

LAKELAND FINANCIAL CORP  
Form PRE 14A  
February 23, 2012

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

March 5, 2012

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 4:00 p.m. (local time) on April 10, 2012, at the College Football Hall of Fame, located at 111 South St. Joseph Street, South Bend, Indiana. The accompanying notice of annual meeting of shareholders and proxy statement discuss the business to be conducted at the meeting. We have also enclosed a copy of our 2011 summary annual report to shareholders and a copy of our annual report on Form 10-K for your review. At the meeting, we will review our performance in 2011 and update you on our strategic plan as we move forward.

Our Nominating and Corporate Governance Committee has nominated three persons to serve as directors, each of whom is an incumbent director. With respect to the terms our directors serve, the board of directors recently voted in favor of an amendment to our Amended and Restated Articles of Incorporation to eliminate the classified board of directors and is requesting that the shareholders approve the amendment to our Articles of Incorporation described in the attached proxy statement. If approved, the declassification of the board of directors would be phased in over a three year period after which all directors would be elected annually for a term of one year. Additionally, 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, 2012. Finally, we have also included a non-binding advisory proposal on the compensation of certain executive officers. We recommend you vote your shares for the director nominees and in favor of the declassification of our board of directors, the ratification of our accountants and the compensation of our executive management.

We encourage you to attend the meeting in person. Please return the enclosed RSVP card if you plan to attend. However, whether or not you plan to attend the meeting in person, please take the time to vote by completing and mailing the enclosed proxy card or by following the telephone or Internet voting procedures described on the proxy card. This will assure 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/Michael L. Kubacki  
Michael L. Kubacki  
Chairman of the Board  
and Chief Executive  
Officer

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

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 10, 2012

To the shareholders:

The annual meeting of the shareholders of Lakeland Financial Corporation will be held on Tuesday, April 10, 2012, at 4:00 p.m. (local time) at the College Football Hall of Fame, located at 111 South St. Joseph Street, South Bend, Indiana, for the following purposes:

1. to elect three members of the board of directors;
2. to approve an amendment to the Company's Amended and Restated Articles of Incorporation to provide for the phased-in declassification of the board of directors;
3. to ratify the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012;
4. to approve a non-binding advisory proposal on the compensation of certain executive officers, otherwise known as a "say-on-pay" proposal; and
5. 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 22, 2012, 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, 2012

WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING IN PERSON, PLEASE TAKE THE TIME TO VOTE BY COMPLETING AND MAILING THE ENCLOSED PROXY CARD OR BY FOLLOWING THE TELEPHONE OR INTERNET VOTING PROCEDURES DESCRIBED ON THE PROXY CARD. WE HOPE THAT YOU WILL BE ABLE TO ATTEND THE MEETING, AND IF YOU DO YOU MAY VOTE YOUR STOCK IN PERSON IF YOU WISH. YOU MAY REVOKE THE PROXY CARD AT ANY TIME PRIOR TO ITS EXERCISE.

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LAKELAND FINANCIAL CORPORATION

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PROXY STATEMENT

ANNUAL MEETING OF SHAREHOLDERS

April 10, 2012

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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. Lake City Bank owns all of the common stock of LCB Investments II, Inc. (a subsidiary formed in 2006), 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 subsidiary formed in 2006), a real estate investment trust.

This proxy statement is being furnished to 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 College Football Hall of Fame, located at 111 South St. Joseph Street, South Bend, Indiana on Tuesday, April 10, 2012 at 4:00 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, 2011, and a copy of our Form 10-K, which we filed with the Securities and Exchange Commission (the "SEC"), accompanies this proxy statement. The proxy statement is being mailed to shareholders starting on or about March 5, 2012. This proxy statement is also available on the Internet at [www.lakecitybank.com](http://www.lakecitybank.com).

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 "the Company," "we," "our" and "us" all refer to Lakeland Financial Corporation and its direct and indirect subsidiaries.

Why am I receiving this proxy statement and proxy card?

You are receiving a proxy statement and proxy card from us because on February 22, 2012, 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 the matters to assist you in making an informed decision.

When you sign the enclosed proxy card or otherwise vote pursuant to the instructions set forth on the proxy card, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy card, 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 have signed and returned the proxy card and an issue comes up for a vote at the meeting that is not identified on the card, the proxy holder will vote your shares, pursuant to your proxy, in accordance with his or her judgment.

What matters will be voted on at the meeting?

You are being asked to vote on: (i) the election of three directors of Lakeland Financial for a term expiring in 2015; (ii) the amendment of our Amended and Restated Articles of Incorporation to provide for the phased-in

declassification of our board of directors; (iii) the ratification of the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the 2012 fiscal year; and (iv) a non-binding advisory proposal on the compensation of certain executive officers, otherwise known as a “say-on-pay” proposal. These matters are more fully described in this proxy statement.

How do I vote?

After reviewing this document, submit your proxy using any of the proxy delivery or voting methods indicated on the proxy card. By submitting your proxy, you authorize the individuals named in it to represent you and vote your shares at the annual meeting in accordance with your instructions. Your vote is important. Whether or not you plan to attend the annual meeting, please submit your proxy promptly in the enclosed envelope or vote telephonically or through the Internet by following the instructions on the proxy card.

If you sign and return your proxy card but do not mark the card to provide voting instructions, the shares represented by your proxy card will be voted “for” all three nominees named in this proxy statement, “for” the declassification of our board of directors, “for” the ratification of the appointment of our auditors, and “for” the say-on-pay proposal.

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 this proxy statement 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. Please complete, execute and return the proxy card in the envelope provided by your broker or fiduciary.

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, but cannot vote on non-routine matters, such as an amendment to the Articles of Incorporation or the adoption of an equity incentive plan, unless they have received voting instructions from the person for whom they are holding shares. The election of directors, the declassification of the Company’s board of directors, and the say-on-pay vote are all 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 stockbrokers. Please sign and return ALL proxy cards to ensure that all of your shares are voted.

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 card with a later date and returning that proxy card to our transfer agent at:

American Stock Transfer and Trust Company  
6201 15th Avenue  
Brooklyn, New York 11219;

- 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 22, 2012, the record date, there were 16,303,064 shares of common stock issued and outstanding. Therefore, at least 8,151,533 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 three nominees. 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?

Except with respect to the election of directors, you may vote “for,” “against,” or “abstain” on each proposal properly brought before the meeting. In the election of directors you may vote “for” or “withhold authority to vote for” each nominee.

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. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

How many votes are needed for each proposal?

Except with respect to the election of directors, a majority of votes cast at the meeting will approve each matter that arises at the annual meeting. The directors are elected by a plurality of votes and the three individuals receiving the highest number of votes cast “for” their election will be elected as directors of Lakeland Financial. A “withhold authority” vote will have the same effect as a vote against the election of a particular director. 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, the amendment to the Articles of Incorporation to provide for a phased-in declassification of the board 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, abstentions and 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 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 10, 2012.

Our proxy statement for the annual meeting of shareholders to be held on April 10, 2012, other proxy materials, and our 2011 annual report to shareholders are available at [www.lakecitybank.com](http://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 22, 2012, 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 or she 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 22, 2012.

| Name of Individual or<br>Number of Individuals in Group  | Amount and Nature of<br>Beneficial Ownership(1,2) | Percent<br>of Class |
|--|---|---------------------|
| <i>5% Shareholders</i>   |   |                     |
| Lakeland Financial Corporation 401(k) Plan<br>Post Office Box 1387<br>Warsaw, Indiana 46581-1387 | 837,073(3)  | 5.1%                |
| BlackRock, Inc.(4)   | 998,211   | 6.1%                |
| Columbia Wanger Asset Management, L.P. (5)   | 873,897   | 5.4%                |
| <i>Directors and Nominees</i>  |   |                     |
| Blake W. Augsburger  | 1,675(6)  | *                   |
| Robert E. Bartels, Jr.   | 5,825(7)  | *                   |
| Daniel F. Evans, Jr.   | 5,445(8)  | *                   |
| David M. Findlay   | 58,895(9)   | *                   |
| L. Craig Fulmer  | 77,876(10)  | *                   |
| Thomas A. Hiatt  | 14,893(11)  | *                   |
| Michael L. Kubacki   | 174,296(12)                                       | 1.1%                |
| Charles E. Niemier   | 111,141(13)                                       | *                   |
| Emily E. Pichon  | 5,225(14)   | *                   |
| Steven D. Ross   | 12,857  | *                   |
| Brian J. Smith   | 2,877(15)   | *                   |
| Bradley J. Toothaker   | 3,446(16)   | *                   |
| Ronald D. Truex  | 28,513(17)  | *                   |
| M. Scott Welch   | 78,341(18)  | *                   |
| <i>Other Named Executive Officers</i>  |   |                     |
| Kevin L. Deardorff   | 43,015(19)  | *                   |
| Eric H. Ottinger   | 14,443(20)  | *                   |
| Kristin L. Pruitt  | 2,407   | *                   |
| All directors and executive officers as a group<br>(22 persons)                                  | 667,779(21)                                       | 4.1%                |

\*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 22, 2012 was 16,303,064.



- (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) This information has been supplied by Fidelity Investments which serves as trustee of the trust for the plan. Participant employees of Lakeland Financial Corporation and Lake City Bank exercise voting and investment power over the shares held in their respective participant accounts. Lake City Bank exercises sole investment power over those shares not allocated to any participant account.
- (4) Includes entities related to reporting entity. Based upon a schedule 13G filed with the SEC on February 13, 2011. The address for the reporting entity is 40 East 52nd Street, New York, NY 10022.
- (5) Based upon a schedule 13G filed with the SEC on February 13, 2011. The address for the reporting entity is 227 West Monroe Street, Suite 3000, Chicago, IL 60606.
- (6) Includes 550 shares credited to Mr. Augsburger's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (7) Includes 3,000 options, which are currently exercisable, over which Mr. Bartels has no voting power and sole investment power.
- (8) Includes 1,785 shares credited to Mr. Evans' account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (9) Includes 2,000 shares held by Mr. Findlay's wife, as to which shares he has no voting or investment power. Includes 10,000 options, which are currently exercisable, over which Mr. Findlay has no voting power and sole investment power.
- (10) Includes 5,706 shares held by Mr. Fulmer's individual retirement account, as to which shares he shares voting and investment power; 600 shares held by Mr. Fulmer's wife's individual retirement account, as to which shares he shares voting and investment power; 2,000 options, which are currently exercisable, over which Mr. Fulmer has no voting power and sole investment power; and 25,450 shares credited to Mr. Fulmer's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (11) Includes 600 shares held by Mr. Hiatt's wife's individual retirement account, as to which shares he shares voting and investment power; and 6,424 shares credited to Mr. Hiatt's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (12) Includes 600 shares held in a trust in which he serves as co-trustee and 20,000 options, which are currently exercisable, over which Mr. Kubacki has no voting power and sole investment power.
- (13) Includes 67,357 shares held by Mr. Niemier's individual retirement account; 8,261 shares held by Mr. Niemier's wife's individual retirement account, as to which shares he has no voting or investment power; 14,296 shares held in trust, as to which shares he shares voting and investment power; and 22,227 shares credited to Mr. Niemier's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (14) Includes 1,000 options, which are currently exercisable, over which Ms. Pichon has no voting power and sole investment power.

