, in addition to the foregoing, as a publicly-traded corporation, Lakeland Financial is also subject to the SEC's rules regarding risk assessment. Those rules require a publicly-traded company to determine whether any of its existing incentive compensation plans, programs or arrangements, create risks that are reasonably likely to have a material adverse effect on the company. We do not believe that our incentive compensation plans, programs or arrangements create risks that are reasonably likely to have a material adverse effect on Lakeland Financial.

The Compensation Committee believes that a sensible approach to balancing risk-taking and rewarding reasonable, but not necessarily easily attainable, goals has always been a component of its overall assessment of the compensation plans, programs and arrangements it has established for Lakeland Financial’s named executive officers. In this regard, the committee has regularly revisited the components of the frameworks set forth in the Safety and Soundness standards and the joint guidance as an effective tool for conducting its own assessment of the balance between risk and reward built into Lakeland Financial’s compensation programs for named executive officers. In addition, the committee continues to anticipate final guidance under the Dodd-Frank Act and will be prepared to incorporate into its risk assessment procedures any new guidelines and procedures as may be necessary or appropriate.

Assessment of Compensation Risk

The Compensation Committee has reviewed and discussed this Compensation Discussion and Analysis with management.

The Compensation Committee in 2014 completed its thorough annual review of all compensation programs offered at Lakeland Financial and Lake City Bank, including those described in this Compensation Discussion and Analysis, to determine whether any aspect of the plans or programs encourages excessive or unnecessary risk that would adversely affect the long-term value or performance of Lakeland Financial. Based on the risk assessment process, more fully described below, the committee concluded that the compensation plans and programs, considered individually and as a whole, do not encourage excessive risk taking.

The Compensation Committee compiled an inventory of the design features of all incentive compensation plans and programs for purposes of assessing the potential for encouraging excessive or unnecessary risk-taking that could threaten the value of the enterprise. The committee then considered how the structure of each plan or program impacted risk-taking of plan participants.

With respect to the LTI Plan as defined on pages 26 and 27, the committee concluded that the plan was well designed to align the Company's strategic objectives with long-term value creation for the following reasons:

- Performance metrics factor in risk of capital and measures that take into consideration balance sheet, income statement and equity factors.
- Threshold goals are reasonably achievable with good performance and are sufficiently challenging but not overly difficult. The LTI Plan does not include steep cliffs for not achieving goals nor exponential upside for achieving them. Reasonable leverage exists above threshold goals to achieve maximum payouts.
- Incentives are capped at reasonable levels.
- Maximum awards are an appropriate portion of total pay.
- The three-year performance period discourages measures that do not benefit the Company over the long term.
- Denomination in Company stock gives incentive to focus on sustained value creation, and further alignment with shareholder interests.

In analyzing the risks inherent in the Company's annual bonus plan, the Compensation Committee determined as follows:

- Bonus amounts are tied to financial performance and personal performance against individualized goals, including non-financial goals.
- Threshold goals are reasonably achievable with good performance and are sufficiently challenging but not overly difficult.
- Payouts are interpolated based on percentage of net income achieved.
- Reasonable bonus maximums exist as part of an overall balanced pay mix.

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The Compensation Committee did a similar analysis for the other compensation programs available to employees, and concluded that the amounts provided under such programs are reasonable as part of a balanced pay mix and appropriately incentivize performance without encouraging the manipulation of earnings in order to enhance the benefits payable under such programs.

The Compensation Committee then reviewed the executive compensation structure overall and reached the following conclusions, based on key risk categories:

- Strategic Risk: The Compensation Committee determined that overall, the performance metrics used are aligned with the Company's strategy and objectives for long-term value creation for our shareholders, properly reward various performance outcomes, and account for risk over a longer-term time horizon.

- Cultural Risk: Lakeland Financial has a strong set of corporate values that emphasize ethical behavior, actions that contribute to building long-term value, rather than short-term performance, teamwork and investment in people and infrastructure. Our senior executives have little incentive to be overly focused on short-term stock price performance.

