

LAKELAND BANCORP INC
Form 424B3
February 05, 2004
Table of Contents

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-111637

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

Dear Shareholder:

You are invited to attend a special meeting of Lakeland Bancorp, Inc. shareholders on Wednesday, March 10, 2004. At the meeting, you will be asked to approve a proposal to authorize the issuance of the shares of Lakeland Bancorp, Inc. common stock issuable upon consummation of the proposed merger of Newton Financial Corporation with and into Lakeland Bancorp, Inc. In the merger:

Lakeland shareholders will retain their shares of Lakeland common stock; and

Newton shareholders will have the right to elect to receive either cash or shares of Lakeland common stock in exchange for their shares of Newton common stock, subject to allocation procedures that we have described in the attached joint proxy statement and prospectus. Newton shareholders who exchange their shares for cash will receive \$72.08 for each Newton share that they own immediately before the merger is consummated. Newton shareholders who exchange their shares for Lakeland stock will receive 4.5 shares of Lakeland common stock for each share of Newton common stock that they own immediately before the merger is consummated.

A minimum of 75% and a maximum of 100% of Newton's outstanding shares will be converted into Lakeland common stock.

The value of 4.5 shares of Lakeland common stock was \$72.08 when we signed the merger agreement, based on the average closing sale price of Lakeland common stock during the five immediately preceding trading days. Unlike the cash payment, this value will fluctuate until the merger occurs, even after you vote on the authorization to issue Lakeland shares in the merger.

Lakeland common stock is traded on the Nasdaq National Market System under the symbol LBAI.

Your vote is very important. Whether or not you plan to attend the special meeting, please take the time to vote by (i) accessing www.voteproxy.com and following the on-screen instructions; (ii) calling 1-800-PROXIES and following the instructions; or (iii) completing and mailing the enclosed proxy card to us. The special meeting will be held on Wednesday, March 10, 2004, at 5:00 p.m., at Lakeland's Corporate Headquarters, 250 Oak Ridge Road, Oak Ridge, New Jersey 07438.

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The attached joint proxy statement and prospectus gives you detailed information about the proposed merger. We suggest that you pay special attention to the section entitled "RISK FACTORS" beginning on page 20.

We strongly support this strategic combination of Lakeland and Newton Financial Corporation, and we join with the other members of our board of directors in recommending that you vote in favor of the proposed merger.

John W. Fredericks

Chairman

Roger Bosma

President and CEO

Neither the Securities and Exchange Commission, nor any bank regulatory agency, nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares of Lakeland common stock to be issued in the merger are not savings accounts, deposits or other obligations of a bank or depository institution and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This joint proxy statement and prospectus is dated January 29, 2004, and is first being mailed to Lakeland shareholders on or about February 4, 2004.

Table of Contents

LAKELAND BANCORP, INC.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Notice of Special Meeting of Shareholders

To be Held Wednesday, March 10, 2004

To the Shareholders of Lakeland Bancorp, Inc.:

A special meeting of shareholders of Lakeland Bancorp, Inc. will be held at Lakeland's corporate offices at 250 Oak Ridge Road, Oak Ridge, New Jersey, on Wednesday, March 10, 2004, at 5:00 p.m., for the following purposes:

to vote on a proposal to authorize the issuance of the shares of Lakeland common stock issuable upon consummation of the proposed merger of Newton Financial Corporation into Lakeland (including the shares of Lakeland common stock issuable upon exercise of stock options to be assumed by Lakeland pursuant to the merger agreement); and

to conduct other business if properly raised.

Only shareholders of record on January 23, 2004 are entitled to receive notice of, and to vote at, the special meeting.

Information regarding the merger is contained in the accompanying joint proxy statement and prospectus and its annexes.

Whether or not you plan to attend the special meeting, please take the time to vote by (i) accessing www.voteproxy.com and following the on-screen instructions; (ii) calling 1-800-PROXIES and following the instructions; or (iii) completing, signing and dating the enclosed proxy card and returning it promptly in the enclosed envelope. It is important that your interests be represented at the meeting.

By order of the board of directors,

Paul P. Lubertazzi, Secretary

Oak Ridge, New Jersey

January 29, 2004

Table of Contents

REFERENCES TO ADDITIONAL INFORMATION

This joint proxy statement and prospectus provides you with detailed information about the merger agreement and the merger that will be submitted for shareholder approval and about the shares of Lakeland common stock issuable in the proposed merger. We encourage you to read this entire document carefully.

This joint proxy statement and prospectus incorporates by reference important business and financial information about Lakeland Bancorp, Inc. that is not included in or delivered with this document. You can obtain free copies of this information by writing or calling:

Harry Cooper, Vice President

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Email: hcooper@lakelandbank.com

In order to obtain timely delivery of these documents, you should request the information by March 3, 2004. See **WHERE YOU CAN FIND MORE INFORMATION** at page 94 for additional information.

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

This joint proxy statement and prospectus offers only the cash and shares of Lakeland common stock offered in the merger, and offers such shares only where it is legal to do so.

This joint proxy statement and prospectus has been prepared as of January 29, 2004. Changes that may have occurred in the affairs of Lakeland Bancorp, Inc. or Newton Financial Corporation or our respective subsidiaries since that date are not reflected in this document.

Table of Contents**TABLE OF CONTENTS**

<u>REFERENCES TO ADDITIONAL INFORMATION</u>	i
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	1
<u>SUMMARY</u>	6
<u>MARKET PRICE AND DIVIDEND INFORMATION</u>	13
<u>SUMMARY FINANCIAL DATA</u>	16
<u>COMPARATIVE PER SHARE INFORMATION</u>	19
<u>RISK FACTORS</u>	20
<u>FORWARD-LOOKING INFORMATION</u>	25
<u>THE MEETINGS</u>	26
<u>When and Where the Special Meetings will be Held</u>	26
<u>What will be Voted on at the Special Meetings</u>	26
<u>Shareholders Entitled to Vote</u>	26
<u>Number of Shares that Must be Represented for a Vote to be Taken</u>	26
<u>Vote Required: Voting Agreements</u>	27
<u>Voting your Shares</u>	27
<u>Changing your Vote</u>	28
<u>Solicitation of Proxies and Costs</u>	29
<u>Principal Shareholders</u>	29
<u>THE MERGER</u>	30
<u>Background of the Merger</u>	31
<u>Newton's Reasons for the Merger</u>	32
<u>Recommendation of the Newton Board of Directors</u>	33
<u>Opinion of Newton's Financial Advisor</u>	33
<u>Lakeland's Reasons for the Merger</u>	38
<u>Recommendation of the Lakeland Board of Directors</u>	39
<u>Terms of the Merger</u>	39
<u>Effect of the Merger</u>	39
<u>What Newton Shareholders Will Receive in the Merger</u>	39
<u>Election Form: Exchange of Shares</u>	40
<u>Stock Options</u>	42
<u>Lakeland Common Stock</u>	42
<u>Effective Date</u>	42
<u>Representations and Warranties</u>	42
<u>Conduct of Business Pending the Merger</u>	44
<u>Conditions to the Merger</u>	46
<u>Amendment: Waiver</u>	48
<u>Termination</u>	48
<u>Termination Fees</u>	51
<u>Nasdaq Listing</u>	51
<u>Expenses</u>	51
<u>Exchange of Newton Stock Certificates and Payment of Consideration</u>	51
<u>Regulatory Approvals</u>	52
<u>Interests of Management and Others in the Merger</u>	52
<u>Accounting Treatment</u>	53
<u>Material Federal Income Tax Consequences</u>	53
<u>Resale of Lakeland Common Stock</u>	54
<u>No Appraisal Rights</u>	55
<u>Affiliates Agreement</u>	55