- (15) Includes 752 shares credited to Mr. Smith's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (16) Includes 321 shares credited to Mr. Toothaker's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (17) 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 1,705 shares credited to Mr. Truex's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (18) 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; 11,000 shares held by BEL Leasing LLP, as to which shares he has sole voting and investment power; 1,000 options, which are currently exercisable, over which Mr. Welch has no voting power and sole investment power; and 18,716 shares credited to Mr. Welch's account as of February 6, 2012 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (19) Includes 5,818 options, which are currently exercisable, over which Mr. Deardorff has no voting power and sole investment power.
- (20) Includes 9,000 options, which are currently exercisable, over which Mr. Ottinger has no voting power and sole investment power.
- (21) This includes shares which have been allocated to executive officers under the 401(k) plan through December 31, 2011.

## ELECTION OF DIRECTORS

Shareholders will be entitled to elect three directors for a term expiring in 2015 at the annual meeting. Our board is currently divided into three classes of directors having staggered terms of three years. As discussed in greater detail herein, our board of directors approved an amendment to our Amended and Restated Articles of Incorporation, which provides for the phased-in declassification of our board of directors beginning in 2013. The proposal is subject to approval by our shareholders. If approved, the directors elected at the 2013 annual meeting of shareholders and each subsequent annual meeting will only be elected for one-year terms, and, beginning in 2015, the entire board of directors will be elected annually. Regardless of whether the amendment to the Articles of Incorporation is approved by our shareholders, the directors elected at our annual meeting this year will still serve three-year terms.

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 and for each of Lakeland Financial's other directors, whose term of office will continue after the meeting, 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 three-year term expiring in 2015, except as noted below. We recommend that shareholders vote "FOR" each of the nominees for director. Unless authority to vote for the nominees is withheld, the shares represented by the proxy card, if executed and returned, will be voted "FOR" the election of the nominees.

## NOMINEES

|                               | Director Since | Positions with Lakeland Financial and Lake City Bank                                     |
|-------------------------------|----------------|--|
| Term Expires 2015             |                |  |
| Daniel F. Evans, Jr. (age 62) | 2010           | Director of Lakeland Financial and Lake City Bank  |
| David M. Findlay (age 50)     | 2010           | President, Chief Financial Officer and Director of Lakeland Financial and Lake City Bank |
| Emily E. Pichon (age 48)      | 2002           | Director of Lakeland Financial and Lake City Bank  |

## CONTINUING DIRECTORS

## Term Expires 2013

|                               |      |   |
|-------------------------------|------|---|
| Blake W. Augsburg (age 48)    | 2011 | Director of Lakeland Financial and Lake City Bank |
| L. Craig Fulmer (age 69)      | 1993 | Director of Lakeland Financial and Lake City Bank |
| Charles E. Niemier (age 56)   | 1998 | Director of Lakeland Financial and Lake City Bank |
| Brian J. Smith (age 47)       | 2011 | Director of Lakeland Financial and Lake City Bank |
| Bradley J. Toothaker (age 43) | 2011 | Director of Lakeland Financial and Lake City Bank |
| Ronald D. Truex (age 61)      | 2010 | Director of Lakeland Financial and Lake City Bank |

## Term Expires 2014

|                                 |      |   |
|---------------------------------|------|---|
| Robert E. Bartels, Jr. (age 47) | 2002 | Director of Lakeland Financial and Lake City Bank                             |
| Thomas A. Hiatt (age 64)        | 2007 | Director of Lakeland Financial and Lake City Bank                             |
| Michael L. Kubacki (age 60)     | 1998 | Chairman and Chief Executive Officer of Lakeland Financial and Lake City Bank |
| Steven D. Ross (age 57)         | 2000 | Director of Lakeland Financial and Lake City Bank                             |
| M. Scott Welch (age 51)         | 1998 | Director of Lakeland Financial and Lake City Bank                             |

In April 2011, Richard L. Pletcher retired from the board due to our policy that directors retire upon reaching the age of 70. Mr. Pletcher had served on our board since 1992. We appreciate Mr. Pletcher's service to the Company, and his commitment and expertise will be missed. Mr. Fulmer is also expected to retire in August 2012 due to the same policy regarding director retirement.

There were also several new additions to the board in 2011, including Brian J. Smith (appointed in July), Blake W. Augsburg (appointed in September), and Bradley J. Toothaker (appointed in October). The board has determined that Messrs. Augsburg, Smith and Toothaker are each independent directors.

Except as noted above, 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. 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. Except as described below, 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 Elkhart, Indiana. 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. Mr. Evans also served 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 a qualified candidate for service 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 Financial Officer of Lakeland Financial Corporation and Lake City Bank. Prior to his arrival at 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 a qualified candidate for service 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. Fulmer is the retired Chairman of Heritage Financial Group, Inc., a real estate investment and management company based in Elkhart, Indiana. We consider Mr. Fulmer to be a qualified candidate for service on the board, as well as the Compensation Committee, due to his expertise in the manufactured housing industry, which is a significant industry in northern Indiana, and his knowledge of, and prominence in, the Elkhart market.

Mr. Hiatt is Managing Director and Founding Partner of Centerfield Capital Partners, a venture capital investment company 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.

Mr. Kubacki presently serves as Chairman and Chief Executive Officer of Lakeland Financial and Lake City Bank. Mr. Kubacki also served as President of Lakeland Financial 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 a director of the Cole Foundation, a private charitable foundation focused on northeast Indiana education, economic development and conservation based in Fort Wayne, Indiana. We consider Ms. Pichon to be a qualified candidate for service on the board, as well as the Audit Committee and the Compensation Committee, due to her experience as a director of a prominent charitable foundation located in Fort Wayne and her education and training as an attorney.

Mr. Ross is President of Heartland Coffee Company, a regional coffee and beverage service and vending company, based in Warsaw, Indiana. Formerly, Mr. Ross was also the 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 the South Bend affiliate of CB Richard Ellis, a large 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 South Bend market.

Mr. Truex is the President of Creighton Brothers, LLC, a diversified agribusiness company focused on egg and grain production and hog farming, 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:

Kevin L. Deardorff, age 50, presently serves as an Executive Vice President of Lakeland Financial and Lake City Bank, positions he has held since 2001. He has served as an officer of Lake City Bank since 1993.

Eric H. Ottinger, age 41, 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.

Kristin L. Pruitt, age 40, presently serves as a Senior Vice President and General Counsel of Lakeland Financial, a position she has held since 2008. 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 2011, 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 2011, except for that Mr. Fulmer did not timely file one report concerning the acquisition of 462 shares and Mr. Welch did not timely file one report concerning the acquisition of 2,000 shares.

## 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](http://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 monthly, and through committee membership, which is discussed below. Our directors also discuss business and other matters with Mr. Kubacki, our Chief Executive Officer, Mr. Findlay, our President and 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.

With the exception of Mr. Kubacki and Mr. Findlay, 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. 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 eight meetings during 2011. 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, who were directors at the time, attended last year's annual meeting.

### Audit Committee

In 2011, the Audit Committee was comprised of Charles E. Niemier, Robert E. Bartels, Jr., Emily E. Pichon, Richard L. Pletcher (until his retirement in April 2011), Brian J. Smith (who joined the Audit Committee upon joining the Board in July 2011), Ronald Truex (who joined the Audit Committee in October 2011) and M. Scott Welch. Assuming that Ms. Pichon is re-elected, each current member is expected to serve on the committee through 2012. 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 financial 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](http://www.lakecitybank.com). In 2011, the committee met four times.

#### Compensation Committee

During 2011, the Compensation Committee was comprised of Daniel F. Evans, Jr., L. Craig Fulmer, Thomas A. Hiatt, Charles E. Niemier, Emily E. Pichon, and Richard L. Pletcher (until his retirement in April 2011). Other than Mr. Fulmer, who is expected to retire in August 2012, each current member is expected to serve on the committee 2012. 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 Mr. Kubacki, our Chief Executive Officer, and the other executive officers;
- evaluate the performance of Mr. Kubacki and the other executive officers and set the compensation level of Mr. Kubacki 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; and
- evaluate the risks associated with all employee compensation plans.

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](http://www.lakecitybank.com). In 2011, the committee met once.

#### Nominating and Corporate Governance Committee

We also have a Nominating and Corporate Governance Committee. In 2011, the members of the committee were Blake Augsburg (who joined the Committee upon joining the board in July 2011), Robert E. Bartels, Jr., Daniel F. Evans, Jr., Thomas A. Hiatt, Steven D. Ross, and M. Scott Welch, each of whom is expected to serve on the committee through 2012, assuming Mr. Evans is 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](http://www.lakecitybank.com). The committee met twice in 2011.

#### Director Nominations and Qualifications

For the 2012 annual meeting, the Nominating and Corporate Governance Committee nominated for re-election to the board the three incumbent directors whose terms are set to expire in 2012. This nomination was further approved by the full board. We did not receive any shareholder nominations for director for the 2012 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 mailed 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 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 2013, shareholder proposals must be received by Kristin L. Pruitt, our Corporate Secretary, at the above address, no later than November 6, 2012, and must otherwise comply with the rules and regulations set forth by the SEC.

## Board Leadership Structure

The positions of Chairman of the Board and Chief Executive Officer of Lakeland Financial have historically been combined, and Mr. Kubacki currently holds both positions. We believe this board leadership structure is the most appropriate because of the efficiencies achieved in having the role of CEO and Chairman combined, and because the detailed knowledge of our day-to-day operations and business that the CEO possesses greatly enhances the decision-making processes of the board as a whole. We have a strong governance structure in place, including a designated lead independent director, as discussed below, to ensure the powers and duties of the dual role are handled responsibly. Furthermore, consistent with Nasdaq listing requirements, the independent directors regularly have the opportunity to meet without Mr. Kubacki in attendance and in 2011 there were three such sessions.

In 2003, the board of directors created the position of a lead independent director, and the Nominating and Corporate Governance Committee appointed L. Craig Fulmer as our lead independent director. 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. Upon Mr. Fulmer's retirement in August 2012, M. Scott Welch has been selected to succeed him as lead independent director.



