

LAKELAND BANCORP INC  
Form S-4/A  
January 27, 2004  
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Registration No. 333-111637

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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## Amendment No. 1

to

FORM S-4

## REGISTRATION STATEMENT

*Under*

*THE SECURITIES ACT OF 1933*

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# LAKELAND BANCORP, INC.

(Exact name of registrant as specified in its charter)

New Jersey  
(State or other jurisdiction of  
Incorporation or organization)

6021  
(Primary Standard Industrial  
Classification Code Number)

22-2953275  
I.R.S. Employer  
Identification Number)

250 Oak Ridge Road  
Oak Ridge, New Jersey 07438  
(973) 697-2000

(Address, including ZIP Code, and telephone number, including area code, of registrant's principal executive offices)

---

**Roger Bosma**

**President and Chief Executive Officer**

**Lakeland Bancorp, Inc.**

**250 Oak Ridge Road**

**Oak Ridge, New Jersey 07438**

**(973) 697-2000**

(Name, address, including ZIP Code, and telephone number, including area code, of agent for service)

---

*Copies to:*

**Peter H. Ehrenberg, Esq.**  
**Lowenstein Sandler PC**  
**65 Livingston Avenue**  
**Roseland, New Jersey 07068**  
**(973) 597-2500**

**Robert Schwartz, Esq.**  
**Windels Marx Lane & Mittendorf LLP**  
**120 Albany Street Plaza**  
**New Brunswick, NJ 08901**  
**(732) 846-7600**

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effectiveness of this registration statement and upon completion of the merger of Newton Financial Corporation with and into the registrant.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. "

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Title of each class of securities to be registered	Amount to be registered (1)	Proposed maximum offering price per share (1,2)	Proposed maximum aggregate offering price (2)	Amount of registration fee (2)
Common stock, without par value (and associated stock purchase rights)(3)	6,229,822	\$ 25.28	\$ 157,489,900	\$ 12,740.93(4)

- (1) Based on the maximum number of shares of the registrant's common stock that may be issued in connection with the proposed merger of Newton Financial Corporation with and into the registrant, assuming that all stock options granted by Newton Financial Corporation are exercised prior to the closing. In accordance with Rule 416, this registration statement shall also register any additional shares of the registrant's common stock which may become issuable to prevent dilution resulting from stock splits, stock dividends or similar transactions, as provided by the merger agreement.
- (2) Estimated solely for the purpose of calculating the registration fee for the filing on Form S-4 pursuant to Rule 457(f)(2) under the Securities Act based on the book value of Newton Common Stock as of November 30, 2003, the most recent practicable date prior to the filing of this Registration Statement.
- (3) Prior to the occurrence of certain events, the stock purchase rights will not be evidenced separately from the common stock.
- (4) Previously paid.

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**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the SEC, acting pursuant to such Section 8(a), may determine.**

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[Newton LOGO]

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

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

Lakeland's common stock is quoted on the Nasdaq National Market under the symbol LBAI. On January 26, 2004, the closing sale price of Lakeland common stock on the Nasdaq National Market was \$17.05.

The merger cannot be completed unless Newton's shareholders approve it. You will be asked to vote on the merger at our special meeting. **The Newton board of directors unanimously recommends that you vote to approve the merger.** Each member of your board has agreed to vote his or her shares in favor of the merger.

The date, time and place of the meeting are as follows:

Wednesday, March 10, 2004

2:00 p.m.

Newton Country Club, 25 Club Road, Newton, New Jersey 07860

Only shareholders of record as of January 23, 2004 are entitled to attend and vote at the meeting.

Should you have questions on voting your proxy or completing the accompanying election form, please call our information agent, Morrow & Co., Inc., at 1-800-607-0088.

Your vote is very important. Whether or not you plan to attend the meeting, please take the time to vote by (i) accessing [www.voteproxy.com](http://www.voteproxy.com) and following the on-screen instructions; (ii) calling 1-800-PROXIES toll-free and following the instructions; or (iii) completing and mailing the

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enclosed proxy card to us. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote in favor of the merger.

[Insert Signature]

Thomas J. Bain

Chairman of the Board

Newton Financial Corporation

[Insert Signature]

Donald E. Hinkel, Jr.

President and Chief Executive Officer

Newton Financial Corporation

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

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

Investing in the common stock involves risks that are described in **RISK FACTORS** beginning on page 20.

This joint proxy statement and prospectus is dated January , 2004, and is first being mailed to Newton shareholders on or about February 2, 2004.

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**NEWTON FINANCIAL CORPORATION**

**30 Park Place**

**Newton, New Jersey 07860**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**To be Held Wednesday, March 10, 2004**

To The Shareholders of Newton Financial Corporation:

A special meeting of Shareholders of Newton Financial Corporation will be held at the Newton Country Club, 25 Club Road, Newton, New Jersey 07860 at 2:00 p.m. on Wednesday, March 10, 2004 to consider and vote on the following matters:

1. To approve an Agreement and Plan of Merger, dated as of October 24, 2003, by and between Newton Financial Corporation and Lakeland Bancorp, Inc., providing for:

the merger of Newton Financial Corporation with and into Lakeland Bancorp, Inc.; and

the automatic conversion of all of the outstanding capital stock of Newton Financial Corporation into either cash or shares of Lakeland Bancorp, Inc. common stock, pursuant to election and allocation procedures described in the merger agreement.