Table of Contents

<u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION</u>	57
<u>BUSINESS OF LAKELAND</u>	62
<u>BUSINESS OF NEWTON</u>	62
<u>NEWTON S MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	68
<u>DESCRIPTION OF LAKELAND CAPITAL STOCK</u>	89
<u>Common Stock</u>	89
<u>Dividends</u>	89
<u>Voting Rights</u>	89
<u>Pre-Emptive Rights; Redemption</u>	90
<u>Liquidation Rights</u>	90
<u>Shareholder Rights Plan</u>	90
<u>Anti-Takeover Provisions in the Certificate of Incorporation and New Jersey Law Provisions</u>	91
<u>COMPARISON OF SHAREHOLDERS RIGHTS</u>	92
<u>Directors</u>	92
<u>Vote Required</u>	92
<u>Exculpation of Directors and Officers</u>	92
<u>Indemnification</u>	92
<u>Shareholder Rights Plan</u>	92
<u>LEGAL MATTERS</u>	93
<u>EXPERTS</u>	93
<u>OTHER BUSINESS</u>	93
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	94
<u>INDEX TO NEWTON S CONSOLIDATED FINANCIAL STATEMENTS</u>	96

ANNEXES

- A. Agreement and Plan of Merger
- B. Form of Affiliates Agreement
- C. Opinion of Lutz Advisors, Inc.

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: WHAT IS THE PURPOSE OF THIS DOCUMENT?

A: This document serves as both a proxy statement of Newton and as a proxy statement and prospectus of Lakeland. As a joint proxy statement, it is being provided to:

Newton's shareholders by the Newton board of directors in connection with that board's solicitation of proxies for the Newton special meeting at which the Newton shareholders will consider and vote on the merger agreement between Newton and Lakeland; and

Lakeland's shareholders by the Lakeland board of directors in connection with that board's solicitation of proxies for the Lakeland special meeting at which the Lakeland shareholders will consider and vote upon a proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

As a prospectus, this document is being provided to Newton's shareholders because Lakeland is offering to exchange shares of its common stock and cash for shares of Newton common stock upon completion of the merger.

Q: WHY ARE NEWTON AND LAKELAND PROPOSING TO MERGE?

A: We are proposing to merge Newton with and into Lakeland because we believe that combining the strengths of our two financial institutions is in the best interests of both of our companies, our shareholders and our customers. Please see "THE MERGER - Newton's Reasons for the Merger" and "THE MERGER - Recommendation of the Newton Board of Directors" at pages 32 to 33 for the various factors considered by the Newton board of directors in recommending that Newton's shareholders vote **FOR** the proposal to approve the merger agreement and the merger. Please see "THE MERGER - Lakeland's Reasons for the Merger" and "THE MERGER - Recommendation of the Lakeland Board of Directors" at pages 38 to 39 for the various factors considered by the Lakeland board of directors in recommending that Lakeland's shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

Q: WHAT WILL A NEWTON SHAREHOLDER RECEIVE IN THE MERGER?

A: Upon completion of the merger, Newton shareholders will either receive cash or stock, or a combination of cash and stock, depending upon the results of an election procedure that we have described in this joint proxy statement and prospectus. Newton shareholders will receive \$72.08 in cash for each share of Newton common stock that is converted into cash and will receive 4.5 shares of Lakeland common stock for each share of Newton common stock that is converted into Lakeland common stock. Subject to allocation provisions in the merger agreement that preclude more than 25% of Newton's shares from being converted into cash, each Newton shareholder will have the right to elect to:

convert each of such shareholder's Newton shares into Lakeland common stock;

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convert each of such shareholder's Newton shares into cash; or

convert a portion (in even 10% integrals) of such shareholder's Newton shares into Lakeland common stock and convert the balance of such shareholder's Newton shares into cash.

If holders of more than 25% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the Exchange Agent will reduce the number of shares of Newton common stock so converted to 25% by a pro rata reduction. Thus, by way of example and subject to certain tax considerations, if holders of 75% of Newton's shares outstanding immediately prior to the consummation of the merger elect to

Table of Contents

receive cash, then, for each such holder, one third of such holder's shares will be converted into cash and two thirds of such holder's shares will be converted into Lakeland common stock. See *The MERGER Terms of the Merger What Newton Shareholders Will Receive in the Merger*, beginning at page 39.

Q: WHAT ARE THE TAX CONSEQUENCES OF THE MERGER TO NEWTON'S SHAREHOLDERS?

A: We expect that for federal income tax purposes, the merger will be a taxable event to those Newton shareholders who receive cash in whole or in part in exchange for their Newton common stock, and the merger will not be a taxable event to those Newton shareholders who receive solely Lakeland common stock in exchange for their Newton common stock.

We each will have no obligation to complete the merger unless tax counsel provides a legal opinion that the common stock exchange portion of the merger (as opposed to the payment of cash) will qualify as a transaction that is generally tax-free for federal income tax purposes. The legal opinion will not bind the Internal Revenue Service, however, and the Internal Revenue Service could take a different view of the transaction.

We urge you to consult your tax advisor to gain a full understanding of the tax consequences of the merger to you. Tax matters are very complicated, and, in many cases, the tax consequences of the merger will depend on your particular facts and circumstances. See *THE MERGER Material Federal Income Tax Consequences*, beginning at page 53.

Q: DO I HAVE RIGHTS TO DISSENT FROM THE MERGER?

A: No.

Q: ARE THERE ANY REGULATORY OR OTHER CONDITIONS TO THE MERGER OCCURRING?

A: Yes. The merger must be approved by the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance. In addition, the merger must be approved by the holders of at least two thirds of the outstanding shares of Newton common stock. An application for approval has been filed with both of the bank regulators; approval is pending. Further, assuming that a quorum is present at the Lakeland shareholder meeting, a majority of the votes cast must be voted in favor of the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger and the merger agreement.

Completion of the merger is also subject to certain other conditions, including no material adverse change in the financial condition of Newton. See *THE MERGER Conditions to the Merger*, beginning at page 46.

Q: WHAT DO THE RESPECTIVE BOARDS OF DIRECTORS RECOMMEND?

A: The Newton board of directors has unanimously approved the merger and the merger agreement and believes that the proposed merger is in the best interests of Newton and its shareholders. Accordingly, the Newton board of directors unanimously recommends that Newton shareholders vote **FOR** approval of the merger agreement and the merger. Similarly, the Lakeland board of directors has unanimously approved the merger and the authorization of the shares of common stock issuable pursuant to the merger agreement and the merger and believes that such action is in the best interests of Lakeland and its shareholders. Accordingly, the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** approval of the authorization of the shares of Lakeland common stock issuable pursuant to the merger agreement and the merger.

Q: ARE THERE RISKS ASSOCIATED WITH LAKELAND S COMMON STOCK OR THE MERGER?

A: Yes. For a description of some of the risks, see **RISK FACTORS**, beginning at page 20.

Table of Contents

Q: WHAT DO I NEED TO DO NOW?