- Governance Risk: The Compensation Committee is independent, has access to consultants and other advisers independent of management, has an appropriate level of expertise and is fully educated on all significant incentive plans and programs.

- Pay-Mix Risk: Lakeland Financial has market-competitive salaries to reduce pressure on short-term performance to earn reasonable annual compensation. The Compensation Committee believes the mix between longer-term incentives is appropriately balanced with motivation for short-term performance.

- Performance Measurement Risk: The Compensation Committee has a disciplined process of establishing goals for and evaluating the performance of Mr. Kubacki and Mr. Findlay in executive sessions. Financial performance measures consider the income statement, balance sheet and statement of cash flows so that management is accountable for all aspects of Lakeland Financial's financial health. The Company considers both financial and non-financial performance outcomes in assessing executives' performance and compensation.

- Annual Incentive Risk: Executives' annual bonuses are earned based on both financial performance and non-financial performance. Goals for achieving target bonuses are reasonably achievable with good performance. The Compensation Committee believes the goals are challenging, but not overly difficult. The bonus payout curves do not use steep cliffs for target bonus or exponential payouts for maximum payouts.

- Long-Term Incentive Risk: The LTI Plan uses different performance metrics and measurement periods than annual incentives so that short-term performance is not overemphasized. Restricted stock units under the LTI Plan do not use overly stretched goals or accelerated payout curves. The target and maximum payouts under the LTI Plan are reasonable in light of our overall pay mix. Long-term incentives focus on measures of sustainable value creation for long-term investors.

Conclusion

After considering all components of the compensation paid to the named executive officers, the Compensation Committee has determined that the compensation is reasonable and not excessive, and does not encourage imprudent risk-taking.

In making this determination, the Compensation Committee considered many factors, including the following:

- Management has positioned Lakeland Financial for future success through the planning and execution of Lakeland Financial's strategic plan.
- Management has consistently led Lakeland Financial to strong levels of performance in recent years.
- The shareholder return performance of Lakeland Financial over the past five years has outpaced the performance of companies in Lakeland Financial's peer group.
- Lakeland Financial is well positioned in the communities it serves as a result of the direction that this management team has taken the Company.

Compensation Philosophy and Objectives

The overall objectives of Lakeland Financial's compensation programs are to align executive officer compensation with the success of meeting long-term strategic operating and financial goals. The programs are designed to create meaningful incentives to manage the business successfully with a constant focus on short-term and long-term performance versus the strategic plan and the key operating and financial objectives. Our philosophy is intended to align the interests of executive officers with the long-term interests of our shareholders. The executive compensation program is structured to accomplish the following objectives:

- encourage a consistent and competitive return to shareholders over the long-term;
- maintain a corporate environment which encourages stability and a long-term focus for the primary constituencies of Lakeland Financial, including shareholders, clients, employees, communities and government regulatory agencies;
- maintain a program which:
- clearly motivates personnel to perform and succeed according to our current goals;
- provides management with the appropriate empowerment to make decisions that benefit the primary constituents;
- retains key personnel critical to our long-term success;
- provides for management succession planning and related considerations;
- emphasizes formula-based components, such as performance-based bonus plans and long-term incentive plans, in order to focus management efforts in its execution of corporate goals;
- encourages increased productivity; and
- responsibly manages risks related to compensation programs;

- provide for subjective consideration in determining incentive and compensation components; and
- ensure that management:
- fulfills its oversight responsibility to its primary constituents;
- conforms its business conduct to the highest ethical standards;
- remains free from any influences that could impair or appear to impair the objectivity and impartiality of its judgments or treatment of our constituents; and
- continues to avoid any conflict between its responsibilities to Lakeland Financial and each executive officer's personal interests.