2. Such other business as shall properly come before the special meeting, which may include a motion to adjourn the meeting to another time or place in order to solicit additional proxies in favor of the merger agreement and the merger.

Shareholders of record as of the close of business on January 23, 2004 are entitled to notice of and to vote at the meeting. Whether or not you contemplate attending the special meeting, please take the time to vote by (i) accessing [www.voteproxy.com](http://www.voteproxy.com) and following the on-screen instructions; (ii) calling 1-800-PROXIES and following the instructions; or (iii) executing the enclosed proxy and returning it to us. You may revoke your proxy at any time prior to its exercise by delivering to us a later-dated proxy by any of the methods described above or by delivering a written notice of revocation to us prior to or at the special meeting.

This meeting involves a matter of major importance to all shareholders. You are urged to read and carefully consider the attached joint proxy statement and prospectus, as well as the annexes.

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The Newton board of directors unanimously recommends that shareholders vote **FOR** approval of the merger.

By Order of the board of directors,

[insert signature]

Clara E. Walters, Corporate Secretary

January , 2004

**YOUR VOTE IS IMPORTANT. PLEASE TAKE THE TIME TO VOTE YOUR PROXY.**

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[Lakeland logo]

**MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

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

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

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

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

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

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

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

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



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

[insert signature]

[insert signature]

John W. Fredericks

Roger Bosma

Chairman

President and CEO

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

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

This joint proxy statement and prospectus is dated January , 2004, and is first being mailed to Lakeland shareholders on or about February 2, 2004.

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**LAKELAND BANCORP, INC.**

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Notice of Special Meeting of Shareholders

To be Held Wednesday, March 10, 2004

To the Shareholders of Lakeland Bancorp, Inc.:

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

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

to conduct other business if properly raised.

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

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

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

By order of the board of directors,

[insert signature]

Paul P. Lubertazzi, Secretary

Oak Ridge, New Jersey

January 23, 2004

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**REFERENCES TO ADDITIONAL INFORMATION**

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

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

Harry Cooper, Vice President

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Email: hcooper@lakelandbank.com

In order to obtain timely delivery of these documents, you should request the information by March 3, 2004. See **WHERE YOU CAN FIND MORE INFORMATION** at page 97 for additional information.

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

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

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

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ANNEXES

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

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: WHAT IS THE PURPOSE OF THIS DOCUMENT?**

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

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

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

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

**Q: WHY ARE NEWTON AND LAKELAND PROPOSING TO MERGE?**

A: We are proposing to merge Newton with and into Lakeland because we believe that combining the strengths of our two financial institutions is in the best interests of both of our companies, our shareholders and our customers. Please see "THE MERGER - Newton's Reasons for the Merger" and "THE MERGER - Recommendation of the Newton Board of Directors" at pages 31 to 32 for the various factors considered by the Newton board of directors in recommending that Newton's shareholders vote **FOR** the proposal to approve the merger agreement and the merger. Please see "THE MERGER - Lakeland's Reasons for the Merger" and "THE MERGER - Recommendation of the Lakeland Board of Directors" at pages 37 to 38 for the various factors considered by the Lakeland board of directors in recommending that Lakeland's shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

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

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

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

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

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

If holders of more than 25% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the Exchange Agent will reduce the number of shares of Newton common stock so converted to 25% by a pro rata reduction. Thus, by way of example and subject to certain tax considerations, if holders of 75% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, then, for each such holder, one third of such holder's shares will be converted into cash and two thirds of such holder's shares will be converted into Lakeland common stock. See "The MERGER Terms of the Merger What Newton Shareholders Will Receive in the Merger," beginning at page 38.



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

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

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

We urge you to consult your tax advisor to gain a full understanding of the tax consequences of the merger to you. Tax matters are very complicated, and, in many cases, the tax consequences of the merger will depend on your particular facts and circumstances. See THE MERGER Material Federal Income Tax Consequences, beginning at page 52.

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

A: No.

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

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

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

**Q: WHAT DO THE RESPECTIVE BOARDS OF DIRECTORS RECOMMEND?**

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

action is in the best interests of Lakeland and its shareholders. Accordingly, the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** approval of the authorization of the shares of Lakeland common stock issuable pursuant to the merger agreement and the merger.

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

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

**Q: WHAT DO I NEED TO DO NOW?**

A: After you have carefully read this joint proxy statement and prospectus, you should vote your shares by (i) accessing [www.voteproxy.com](http://www.voteproxy.com) and following the on-screen instructions; (ii) calling 1-800-PROXIES toll-free and following the instructions; or (iii) indicating on your proxy card how you want your shares to be voted and then signing, dating and mailing the proxy card in the enclosed postage-paid envelope as soon as possible so that your shares may be represented and voted at the applicable special meeting. In addition, you may attend the special meeting in person and vote, whether or not you have accessed [www.voteproxy.com](http://www.voteproxy.com), called 1-800-PROXIES, or signed and mailed your proxy card. If you sign, date and return your proxy card but do not indicate how you want to vote, your

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proxy will be counted as a vote in favor of the merger agreement and the merger if you are a Newton shareholder and in favor of the authorization to issue the shares of common stock issuable pursuant to the merger if you are a Lakeland shareholder.