A: After you have carefully read this joint proxy statement and prospectus, you should vote your shares by (i) accessing www.voteproxy.com and following the on-screen instructions; (ii) calling 1-800-PROXIES toll-free and following the instructions; or (iii) indicating on your proxy card how you want your shares to be voted and then signing, dating and mailing the proxy card in the enclosed postage-paid envelope as soon as possible so that your shares may be represented and voted at the applicable special meeting. In addition, you may attend the special meeting in person and vote, whether or not you have accessed www.voteproxy.com, called 1-800-PROXIES, or signed and mailed your proxy card. If you sign, date and return your proxy card but do not indicate how you want to vote, your proxy will be counted as a vote in favor of the merger agreement and the merger if you are a Newton shareholder and in favor of the authorization to issue the shares of common stock issuable pursuant to the merger if you are a Lakeland shareholder.

Q: IF I AM A NEWTON SHAREHOLDER, AM I REQUIRED TO SUBMIT MY ELECTION FORM WHEN I VOTE MY SHARES?

A: No. We have enclosed an Election Form for your use in making an election to receive either cash or Lakeland common stock pursuant to the merger. The Election Forms must be received by American Stock Transfer & Trust Company, the Exchange Agent, no later than the close of business three business days prior to the date on which we consummate the merger. Assuming that all regulatory approvals are received at least 15 days prior to the special meetings and assuming that the Newton and Lakeland shareholders approve the proposals described in this document, we hope to consummate the merger immediately after the special meetings are conducted. **Thus, if you are a Newton shareholder, you should make sure that the Exchange Agent receives your Election Form at least three business days before the Newton special meeting.** If you are a Newton shareholder and you either do not submit an Election Form or you submit an Election Form after the deadline, your shares will be deemed to be No Election Shares for purposes of the allocation procedures described in this joint proxy statement and prospectus. We cannot tell you at this point whether No Election Shares will receive cash or Lakeland common stock in the merger. See THE MERGER Terms of the Merger Election Form; Exchange of Shares beginning on page 40.

Q: MUST MY ELECTION FORM COVER ALL OF MY NEWTON SHARES?

A: Yes. Each holder of Newton shares may submit only one Election Form. The only exception is for shareholders who hold shares on behalf of others or shareholders who hold shares in a retirement account. Shareholders who hold Newton shares as nominees, trustees or in other representative capacities may submit multiple Election Forms, provided that each such Election Form covers all the shares of Newton common stock held by such representative for a particular beneficial owner. Shareholders who hold shares in a retirement account may also submit multiple Election Forms as long as each such Election Form covers all shares held by such shareholder individually or in the retirement account.

Q: MAY I CHANGE MY VOTE AFTER I HAVE VOTED MY PROXY FOR THE FIRST TIME?

A: Yes. There are several ways for you to revoke your proxy and change your vote. First, you may revoke your proxy by written notice (which you could personally deliver at the special meeting) to the Secretary of Newton or the Secretary of Lakeland, as the case may be, at any time prior to the vote s being taken at the meeting. Second, you may submit a later-dated proxy card. Third, you may submit a new proxy via telephone or the Internet. The last vote received chronologically by any means will supersede your prior vote(s). If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote. If you deliver such a notice or if you do not submit a proxy, you may vote your shares at the special meeting.

Table of Contents

Q: IF I AM A NEWTON SHAREHOLDER, MAY I CHANGE MY ELECTION FORM AFTER I HAVE MAILED IT TO THE EXCHANGE AGENT?

A: Yes, provided that you deliver a notice of revocation to the Exchange Agent prior to the election deadline, which will be the close of business on the third business day prior to the date on which the merger is consummated. You may deliver a new Election Form with your notice of revocation, provided that both documents are received prior to the election deadline.

Q: IF I AM A NEWTON SHAREHOLDER, SHOULD I SEND IN MY STOCK CERTIFICATES NOW?

A: You should only submit your Newton stock certificates when you submit your Election Form. If you do not submit an Election Form, Lakeland will mail to you instructions for exchanging your stock certificates promptly after the merger is consummated.

Q: HOW MANY SHARES OF LAKELAND COMMON STOCK ARE ISSUABLE PURSUANT TO THE MERGER?

A: If:

each of the outstanding Newton stock options is exercised prior to the completion of the merger;

each holder of Newton common stock validly elects to convert such holder's Newton shares into shares of Lakeland common stock;

no adjustment is made in the exchange ratio because of a stock split, stock dividend or similar event affecting the stock price of Lakeland common stock; and

no adjustment is made in the exchange ratio as a result of the price adjustment provision described below under **THE MERGER Termination** ,

then the maximum number of shares of Lakeland common stock issuable pursuant to the merger agreement is 6,229,822 shares. Because Lakeland expects that some Newton shareholders will elect to receive cash in the merger, Lakeland's management expects that the actual number of shares issuable in the merger will be substantially less than 6,229,822 shares, although the precise number can not be determined at this time.

Q: IS THERE OTHER INFORMATION I SHOULD CONSIDER?

A: Yes. Much of the business and financial information about Lakeland that may be important to you is not included in this document. Instead, that information is incorporated by reference to documents separately filed by Lakeland with the Securities and Exchange Commission. This means that Lakeland may satisfy its disclosure obligations to you by referring you to one or more documents separately filed by it with the SEC.

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See **WHERE YOU CAN FIND MORE INFORMATION** beginning at page 94, for a list of documents that Lakeland has incorporated by reference into this joint proxy statement and prospectus and for instructions on how to obtain copies of those documents. The documents are available to you without charge.

Q: WHAT IF THERE IS A CONFLICT BETWEEN DOCUMENTS?

A: You should rely on the later filed document. Information in this joint proxy statement and prospectus may update information contained in one or more of the Lakeland documents incorporated by reference. Similarly, information in documents that Lakeland may file after the date of this joint proxy statement and prospectus may update information contained in this joint proxy statement and prospectus or information contained in previously filed documents.

Table of Contents

Q: WHY IS THERE MORE FINANCIAL INFORMATION ABOUT NEWTON IN THIS DOCUMENT THAN INFORMATION ABOUT LAKELAND?

A: While we are permitted to incorporate information about Lakeland by reference, we can not take a similar approach with respect to Newton, since Newton has not been required to file financial information with the SEC on a regular basis.

Q: WHEN DO YOU EXPECT TO MERGE?

A: We are working toward completing the merger as quickly as possible. We can not close the merger until (a) 15 days after we receive all necessary bank regulatory approvals and (b) after the shareholders of Newton and Lakeland take the actions proposed by their respective boards. We expect to complete the merger during the first or second calendar quarter of 2004, although delays could occur.

Q: WHOM SHOULD I CALL WITH QUESTIONS OR TO OBTAIN ADDITIONAL COPIES OF THIS JOINT PROXY STATEMENT AND PROSPECTUS?

A: If you are a Newton shareholder and you have questions about the Newton special meeting or if you need additional copies of this joint proxy statement and prospectus, you should contact:

Morrow & Co., Inc.

Telephone: 1-800-607-0088

Please reference Newton Financial Corporation in connection with such inquiries.

If you are a Lakeland shareholder and you have questions about the Lakeland special meeting or if you need additional copies of this joint proxy statement and prospectus, you should contact:

Harry Cooper, Vice President

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Email: hcooper@lakelandbank.com

Table of Contents

SUMMARY

This summary highlights selected information from this joint proxy statement and prospectus. Because this is a summary, it does not contain all of the information that may be important to you. You should carefully read this entire document and the other documents we refer to in this document before you decide how to vote. These references will give you a more complete description of the transaction we are proposing. We have included page references in this summary to direct you to more complete descriptions of the topics provided elsewhere in this joint proxy statement and prospectus.