Consideration of 2014 Say on Pay

At the Company's 2014 annual meeting of shareholders, more than 96% of voting shareholders approved the non-binding advisory proposal on the compensation of certain executive officers. The Company, the Board of Directors and the Compensation Committee pay careful attention to communications received from shareholders regarding executive compensation, including the non-binding advisory vote. The Company carefully considered the result of the 2014 advisory vote on executive compensation but not for specific 2015 compensation decisions. Based on this consideration and the other factors described in this Compensation Discussion and Analysis, the committee did not materially alter the policies or structure for the named executive officers' compensation for 2014 or 2015.

Compensation Factors

General. The Compensation Committee's decisions regarding each named executive officer are based, in part, on the committee's subjective judgment, and also take into account qualitative and quantitative factors, as will be set forth in the discussion below. In reviewing an executive officer's compensation, the committee considers and evaluates all components of the officer's total compensation package.

Corporate Performance. In establishing executive compensation, the Compensation Committee measures Lakeland Financial's performance compared to management's and the board's goals and objectives, and also compares our performance to that of our peer group of financial institutions. The committee believes that using Lakeland Financial's performance as a factor in determining an executive officer's compensation is effective in helping to align the executive's interests with those of our shareholders. With that in mind, the committee focuses on performance versus key financial performance criteria, such as return on beginning equity, return on average assets, revenue growth, diluted earnings per share growth, capital adequacy, the efficiency ratio and asset quality. As part of the evaluation and review of these criteria, the committee will also take into account various subjective issues, such as general economic conditions, including the interest rate environment and its impact on performance, and how they may affect Lakeland Financial's performance.

For purposes of peer analysis in assessing performance, Lakeland Financial generally considers peer groups that include commercial banks of similar asset size. Given the ever-changing landscape within the banking industry, there is no specifically defined group of banks that are utilized for this analysis. In connection with its 2013 analysis of the Company's executive compensation programs, Pearl Meyer & Partners compiled a market reference group of 19 other publicly-traded bank holding companies headquartered in the central United States, with median assets of $3.3 billion, market capitalization of not less than $177 million and stable, if not strong, performance history. The peer group is largely unchanged from the peer group used in prior years.

The companies included in this peer group are as follows:

Chemical Financial – Midland, Michigan	Pinnacle Financial Partners – Nashville, Tennessee
Taylor Capital Group – Rosemont, Illinois	Bank of the Ozarks – Little Rock, Arkansas
Heartland Financial – Dubuque, Iowa	Home BancShares – Conway, Arkansas
Community Trust Bancorp – Pikeville, Kentucky	First Busey – Champaign, Illinois
Simmons First National – Pine Bluff, Arkansas	Republic Bancorp – Louisville, Kentucky
Enterprise Financial Services – St. Louis, Missouri	MainSource Financial – Greensburg, Indiana
First Financial – Terre Haute, Indiana	S.Y. Bancorp – Louisville, Kentucky
Hills Bancorporation – Hills, Iowa	German American – Jasper, Indiana
BankFinancial – Burr Ridge, Illinois	MidWestOne Financial – Iowa City, Iowa
Bank of Kentucky – Crestview Hills, Kentucky	

In addition, the Compensation Committee reviewed compensation survey data that is readily available to Lakeland Financial from industry sources such as Crowe Horwath LLP, Towers Watson, Bank Director Magazine and the American Bankers Association.

Other factors of corporate performance that may affect an executive's compensation include succession planning consideration, realization of economies of scale through cost-saving measures, Lakeland Financial's market share reputation in the communities which it serves and turnover level of employees, as well as other less subjective performance considerations. In addition, because the Compensation Committee believes strongly that our executives should be involved in the communities that we serve, the committee takes into consideration indirect and intangible business factors such as community involvement and leadership when reviewing executive compensation.