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

A: No. We have enclosed an Election Form for your use in making an election to receive either cash or Lakeland common stock pursuant to the merger. The Election Forms must be received by American Stock Transfer & Trust Company, the Exchange Agent, no later than the close of business three business days prior to the date on which we consummate the merger. Assuming that all regulatory approvals are received at least 15 days prior to the special meetings and assuming that the Newton and Lakeland shareholders approve the proposals described in this document, we hope to consummate the merger immediately after the special meetings are conducted. **Thus, if you are a Newton shareholder, you should make sure that the Exchange Agent receives your Election Form at least three business days before the Newton special meeting.** If you are a Newton shareholder and you either do not submit an Election Form or you submit an Election Form after the deadline, your shares will be deemed to be No Election Shares for purposes of the allocation procedures described in this joint proxy statement and prospectus. We cannot tell you at this point whether No Election Shares will receive cash or Lakeland common stock in the merger. See THE MERGER Terms of the Merger Election Form; Exchange of Shares beginning on page 39.

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

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

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

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

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

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

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

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

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

A: If:

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

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

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

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

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

**Q: IS THERE OTHER INFORMATION I SHOULD CONSIDER?**

A: Yes. Much of the business and financial information about Lakeland that may be important to you is not included in this document. Instead, that information is incorporated by reference to documents separately filed by Lakeland with the Securities and Exchange Commission. This means that Lakeland may satisfy its disclosure obligations to you by referring you to one or more documents separately filed by it with the SEC. See **WHERE YOU CAN FIND MORE INFORMATION** beginning at page 97, for a list of documents that Lakeland has incorporated by reference into this joint proxy statement and prospectus and for instructions on how to obtain copies of those documents. The documents are available to you without charge.

**Q: WHAT IF THERE IS A CONFLICT BETWEEN DOCUMENTS?**

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

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

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

### **Q: WHEN DO YOU EXPECT TO MERGE?**

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

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

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

Donald E. Hinkel, Jr.

President and Chief Executive Officer

Newton Financial Corporation

30 Park Place

Newton, New Jersey 07860

Telephone: 973-300-3101

Email: [dhinkel@newtontrust.com](mailto:dhinkel@newtontrust.com)

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

Harry Cooper, Vice President

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

Telephone: 973-697-2000

Email: [hcooper@lakelandbank.com](mailto:hcooper@lakelandbank.com)

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**SUMMARY**

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

**The Companies** (See page 61 for Newton and page 61 for Lakeland)

Newton Financial Corporation

30 Park Place

Newton, New Jersey 07860

973-383-2400

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

Lakeland Bancorp, Inc.

250 Oak Ridge Road

Oak Ridge, New Jersey 07438

973-697-2000

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



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

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

### **The Merger** (See page 29)

Lakeland will acquire Newton by merging Newton with and into Lakeland. Newton Trust Company, presently a subsidiary of Newton Financial Corporation, will become a subsidiary of Lakeland. Thus, after the

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merger, Lakeland's banking business will be conducted by Lakeland Bank and Newton Trust Company as separate bank subsidiaries.

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

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

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

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

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

If holders of more than 25% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the Exchange Agent will reduce the number of shares of Newton common stock so converted to 25% by a pro rata reduction. Thus, by way of example and subject to certain tax considerations, if holders of 75% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, then, for each such holder, one third of such holder's shares will be converted into cash and two thirds of such holder's shares will be converted into Lakeland common stock. See **THE MERGER Terms of the Merger What Newton Shareholders Will Receive in the Merger**, beginning at page 38.

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

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

**Tax Consequences** (See page 52)

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

**Reasons for proposing the merger** (See page 31 for Newton and page 37 for Lakeland)

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

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

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

**Board recommendations** (See page 32 for Newton and page 38 for Lakeland)

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

**Newton's financial advisor has concluded that the consideration that Newton shareholders will receive in the merger is fair** (See pages 32-33)

Lutz Advisors, Inc., financial advisor to Newton, has provided a written fairness opinion dated October 24, 2003 and updated on January 1, 2004 to Newton's board of directors to the effect that, as of that date and as updated, the aggregate consideration to be paid in the merger is fair to Newton's shareholders from a financial point of view. A copy of the fairness opinion is attached to this joint proxy statement and prospectus as Annex C.

You should read the fairness opinion in its entirety.

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

**Special meeting of Newton's shareholders to be held on March 10, 2004** (See page 25)

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

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

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

**Special meeting of Lakeland s shareholders to be held on March 10, 2004** (See page 25)

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

**Who can vote** (See page 26)

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

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

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

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

### **Voting matters** (See pages 26 and 27)

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

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

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

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

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

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

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

To the best knowledge of Lakeland and Newton:

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

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

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

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

**Interests of Newton directors and management in the merger** (See page 51)

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

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

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

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

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

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

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

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

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



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Newton's board of directors and Lakeland's board of directors were aware of these interests and considered them in approving and recommending the merger. For additional information on the benefits of the merger to Newton's management, see page 51.