The Companies (See page 62 for Newton and page 62 for Lakeland)

Newton Financial Corporation

30 Park Place

Newton, New Jersey 07860

973-383-2400

Newton Financial Corporation is a New Jersey business corporation and a registered bank holding company organized in 1983 to acquire the capital stock of Newton Trust Company. Newton Trust Company is a banking corporation organized in 1902 under the banking laws of the State of New Jersey. Newton Trust Company has ten banking offices located in Sussex and Warren Counties in New Jersey, and offers a broad range of personal and commercial banking services, including deposit accounts such as checking, NOW, money market, savings and certificates of deposit and loans such as commercial, installment and fixed and adjustable rate residential mortgages. As of September 30, 2003, Newton had consolidated assets of \$320.5 million, consolidated loans and leases, net of an allowance for loan and lease losses, of \$168.4 million, consolidated deposits of \$268.6 million, and consolidated shareholders equity of \$33.8 million.

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

973-697-2000

Lakeland Bancorp, Inc. is a New Jersey business corporation and a registered bank holding company. Lakeland provides a diversified range of financial services in the communities in which it operates, principally through its Lakeland Bank subsidiary. Lakeland Bank offers a broad range of lending, leasing, depository, and related financial services to individuals and small to medium sized businesses in its northern New Jersey market area. In the lending area, these services include short and medium term loans, lines of credit, letters of credit, inventory and accounts receivable financing, real estate construction loans and mortgage loans. Depository products include: demand deposits, savings accounts and time accounts. In addition, Lakeland offers collection, wire transfer and night depository services.

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As of September 30, 2003, Lakeland had consolidated assets of \$1.5 billion, consolidated loans and leases, net of an allowance for loan and lease losses, of \$802.0 million, consolidated deposits of \$1.3 billion and consolidated shareholders' equity of \$109.6 million.

Lakeland Bank is a state bank chartered under New Jersey law and headquartered in Oak Ridge, New Jersey. Lakeland Bank is engaged in the commercial and retail banking business from 15 banking offices located in Sussex County, New Jersey, 10 banking offices located in Passaic County, New Jersey, 7 banking offices located in Morris County, New Jersey, 5 banking offices located in Bergen County, New Jersey and one banking office located in Essex County, New Jersey.

Table of Contents

The Merger (See page 30)

Lakeland will acquire Newton by merging Newton with and into Lakeland. Newton Trust Company, presently a subsidiary of Newton Financial Corporation, will become a subsidiary of Lakeland. Thus, after the merger, Lakeland's banking business will be conducted by Lakeland Bank and Newton Trust Company as separate bank subsidiaries.

A copy of the merger agreement is attached to this joint proxy statement and prospectus as Annex A.

Newton shareholders will either receive cash or stock, or a combination of cash and stock, depending upon the results of an election procedure that we have described in this joint proxy statement and prospectus. Newton shareholders will receive \$72.08 in cash for each share of Newton common stock that is converted into cash and will receive 4.5 shares of Lakeland common stock for each share of Newton common stock that is converted into Lakeland common stock. Subject to allocation provisions in the merger agreement that preclude more than 25% of Newton's shares from being converted into cash, each Newton shareholder will have the right to elect to:

convert each of such shareholder's Newton shares into Lakeland common stock;

convert each of such shareholder's Newton shares into cash; or

convert a portion (in even 10% integrals) of such shareholder's Newton shares into Lakeland common stock and convert the balance of such shareholder's Newton shares into cash.

If holders of more than 25% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the Exchange Agent will reduce the number of shares of Newton common stock so converted to 25% by a pro rata reduction. Thus, by way of example and subject to certain tax considerations, if holders of 75% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, then, for each such holder, one third of such holder's shares will be converted into cash and two thirds of such holder's shares will be converted into Lakeland common stock. See **THE MERGER Terms of the Merger What Newton Shareholders Will Receive in the Merger**, beginning at page 39.

The exchange ratios will be adjusted proportionately if Lakeland makes any stock splits, stock dividends or similar distributions.

Lakeland will not issue any fractions of a share of common stock. Rather, Lakeland will pay cash (without interest) for any fractional share interest any Newton shareholder would otherwise receive in the merger.

Tax Consequences (See page 53)

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We expect that for federal income tax purposes, the merger will be a taxable event to those Newton shareholders who receive cash in whole or in part in exchange for their Newton common stock, and the merger will not be a taxable event to those Newton shareholders who receive solely Lakeland common stock in exchange for their Newton common stock. However, we urge you to consult your tax advisor to gain a full understanding of the tax consequences of the merger to you. Tax matters are very complicated, and in many cases, the tax consequences of the merger will depend on your particular facts and circumstances.

Reasons for proposing the merger (See page 32 for Newton and page 38 for Lakeland)

Newton's board of directors has unanimously approved the merger and the merger agreement and believes that the proposed merger is in the best interests of Newton and its shareholders. If the merger is consummated and you acquire Lakeland common stock in the merger, you will own stock in a larger and more diversified corporation. Lakeland common stock is traded on the Nasdaq National Market while there is a limited trading market for Newton common stock.

Table of Contents

In unanimously approving the merger agreement, Newton's board considered, among other things, the terms of the merger agreement, including the financial terms, the income tax consequences of the transaction, the historical market prices of Lakeland common stock, the historical cash dividends paid on Lakeland common stock, the competitive environment facing Newton and the business and prospects of Lakeland.

Lakeland's board of directors focused principally on Newton's growth potential, Newton's size and Newton's franchise in Sussex and Warren Counties in New Jersey.

Board recommendations (See page 33 for Newton and page 39 for Lakeland)

The board of directors of Newton unanimously approved the merger agreement and the merger, and unanimously recommends that Newton shareholders vote **FOR** approval of these matters. The board of directors of Lakeland unanimously approved the merger agreement and the merger, and unanimously recommends that Lakeland shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger.

Newton's financial advisor has concluded that the consideration that Newton shareholders will receive in the merger is fair (See pages 33-38)

Lutz Advisors, Inc., financial advisor to Newton, has provided a written fairness opinion dated October 24, 2003 and updated on January 29, 2004 to Newton's board of directors to the effect that, as of that date and as updated, the aggregate consideration to be paid in the merger is fair to Newton's shareholders from a financial point of view. A copy of the fairness opinion is attached to this joint proxy statement and prospectus as Annex C.

You should read the fairness opinion in its entirety.

Newton has paid Lutz Advisors a retainer of \$25,000 and an additional fee of \$75,000 upon the rendering of the written fairness opinion. Newton has agreed to pay Lutz Advisors a fee of 0.70% of the aggregate consideration to be paid in the merger upon the closing of the transaction. The retainer and the fairness opinion fee will be netted against the 0.70% fee. Lutz Advisors will be reimbursed for reasonable out of pocket expenses incurred on behalf of Newton.

Special meeting of Newton's shareholders to be held on March 10, 2004 (See page 26)

The special meeting of Newton's shareholders will be held at the Newton Country Club, 25 Club Road, Newton, New Jersey 07860 on Wednesday, March 10, 2004, at 2:00 p.m., local time. At the special meeting, Newton will ask its shareholders:

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To approve the merger agreement, which will approve the merger of Newton Financial Corporation into Lakeland Bancorp, Inc. and related matters; and

To act on any other matters that may be put to a vote at the special meeting, which may include a motion to adjourn the meeting to another time or place in order to solicit additional proxies in favor of the merger agreement and the merger.