## Code of Ethics

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](http://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 2011, the Company's Nominating and Corporate Governance Committee determined that Lake City Bank should establish 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 and operational risks. In addition, the Corporate Risk Committee will provide a forum for open and regular communication between senior management and the board in order to effectively manage risks. The Corporate Risk Committee replaces and succeeds the board's Credit and Investment Management Committee and the relevant functions of it will be assumed by the Corporate Risk Committee. The Corporate Risk Committee began meeting in January 2012.

In addition, the Company has designated Ms. Kristin L. Pruitt, Senior 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, our chief credit officer and loan review staff are 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 2011 as applicable to the executive officers named in the Summary Compensation Table on page 28. 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 committee relies upon Mr. Kubacki'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. Kubacki in consultation with each executive officer.

The committee's charter gives it the authority to hire outside consultants to further its objectives and responsibilities. In 2011, the committee retained Frederic W. Cook & Co., Inc., a compensation consulting firm. In addition, the committee reviewed compensation survey data from industry sources such as Crowe Horwath LLP and the American Bankers Association.

### 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 and 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 the summer of 2010, the various financial institution regulatory agencies worked together to issue additional guidance, Guidance on Sound Incentive Compensation Policies, that was in many respects intended to serve 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. However, initial guidance respecting the Dodd-Frank Act risk assessment guidelines and procedures was issued during 2011 and, 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 creates risks that are reasonably likely to have a material adverse effect on the company.

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 has (1) reviewed with Ms. Pruitt, the senior risk officer, the senior executive officer compensation plans and made all reasonable efforts to ensure that these plans do not encourage senior executive officers to take unnecessary and excessive risks that threaten the value of Lakeland Financial; (2) reviewed with Ms. Pruitt the employee compensation plans and made all reasonable efforts to limit any unnecessary risks these plans pose to Lakeland Financial; and (3) reviewed the employee compensation plans to eliminate any features of these plans that would encourage the manipulation of reported earnings of Lakeland Financial to enhance the compensation of any employee.

The Compensation Committee completed a thorough review of all compensation programs offered at 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 Compensation 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 Compensation 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 page 25, the Compensation 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, are sufficiently challenging but not overly difficult. The LTI Plan does not include steep cliffs for not achieving nor exponential upside to achieving them. Reasonable leverage exists above threshold 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.

In analyzing the risks inherent in the 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.

The Compensation Committee did a similar analysis for the following compensation programs available to employees, and concluded that the amounts 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 plans.

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 performance of Mr. Kubacki 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, 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 employees, shareholders, communities, clients 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 better focus management efforts in its execution of corporate goals; and
  - encourages increased productivity;
- 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.

#### 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. The peer groups used in 2011 generally included financial institutions with total assets of \$1.5 billion to \$5 billion, with a focus on banks located in the central region of the United States. Given the ever-changing landscape within the banking industry, there is no specifically defined group of banks that are utilized for this analysis. The Compensation Committee engaged Frederic W. Cook & Co., Inc. in 2011 to assess the effectiveness of the Company's executive compensation programs. For comparative analysis, Frederick W. Cook & Co., Inc. compiled a market reference group of 18 other publicly-traded bank holding companies headquartered in the north or central United States, with median assets of \$3.1 billion, market capitalization of not less than \$100 million and stable, if not strong, performance history. 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             |

In addition, Frederick W. Cook & Co., Inc. and the Compensation Committee reviewed compensation survey data that is readily available to Lakeland Financial from industry sources such as Crowe Horwath LLP 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, turnover level of employees, as well as 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 2011 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 bank have established a sound track record of long-term performance that warrants third quartile or better compensation among similarly situated financial institutions.



Individual Performance. When evaluating an executive officer's individual performance, the Compensation Committee relies upon Mr. Kubacki'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 his or her 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. Kubacki in consultation with each executive officer and recommended to the committee by Mr. Kubacki for approval. The committee establishes Mr. Kubacki's goals after reviewing the bank's annual strategic plan, annual budget plan and the goals of the other executive officers.

### Compensation Decisions

This section describes the decisions made by the Compensation Committee with respect to the compensation for the named executive officers for 2011 and 2012.

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 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 2011 and for 2012 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 108% of its targeted goals in net income and other key measures of financial performance in 2011. The committee believes that Lakeland Financial's financial performance in 2011 was very strong despite the improving, but still adverse operating conditions resulting from the broader economy in general. When compared to its peer group, the 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 committee determined that the named executive officers performed well versus their individual goals for 2011. In 2011 the committee increased base salaries for named executive officers by 3% over the 2010 salary levels, but more specific consideration was given to each position in 2011 as a result of the compensation survey performed.

The following is a brief summary of the compensation decisions of the Compensation Committee for 2011 and 2012:

- base salaries for the named executive officers increased, on average, 3% for 2011 and 7% for 2012;
- bonus payments to named executive officers for 2011 increased from bonuses for 2010, due to the stronger 2011 performance of Lakeland Financial;
- we continued the long-term incentive plan in 2011 to strengthen our retention tools for key senior and executive management;
- the amount of total compensation paid to Mr. Kubacki was greater in 2011 than 2010 because of Lakeland Financial's stronger performance in 2011 compared to 2010;
- benefits and perquisites remained substantially similar between 2010 and 2011 and we expect that will continue through 2012.



Base Salary. We annually review the base salaries of the named executive officers to determine whether or not they will be adjusted. The salaries for 2012, determined by the Compensation Committee at the end of 2011, are set forth in the Summary Compensation Table on page 28. In determining these salary levels, we considered the following factors, with no specific weighting applied to any single factor:

- the compensation philosophy and guiding principles described above;
- the performance of Lakeland Financial versus key financial objectives;
- the base salary paid to the officers in comparable positions at companies in the peer groups, generally using the third quartile or higher percentile as our point of reference if the officer’s overall performance and experience warrants such consideration;
- the overall professional experience and background and the industry knowledge of the named executive officers and the quality and effectiveness of their leadership at Lakeland Financial;
- all of the components of executive compensation, including base salary, bonus, stock options, retirement and death benefits, as well as other benefits and perquisites;
- the performance of Lakeland Financial’s stock price, although it is not a key factor in considering compensation as the committee believes that the performance of the stock price is subject to factors outside the control of executive management; and
- internal pay equity among Lakeland Financial executives.

At the end of 2010, the committee determined the base salaries of the named executive officers for 2011. In addition to the factors listed above, the committee took into consideration the additional responsibilities assumed by the named executive officers upon the retirement of Charles D. Smith in August from the role of Executive Vice President – Commercial Lending. The committee approved raises for all of the named executive officers for 2012 based on the factors described above. The base salaries for 2011 and 2012 are as follows:

| Name               | Position                              | 2011 Base Salary | 2012 Base Salary |
|--------------------|---------------------------------------|------------------|------------------|
| Michael L. Kubacki | Chairman and Chief Executive Officer  | \$453,000        | \$482,000        |
| David M. Findlay   | President and Chief Financial Officer | \$335,000        | \$350,000        |
| Kevin L. Deardorff | Executive Vice President              | \$189,000        | \$205,000        |
| Eric H. Ottinger   | Executive Vice President              | \$178,000        | \$195,000        |
| Kristin L. Pruitt  | Senior Vice President                 | \$165,000        | \$175,000        |

Annual Bonus. The Compensation Committee typically determines eligibility for annual bonus payments using the parameters defined in the Company’s Executive Incentive Bonus Plan, which is a performance-based bonus plan for selected Lake City Bank corporate officers, including the named executive officers. As established, the committee retains the right to modify the program or withhold payment at any time. Since the plan’s inception in 2002, Lakeland Financial’s performance has warranted annual payments under the plan.

Eligible participants in the plan may earn an annual performance-based bonus based on Lakeland Financial’s overall performance as well as the individual participant’s performance. The measure of our performance is based on our actual net income for that year compared to the budgeted net income. We calculate this by using our net income after

the 401(k) match and incentive compensation costs and excluding non-recurring gain/loss on sale of fixed assets, investments, business assets and extinguishment of debt. The committee approves a budgeted net income amount after reviewing the previous year's actual net income in conjunction with the board's and management's expectations for that particular year. The amount is generally increased each year in order to

provide a proper level of incentive to the officers and, in the committee's view, is not at a level that makes it substantially certain that the target threshold will be obtained. The budgeted net income used for 2011 was \$28,306,000 and the actual net income was \$30,662,000.

Bonus payments under this plan are determined by the formulas described below, although the committee reserves the right to modify the payouts in its sole discretion. The plan pays a percentage of the bonus amount equal to the percentage amount of actual net income achieved against the budgeted net income. For example, if actual net income equals 95% of the budgeted net income amount, the bonus payout would be at the 95% level. With respect to the net income component of the bonus formula, bonuses under the program provide for bonus payments of 3% to 50% of eligible salary. In 2011, the bonus program provided that our Chief Executive Officer would receive up to 50% of his salary, the President would receive up to 45% of his salary, certain Executive Vice Presidents would receive up to 40% of their salaries and certain Executive Vice Presidents and certain Senior Vice Presidents would receive up to 30% of their salaries. Bonuses for officers receiving promotions during the year were prorated. For 2011, our actual net income, calculated as described above, equaled 108% of the budgeted net income threshold, and bonuses with respect to the net income component were, therefore, paid out at that same level.

The amount of the bonus is also determined, in part, on the individual's overall performance compared to the individual's performance goals that are discussed in the beginning of the year by the individual and the other executives. The committee also has the discretion to reward achievements that are not the subject of any pre-established goals. The committee determined that the named executive officers performed well against their respective individual performance goals in 2011. The 2011 individual goals are set forth below:

Michael L. Kubacki

- Meet or exceed the financial parameters contained in the 2011 Profit Plan.
- Achieve the goals set out in the 2011 Business Initiatives, which were approved by the Board in January 2011.
  - Maintain effective board process.
  - Lead the Bank's management team.
- Maintain the Bank's leadership position in our local and regional markets.

David M. Findlay

- Work with Retail and Commercial Department to fund the bank in a manner that maximizes the Bank's local deposit gathering capability.
  - Maintain an effective compliance process.
  - Implement a successful core conversion in 2011.
  - Establish a full-service office in Indianapolis.

Kevin L. Deardorff

- Achieve Retail Department performance targets as outlined in the 2011 goals worksheet.
  - Adapt retail deposit strategy to the emerging regulatory requirements in 2011.
    - Work with operations to implement a successful core conversion.
    - Keep retail expenses within budgeted levels.

Eric H. Ottinger

- Work with Fort Wayne Commercial Department to achieve East Region goals.
  - Provide leadership and transition plan for the Wealth Advisory Group.
    - Transition to new role as head of the Commercial Department.
    - Serve as the Bank's senior leader in the Fort Wayne market.

Kristin L. Pruitt

- Continue to refine and adapt compliance program to ensure successful integration of all new regulatory requirements.
  - Adopt a more "hands on" approach to monitoring the Community Reinvestment Act initiatives.
    - Refine Board of Director communication and effectiveness.
  - Support the core conversion to ensure that risk management issues are adequately addressed.