**Merger expected to occur in the first or second quarter of 2004** (See page 41)

The merger of Newton with and into Lakeland will become final when a certificate of merger is filed under New Jersey law. That certificate may not be filed until all bank regulatory approvals have been received, a 15 day waiting period has expired, Newton's shareholders approve the merger and Lakeland's shareholders authorize the

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issuance of the Lakeland shares issuable pursuant to the merger. We currently anticipate that the merger will be completed in the first quarter of 2004, although delays could occur.

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

**Regulatory approval must be obtained and other conditions must be satisfied before the merger will be completed** (See pages 46-47)

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

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

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

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

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

**Amendment or termination of the merger is possible** (See pages 47-50)

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

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

Newton may terminate the merger agreement if:

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

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

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

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

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### **Rights of Lakeland shareholders differ from those of Newton shareholders (See pages 96-97)**

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

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

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

### **Stock certificates to be submitted with the Election Forms or after the merger is complete (See page 39)**

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

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

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

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

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

**Year Ending December 31, 2004:**

Quarter ending March 31 (through January , 2004)

- (1) Reflects dividends declared for both the first and second quarters of 2003. Newton shareholders received a total dividend of \$1.00 per share in both 2002 and 2003.

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

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

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

OTCBB were as follows:

	<u>January , 2004</u>		<u>Last</u>
	<u>High</u>	<u>Low</u>	<u>Sale Price</u>
Newton			

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

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

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

**Lakeland**

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

	<u>High</u>	<u>Low</u>	<u>Cash Dividend Per Share</u>
<b>Year Ended December 31, 2002:</b>			
Quarter ended March 31	\$ 16.29	\$ 13.88	\$ 0.082
Quarter ended June 30	20.64	14.97	0.082
Quarter ended September 30	19.79	13.79	0.086
Quarter ended December 31	18.90	14.33	0.086

**Year Ended December 31, 2003:**

Quarter ended March 31	17.91	14.86	0.090
Quarter ended June 30	16.59	14.51	0.090
Quarter ended September 30	16.66	14.80	0.095
Quarter ended December 31	17.35	15.25	0.100

**Year Ending December 31, 2004:**

Quarter ending March 31 (through January , 2004)

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

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

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

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On January 14, 2004, the last full trading day prior to the date of this joint proxy statement and prospectus, the reported high and low sales prices and the last sale price of Lakeland common stock on the Nasdaq National Market were as follows:

	<u>January 14, 2004</u>		<u>Last</u>
	<u>High</u>	<u>Low</u>	<u>Sale</u>
			<u>Price</u>
Lakeland			



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

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

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

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

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

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

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

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Non-performing loans to total loans	2.29%	2.41%	2.78%	0.33%	0.49%	0.70%	0.82%
<b>Capital Ratios</b>							
Tier 1 leverage ratio	8.01%	7.12%	7.01%	7.86%	8.47%	8.88%	9.35%
Tier 1 risk-based capital ratio	12.20%	10.93%	10.94%	12.36%	13.58%	15.40%	15.80%
Total risk-based capital ratio	13.46%	12.20%	12.20%	13.61%	14.84%	16.66%	17.05%
<b>Per-Share Data</b>							
Weighted average shares outstanding (3):							
Basic	15,059	15,041	15,036	15,137	15,339	15,391	15,362
Diluted	15,283	15,319	15,316	15,323	15,429	15,453	15,460
Book value per common share (3)	\$ 6.88	\$ 5.99	\$ 6.08	\$ 5.68	\$ 5.17	\$ 4.70	\$ 4.81
Closing stock price (3)	\$ 15.95	\$ 15.26	\$ 17.02	\$ 14.78	\$ 8.21	\$ 8.94	\$ 13.78
Earnings per share (3):							
Basic	\$ 0.74	\$ 0.40	\$ 0.67	\$ 0.73	\$ 0.65	\$ 0.35	\$ 0.52
Diluted	\$ 0.73	\$ 0.39	\$ 0.66	\$ 0.72	\$ 0.65	\$ 0.35	\$ 0.51
Cash dividend per common share (3)	\$ 0.28	\$ 0.25	\$ 0.34	\$ 0.29	\$ 0.25	\$ 0.22	\$ 0.17

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

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

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

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

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basis)(1)(2)

Allowance for loan losses to total loans	1.26%	1.35%	1.33%	1.35%	1.38%	1.61%	1.53%
Non-performing loans to total loans	0.46%	0.00%	0.10%	0.76%	0.00%	0.00%	0.00%

**Capital Ratios**

Tier 1 leverage ratio	10.33%	10.53%	10.59%	11.41%	11.58%	11.90%	11.76%
Tier 1 risk-based capital ratio	16.11%	17.33%	17.07%	20.29%	23.43%	27.78%	28.55%
Total risk-based capital ratio	17.17%	18.40%	18.15%	21.37%	24.63%	29.03%	29.81%

**Per-Share Data**

Weighted average shares outstanding (3):