Special meeting of Lakeland's shareholders to be held on March 10, 2004 (See page 26)

The special meeting of Lakeland's shareholders will be held at Lakeland's corporate offices at 250 Oak Ridge Road, Oak Ridge, New Jersey on Wednesday, March 10, 2004, at 5:00 p.m., local time. At the special meeting, Lakeland will ask its shareholders to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement and the merger, including the shares of Lakeland common stock issuable upon exercise of stock options to be assumed by Lakeland pursuant to the merger agreement.

Table of Contents

Who can vote (See page 26)

You are entitled to vote at the Newton special meeting if you owned shares of Newton common stock at the close of business on the record date of January 23, 2004 and at the Lakeland special meeting if you owned shares of Lakeland common stock at the close of business on the record date of January 23, 2004. You will have one vote for each share of Newton common stock or Lakeland common stock that you owned on the applicable record date. On Newton's record date, there were 1,358,251 shares of Newton common stock outstanding. On Lakeland's record date, there were 15,962,461 shares of Lakeland common stock outstanding.

You may vote either by attending the special meeting and voting your shares, or by (i) accessing www.voteproxy.com and following the on-screen instructions; (ii) calling 1-800-PROXIES toll-free and following the instructions; or (iii) completing the enclosed proxy card and mailing it to Newton or Lakeland, as the case may be, in the enclosed white envelope.

The boards of directors of Newton and Lakeland are seeking your proxy to use at the special meetings. We have prepared this joint proxy statement and prospectus to assist you in deciding how to vote and whether or not to grant your proxy. Please indicate through the Internet, phone, or on your proxy card how you want to vote. If you complete the enclosed proxy card, please sign, date and mail the proxy card as soon as possible so that your shares will be represented at the applicable special meeting. If you are a Newton shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** approval of the merger. If you are a Lakeland shareholder and you sign, date and mail your proxy card without indicating how you wish to vote, your proxy will be counted as a vote **FOR** authorization of the issuance of the shares of Lakeland common stock issuable pursuant to the merger. If you submit a proxy, you may revoke it by written notice to the Secretary of Newton or Lakeland, as the case may be, at any time before it is voted at the applicable special meeting.

You cannot vote shares held by your broker in street name. Only your broker can vote those shares, with your instructions. If you do not provide your broker with instructions on how to vote your shares, your broker will not be permitted to vote them.

Voting matters (See page 27)

The approval of the merger agreement and the merger will require the affirmative vote, in person or by proxy, of the holders of at least two thirds of the shares of Newton common stock outstanding on the record date. Each holder of shares of Newton common stock outstanding on the record date will be entitled to one vote for each share held of record. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present and will have the same effect as a vote against the merger and merger agreement.

The approval of the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger will require the affirmative vote, in person or by proxy, of the holders of a majority of the shares of Lakeland common stock voting at Lakeland's special meeting, assuming that a quorum is present in person or by proxy. Each holder of shares of Lakeland common stock outstanding on the record date will be entitled to one vote for each share held of record. Abstentions and broker non-votes will be counted for purposes of determining whether a quorum is present, but will have no effect on any of the matters presented at Lakeland's special meeting.

Shares owned by Newton directors and executive officers and their agreement to vote in favor of the merger (See page 27)

On Newton's record date, directors and those officers of Newton named in Newton's summary compensation table presented elsewhere herein, together with their affiliates, had sole or shared voting power over 105,298 shares of Newton common stock, or approximately 7.75% of the shares of Newton common stock outstanding on the record date.

Table of Contents

Directors of Newton have entered into agreements with Lakeland in which they have agreed to vote all shares of Newton common stock which they own in favor of the merger agreement and the merger. A total of 117,545 shares of Newton common stock, or 8.50% of the shares of Newton common stock outstanding as of November 30, 2003, are covered by those agreements.

Shares owned by Lakeland directors and executive officers (See page 27)

On Lakeland's record date, Lakeland's directors and executive officers, together with their affiliates, had sole or shared voting power over 2,349,617 shares of Lakeland common stock, or approximately 14.72% of the shares of Lakeland common stock outstanding on the record date.

To the best knowledge of Lakeland and Newton:

Lakeland holds no shares of Newton common stock other than shares held in a fiduciary capacity for others.

Newton holds no shares of Lakeland common stock other than shares held in a fiduciary capacity for others.

As of November 30, 2003, Lakeland's directors and executive officers, together with their affiliates, beneficially owned 15,554 shares of Newton common stock.

As of November 30, 2003, Newton's directors and executive officers, together with their affiliates, beneficially owned approximately 150 shares of Lakeland common stock.

Interests of Newton directors and management in the merger (See page 52)

The directors and executive officers of Newton have interests in the merger as directors and employees that are different from the interests of the other Newton shareholders. These interests include, among others:

Members of the board of directors of Newton Trust Company will remain on that board after it becomes a subsidiary of Lakeland.

Each of the Chairman of the Board and the Chief Executive Officer of Newton Trust Company will remain in those positions after the merger is consummated.

Three members of Newton's board — Christopher D. Quinn, Paul G. Viall, Jr. and Janeth C. Hendershot — will be elected to the board of directors of Lakeland.

Under his employment agreement with Newton, Donald E. Hinkel Jr., Newton's President and Chief Executive Officer, may become entitled to a severance payment as a result of the merger. Mr. Hinkel is entitled to receive a lump sum payment equal to twice his then current salary in the event that he is terminated without cause or if he resigns for reasons described in the employment agreement.

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following a change of control, as defined in the agreement. The merger will constitute a change of control.

In addition to Donald E. Hinkel's arrangements, any Newton employee, including senior officers, whose employment is terminated within one year of the merger will be entitled to severance equal to two weeks of their then current base salary for each of the first five years of their service with Newton, and one week per year thereafter, with a total and maximum payment to any terminated employee of thirty weeks.

Certain senior officers of Newton (excluding Mr. Hinkel) will be entitled to a retention bonus if they maintain their employment with Newton until such time after the effective date of the merger as their position or function has been converted or transitioned and are not then offered continued employment by Lakeland.

Table of Contents

Lakeland will assume all Newton stock options outstanding immediately prior to the consummation of the merger.

The merger agreement provides that Lakeland will indemnify the directors and officers of Newton against certain liabilities for a six-year period following completion of the merger.

Newton's board of directors and Lakeland's board of directors were aware of these interests and considered them in approving and recommending the merger. For additional information on the benefits of the merger to Newton's management, see page 52.

Merger expected to occur in the first or second quarter of 2004 (See page 42)

The merger of Newton with and into Lakeland will become final when a certificate of merger is filed under New Jersey law. That certificate may not be filed until all bank regulatory approvals have been received, a 15 day waiting period has expired, Newton's shareholders approve the merger and Lakeland's shareholders authorize the issuance of the Lakeland shares issuable pursuant to the merger. We currently anticipate that the merger will be completed in the first or second quarter of 2004, although delays could occur.

We cannot assure you that we can obtain the necessary regulatory or shareholder approvals or that the other conditions precedent to the merger can or will be satisfied.

Regulatory approval must be obtained and other conditions must be satisfied before the merger will be completed (See pages 46-48)

Our obligations to complete the merger are subject to various conditions that are usual and customary for this kind of transaction, including obtaining approval from the Board of Governors of the Federal Reserve System and the New Jersey Department of Banking and Insurance. Applications for bank regulatory approval have been submitted; approval is pending. In addition to the required regulatory approvals, the merger will only be completed if certain conditions, including the following, are met or, where permissible, waived:

Newton shareholders approve the merger at the Newton special meeting and the Lakeland shareholders authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger at the Lakeland special meeting.