For 2011, our overall performance and achievement of individual goals resulted in aggregate bonus payments of approximately \$2.0 million paid to 188 employees. The bonuses paid to Mr. Kubacki and the other named executive officers are set forth in the Summary Compensation Table on page 28 of this Proxy Statement.

**Long-Term Incentive Plan.** The Company maintains an Amended and Restated Long-Term Incentive Plan. The plan is designed to provide for performance-based payouts based upon three key financial criteria, including average revenue growth rate, average diluted earnings per share growth rate and average return on beginning equity over rolling three-year periods. The Compensation Committee has made grants under the LTI Plan each year since the plan was implemented in 2006. Beginning with the plan grants made in 2009, awards are denominated in Company shares rather than cash to provide for additional alignment with shareholders and stock price performance over the performance period. Grants made prior to 2009 were denominated in cash, but were payable in cash or stock.

The purpose of the LTI Plan is to motivate select officers to collectively produce outstanding results, encourage superior performance, increase productivity and aid in attracting and retaining key employees. Mr. Kubacki recommends, subject to the committee's approval, the performance measures and performance targets to be used for each performance period and the LTI bonus to be paid if certain required conditions are met. Performance targets are based on a combination of Lakeland Financial's goals, business unit and/or individual goals or on such other factors that the committee may determine and approve. Different performance targets may be established for different participants for any performance period, although currently all executives have the same performance targets.

Unless the committee determines otherwise, a new three-year performance period will begin each year. Thus, the maximum number of performance periods open to measurement at any time is three. Going forward, executive officers will have the ability to receive LTI Plan bonus payouts on a yearly basis at the conclusion of each successive three-year performance period. The committee believes that, by making annual awards that consider Company performance over rolling three-year periods, the committee is incentivizing our named executive officers to focus on consistent and sustainable performance rather than taking outsized risk in any one particular year.

The amount of the LTI bonus awarded for each performance period is based upon achieving certain performance thresholds for each of the three measurement criteria. Under the plan, performance on each of the three measurement criteria is computed for the three-year period from the start date and constitutes 33.33% of the overall vesting calculation. For all open performance periods prior to the grant made in 2012 for the 2012-2014 performance period, the target performance levels are 6.00% revenue growth, 5.00% diluted earnings per share growth and 11.00% average return on equity growth. The committee directed management to accrue for the open periods at an amount equal to the sum of the percentages of the actual financial performance against the targeted thresholds, with each of the three criteria valued at 33.33% of the total accrual.

Prior to establishing the plan targets for the performance period 2012-2014, the committee reviewed an analysis of the actual performance against plan targets in the six years since the LTI Plan's inception in 2006. Based on the strong performance against the performance thresholds established in those years, the committee decided to increase the target performance levels. For the performance period 2012-2014, the target performance levels are 6.00% revenue growth, 8.00% diluted earnings per share growth and 12.00% average return on beginning equity growth.

The LTI Plan allows the committee, at its discretion, to adjust performance goals and performance measure results for extraordinary events or accounting adjustments resulting from significant asset purchases or dispositions or other events not contemplated or otherwise considered by the committee when the performance measures and targets were set.

For the three-year performance period ending December 31, 2010, awards were paid at 90%, for a total of \$477,000 paid to 14 individuals in accordance with the terms of the LTI Plan. For the three-year performance period ending December 31, 2011, awards were paid at 132%, for a total of 50,160 shares paid to 15 individuals in accordance with the terms of the LTI Plan. The payouts to the named executive officers for the 2008-2010 and the 2009-2011 performance periods were as follows:

| Name               | Performance Period | Performance Period |
|--------------------|--------------------|--------------------|
|                    | 2008-2010          | 2009-2011          |
|                    | Payout Amounts     | Payout Shares      |
| Michael L. Kubacki | \$135,000          | 13,200             |
| David M. Findlay   | \$81,000           | 7,920              |
| Kevin L. Deardorff | \$27,000           | 3,960              |
| Eric H. Ottinger   | \$18,000           | 2,640              |
| Kristin L. Pruitt  | \$18,000           | 2,640              |

The target award that each named executive officer may earn under the 2010-2012, 2011-2013 and 2012-2014 performance periods is as follows:

| Name               | Performance Period | Performance Period | Performance Period |
|--------------------|--------------------|--------------------|--------------------|
|                    | 2010-2012          | 2011-2013          | 2012-2014          |
|                    | Target Share Award | Target Share Award | Target Share Award |
|                    | Payable in 2012    | Payable in 2013    | Payable in 2014    |
| Michael L. Kubacki | 10,000             | 12,000             | 12,000             |
| David M. Findlay   | 6,000              | 8,000              | 8,000              |
| Kevin L. Deardorff | 3,000              | 4,000              | 4,000              |
| Eric H. Ottinger   | 3,000              | 4,000              | 4,000              |
| Kristin L. Pruitt  | 2,000              | 3,000              | 3,000              |

Equity Awards. No stock options were issued in 2011 to the named executive officers under our 2008 Equity Incentive Plan, as set forth on the Outstanding Equity Awards at Fiscal Year End table on page 31.

All Other Compensation and Perquisites. While the Compensation Committee reviews and monitors the level of other compensation offered to the named executive officers, the committee typically does not adjust the level of benefits offered on an annual basis. The committee does consider the benefits and perquisites offered to the named executive officers in its evaluation of the total compensation received by each. It is our belief that perquisites for executive officers should be very limited in scope and value and reflective of similar perquisites from competitive employers both in the industry and the region. Due to this philosophy, Lakeland Financial has generally provided nominal benefits to executives that are not available to all full time employees and we plan to continue this approach in the future. The benefits offered in 2011 to the named executive officers will continue for 2012. The perquisites received by the named executive officers in 2011 are reported in the Summary Compensation Table on page 28.



COMPENSATION COMMITTEE REPORT

Based on our review and discussion with management, we have recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement and in Lakeland Financial's Annual Report on Form 10-K for the year ended December 31, 2011.

Submitted by:

Daniel F. Evans, Jr.  
L. Craig Fulmer  
Thomas A. Hiatt  
Charles E. Niemier  
Emily E. Pichon

Members of the Compensation Committee

Compensation Committee Interlocks and Insider Participation

Richard L. Pletcher, who retired from the board in April 2011, served on the Compensation Committee until his retirement. Other than Mr. Pletcher, the persons named above were the only persons who served on the Compensation Committee of the Board of Directors during the last fiscal year.

## EXECUTIVE COMPENSATION

## Summary Compensation Table

The following table sets forth information concerning the compensation of our Chief Executive Officer, Chief Financial Officer and our other three most highly compensated executive officers in 2011. 2010 and 2009 compensation is presented for officers who were also named executive officers in those years. In accordance with SEC rules, 2010 and 2009 compensation is not presented for Ms. Pruitt because she was not a named executive officer in those years.

| Name and principal position<br>(a)                                | Year<br>(b)          | Salary(1)<br>(c)                | Stock awards (2)(3)(4)<br>(d)   | Option awards<br>(e) | Non-equity incentive plan compensation<br>(f) | Change in pension value and nonqualified deferred compensation earnings(5)<br>(g) | All other compensation<br>(6)<br>(h) | Total<br>(i)                    |
|---|----------------------|---------------------------------|---------------------------------|----------------------|---|---|--------------------------------------|---------------------------------|
| Michael L. Kubacki<br>Chief Executive Officer                     | 2011<br>2010<br>2009 | \$450,023<br>438,290<br>453,841 | \$237,361<br>155,870<br>366,612 | ---<br>---<br>---    | \$244,620<br>351,400<br>---                   | \$7,140<br>5,760<br>113   | \$27,919<br>28,711<br>26,473         | \$967,063<br>980,031<br>847,039 |
| David M. Findlay<br>President and Chief Financial Officer         | 2011<br>2010<br>2009 | 333,617<br>289,930<br>283,993   | 158,240<br>93,522<br>225,465    | ---<br>---<br>---    | 162,810<br>200,000<br>---                     | ---<br>---<br>---   | 21,406<br>20,051<br>17,883           | 676,073<br>603,503<br>527,341   |
| Kevin L. Deardorff<br>Executive Vice President - Retail           | 2011<br>2010<br>2009 | 188,214<br>182,712<br>189,077   | 79,120<br>46,761<br>130,165     | ---<br>---<br>---    | 81,648<br>101,664<br>---                      | 8,760<br>5,674<br>---   | 18,010<br>13,408<br>16,336           | 375,752<br>350,219<br>335,578   |
| Eric H. Ottinger<br>Executive Vice President - Commercial Banking | 2011<br>2010<br>2009 | 180,658<br>170,680<br>168,247   | 79,120<br>46,761<br>87,384      | ---<br>---<br>---    | 78,408<br>83,561<br>---                       | ---<br>---<br>---   | 27,924<br>22,197<br>20,784           | 366,110<br>323,199<br>276,415   |
| Kristin L. Pruitt<br>Senior Vice President -                      | 2011                 | 163,732                         | 39,560                          | ---                  | 53,460  | ---   | 21,124                               | 277,876                         |

General  
Counsel

- (1) Salary reported includes amounts deferred at the officer's election pursuant to the Lake City Bank Deferred Compensation Plan.
- (2) For 2009, represents the grant date fair value in accordance with FASB ASC Topic 718 - "Compensation-Stock Compensation" for (i) performance-based restricted stock unit awards granted under our LTI Plan for the 2009-2011 performance period, (ii) restricted stock awards granted in lieu of cash payments under our Executive Incentive Bonus Plan for the 2009 plan year due to our participation in TARP at that time and (iii) restricted stock awards granted in lieu of cash payments under our LTI Plan for the 2007-2009 performance period due to our participation in TARP at that time. For 2010, represents such grant date fair value for performance-based restricted stock unit awards granted under our LTI Plan for the 2010-2012 performance period. For 2011, represents such grant date fair value for performance-based restricted stock unit awards granted under our LTI Plan for the 2011-2013 performance period. See the discussion of equity awards in Note 17 of the Notes to Consolidated Financial Statements for Lakeland Financial's financial statements for the year ended December 31, 2011.