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

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

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

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

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

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

**Table of Contents****COMPARATIVE PER SHARE INFORMATION**

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

	Nine Months	
	Ended	Year Ended
	September 30,	December 31,
	2003	2002
<b>LAKELAND HISTORICAL</b>		
Earnings per share - diluted (1)	\$ 0.69	\$ 0.59
Cash dividends declared per share	0.28	0.34
Book value per share	6.88	6.69(2)
<b>NEWTON HISTORICAL</b>		
Earnings per share - diluted	1.70	1.80
Cash dividends paid per share	0.75	1.00
Book value per share	24.85	24.37
<b>LAKELAND and NEWTON PRO FORMA COMBINED</b>		
Earnings per share - diluted	0.57	0.48
Cash dividends declared per share	0.28	0.34
Book value per share	8.92	8.80
<b>EQUIVALENT PRO FORMA COMBINED PER SHARE OF NEWTON COMMON STOCK</b>		
Earnings per share - diluted	2.57	2.16
Cash dividends declared per share	1.26	1.53
Book value per share	40.14	39.60

(1) Adjusted to include CSB Financial Corp. as if it had been acquired at the beginning of each period presented. Lakeland acquired CSB on August 25, 2003.

(2) Adjusted to include CSB Financial Corp. as if it had been acquired on December 31, 2002.

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**RISK FACTORS**

By approving the merger, Newton shareholders may, even if they elect to receive cash, ultimately receive Lakeland common stock and thus will be investing in Lakeland's common stock. An investment in Lakeland's common stock involves a degree of risk. In addition to the other information included in this document, including the matters addressed in FORWARD-LOOKING INFORMATION immediately following this section, you should carefully consider the matters described below in determining whether to approve the merger agreement.

**LAKELAND CANNOT ASSURE NEWTON SHAREHOLDERS WHO RECEIVE STOCK IN THE MERGER THAT LAKELAND WILL BE SUCCESSFUL IN ITS PENDING LEGAL PROCEEDINGS.**

As Lakeland has disclosed in documents incorporated herein by reference, Lakeland is currently involved in complex legal proceedings resulting from certain defaults on substantial commercial lease portfolios in which Lakeland had invested. As of October 31, 2003, Lakeland had approximately \$10.7 million invested in these portfolios, which were insured by various surety companies. Lakeland's primary obligors have filed for bankruptcy protection and certain of Lakeland's surety companies have denied liability on the grounds that they were defrauded. This litigation is time-consuming and expensive and may not result in any meaningful recoveries for Lakeland.

As of October 31, 2003, Lakeland's allowance for loan and lease losses contained a reserve allocation of \$5.6 million for the commercial lease portfolio. If Lakeland is unsuccessful in these proceedings or fails to achieve an alternative solution, Lakeland's pre-tax income would be reduced to the extent that its losses on this investment exceed the \$5.6 million amount previously included in the allowance for loan and lease losses. Such reduction could be substantial and could materially adversely impact Lakeland.

**IF NEWTON SHAREHOLDERS ELECT TO RECEIVE CASH IN THE MERGER, THEY MAY NOT EXCLUSIVELY RECEIVE CASH.**

Although you will be given the right to elect to receive cash or Lakeland common stock in the merger, it is possible that if you elect to receive some or all of the merger consideration in the form of cash, you will not receive the form of consideration that you have requested. There are two factors that could cause you to receive a form of consideration that you did not choose:

The merger agreement provides that subject to certain tax constraints that we have described below, no more than 25% of the outstanding Newton shares will be converted into cash. If Newton shareholders' Election Forms provide for more than 25% of the shares of Newton common stock to be converted into cash, there will be a pro rata reduction that will result in certain of such holders' shares being converted into Lakeland common stock.

If the aggregate amount of cash paid in the merger substantially exceeds the value of the Lakeland common stock that is issued in the merger, Lakeland's counsel may be unable to issue the tax opinion which constitutes a condition of closing. While this is unlikely to occur, the merger agreement provides that if tax counsel cannot provide the tax opinion for this reason, the percentage of the consideration payable in the form of cash will be decreased to the extent necessary to enable counsel to render that opinion. In turn,



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the portion of a Newton holder's shares to be converted into cash may be reduced if tax considerations require a decrease in the percentage of the aggregate consideration payable in the form of cash.

**SINCE THE EXCHANGE RATIO IS FIXED, NEWTON SHAREHOLDERS ARE AT RISK IN THE EVENT THAT THE MARKET PRICE OF LAKELAND'S COMMON STOCK DECLINES PRIOR TO THE CONSUMMATION OF THE MERGER.**

Absent special circumstances described under "THE MERGER - Termination", the number of shares that Lakeland will issue for each share of Newton common stock to be converted into Lakeland common stock—that is, 4.5 shares—is fixed. If the market price of Lakeland's common stock declines, the value of the stock consideration that Newton shareholders will receive will decline. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in Lakeland's business, operations and prospects, developments in pending legal proceedings and regulatory considerations. Many of these factors are beyond Lakeland's control. The merger is not expected to close until the first calendar quarter of 2004. Moreover, Newton shareholders can expect that there will be some delay after the merger is consummated before they will receive their Lakeland stock certificates. Thus, Newton shareholders receiving stock in the merger will be subject to the risk of market declines in the value of Lakeland common stock for a substantial period of time.