Newton and Lakeland each receive an opinion of counsel with respect to certain tax matters.

Neither of Newton and Lakeland has breached any of our respective representations or obligations under the merger agreement, subject to certain materiality qualifications.

The merger agreement attached to this joint proxy statement and prospectus as Annex A describes other conditions that must be met or waived before the merger may be completed.

Amendment or termination of the merger is possible (See pages 48-51)

The merger agreement may be amended by our written agreement. We can amend the agreement to a certain extent without shareholder approval, even if you have already approved the merger.

We may agree to terminate the merger agreement and not complete the merger at any time before the merger is completed. We each can unilaterally terminate the merger in certain circumstances. These include a failure to complete the merger by June 30, 2004, unless the terminating party's breach is the reason that the merger has not been completed.

Table of Contents

Newton may terminate the merger agreement if:

during a specified 20 business day period, the average closing sale price of Lakeland common stock on the Nasdaq National Market is less than \$12.01; and

such average closing sale price of Lakeland common stock under-performs the average stock price of certain peer financial institutions by more than 25%, as measured in accordance with the merger agreement; and

in response to its receipt of a notice of termination from Newton, Lakeland does not increase the number of shares of Lakeland common stock issuable for each share of Newton common stock in the merger to the extent required by the merger agreement.

See **THE MERGER Termination** for additional information regarding this and other bases for terminating the merger agreement.

Rights of Lakeland shareholders differ from those of Newton shareholders (See page 92)

When the merger is completed, each Newton shareholder will automatically become a Lakeland shareholder unless such shareholder's Newton shares are converted entirely into cash under the merger agreement. The rights of Lakeland shareholders differ from the rights of Newton shareholders in certain important ways. Many of these have to do with provisions in Lakeland's certificate of incorporation and by-laws that differ from those of Newton's certificate of incorporation and by-laws. Some of these provisions, as well as Lakeland's Shareholder Rights Plan, are intended to make a takeover of Lakeland harder if Lakeland's board of directors does not approve it.

Newton shareholders do not have dissenters' appraisal rights (See page 55)

Under the New Jersey Business Corporation Act, Newton's shareholders will not have dissenters' appraisal rights in connection with the merger.

Stock certificates to be submitted with the Election Forms or after the merger is complete (See page 40)

Holders of record of Newton common stock as of the record date for the special meeting will receive an Election Form together with this joint proxy statement and prospectus. Persons who become holders of record of Newton common stock after the record date will also be provided with Election Forms from time to time prior to the consummation of the merger. In order to make an effective election to receive cash or stock in the merger, it will be necessary for such shareholders to submit their Newton stock certificates to the Exchange Agent, together with their Election Forms, in the yellow envelope provided to Newton's shareholders. If such shareholders do not submit an Election Form, then, promptly after the merger is completed, they will receive a letter and instructions on how to surrender their Newton stock certificates in exchange for Lakeland stock certificates and/or cash. Newton shareholders will need to carefully review and complete these materials and return them as instructed along with their stock certificates for Newton common stock.

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If you do not have stock certificates but hold shares of Newton common stock with your broker in street name, you will need to provide your broker with instructions regarding your election. If you do not instruct your broker to make an election, your broker will automatically exchange your shares upon completion of the merger.

Table of Contents**MARKET PRICE AND DIVIDEND INFORMATION****Newton**

The shares of Newton common stock are traded sporadically on the over the counter bulletin board, also referred to by us as the OTCBB. The following table sets forth the high and low closing sale prices of, and the cash dividends declared on, shares of Newton common stock for the periods indicated.

	<u>High</u>	<u>Low</u>	<u>Cash Dividend Per Share</u>
Year Ended December 31, 2002:			
Quarter ended March 31	\$ 32.75	\$ 29.25	\$ 0.25
Quarter ended June 30	33.00	30.50	0.25
Quarter ended September 30	34.25	32.00	0.25
Quarter ended December 31	35.87	31.50	0.25
Year Ended December 31, 2003:			
Quarter ended March 31	39.25	32.74	0.50(1)
Quarter ended June 30	43.75	32.15	0.25
Quarter ended September 30	41.95	39.15	0.25
Quarter ended December 31	70.50	40.90	0.25
Year Ending December 31, 2004:			
Quarter ending March 31 (through January 28, 2004)	73.50	70.21	(2)

- (1) Reflects dividends declared for both the first and second quarters of 2003. Newton shareholders received a total dividend of \$1.00 per share in both 2002 and 2003.
- (2) Newton has yet to declare a dividend during the first quarter of 2004.

On October 23, 2003, the last day prior to announcement of the execution of the merger agreement on which Newton received notice that shares of Newton common stock had been sold, the reported high and low sales prices and the last sale price of Newton common stock on the OTCBB were as follows:

	<u>October 23, 2003</u>		
	<u>High</u>	<u>Low</u>	<u>Last Sale Price</u>
Newton	\$ 41.90	\$ 41.85	\$ 41.85

On January 28, 2004, the last full trading day prior to the date of this joint proxy statement and prospectus on which Newton received notice that shares of Newton common stock had been sold, the reported high and low sales prices and the last sale price of Newton common stock on the

OTCBB were as follows:

	<u>January 28, 2004</u>		
	<u>High</u>	<u>Low</u>	<u>Last Sale Price</u>
Newton	\$ 72.75	\$ 72.75	\$ 72.75

Shareholders are urged to obtain current market quotations for shares of Newton common stock.

As of November 30, 2003, there were 1,370,805 shares of Newton common stock outstanding, held of record by approximately 424 shareholders. As of November 30, 2003, there were also options outstanding covering 13,591 additional shares of Newton common stock.

Table of Contents

Holders of Newton common stock are entitled to receive dividends, when declared by Newton's board of directors, out of funds that are legally available for dividends. Newton primarily obtains funds for the payment of dividends from dividends paid by Newton Trust Company. Newton Trust Company is subject to certain statutory and regulatory restrictions on the amount of dividends it can pay to Newton.

Lakeland

The shares of Lakeland common stock are traded on the National Market tier of the Nasdaq Stock Market, also referred to by us as the Nasdaq National Market. The following table sets forth the high and low closing sale prices for shares of Lakeland common stock and the cash dividends declared per share by Lakeland for the periods indicated:

	<u>High</u>	<u>Low</u>	<u>Cash Dividend Per Share</u>
Year Ended December 31, 2002:			
Quarter ended March 31	\$ 16.29	\$ 13.88	\$ 0.082
Quarter ended June 30	20.64	14.97	0.082
Quarter ended September 30	19.79	13.79	0.086
Quarter ended December 31	18.90	14.33	0.086
Year Ended December 31, 2003:			
Quarter ended March 31	17.91	14.86	0.090
Quarter ended June 30	16.59	14.51	0.090
Quarter ended September 30	16.66	14.80	0.095
Quarter ended December 31	17.35	15.25	0.100
Year Ending December 31, 2004:			
Quarter ending March 31 (through January 28, 2004)	17.15	15.65	0.100

All Lakeland per share data presented in this joint proxy statement and prospectus has been restated to reflect a five percent stock dividend paid on October 15, 2003.