- (3) The maximum value that could be paid out due to performance for each individual under the respective performance-based restricted stock unit award is as follows: Mr. Kubacki 2011 \$356,040, 2010 \$233,850 and 2009 \$439,899; Mr. Findlay 2011 \$237,360, 2010 \$140,310 and 2009 \$269,437; Mr. Deardorff 2011 \$118,680, 2010 \$70,155 and 2009 \$152,151; Mr. Ottinger 2011 \$118,680, 2010 \$70,155 and 2009 \$102,041; and Ms. Pruitt 2011 \$89,010.
- (4) Restricted stock unit grants for the years 2010 and 2009 are now included, but were not included in previous years. This also affects the amounts in the "Total" column for those years.
- (5) The amounts in this column are the change in pension value and earnings on nonqualified deferred compensation for each individual. No named executive officer received preferential or above-market earnings on deferred compensation.
- (6) The amounts for 2011 set forth in column (h) include 401(k) plan matching contributions, life insurance premiums, country club memberships and cell phone stipends paid by us as follows:

|                           | Mr. Kubacki | Mr. Findlay | Mr. Deardorff | Mr. Ottinger | Ms. Pruitt |
|---------------------------|-------------|-------------|---------------|--------------|------------|
| 401(k) match              | \$15,876    | \$15,876    | \$15,876      | \$15,876     | \$14,875   |
| Group term life insurance | 1,977       | 614         | 325           | 189          | 115        |
| Cell phone stipend        | 1,809       | 1,809       | 1,809         | 1,809        | 1,809      |
| Country club membership   | 8,257       | 3,107       | ---           | 10,050       | 4,325      |
| Total                     | \$27,919    | \$21,406    | \$18,010      | \$27,924     | \$21,124   |

## Grants of Plan-Based Awards

The following table provides information on possible non-equity performance amounts that are payable under our Executive Incentive Bonus Plan and our Amended and Restated Long-Term Incentive Plan. These plans are described in more detail in the Compensation Discussion and Analysis section. The estimated amounts set forth in the table are subject to the terms of the respective plan and Company and individual performance, as described in the Compensation Discussion and Analysis section.

| Name<br>(a)                    | Grant date<br>(b) | Estimated future payouts under<br>non-equity incentive plan<br>awards |                       |                        | Estimated future payouts<br>under equity incentive plan<br>awards (3) |                           |                            | Grant date<br>fair value<br>of stock<br>and<br>option<br>awards<br>(i) |
|--------------------------------|-------------------|---|-----------------------|------------------------|---|---------------------------|----------------------------|--|
|                                |                   | Threshold<br>(\$)<br>(c)  | Target<br>(\$)<br>(d) | Maximum<br>(\$)<br>(e) | Threshold<br>(shares)<br>(f)  | Target<br>(shares)<br>(g) | Maximum<br>(shares)<br>(h) |  |
| Michael L. Kubacki             |                   |   |                       |                        |   |                           |                            |  |
| LTI Plan                       | 1/01/2011(1)      |   |                       |                        | 6,000   | 12,000                    | 18,000                     | \$237,361  |
| Executive Incentive Bonus Plan | ---(2)            | \$120,500   | \$241,000             | \$361,500              |   |                           |                            |  |
| David M. Findlay               |                   |   |                       |                        |   |                           |                            |  |
| LTI Plan                       | 1/01/2011(1)      |   |                       |                        | 4,000   | 8,000                     | 12,000                     | 158,240  |
| Executive Incentive Bonus Plan | ---(2)            | 78,750  | 157,500               | 236,250                |   |                           |                            |  |
| Kevin L. Deardorff             |                   |   |                       |                        |   |                           |                            |  |
| LTI Plan                       | 1/01/2011(1)      |   |                       |                        | 2,000   | 4,000                     | 6,000                      | 79,120   |
| Executive Incentive Bonus Plan | ---(2)            | 41,000  | 82,000                | 123,000                |   |                           |                            |  |
| Eric H. Ottinger               |                   |   |                       |                        |   |                           |                            |  |
| LTI Plan                       | 1/01/2011(1)      |   |                       |                        | 2,000   | 4,000                     | 6,000                      | 79,120   |
| Executive Incentive Bonus Plan | ---(2)            | 39,000  | 78,000                | 117,000                |   |                           |                            |  |
| Kristin L. Pruitt              |                   |   |                       |                        |   |                           |                            |  |
| LTI Plan                       | 1/01/2011(1)      |   |                       |                        | 1,500   | 3,000                     | 4,500                      | 59,340   |
| Executive Incentive Bonus Plan | ---(2)            | 26,250  | 52,500                | 78,750                 |   |                           |                            |  |

(1) Represents possible payments pursuant to the LTI Plan for the performance period running from 2011-2013. The plan is described in the section entitled “Long-Term Incentive Plan” in the Compensation Discussion and Analysis section.

(2) Represents possible payments pursuant to the Executive Incentive Bonus Plan for 2012 performance. The plan is described in the section entitled “Annual Bonus” in the Compensation Discussion and Analysis section. The bonus payout for 2011 performance is shown in the column entitled “Non-equity incentive plan compensation” in the Summary Compensation Table above.

(3) The Compensation Discussion and Analysis describes the performance conditions applicable to these grants under Compensation Decisions – Long Term Incentive Plan on pages 25 and 26.





## Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information concerning the exercisable and unexercisable stock options at December 31, 2011 held by the individuals named in the Summary Compensation Table.

| Name<br>(a)        | Grant date<br>(b) | Option Awards   |   |                              |                                  | Stock Awards  |  |
|--------------------|-------------------|---|---|------------------------------|----------------------------------|---|--|
|                    |                   | Number of securities underlying unexercised options exercisable(1)<br>(c) | Number of securities underlying unexercised options unexercisable(1)<br>(d) | Option exercise price<br>(e) | Option expiration date(1)<br>(f) | Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested(2)<br>(g) | Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested<br>(h) |
| Michael L. Kubacki | 12/09/03          | 20,000  |   | \$17.19                      | 12/9/2013                        |   |  |
|                    | 5/14/08           |   | 15,000  | 24.05                        | 5/14/2018                        |   |  |
|                    | 1/1/10            |   |   |                              |                                  | 10,000  | \$258,700  |
|                    | 1/1/11            |   |   |                              |                                  | 12,000  | 310,440  |
| David M. Findlay   | 12/09/03          | 10,000  |   | \$17.19                      | 12/09/2013                       |   |  |
|                    | 5/14/08           |   | 10,000  | 24.05                        | 5/14/2018                        |   |  |
|                    | 1/1/10            |   |   |                              |                                  | 6,000   | 155,220  |
|                    | 1/1/11            |   |   |                              |                                  | 8,000   | 206,960  |
| Kevin L. Deardorff | 12/09/03          | 5,818   |   | \$17.19                      | 12/09/2013                       |   |  |
|                    | 5/14/08           |   | 3,000   | 24.05                        | 5/14/2018                        |   |  |
|                    | 1/1/10            |   |   |                              |                                  | 3,000   | 77,610   |
|                    | 1/1/11            |   |   |                              |                                  | 4,000   | 103,480  |
| Eric H. Ottinger   | 12/09/03          | 3,000   |   | \$17.19                      | 12/09/2013                       |   |  |
|                    | 10/11/05          | 6,000   |   | 19.60                        | 10/11/2015                       |   |  |
|                    | 5/14/08           |   | 3,000   | 24.05                        | 5/14/2018                        |   |  |
|                    | 1/1/10            |   |   |                              |                                  | 3,000   | 77,610   |
|                    | 1/1/11            |   |   |                              |                                  | 4,000   | 103,480  |
| Kristin L. Pruitt  | 5/14/08           |   | 5,000   | \$24.05                      | 5/14/2018                        |   |  |
|                    | 1/1/10            |   |   |                              |                                  | 2,000   | 51,740   |
|                    | 1/1/11            |   |   |                              |                                  | 3,000   | 77,610   |

(1) All options reflected in the "Option Awards" columns above vest on the fifth anniversary of the grant date and expire on the tenth anniversary of the grant date.

(2) The stock awards reflected in the "Stock Awards" columns above vest based upon the achievement of certain performance thresholds over a three-year period, as described more completely in the section entitled "Long-Term

Incentive Plan” in the Compensation Discussion and Analysis section above.

## Option Exercises and Stock Vested in 2011

The following table sets forth information concerning the exercise of options in 2011 by the individuals named in the summary compensation table.

| Name<br>(a)        | Option Awards                               |                                  | Stock Awards                               |                              |
|--------------------|---|----------------------------------|--|------------------------------|
|                    | Number of shares<br>acquired on<br>exercise | Value realized on<br>exercise(1) | Number of shares<br>acquired on<br>vesting | Value realized on<br>vesting |
|                    | (b)   | (c)                              | (d)  | (e)                          |
| Michael L. Kubacki | ---   | ---                              | ---  | ---                          |
| David M. Findlay   | ---   | ---                              | ---  | ---                          |
| Kevin L. Deardorff | 10,000                                      | \$159,175                        | ---  | ---                          |
| Eric H. Ottinger   | ---   | ---                              | ---  | ---                          |
| Kristin L. Pruitt  | ---   | ---                              | ---  | ---                          |

(1) Amounts reflect the difference between the exercise price of the option and the market price at the time of exercise.

## Pension Benefits

The following table provides information as of December 31, 2011 for each of our named executive officers regarding the actuarial present value of the officer's total accumulated benefit under our defined benefit retirement plan, the Lakeland Financial Corporation Pension Plan.

| Name<br>(a)        | Plan name<br>(b)                                  | Number of<br>years credited<br>service<br>(c) | Present value of<br>accumulated benefit<br>(d) | Payments<br>during last<br>fiscal year<br>(e) |
|--------------------|---|---|--|---|
| Michael L. Kubacki | Lakeland Financial<br>Corporation Pension<br>Plan | 2   | \$44,502                                       | ---   |
| David M. Findlay   | ---   | ---   | ---  | ---   |
| Kevin L. Deardorff | Lakeland Financial<br>Corporation Pension<br>Plan | 10  | 37,310   | ---   |
| Eric H. Ottinger   | ---   | ---   | ---  | ---   |
| Kristin L. Pruitt  | ---   | ---   | ---  | ---   |

Our defined benefit retirement plan covers certain employees over 21 years of age with more than one year of service. Effective April 1, 2000, we amended the plan to freeze the accrual of benefits to participants under the plan. As a result of this amendment, employees who were not participants in the plan as of March 31, 2000 are no longer able to become participants under the plan. In addition, all benefits previously accrued under the plan by participants were frozen in place, and continuing employment with us will not increase the employee's benefits upon retirement. Normal retirement age is 65. Participants received credit for 2 1/2% of their average salary for each year up to 20 years of service or through March 31, 2000, whichever occurred first.



The principal benefit under this plan is a lifetime annuity for the joint lives of participants and their spouses. This amount is offset by social security benefits. On December 31, 1985, the then existing plan was terminated and the latest plan (which is now frozen) was adopted effective January 1, 1986. Participants in the terminated plan were paid cash or received annuities for their earned benefits as of December 31, 1985. The amounts paid for annuities purchased, as a part of the plan termination will reduce the benefits to be paid out of the latest plan.