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**We urge Newton shareholders to obtain current market quotations for Lakeland common stock.**

**YOU WILL HAVE LESS INFLUENCE AS A SHAREHOLDER OF LAKELAND THAN AS A SHAREHOLDER OF NEWTON.**

The shareholders of Newton currently have the right to control Newton through their ability to elect the board of directors of Newton and to vote on other matters affecting Newton. The merger will transfer control of Newton to Lakeland. After completion of the merger, former Newton shareholders will own less than 30% of Lakeland's outstanding common stock (excluding stock options), even if all Newton shareholders elect to receive solely Lakeland common stock in the merger. Consequently, the former Newton shareholders will exercise much less influence over the management and policies of Lakeland than they currently exercise over the management and policies of Newton.

**THE MARKET PRICE OF THE SHARES OF LAKELAND COMMON STOCK MAY BE AFFECTED BY FACTORS DIFFERENT FROM THOSE AFFECTING THE SHARES OF NEWTON COMMON STOCK.**

Upon completion of the merger, certain holders of Newton common stock will become holders of Lakeland common stock. Lakeland's current businesses and markets differ from those of Newton, and, accordingly, the results of operations of Lakeland after the merger may be affected by factors different than those currently affecting the results of operations of Newton. For a discussion of Lakeland's business and of certain factors to consider in connection with that business, see the documents incorporated by reference into this document and referred to under "WHERE YOU CAN FIND MORE INFORMATION," beginning at page 97.

**THE SHARE PRICE OF LAKELAND COMMON STOCK ON THE NASDAQ NATIONAL MARKET IS SUBJECT TO MARKET FLUCTUATIONS.**

The share price of Lakeland common stock on the Nasdaq National Market is by its nature subject to the general price changes in the market for publicly traded equity securities. These price increases and declines are not necessarily related to a change in the financial performance or condition of Lakeland.

**LAKELAND FACES STRONG COMPETITION FROM FINANCIAL SERVICE COMPANIES AND OTHER COMPANIES THAT OFFER BANKING SERVICES, WHICH COULD HURT ITS BUSINESS.**

After the merger, Lakeland will continue to conduct its banking operations almost entirely in markets located in northern New Jersey. Increased competition in its markets may result in reduced loans and deposits for Lakeland. Many competitors offer the principal banking services that

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Lakeland offers in its service areas. These competitors include banks, finance companies, brokerage firms, insurance companies, investment advisors, credit unions, savings and loan institutions, mortgage banks and other financial intermediaries. Lakeland's competitors include substantial regional banking institutions whose greater resources may afford them a marketplace advantage by enabling them to maintain more banking locations than Lakeland and mount more extensive promotional and advertising campaigns. Lakeland also competes with smaller, community oriented banks, which compete with Lakeland primarily on the basis of the services rendered to customers. Areas of competition include interest rates for loans and deposits, efforts to obtain deposits, and range and quality of products and services provided, including new technology-driven products and services. Lakeland also faces competition from financial institutions physically located outside Lakeland's markets that have opened loan production offices in Lakeland's markets or that solicit deposits and the sale of other products and services in Lakeland's markets. If Lakeland is unable to attract and retain banking customers, Lakeland may be unable to continue its loan and deposit growth and its results of operations and financial condition may otherwise be materially adversely affected.

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### **CHANGES IN ECONOMIC CONDITIONS COULD HURT LAKELAND'S BUSINESS MATERIALLY.**

Lakeland's business is directly affected by factors such as economic, political and market conditions, including broad trends in industry and finance, legislative and regulatory changes, changes in government monetary and fiscal policies, U.S. military involvement in the Middle East and the impact of terrorists' acts, all of which are beyond its control. A deterioration in economic conditions could have the following consequences, any of which could hurt Lakeland's business materially:

loan delinquencies may increase;

problem assets and foreclosures may increase;

demand for Lakeland's products and services may decline;

low-cost or non-interest bearing deposits may decrease; and

collateral for loans may decline in value, in turn reducing customers' borrowing power, and reducing the value of assets and collateral associated with existing loans.

### **LAKELAND'S BUSINESS IS SUBJECT TO INTEREST RATE RISK AND VARIATIONS IN INTEREST RATES MAY NEGATIVELY AFFECT ITS FINANCIAL PERFORMANCE.**

Changes in the interest rate environment may reduce profits. The primary source of income for Lakeland is the differential or "spread" between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. As prevailing interest rates change, net interest spreads are affected by the difference between the maturities and repricing characteristics of interest-earning assets and interest-bearing liabilities. In addition, loan volume and yields are affected by market interest rates on loans, and rising interest rates generally are associated with a lower volume of loan originations. An increase in the general level of interest rates may also adversely affect the ability of certain borrowers to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially adversely affect Lakeland's net interest spread, asset quality, loan origination volume and overall profitability.

### **FUTURE GOVERNMENTAL REGULATION AND LEGISLATION COULD LIMIT LAKELAND'S FUTURE GROWTH.**

Lakeland and its subsidiaries are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of the operations of Lakeland and its subsidiaries. These laws may change from time to time and are primarily intended for the protection of consumers, depositors and the deposit insurance funds. Any changes to these laws may negatively affect Lakeland's ability to expand its services and to increase the value of its business. While we cannot predict what effect any presently contemplated or future changes in the laws or

regulations or their interpretations would have on Lakeland, these changes could be materially adverse to Lakeland's shareholders.