Comparison to Peer Group. In establishing the compensation of the named executive officers, the Compensation Committee utilizes market data regarding the compensation practices of other financial institutions of a similar asset size and complexity. The peer group used in 2013 generally included financial institutions with total assets of $1.5 billion to $5 billion, with a focus on institutions located in the central region of the United States. In some cases, however, the committee will consider data from outside the peer comparison when reviewing compensation practices if that comparison identifies similarities, such as business-line focus and long-term operating and financial stability, which should be considered. For example, institutions with a similar focus on complex commercial lending may be considered by the committee even if they fall outside of the general asset size in which our other peers are included. The committee believes that such comparison is useful in creating an overall compensation program to stay competitive in the marketplace and for attracting and retaining qualified executives. While the committee believes that it is prudent to consider such comparative information in determining compensation practices, it does not set strict parameters using this data. Rather, the committee uses comparative data to ensure that executive compensation is not inconsistent with appropriately defined peer organizations. Generally, the committee believes that the current executive officers of the Company have established a sound track record of long-term performance that warrants compensation at or around the median level of compensation among similarly situated financial institutions.

Individual Performance. When evaluating an executive officer's individual performance, the Compensation Committee takes into account Mr. Findlay's assessment of individual performance, which considers the executive's efforts in achieving his or her individual goals each year, managing and developing employees and the enhancement of long-term relationships with customers, if applicable to the officer's position. The measure of an executive officer's individual performance and individual contribution to the overall Company performance depends, to a degree, on

what steps are taken to increase revenues and implement cost-saving strategies and the outcome of such strategies. Each executive officer has different goals established that are intended to focus that executive's contributions to the strategic goals of the Company. Individual goals for executive officers are developed by Mr. Findlay in consultation with each executive officer and recommended to the committee by Mr. Findlay for approval. The committee establishes Mr. Findlay's goals after reviewing the Company's annual strategic plan, annual budget plan and the goals of the other executive officers.

Chief Executive Officer Transition

Lakeland Financial entered into a Transitional Employment Agreement with Mr. Kubacki in September 2013 (the "Transition Agreement"). Prior to entering into the Transition Agreement, the Compensation Committee engaged an independent compensation consultant, Fredrick W. Cook & Co., Inc., and worked with its existing legal advisor, Barack Ferrazzano Kirschbaum & Nagelberg LLP, to assist in the design and implementation of a structured transition process that would facilitate a seamless transition for Lakeland Financial's shareholders and customers in connection with Mr. Kubacki's retirement. The Transition Agreement was intended to effect an orderly transition from Mr. Kubacki to his successor as Chief Executive Officer, Mr. Findlay, at the 2014 annual meeting and to secure Mr. Kubacki's assistance with the transition and his continued assistance through his retirement. Pursuant to the Transition Agreement, Mr. Kubacki will retire from employment with Lakeland Financial effective as of the 2016 annual meeting, though Mr. Kubacki and the Company currently intend for him to remain as Chairman of the Board beyond that time. The Transition Agreement covers the commitments Mr. Kubacki and Lakeland Financial have made to each other on a variety of important issues concerning Mr. Kubacki's employment through his retirement date, including his duties as Executive Chairman of Lakeland Financial, the compensation he will be paid, how long and under what circumstances he will remain employed, and the financial details relating to any decision that either the Company or Mr. Kubacki may make to terminate his employment. The financial terms of the Transition Agreement were reviewed and considered market reasonable by Fredrick W. Cook & Co., Inc. before the committee approved entering into the agreement.

Under the Transition Agreement, Mr. Kubacki continued to serve as the Chief Executive Officer of Lakeland Financial through the 2014 annual meeting, at which time he resigned from that position and began to serve in the role of Executive Chairman of Lakeland Financial, which is a full-time executive position, subject to the direction of the Board. Mr. Kubacki will remain employed as the Executive Chairman (in addition to his position of Chairman of the Board) through the 2016 annual meeting, at which time he will retire from employment with Lakeland Financial. As noted above, Mr. Kubacki and Lakeland Financial currently intend for Mr. Kubacki to remain as Chairman of the Board beyond the 2016 annual meeting.