On October 24, 2003, the last full trading day prior to announcement of the execution of the merger agreement, the reported high and low sales prices and the last sale price of Lakeland common stock on the Nasdaq National Market were as follows:

	<u>October 24, 2003</u>		
	<u>High</u>	<u>Low</u>	<u>Last Sale Price</u>
Lakeland	\$ 15.91	\$ 15.50	\$ 15.55

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On January 28, 2004, the last full trading day prior to the date of this joint proxy statement and prospectus, the reported high and low sales prices and the last sale price of Lakeland common stock on the Nasdaq National Market were as follows:

	January 28, 2004		
	High	Low	Last Sale Price
Lakeland	\$ 16.89	\$ 16.16	\$ 16.51

Shareholders are urged to obtain current market quotations for shares of Lakeland common stock.

Table of Contents

As of November 30, there were 15,935,066 shares of Lakeland common stock outstanding, held of record by approximately 3,750 shareholders, and outstanding options that were exercisable on that date, or within 60 days after that date, for 524,049 additional shares of Lakeland common stock.

Holders of Lakeland common stock are entitled to receive dividends, when declared by Lakeland's board of directors, out of funds that are legally available for dividends. Lakeland primarily obtains funds for the payment of dividends from dividends paid by Lakeland Bank. Lakeland Bank is subject to certain statutory and regulatory restrictions on the amount of dividends it can pay to Lakeland.

Lakeland maintains a dividend reinvestment plan available to shareholders who elect to reinvest cash dividends for the purchase of additional shares of Lakeland common stock. The plan also contains a voluntary cash payment feature.

Table of Contents**SUMMARY FINANCIAL DATA****Lakeland Summary Historical Consolidated Financial Information**

The following table sets forth selected consolidated financial data for Lakeland for each of the periods indicated. The financial data for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 are derived from Lakeland's audited consolidated financial statements. The information at September 30, 2003 and for the nine months ended September 30, 2003 and 2002 is unaudited and may not be indicative of results for the full fiscal year. In Lakeland management's opinion, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation for each period and date have been made.

	As of and for the		As of and for the years ended December 31,				
	nine months ended September 30,						
	2003(4)	2002	2002	2001	2000	1999	1998
	(unaudited)		(in thousands except per share data)				
Balance Sheet Data							
Total assets	\$ 1,530,005	\$ 1,183,961	\$ 1,207,105	\$ 1,044,338	\$ 906,612	\$ 830,170	\$ 803,024
Loans, net of costs (fees)	818,466	700,888	719,658	601,959	521,841	476,514	450,051
Total investment securities	555,838	377,102	407,843	343,341	295,740	277,721	255,939
Total deposits	1,332,091	1,038,733	1,059,092	912,110	800,762	736,739	711,811
Total stockholders' equity	109,629	89,817	90,767	85,567	78,624	72,282	73,763
Income Statement Data							
Net interest income	\$ 36,935	\$ 35,291	\$ 48,174	\$ 40,492	\$ 36,493	\$ 33,790	\$ 31,995
Provision for loan and lease losses	2,250	9,750	10,500	1,600	2,000	1,781	698
Net interest income after provision for loan and leases losses	34,685	25,541	37,674	38,892	34,493	32,009	31,297
Noninterest income	7,958	6,687	9,001	8,347	8,263	6,292	5,998
Gains (losses) on sales of investment securities	1,686	875	876	(57)	(529)	32	119
Noninterest expenses	28,006	24,827	33,587	31,206	27,527	30,219	25,033
Income before income taxes	16,323	8,276	13,964	15,976	14,700	8,114	12,381
Income tax provision	5,212	2,235	3,887	4,953	4,695	2,714	4,424
Net income	\$ 11,111	\$ 6,041	\$ 10,077	\$ 11,023	\$ 10,005	\$ 5,400	\$ 7,957
Performance Ratios							
Cash dividends paid	\$ 4,121	\$ 3,757	\$ 5,065	\$ 4,474	\$ 3,852	\$ 3,314	\$ 2,586
Return on average assets (1)	1.14%	0.73%	0.89%	1.14%	1.16%	0.65%	1.04%
Return on average equity (1)	15.79%	9.05%	11.29%	13.37%	13.43%	7.64%	11.03%
Percent shareholders' equity to assets	7.17%	7.59%	7.52%	8.19%	8.67%	8.71%	9.19%
Net interest margin (tax equivalent basis)(1)(2)	4.20%	4.76%	4.75%	4.69%	4.77%	4.56%	4.72%
Allowance for loan and lease losses to total loans	2.01%	2.55%	2.49%	1.37%	1.70%	1.61%	1.77%
Non-performing loans to total loans	2.29%	2.41%	2.78%	0.33%	0.49%	0.70%	0.82%
Capital Ratios							
Tier 1 leverage ratio	8.01%	7.12%	7.01%	7.86%	8.47%	8.88%	9.35%
Tier 1 risk-based capital ratio	12.20%	10.93%	10.94%	12.36%	13.58%	15.40%	15.80%

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Total risk-based capital ratio	13.46%	12.20%	12.20%	13.61%	14.84%	16.66%	17.05%
Per-Share Data							
Weighted average shares outstanding (3):							
Basic	15,059	15,041	15,036	15,137	15,339	15,391	15,362
Diluted	15,283	15,319	15,316	15,323	15,429	15,453	15,460
Book value per common share (3)	\$ 6.88	\$ 5.99	\$ 6.08	\$ 5.68	\$ 5.17	\$ 4.70	\$ 4.81
Closing stock price (3)	\$ 15.95	\$ 15.26	\$ 17.02	\$ 14.78	\$ 8.21	\$ 8.94	\$ 13.78
Earnings per share (3):							
Basic	\$ 0.74	\$ 0.40	\$ 0.67	\$ 0.73	\$ 0.65	\$ 0.35	\$ 0.52
Diluted	\$ 0.73	\$ 0.39	\$ 0.66	\$ 0.72	\$ 0.65	\$ 0.35	\$ 0.51
Cash dividend per common share (3)	\$ 0.28	\$ 0.25	\$ 0.34	\$ 0.29	\$ 0.25	\$ 0.22	\$ 0.17

- (1) Interim ratios have been annualized for purposes of comparability with year-end data
- (2) Net interest margin is tax-equivalent net interest income divided by average interest-earning assets
- (3) Restated for 5% stock dividends in 2003, 2002, 2001, and 2000
- (4) On August 25, 2003, Lakeland consummated the merger of CSB Financial Corp. into Lakeland. As a result of such merger, Community State Bank, a wholly owned subsidiary of CSB Financial Corp., was merged into Lakeland Bank, a wholly owned subsidiary of Lakeland. The historical consolidated financial data for the nine months ended September 30, 2003, includes the financial information and results of operations of Community State Bank for the period from August 25, 2003 through September 30, 2003.

Table of Contents**Newton Summary Historical Consolidated Financial Information**

The following table sets forth selected consolidated financial data for Newton for each of the periods indicated. The financial data for the years ended December 31, 2002, 2001, 2000, 1999 and 1998 are derived from Newton's audited consolidated financial statements. The information at September 30, 2003 and for the nine months ended September 30, 2003 and 2002 is unaudited and may not be indicative of results for the full fiscal year. In Newton management's opinion, all adjustments (consisting only of normal recurring accruals) that are necessary for a fair presentation for each period and date have been made.