**LAKELAND'S ABILITY TO PAY DIVIDENDS DEPENDS PRIMARILY ON DIVIDENDS FROM ITS SUBSIDIARIES, WHICH ARE SUBJECT TO REGULATORY LIMITS.**

Lakeland is a bank holding company and its operations are conducted by direct and indirect subsidiaries, each of which is a separate and distinct legal entity. Substantially all of Lakeland's assets are held by its direct and indirect subsidiaries.

Lakeland's ability to pay dividends depends on its receipt of dividends from its direct and indirect subsidiaries. Its principal banking subsidiary, Lakeland Bank, is its primary source of dividends. Dividend payments from its banking subsidiaries – including dividend payments from Newton Trust Company after the merger is completed – are subject to legal and regulatory limitations, generally based on net profits and retained earnings, imposed by the various banking regulatory agencies. The ability of banking subsidiaries to pay dividends is also subject to their profitability, financial condition, capital expenditures and other cash flow requirements. At

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September 30, 2003, approximately \$122.2 million was available without the need for regulatory approval, for the payment of dividends to Lakeland from its subsidiaries. There is no assurance that Lakeland's subsidiaries will be able to pay dividends in the future or that Lakeland will generate adequate cash flow to pay dividends in the future. Lakeland's failure to pay dividends on its common stock could have a material adverse effect on the market price of its common stock.

**LAKELAND'S FUTURE ACQUISITIONS COULD DILUTE YOUR OWNERSHIP OF LAKELAND AND MAY CAUSE LAKELAND TO BECOME MORE SUSCEPTIBLE TO ADVERSE ECONOMIC EVENTS.**

Lakeland has acquired other companies with its common stock in the past and intends to acquire or make investments in banks and other complementary businesses with its common stock in the future. Lakeland may issue additional shares of common stock to pay for those acquisitions, which would dilute your ownership interest in Lakeland. Future business acquisitions could be material to Lakeland, and the degree of success achieved in acquiring and integrating these businesses into Lakeland could have a material effect on the value of Lakeland common stock. In addition, any such acquisition could require Lakeland to use substantial cash or other liquid assets or to incur debt. In those events, Lakeland could become more susceptible to economic downturns and competitive pressures.

**FAILURE TO COMPLETE THE MERGER COULD SEVERELY DISADVANTAGE NEWTON.**

In order to complete the merger, Newton must focus on meeting all merger conditions. If for any reason the merger does not occur, that failure could adversely affect Newton's business and make it difficult for Newton to attract other acquisition partners.

**IF THE MERGER HAS NOT OCCURRED BY JUNE 30, 2004, EITHER LAKELAND OR NEWTON IS GENERALLY FREE TO CHOOSE NOT TO PROCEED WITH THE MERGER.**

Either Lakeland or Newton may terminate the merger agreement if the merger has not been completed by June 30, 2004, unless such failure has resulted from the failure to perform by the party seeking to terminate the merger agreement. See **THE MERGER Termination** beginning at page 48. There can be no assurance that all conditions to the merger will have been satisfied by June 30, 2004. See **THE MERGER Conditions to the Merger**, beginning at page 46.

**RETENTION OF NEWTON TRUST COMPANY AS A SEPARATE BANKING INSTITUTION MAY MAKE IT MORE DIFFICULT FOR LAKELAND TO INTEGRATE NEWTON'S BUSINESS AFTER THE CLOSING.**

Under the merger agreement, Lakeland has agreed to permit Newton Trust Company to operate substantially independently for a period of two years after the closing. While two Lakeland directors will serve on the board of directors of Newton Trust Company after the merger, the balance of the members of that board will consist of the current members of the Newton Trust Company board. In addition, each of the Chairman and the Chief Executive Officer of Newton Trust Company will continue to occupy similar positions with Newton Trust Company after the merger. This structure may make it more difficult for Lakeland to take advantage of economies of scale that would be achievable if Lakeland Bank and Newton Trust Company were merged promptly after the merger of Newton and Lakeland.

**THE EXPECTED BENEFITS OF THE MERGER MAY NOT BE REALIZED IF WE DO NOT ACHIEVE CERTAIN COST SAVINGS AND OTHER BENEFITS**

Our belief that cost savings and revenue enhancements are achievable is a forward-looking statement that is inherently uncertain. The combined company's actual cost savings and revenue enhancements, if any, cannot be quantified at this time. Any actual cost savings or revenue enhancements will depend on future expense levels and operating results, the timing of certain events and general industry, regulatory and business conditions. Many of these events will be beyond the control of the combined company.

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**NEWTON'S OFFICERS AND DIRECTORS MAY HAVE CONFLICTS OF INTEREST AND WILL RECEIVE BENEFITS IN THE MERGER THAT OTHER NEWTON SHAREHOLDERS WILL NOT RECEIVE**

Newton's directors and executive officers may have conflicts of interest with respect to the merger because they will receive benefits from the merger that other Newton shareholders will not receive. Both boards of directors considered these interests, together with other relevant factors, in deciding whether to approve the merger.