#### Nonqualified Deferred Compensation

Effective January 1, 2004, we adopted the Lake City Bank Deferred Compensation Plan. The purpose of the plan is to provide for salary deferral at the participant's voluntary election for certain individuals without regard to statutory limitations under tax qualified plans. The plan is available to all of our executive officers. The plan is funded solely by participant contributions and does not receive a Company match. Participants may defer a portion of their salary or bonus under the plan and invest the deferred portion in a mutual fund-like investment pool managed by an independent third party. Participants may elect to receive the funds in a lump sum or in up to 10 annual installments following retirement, but may not make withdrawals during their employment, except in the event of hardship as approved by the Compensation Committee. All deferral elections and associated distribution schedules are irrevocable.

| Name               | Executive contributions in last FY | Registrant contributions in last FY | Aggregate earnings in last FY | Aggregate withdrawals/distributions | Aggregate balance at last FYE |
|--------------------|------------------------------------|-------------------------------------|-------------------------------|-------------------------------------|-------------------------------|
| (a)                | (b)                                | (c)                                 | (d)                           | (e)                                 | (f)                           |
| Michael L. Kubacki | ---                                | ---                                 | \$30,270                      | ---                                 | \$369,749                     |
| David M. Findlay   | \$118,550                          | ---                                 | 42,178                        | ---                                 | 657,280                       |
| Kevin L. Deardorff | ---                                | ---                                 | ---                           | ---                                 | ---                           |
| Eric H. Ottinger   | ---                                | ---                                 | ---                           | ---                                 | ---                           |
| Kristin L. Pruitt  | 12,973                             | ---                                 | 1,400                         | ---                                 | 17,672                        |

As noted above, all contributions to the plan are funded solely by voluntary participant contributions, which represent a deferral of annual salary, and there are no Company match payments. All aggregate earnings shown above represent investment and interest return on participant contributions and are not additional payments by Lakeland Financial.

#### Potential Payments Upon Termination or Change in Control

The following table sets forth information concerning potential payments and benefits under our compensation programs and benefit plans to which the named executive officers would be entitled upon a termination of employment as of December 31, 2011. As is more fully described below, four of the five named executive officers, Messrs. Kubacki, Findlay, Deardorff and Ottinger, were subject to change in control agreements with Lakeland Financial that were in effect on December 31, 2011 (each, a "Change in Control Agreement"), which provide for payments and benefits to a terminating executive following a change in control of Lakeland Financial. Except for the payments and benefits provided by the Change in Control Agreements, all other payments and benefits provided to any named executive officer upon termination of his employment are the same as the payments and benefits provided to other eligible executives of Lakeland Financial. For purposes of estimating the value of certain equity awards we have assumed a price per share of our common stock of \$25.87, which was the closing price of our stock on December 30, 2011, the last trading day of the year.

|   | Cash<br>Severance<br>Payment | LTI Plan(1) | Executive<br>Incentive<br>Bonus<br>Plan(2) | Continuation of<br>Medical/Dental<br>Benefits(3) | Total<br>Termination<br>Benefits |
|---|------------------------------|-------------|--|--|----------------------------------|
| Michael L. Kubacki  |                              |             |  |  |                                  |
| Voluntary retirement  | ---                          | \$327,695   | \$226,500                                  | ---  | \$554,195                        |
| Termination – death   | ---                          | \$327,695   | ---  | ---  | \$327,695                        |
| Termination, other than<br>for cause, in connection<br>with change in control | \$1,359,000                  | ---         | ---  | \$26,199   | \$1,385,199                      |
| David M. Findlay  |                              |             |  |  |                                  |
| Voluntary retirement  | ---                          | \$203,519   | \$150,750                                  | ---  | \$354,269                        |
| Termination – death   | ---                          | \$203,519   | ---  | ---  | \$203,519                        |
| Termination, other than<br>for cause, in connection<br>with change in control | \$971,500                    | ---         | ---  | \$40,503   | \$1,012,003                      |
| Kevin L. Deardorff  |                              |             |  |  |                                  |
| Voluntary retirement  | ---                          | \$101,747   | \$75,600                                   | ---  | \$177,347                        |
| Termination – death   | ---                          | \$101,747   | ---  | ---  | \$101,747                        |
| Termination, other than<br>for cause, in connection<br>with change in control | \$529,200                    | ---         | ---  | \$37,728   | \$566,928                        |
| Eric H. Ottinger  |                              |             |  |  |                                  |
| Voluntary retirement  | ---                          | \$101,747   | \$74,000                                   | ---  | \$175,747                        |
| Termination – death   | ---                          | \$101,747   | ---  | ---  | \$101,747                        |
| Termination, other than<br>for cause, in connection<br>with change in control | \$518,000                    | ---         | ---  | \$40,503   | \$558,503                        |
| Kristin L. Pruitt   |                              |             |  |  |                                  |
| Voluntary retirement  | ---                          | \$70,703    | \$49,500                                   | ---  | \$120,203                        |
| Termination – death   | ---                          | \$70,703    | ---  | ---  | \$70,703                         |
| Termination, other than<br>for cause, in connection<br>with change in control | ---                          | ---         | ---  | ---  | ---                              |

(1) A prorated bonus is payable to a participant under the LTI Plan when such participant's employment is terminated by reason of his or her retirement or death.

(2) Unless an executive is employed on the date on which bonuses are paid under the Executive Incentive Bonus Plan, he or she will not receive any payment thereunder. The only exception to this rule is that a prorated bonus is payable to a participant under the Executive Incentive Bonus Plan when such participant retires prior to the date of payment. For purposes of the table above, it is assumed that each executive's employment terminated on December 31, 2011. Therefore, since the executive was employed for the entire calendar year, no proration is required and the executive will be entitled to the full amount of the bonus under the Executive Incentive Bonus Plan.

(3) Since our medical and dental benefit plans are self funded, we have estimated the amounts due for 24 months of medical and dental benefits based on our monthly COBRA continuation rates.

Accrued Pay, Certain Retirement Benefits and Vested Equity Awards. The amounts shown in the table above do not include payments and benefits to the extent they are provided on a non-discriminatory basis to salaried employees generally upon termination of employment, or amounts that are fully vested under the terms of the applicable plan. These include:

- Accrued salary and vacation pay.
- Regular pension benefits under our defined benefit retirement plan. See “Pension Benefits” on page 32.
- Distributions of plan balances under our 401(k) plan and the Lake City Bank Deferred Compensation Plan (the “Deferred Compensation Plan”). See “Nonqualified Deferred Compensation” on page 33 for information on current account balances and an overview of the Deferred Compensation Plan.
- The value of option continuation upon retirement, death or disability. Except as may be provided in connection with a change in control, when an employee terminates employment prior to retirement, death or disability, his or her stock options, whether vested or unvested, are terminated immediately. However, when a retirement-eligible employee terminates, or when an employee dies or becomes disabled, his or her options remain in force for 12 months following the date of his or her termination.
- Stock options that are fully vested that may be exercised or cashed out in connection with a change in control or following a termination event.

Death, Disability and Retirement. A termination of employment due to disability does not entitle the named executive officers to any payments or benefits that are not available to salaried employees generally. As is the case with any other eligible participant under our LTI Plan (as described in the Compensation Discussion and Analysis on pages 16 through 27 above), termination of employment due to death or retirement will entitle the named executive officers to a prorated bonus under such plan. In addition, as is also the case with any other eligible participant under our Executive Incentive Bonus Plan (as described in the Compensation Discussion and Analysis on pages 16 through 27 above), termination of employment due to retirement will entitle the named executive officers to a prorated bonus under such plan.

Acceleration of Vesting Upon a Change in Control. All employees, including the named executive officers, who receive awards under our 2008 Equity Incentive Plan will immediately vest in any unvested awards held by such employee upon the occurrence of a change in control.

Change in Control Agreements. Other than as is provided in the Change in Control Agreements, and except as is provided in accordance with the terms of our 2008 Equity Incentive Plan, no named executive officer will be entitled to any payments or benefits as a result of the occurrence of a change in control or as a result of a termination of employment in connection with a change in control. In the case of a termination of employment by the Company within 12 months prior to, or 12 months immediately following, a change in control, or in the case of a termination of employment by an executive within 12 months following a change in control, the Change in Control Agreements provide for the following:



- Payment, in a single lump sum, of a severance benefit equal to two times the sum of (i) the greater of the executive's then current base salary or the executive's annual base salary as of the date one day prior to his termination and (ii) the designated percentage of the amount determined under (i) above payable as annual bonus compensation for the year in which the change in control occurs.

- To the extent the executive (or any of the executive's dependents) was eligible to be covered under the terms of our medical and dental plans for active employees immediately prior to his termination date, we will provide the executive (and his dependents, if any) with equivalent coverages for a period not to exceed 24 months from the date of termination of employment. In the event that the executive (and/or his dependents, if any) become eligible for coverage under the terms of any other medical and/or dental plan of a subsequent employer which plan benefits are comparable to our plan benefits, coverage under our plans will cease for the executive (and/or his dependents, if any).

The Change in Control Agreements were modified as of December 9, 2011 to eliminate the excise tax gross-up provision. In addition, the benefit amounts were reduced by excluding income received under the LTI Plan from the severance payment calculation.

In exchange for the payments and benefits provided under the Change in Control Agreements, the executives agree to be bound by a two-year restrictive covenant, which will be effective throughout the geographic area within a 60-mile radius from the center of Warsaw, Indiana. The restrictive covenant will prohibit the executive from competing, in any way, with the Company for the two-year period.

#### Tax Deductibility of Compensation

Lakeland Financial seeks to maximize the tax deductibility of all elements of compensation. Section 162(m) of the Internal Revenue Code will generally disallow a corporate tax deduction for compensation paid to certain officers in excess of \$1 million, unless the compensation meets an exception as performance-based compensation. While we try to structure compensation plans and programs to ensure deductibility, we may approve compensation amounts that do not qualify for deductibility when we deem it to be in the best interest of Lakeland Financial.

#### DIRECTOR COMPENSATION

During 2011, directors who were not employees of Lakeland Financial or Lake City Bank were paid \$1,000 for each board meeting attended and \$700 for each committee meeting attended. Each director also received a retainer of \$25,000 for service on the board, and the chairperson of the Audit Committee received an additional \$4,000, the lead director received an additional \$2,000, the chairperson of the Compensation Committee received an additional \$2,000 and the chairperson of the Nominating and Corporate Governance Committee received an additional \$1,000.