Mr. Kubacki's annual base salary rates and target levels of annual bonus under the Transition Agreement are as follows:

Time Period	Annual Base Salary	Target Annual Bonus
Through 2014 Annual Meeting	$497,000	50% of Annual Base Salary
2014 Annual Meeting - 2015 Annual Meeting	$500,000	40% of Annual Base Salary
2015 Annual Meeting - 2016 Annual Meeting	$250,000	40% of Annual Base Salary

Mr. Kubacki is also entitled to target awards of 12,000 performance-based restricted stock units under, and subject to the terms and conditions of, the LTI Plan, for each of the 2014-2016 and 2015-2017 performance periods. These awards will continue to vest and become payable as long as Mr. Kubacki remains an employee or director of Lakeland Financial.

Mr. Kubacki is entitled to severance benefits under the Transition Agreement in the event his employment is terminated by Lakeland Financial without cause or due to his disability, or if he terminates his employment for good reason, prior to the 2016 annual meeting. These severance benefits generally consist of continued payment of base salary, continued annual bonus payments at target levels, continued vesting of LTI Plan awards in accordance with their terms and continued medical benefits through the 2016 annual meeting. Thus, the severance benefits are structured such that they will become less valuable to Mr. Kubacki as he gets closer to his expected retirement date.

All severance benefits under the Transition Agreement are subject to Mr. Kubacki's execution of a general waiver and release of claims against Lakeland Financial. Further, all severance benefits are subject to potential downward adjustment in the event those payments would not be deductible to Lakeland Financial under the "golden parachute" rules of Internal Revenue Code Section 280G. Further, all severance benefits are subject to clawback if required pursuant to any applicable law. Finally, any severance benefits that Mr. Kubacki may receive under the Transition Agreement would reduce, on a dollar-for-dollar basis, any benefits Mr. Kubacki may become entitled to under his existing change in control agreement.

The Transition Agreement also contains significant protections for Lakeland Financial following Mr. Kubacki's retirement or earlier termination. Mr. Kubacki is subject to various restrictive covenants under the Transition Agreement, including a confidentiality provision, a non-competition provision for 12 months following termination of employment and a non-solicitation of employees and customers provision for 12 months following termination of employment.

Compensation Decisions

This section describes the decisions made by the Compensation Committee with respect to the compensation for the named executive officers for 2014 and 2015, other than for Mr. Kubacki (whose 2014 and 2015 compensation is discussed above).

Executive Summary. The major components of executive officer compensation are base salary, annual bonus, equity awards, long-term incentive awards and additional benefit plans. In reviewing an executive officer's compensation, the Compensation Committee considers and evaluates all components of the officer's total compensation package through the use of tally sheets. The use of tally sheets allows the committee to assess the executive's aggregate compensation, including cash payments and non-cash incentives and benefits, in one concise document. Our compensation decisions for 2014 and for 2015 factored in Lakeland Financial's performance versus key financial criteria, including return on beginning equity, return on average assets, revenue growth, diluted earnings per share growth, capital adequacy, efficiency ratio and asset quality. Lakeland Financial achieved 105% of its targeted goals in net income and other key measures of financial performance in 2014. The committee believes that Lakeland Financial's financial performance in 2014 was very strong. When compared to its peer group, the Compensation Committee believes Lakeland Financial's performance was good and, therefore, the committee weighed heavily Lakeland Financial's relative performance when compared to its peers. Additionally, the Compensation Committee determined that the named executive officers performed well versus their individual goals for 2014.

The following is a brief summary of the compensation decisions of the Compensation Committee for 2014 and 2015:

- base salaries for the named executive officers other than Mr. Kubacki and Mr. Findlay increased, on average, 3.6% for 2014 and 2015, with the base salary for Mr. Kubacki remaining the same as discussed above and the base salary for Mr. Findlay increasing approximately 20% for 2014 and 2015 as part of his transition to Chief Executive Officer beginning in April 2014;

- bonus payments to named executive officers for 2014 were slightly more than bonuses for 2013, due to slightly stronger performance of Lakeland Financial in 2014;

- the long-term incentive plan was continued in 2014 to strengthen our retention tools for key senior and executive management;

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