	As of and for the		As of and for the years ended December 31,				
	nine months ended						
	September 30,						
	2003	2002	2002	2001	2000	1999	1998
	(unaudited)		(in thousands except per share data)				
Balance Sheet Data							
Total assets	\$ 320,519	\$ 303,518	\$ 305,695	\$ 281,616	\$ 270,085	\$ 261,457	\$ 249,117
Loans, net of costs (fees)	170,554	144,376	152,506	126,898	115,492	90,932	88,617
Total investment securities	119,340	127,722	120,949	126,461	126,978	138,079	133,013
Total deposits	268,597	253,381	254,998	235,171	225,436	223,706	217,526
Total stockholders' equity	33,807	32,677	33,198	32,044	31,731	31,119	29,583
Income Statement Data							
Net interest income	\$ 9,226	\$ 8,275	\$ 11,215	\$ 10,079	\$ 9,626	\$ 8,819	\$ 8,185
Provision for loan losses	124	251	350	320	120	120	84
Net interest income after provision for loan losses	9,102	8,024	10,865	9,759	9,506	8,699	8,101
Noninterest income	1,062	1,052	1,481	1,304	1,239	1,220	1,151
Gains (losses) on sale of investment securities	(21)	(601)	(493)				
Noninterest expenses	6,827	6,147	8,428	7,837	6,561	6,187	5,800
Income before income taxes	3,316	2,328	3,425	3,226	4,184	3,732	3,452
Income tax provision	988	738	955	817	1,216	951	812
Net income	\$ 2,328	\$ 1,590	\$ 2,470	\$ 2,409	\$ 2,968	\$ 2,781	\$ 2,640
Performance Ratios							
Cash dividends paid	\$ 1,021	\$ 1,029	\$ 1,369	\$ 1,331	\$ 1,068	\$ 794	\$ 729
Return on average assets (1)	0.99%	0.73%	0.84%	0.88%	1.11%	1.12%	1.09%
Return on average equity (1)	9.28%	6.58%	7.64%	7.62%	9.46%	9.11%	8.97%
Percent shareholders' equity to assets	10.55%	10.77%	10.86%	11.38%	11.75%	11.90%	11.88%
Net interest margin (tax equivalent basis)(1)(2)	4.39%	4.20%	4.23%	4.09%	4.06%	4.05%	3.87%
Allowance for loan losses to total loans	1.26%	1.35%	1.33%	1.35%	1.38%	1.61%	1.53%
Non-performing loans to total loans	0.46%	0.00%	0.10%	0.76%	0.00%	0.00%	0.00%
Capital Ratios							
Tier 1 leverage ratio	10.33%	10.53%	10.59%	11.41%	11.58%	11.90%	11.76%
Tier 1 risk-based capital ratio	16.11%	17.33%	17.07%	20.29%	23.43%	27.78%	28.55%
Total risk-based capital ratio	17.17%	18.40%	18.15%	21.37%	24.63%	29.03%	29.81%
Per-Share Data							
Weighted average shares outstanding (3):							

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Basic	1,361	1,371	1,368	1,386	1,437	1,468	1,436
Diluted	1,366	1,373	1,370	1,386	1,437	1,468	1,436
Book value per common share	\$ 24.85	\$ 23.97	\$ 24.37	\$ 23.30	\$ 22.49	\$ 21.32	\$ 20.11
Closing stock prices	\$ 41.50	\$ 34.25	\$ 35.88	\$ 32.00	\$ 28.13	\$ 29.00	\$ 31.50
Earnings per share (3)							
Basic	\$ 1.71	\$ 1.16	\$ 1.81	\$ 1.74	\$ 2.07	\$ 1.89	\$ 1.82
Diluted	\$ 1.70	\$ 1.16	\$ 1.80	\$ 1.74	\$ 2.07	\$ 1.89	\$ 1.82
Cash dividend per common share (3)	\$ 0.75	\$ 0.75	\$ 1.00	\$ 0.96	\$ 0.74	\$ 0.54	\$ 0.51

- (1) Interim ratios have been annualized for purposes of comparability with year-end data.
(2) Net interest margin is tax-equivalent net interest income divided by average interest-earning assets.
(3) Restated for a 2-for-1 stock split in 1998.

Table of Contents**Summary Pro Forma Financial Information**

The following summary pro forma financial data should be read in conjunction with the pro forma information set forth under **UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**. The data set forth below is not necessarily indicative of the operating results or financial condition that would have been reported had the merger of Newton into Lakeland been consummated previously nor is it indicative of future operating results or financial position of the combined enterprise. The following summary pro forma financial data does not reflect any adjustments to conform accounting practices or to reflect any cost savings or other synergies which may occur as a result of the merger or any merger-related expenses.

	As of and for the nine months ended	As of and for the year ended
	September 30, 2003	December 31, 2002
	(in thousands except per share data)	
Pro forma combined income statement data(1):		
Interest income	\$ 64,656	\$ 88,034
Interest expense	17,914	28,690
Net interest income	46,742	59,344
Provision for loan losses	2,439	11,020
Net interest income after provision for loan losses	44,303	48,324
Non-interest income	11,430	11,709
Non-interest expense	38,064	46,598
Net income	11,785	10,179
Pro forma per share data(1):		
Basic net income	\$ 0.57	\$ 0.49
Diluted net income	0.57	0.48
Pro forma combined balance sheet data:		
Total assets	\$ 1,915,274	
Loans, net of allowance, costs (fees)	970,386	
Deposits	1,600,688	
Total shareholders' equity	183,186	

- (1) Lakeland acquired CSB Financial Corp. on August 25, 2003. The pro forma income statement information includes CSB as if it had been acquired on the first day of the periods presented.

Table of Contents**COMPARATIVE PER SHARE INFORMATION**

We have set forth below information concerning earnings, cash dividends and book value per share for Newton and Lakeland on both historical and pro forma combined bases and on a per share equivalent pro forma basis for Newton. We have derived the pro forma combined earnings per share from the Unaudited Pro Forma Condensed Combined Financial Information presented elsewhere in this document. Pro forma combined cash dividends declared per share reflect Lakeland's cash dividends declared in the periods indicated. Book value per share for the pro forma combined presentation is based upon outstanding shares of Lakeland common stock, adjusted to include the estimated number of shares of Lakeland common stock to be issued in the merger for outstanding shares of Newton common stock at the time the merger is completed, assuming that 75% of Newton's outstanding shares of common stock are converted into 4.5 shares of Lakeland common stock. The per share equivalent pro forma combined data for shares of Newton common stock is also based on the assumed conversion of 75% of the outstanding shares of Newton common stock into 4.5 shares of Lakeland common stock based upon the exchange ratio. The pro forma and pro forma equivalent data does not take into account any cost savings or synergies that may be achieved as a result of the merger. You should read the information set forth below in conjunction with the respective audited and unaudited financial statements of Lakeland and Newton included or incorporated by reference in this document and the Unaudited Pro Forma Condensed Combined Financial Information and the notes thereto presented elsewhere in this document. See WHERE YOU CAN FIND MORE INFORMATION.

	Nine Months	
	Ended	Year Ended
	September 30,	December 31,
	2003	2002
	<u> </u>	<u> </u>
LAKELAND HISTORICAL		
Earnings per share - diluted (1)	\$ 0.69	\$ 0.59
Cash dividends declared per share	0.28	0.34
Book value per share	6.88	6.69(2)
NEWTON HISTORICAL		
Earnings per share - diluted	1.70	1.80
Cash dividends paid per share	0.75	1.00
Book value per share	24.85	24.37
LAKELAND and NEWTON PRO FORMA COMBINED		
Earnings per share - diluted	0.57	0.48
Cash dividends declared per share	0.28	0.34
Book value per share	8.92	8.80
EQUIVALENT PRO FORMA COMBINED PER SHARE OF NEWTON COMMON STOCK		
Earnings per share - diluted	2.57	2.16
Cash dividends declared per share	1.26	