In 2012, the Compensation Committee retained Frederic W. Cook & Co., Inc. to evaluate Lakeland Financial's director compensation against its peers, using the same market group that the study used for executives, listed above on page 21. The consultant also reviewed the National Association of Corporate Directors Director Compensation Report for 2010-2011. Specifically, the consultant's comparative analysis was based on banks with annual revenues between \$50 million and \$500 million. Based on the recommendations, the directors approved a new compensation program for non-employee directors of Lakeland Financial or Lake City Bank. Meeting fees will be paid \$1,000 for each board meeting attended and \$800 for each committee meeting attended. The increase in the committee meeting attendance fee was warranted by the increasingly large workload of the committees and the associated increase in preparation time required. Each director also will receive a retainer of \$25,000 for service on the board. This retainer was unchanged from the 2011 level. The chairperson of the Audit Committee will receive an additional \$10,000, the lead director will receive an additional \$5,000, the chairperson of the Compensation Committee will receive an additional \$5,000, the chairperson of the Nominating and Corporate Governance Committee will receive an additional \$5,000 and the chairperson of the Corporate Risk Committee will receive an additional \$5,000. The increases in compensation for the leadership roles of the committees and board were recommended by the consultant based on the compensation analysis to bring the compensation for these roles closer to the median of peers. Each director of

Lakeland Financial is also a director of Lake City Bank and is not compensated separately for service on the Lake City Bank's board.

Mr. Kubacki and Mr. Findlay, who are directors and also serve as our Chief Executive Officer and President, respectively, are not paid any fees for their service as directors. The directors' fees are reviewed annually by the Compensation Committee.

Additionally, under the 2008 Equity Incentive Plan, directors may be awarded non-qualified stock options or stock grants at the discretion of the Compensation Committee. In 2011, each non-employee director was awarded 1,000 shares and in 2012 each non-employee director will receive 1,250 shares. Upon a change in control of Lakeland Financial, all options and stock grants held by participants under the 2008 Equity Incentive Plan become fully vested.

In December 2011, the Board of Directors revised its stock ownership policy to require that directors are required to hold a minimum of 5,000 shares of Lakeland Financial within five years from the adoption of the stock ownership policy. At the time of the decision to increase the requirement, 5,000 shares represented approximately the same value as five times the annual retainer for directors. This requirement will be reviewed each year by the Nominating and Corporate Governance Committee and may be adjusted to maintain that ratio. As of December 31, 2011 nine of our non-employee directors met the requirements of our stock ownership policy.

The following table provides information on 2011 compensation for non-employee directors who served during 2011.

| Name                   | Fees earned or<br>paid in cash(1) | Stock<br>awards(2) | Total    |
|------------------------|-----------------------------------|--------------------|----------|
| (a)                    | (b)                               | (c)                | (d)      |
| Blake W. Augsburger    | \$14,117                          | \$12,835           | \$26,952 |
| Robert E. Bartels, Jr. | 36,900                            | 21,565             | 58,465   |
| Daniel F. Evans, Jr.   | 34,843                            | 21,565             | 56,408   |
| L. Craig Fulmer        | 54,485                            | 21,565             | 76,050   |
| Thomas A. Hiatt        | 39,029                            | 21,565             | 60,594   |
| Charles E. Niemier     | 54,984                            | 21,565             | 76,549   |
| Emily E. Pichon        | 39,300                            | 21,565             | 60,865   |
| Steven D. Ross         | 35,100                            | 21,565             | 56,665   |
| Brian J. Smith         | 19,300                            | 11,275             | 30,575   |
| Bradley J. Toothaker   | 8,250                             | 12,835             | 21,085   |
| Ronald D. Truex        | 35,182                            | 21,565             | 56,747   |
| M. Scott Welch         | 51,582                            | 21,565             | 73,147   |

(1) We maintain the Lakeland Financial Corporation Directors Fee Deferral Plan under which non-employee directors are permitted to defer receipt of their directors' fees and earn a rate of return based upon the performance of our stock. The amounts shown in this column include amounts that may have been deferred by the directors. We may, but are not required to, fund the deferred fees into a trust which may hold our stock. The plan is unqualified and the directors have no interest in the trust. The deferred fees and any earnings thereon are unsecured obligations of Lakeland Financial. Any shares held in the trust are treated as treasury shares and may not be voted on any matter presented to shareholders. The number of shares attributable to each director under the plan are set forth in the footnotes to the Beneficial Ownership Table on page 5. No director received preferential or above-market earnings on deferred fees.

(2) Represents the grant date fair value for restricted stock awards in accordance with FASB ASC Topic 718 - "Compensation-Stock Compensation." See the discussion of equity awards in Note 17 of the Notes to Consolidated Financial Statements for Lakeland Financial's financial statements for the year ended December 31, 2011. The number of shares granted and vested for each director who served on the Board of Directors for the entire year was 1,000. Directors who served a partial year received 500 shares.

The aggregate amount of option awards outstanding as of December 31, 2011 for non-employee directors were as follows: Robert E. Bartels and Thomas A. Hiatt held 4,000 each; L. Craig Fulmer, Emily E. Pichon and M. Scott Welch held 2,000 each; Charles E. Niemier and Steven D. Ross held 1,000 each. The other non-employee directors did not have any outstanding option awards as of December 31, 2011.

#### AMENDMENT OF AMENDED AND RESTATED ARTICLES OF INCORPORATION TO DECLASSIFY THE BOARD OF DIRECTORS

The board of directors has determined, after careful consideration, that it is in the best interests of the Company and its shareholders to amend our Amended and Restated Articles of Incorporation to provide for the phased-in declassification of our board of directors culminating in the annual election of all directors. The full text of the proposed amendment is attached as Annex A hereto. Our Articles of Incorporation currently provide for our board of directors to be classified into three classes of directors with only one class of directors appointed annually and each class elected to a three-year term.

Historically, our board of directors felt that our board's classified structure was advantageous in that it allowed for continuity and stability in the pursuit of our business, enhanced the independence of our directors, and afforded us certain protections against hostile takeovers. The current trend in corporate governance, however, is leading away from classified boards in favor of appointing all directors annually. After our board carefully reviewed all available information and weighed the various considerations, it decided that the phased-in declassification of the board over a three-year period was in the best interests of our Company and its shareholders. Consequently, our board recommends that our shareholders vote to amend our Articles of Incorporation, eliminate our board's classified structure, and provide for the annual election of all directors.

The proposed amendment would not affect the existing terms of our directors, and the directors who are up for election this year would still be elected for three-year terms. Therefore, if the proposed amendment is approved, our Articles of Incorporation would be amended after this year's annual meeting to eliminate the classified structure of the board of directors over a three year period. Specifically, our Articles of Incorporation, as amended, will provide that (i) the directors standing for election at our 2013 annual meeting will stand for election for one-year terms; (ii) the directors standing for election at our 2014 annual meeting will stand for election for one-year terms along with the directors elected in 2013; and (iii) beginning in 2015, all directors will stand for election for one-year terms at our annual meeting. Therefore, in 2015, our board of directors would be fully declassified, and all directors would be elected annually for one-year terms.

If the proposed amendment is passed by our shareholders, it will become effective when the Company files the amendment with the Secretary of State of the State of Indiana and amends its Bylaws, which we intend to do promptly following the annual meeting. If our shareholders do not approve the proposed amendment, our board of directors will remain classified.

The following resolution is submitted for shareholder approval:

“RESOLVED, that Lakeland Financial Corporation’s shareholders approve the amendment of our Amended and Restated Articles of Incorporation and that Sections 3(a), 3(b) and 3(c) of Article VII of our Amended and Restated Articles of Incorporation be and are hereby amended by their deletion and insertion of the form of Section 3 of Article VII, respectively, as contained in Annex A of the Company’s proxy statement, dated March 5, 2012.”

The board of directors recommends shareholders vote to approve the amendment of our Articles of Incorporation by voting “FOR” this proposal. Proxies properly signed and returned will be voted “FOR” this proposal unless shareholders specify otherwise.

ADVISORY (NON-BINDING) VOTE ON EXECUTIVE COMPENSATION

Section 14A of the Securities Exchange Act of 1934, as created by Section 951 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), and the rules and regulations promulgated thereunder require publicly traded companies, such as Lakeland Financial Corporation, to permit a separate shareholder vote to approve the compensation of executives as disclosed pursuant to the compensation rules of the SEC. In accordance with these requirements, we are providing shareholders with an advisory vote on the compensation of our executive officers.

As described in more detail in the Compensation Discussion and Analysis section of this proxy statement, the overall objectives of Lakeland Financial’s compensation programs have been to align executive officer compensation with the success of meeting long-term strategic operating and financial goals. Shareholders are urged to read the Compensation Discussion and Analysis section of this proxy statement, as well as the Summary Compensation Table and other related compensation tables and narrative disclosure that describe the compensation of our named executive officers in 2011. The Compensation Committee and the board of directors believe that the policies and procedures articulated in the Compensation Discussion and Analysis section are effective in implementing our compensation philosophy and achieving its goals, and that the compensation of our executive officers in fiscal 2011 reflects and supports these compensation policies and procedures.

The following resolution is submitted for shareholder approval:

“RESOLVED, that Lakeland Financial Corporation’s shareholders approve, on an advisory basis, its executive compensation as described in the section captioned ‘Compensation Discussion and Analysis’ and the tabular disclosure regarding named executive officer compensation under ‘Executive Compensation’ contained in the Company’s proxy statement, dated March 5, 2012.”

Approval of this resolution requires the affirmative vote of a majority of the shares voted on this matter at the annual meeting. While this advisory vote on executive compensation, commonly referred to as a “say-on-pay” advisory vote, is required, it is not binding on our board of directors and may not be construed as overruling any decision by the board. However, the Compensation Committee will take into account the outcome of the vote when considering future compensation arrangements.

The board of directors recommends shareholders vote to approve the overall compensation of the our named executive officers by voting “FOR” this proposal. Proxies properly signed and returned will be voted “FOR” this proposal unless shareholders specify otherwise.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2011, Lake City Bank had extended, and expects to continue to extend, loans to its directors and officers and to their related interests. Such loans were, and will continue to be, made only upon the same terms, conditions, interest rates, and collateral requirements as those prevailing at the same time for comparable loans extended from time to time to other, unrelated borrowers. Loans to directors and officers do not and will not involve greater risks of collectibility, or present other unfavorable features, than loans to other borrowers. All such loans are approved by the Lake City Bank board of directors in accordance with the bank regulatory requirements.

Lake City Bank entered into a Lease Agreement with Michigan Street, LLC for retail branch and office space in South Bend, Indiana, in June 2011. In October 2011, Bradley Toothaker, a one-third owner of Michigan Street, LLC, joined the boards of directors of Lakeland Financial Corporation and Lake City Bank. The initial term of the lease is for a period of 20 years, with two consecutive five year renewal terms. Pursuant to the lease, monthly rent for 4,450 square feet of leased space is \$6,304.16 for the first five years, and will increase by 7.5% every five years. In addition, Lake City Bank is required to pay its proportionate share of common area maintenance fees for the building, presently expected to be approximately \$2,600 per month. Mr. Toothaker had not yet become a director at the time of the lease signing and the Lease Agreement was negotiated by Lake City Bank's management on an arms-length basis. Effective January 1, 2012, the parties amended the terms of the lease to reflect additional square footage to be used by Lake City Bank in the building. Based on the addition of approximately 550 square feet, the monthly rent for the leased space increased to \$7,001.87. This amendment was ratified by Lake City Bank's board of directors in February 2012. Management and the board of directors believe that the terms of the lease are reasonable and consistent with the customary terms of the local market. The board of directors considered this lease arrangement when considering Mr. Toothaker's independence and determined that it did not prevent Mr. Toothaker from being able to serve as an independent director.

Additionally, pursuant to the Corporate Governance Committee Charter, the committee evaluates and pre-approves any non-lending, material transaction between Lakeland Financial and any director or officer. The charter does not provide any thresholds as to when a proposed transaction needs to be pre-approved, but the committee evaluates those proposed transactions that may affect a director's independence or create a perception that the transaction was not fair to Lakeland Financial or not done at arm's length. Generally, transactions which would not require disclosure in our proxy statement under SEC rules (without regard to the amount involved) do not require the committee's pre-approval. A director may not participate in any discussion or approval by the committee of any related party transaction with respect to which he or she is a related party, but must provide to the committee all material information reasonably requested concerning the transaction.



### AUDIT COMMITTEE REPORT

The Audit Committee assists the board in carrying out its oversight responsibilities for our financial reporting process, audit process and internal controls. The Audit Committee also reviews the audited financial statements and recommends to the board that they be included in our annual report on Form 10-K. As of December 31, 2011, the committee was comprised solely of independent directors.

The Audit Committee has reviewed and discussed our audited financial statements for the fiscal year ended December 31, 2011 with our management and Crowe Horwath LLP, our independent registered public accounting firm. The committee has also discussed with Crowe Horwath the matters required to be discussed by SAS 61 (Codification for Statements on Auditing Standards) as well as having received and discussed the written disclosures and the letter from Crowe Horwath required by the Public Company Accounting Oversight Board Rule 3526, communication with Audit Committees concerning independence. Based on the review and discussions with management and Crowe Horwath, the committee has recommended to the board that the audited financial statements be included in our annual report on Form 10-K for the fiscal year ending December 31, 2011 for filing with the SEC.

Submitted by:

Robert E. Bartels, Jr.  
Charles E. Niemier  
Emily E. Pichon  
Brian J. Smith  
Ronald D. Truex  
M. Scott Welch

Members of the Audit Committee

## INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Shareholders are also being asked to ratify the appointment of Crowe Horwath LLP as our independent registered public accounting firm for the year ending December 31, 2012. If the appointment of Crowe Horwath is not ratified by shareholders, the matter of the appointment of an independent registered public accounting firm will be considered by the Audit Committee and board of directors. A representative of Crowe Horwath is expected to be present at the annual meeting and will have an opportunity to make a statement, if they so desire, as well as to respond to appropriate questions that may be asked by shareholders.

### Accountant Fees

**Audit Fees.** The aggregate fees billed or expected to be billed by Crowe Horwath LLP for its audit of Lakeland Financial's annual financial statements for fiscal years 2011 and 2010, for its required reviews of our unaudited interim financial statements included in our Form 10-Qs filed during fiscal 2011 and 2010, for the integrated audit of internal control over financial reporting as required under Section 404 of the Sarbanes-Oxley Act and for consents and assistance with documents filed with the SEC, including requirements related to the issuance of common stock were \$316,500 and \$301,500, respectively.

**Audit-Related Fees.** The aggregate audit-related fees billed by Crowe Horwath LLP for fiscal years 2011 and 2010 were \$33,195 and \$31,376, respectively. The services included employee benefit plan audits and accounting and financial reporting-related consultations.

**Tax Fees.** The aggregate fees for tax-related services billed by Crowe Horwath for fiscal years 2011 and 2010 were \$64,020 and \$50,200, respectively, for professional services rendered for tax compliance, tax advice and tax planning. The services provided included assistance with the preparation of Lakeland Financial's tax return and guidance with respect to estimated tax payments and for assistance relating to maintaining a real estate investment trust.

**All Other Fees.** The aggregate fees for other services billed by Crowe Horwath for fiscal years 2011 and 2010 were \$126,013 and \$55,050, respectively, for professional services rendered for assistance with Bank Secrecy Act reviews, regulatory compliance reviews and training, other business planning consulting and software license fees. We did not incur any other fees from Crowe Horwath for fiscal years 2011 and 2010 other than the fees reported above.

The Audit Committee, after consideration of the matter, does not believe the rendering of these services by Crowe Horwath to be incompatible with maintaining Crowe Horwath's independence as our independent registered public accounting firm.

### Audit Committee Pre-Approval Policy

Among other things, the Audit Committee is responsible for appointing, setting compensation for and overseeing the work of the independent registered public accounting firm. The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by Crowe Horwath and all such services provided in 2010 and 2011 were pre-approved. These services include audit and audit-related services, tax services, and other services. Crowe Horwath and management are required to periodically report to the Audit Committee regarding the extent of services provided by Crowe Horwath in accordance with this pre-approval, and the fees for the services performed to date. The Audit Committee may also pre-approve particular services on a case-by-case basis that the committee had not already specifically approved.



ANNUAL REPORT AND FINANCIAL STATEMENTS

A copy of our Annual Report to Shareholders for the 2011 fiscal year, which also includes our Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (including financial statements), accompanies this proxy statement.

M i c h a e l L .  
Kubacki  
Chairman and  
Chief Executive  
Officer

March 5, 2012  
Warsaw, Indiana

AMENDMENT TO AMENDED AND RESTATED ARTICLES OF INCORPORATION

Section 3. Terms of Directors.

(a) The terms of the Directors shall be staggered as set forth herein. For purposes of this section, the Board of Directors shall be divided into three classes consisting, to the extent possible, of equal numbers. The classes shall be designated Class A, Class B and Class C, respectively. To the extent that the number of directors is not divisible by three (3), the first additional director shall be placed in Class A and the second additional director, if there is one, shall be placed in Class B.

(b) At the annual meeting of shareholders to be held in 1984, the shareholders shall vote for the total number of directors as shall be set by the Board of Directors pursuant to Section 1 of this Article VII. Class A shall be elected for a term of three (3) years. Class B shall be elected for an initial term of two (2) years and for terms thereafter of three (3) years. Class C shall be elected for an initial term of one (1) year and for terms thereafter of three (3) years. Each person elected shall serve for the term of the class to which he has been designated and until his successor is duly elected and qualified or until his earlier death, resignation, disqualification, or removal from office.

(c) At the annual meeting of shareholders to be held in 1985, the shareholders shall vote for the number of directors comprising Class B to hold office for a term of three (3) years. At the annual meeting of shareholders to be held in 1986, the shareholders shall vote for the number of directors comprising Class C to hold office for a term of three years. At subsequent annual meetings, the shareholders shall vote for the number of directors comprising the class whose term is expiring, which class shall be elected for a term of three (3) years.

The Directors shall, until the annual meeting of stockholders to be held in 2015, be classified with respect to the time for which they severally hold office into three classes, as nearly their equal in number to the extent possible. The term of office for the class of Directors elected in 2010 shall expire at the annual meeting of stockholders to be held in 2013, the term of office for the class of Directors elected in 2011 shall expire at the annual meeting of the stockholders to be held in 2014, and the term of office for the class of Directors elected in 2012 shall expire at the annual meeting of stockholders to be held in 2015, with the members of each class to hold office until their successors are elected and qualified. Commencing at the annual meeting of stockholders to be held in 2013, Directors succeeding those whose terms are then expired shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the year following the year of their election and until their successors are elected and qualified. Commencing with the annual meeting of the stockholders to be held in 2015, the classification of the Board of Directors shall terminate and all Directors shall be of one class.

PROXY FOR COMMON SHARES SOLICITED ON BEHALF OF THE BOARD  
OF DIRECTORS FOR THE ANNUAL MEETING OF SHAREHOLDERS OF  
LAKELAND FINANCIAL CORPORATION TO BE HELD ON APRIL 10, 2012

The undersigned hereby appoints David M. Findlay and Michael L. Kubacki, or either one of them acting in the absence of the other, with power of substitution, attorneys and proxies, for and in the name and place of the undersigned, to vote the number of common shares that the undersigned would be entitled to vote if then personally present at the annual meeting of shareholders, to be held at 4:00 p.m., local time, at the College Football Hall of Fame, located at 111 South St. Joseph Street in South Bend, Indiana, on the 10th day of April, 2012, or any adjournments or postponements of the meeting, upon the matters set forth in the notice of annual meeting and proxy statement, receipt of which is hereby acknowledged, as follows:

|                            |                                 |
|----------------------------|---------------------------------|
| 1.                         | ELECTION OF DIRECTORS:          |
| FOR all nominees listed    | WITHHOLD AUTHORITY              |
| below (except as marked to | to vote for all nominees listed |
| the contrary below)        | below                           |

.. ..

(INSTRUCTIONS: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, STRIKE A LINE THROUGH THE NOMINEE'S NAME IN THE LIST BELOW.)

Term Expires 2015: Daniel F. Evans, Jr., David M. Findlay and Emily E. Pichon

2. APPROVAL OF AMENDMENT TO THE COMPANY'S AMENDED AND RESTATED ARTICLES OF INCORPORATION to provide for a phased-in declassification of the Company's Board of Directors

|     |         |         |
|-----|---------|---------|
| ..  | ..      | ..      |
| For | Against | Abstain |

3. RATIFY THE APPOINTMENT OF CROWE HORWATH LLP as the Company's independent registered public accounting firm for the year ending December 31, 2012.

|     |         |         |
|-----|---------|---------|
| ..  | ..      | ..      |
| For | Against | Abstain |

4. APPROVAL, by non-binding vote, of the Company's compensation of certain executive officers.

|     |         |         |
|-----|---------|---------|
| ..  | ..      | ..      |
| For | Against | Abstain |

5. In accordance with their discretion, upon all other matters that may properly come before said meeting and any adjournments or postponements of the meeting.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR THE NOMINEES LISTED UNDER PROPOSAL 1 AND FOR PROPOSALS 2, 3 AND 4.

Dated: \_\_\_\_\_, 2012

Signature(s)

NOTE: PLEASE DATE THIS PROXY AND SIGN IT EXACTLY AS THE NAME OR NAMES APPEAR ABOVE. ALL JOINT OWNERS OF SHARES SHOULD SIGN THIS PROXY. STATE YOUR FULL TITLE WHEN SIGNING AS EXECUTOR, ADMINISTRATOR, TRUSTEE, GUARDIAN, OR SUCH SIMILAR POSITION. PLEASE RETURN THE SIGNED PROXY IN THE ENCLOSED ENVELOPE.

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