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**FORWARD-LOOKING INFORMATION**

This joint proxy statement and prospectus, including information incorporated by reference in this document, contains forward-looking statements with respect to the consolidated financial condition, results of operations and business of Newton and Lakeland. These include statements relating to revenues, cost savings and anticipated benefits resulting from the merger. You can find many of these statements by looking for words such as believes, expects, anticipates, estimates, projects or similar words or expressions.

These forward-looking statements involve substantial risks and uncertainties. There are many factors that may cause actual results to differ materially from those contemplated by such forward-looking statements. In addition to the factors disclosed by us under the caption RISK FACTORS and elsewhere in this document, the following factors, among others, could cause our actual results to differ materially and adversely from our forward-looking statements: uncertainties relating to general economic conditions; uncertainties relating to the determination of our provisions for loan and lease losses and allowances for loan and lease losses; uncertainties relating to our analysis of the assessment of rate sensitive assets and rate sensitive liabilities and relating to the extent to which market factors indicate that a financial institution such as Lakeland Bank or Newton Trust Company should match such assets and liabilities; the impact of competition among financial institutions and between financial institutions and other sources of credit; the impact of off-balance sheet obligations; whether or not Lakeland ultimately receives payment of all amounts due from a lease portfolio or from sureties referenced by Lakeland in several filings with the SEC; changes to the presentation of financial results and condition resulting from the adoption of new accounting principles or upon the advice of our independent auditors or the staff of various regulatory agencies; unanticipated demands upon our liquidity; unanticipated failure or malfunction of our information systems; changes in, or failure to comply with, governmental regulations; the costs and other effects of administrative and legal proceedings; the continued financial viability of our borrowers; the continued financial viability of the issuers of securities within our investment portfolio; labor and employment benefit costs; changes in the conditions of the capital markets in general and in the capital markets for financial institutions in particular and the impact of the United States international relations on such markets; the ability of Lakeland Bank to integrate Newton Trust Company promptly into its overall business and plans if the merger is consummated; the extent and timing of legislative and regulatory actions and reforms; and other factors referenced in Lakeland's Annual Report on Form 10-K for the year ended December 31, 2002. We have described risks pertaining directly to the merger under RISK FACTORS beginning on page 20 of this joint proxy statement and prospectus.

Because forward-looking statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such statements. We caution Newton shareholders not to place undue reliance on such statements. These statements speak only as of the date of this joint proxy statement and prospectus or, if made in any document incorporated by reference, as of the date of that document.

All written or oral forward-looking statements attributable to Lakeland or Newton or any person acting on their behalf made after the date of this joint proxy statement and prospectus are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Neither Lakeland nor Newton undertakes any obligation to release publicly any revisions to such forward-looking statements to reflect events or circumstances after the date of this joint proxy statement and prospectus or to reflect the occurrence of unanticipated events.

**THE MEETINGS**

**When and Where the Special Meetings will be Held**

Newton will hold its special meeting of shareholders at the Newton Country Club, 25 Club Road, Newton, New Jersey, commencing at 2:00 p.m., local time, on Wednesday, March 10, 2004.

Lakeland will hold its special meeting of shareholders at Lakeland's corporate offices at 250 Oak Ridge Road, Oak Ridge, New Jersey, commencing at 5:00 p.m., local time, on Wednesday, March 10, 2004.

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### **What will be Voted on at the Special Meetings**

At the Newton special meeting, Newton shareholders will consider and vote on proposals to do the following:

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

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

If a quorum is not present, or if fewer shares of Newton common stock are voted in favor of the merger agreement and the merger than the number required for approval, it is expected that the meeting will be adjourned to allow additional time for obtaining additional proxies. In that event, proxies will be voted to approve an adjournment, except for proxies as to which instructions have been given to vote against the merger agreement and the merger. The holders of a majority of the shares present at the meeting would be required to approve any adjournment of the meeting.

At the Lakeland special meeting, Lakeland shareholders will be asked to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement and the merger (including the shares of Lakeland common stock issuable upon exercise of stock options to be assumed by Lakeland pursuant to the merger agreement).

### **Shareholders Entitled to Vote**

Newton has set January 23, 2004 as the record date to determine which Newton shareholders will be entitled to vote at the special meeting. Only Newton shareholders at the close of business on this record date will be entitled to vote at the special meeting. As of the record date, there were \_\_\_\_\_ shares of Newton common stock outstanding and entitled to be voted at the special meeting, held by approximately \_\_\_\_\_ shareholders of record. Each holder of shares of Newton common stock outstanding on the record date will be entitled to one vote for each share held of record.

Lakeland has set January 23, 2004 as the record date to determine which Lakeland shareholders will be entitled to vote at the special meeting. Only Lakeland shareholders at the close of business on this record date will be entitled to vote at the special meeting. As of the record date, there were \_\_\_\_\_ shares of Lakeland common stock outstanding and entitled to be voted at the special meeting, held by approximately \_\_\_\_\_ shareholders of record. Each holder of shares of Lakeland common stock outstanding on the record date will be entitled to one vote for each share held of record.

### **Number of Shares that Must be Represented for a Vote to be Taken**

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In order to have a quorum at each of the special meetings, a majority of the total outstanding shares of common stock entitled to vote at the meeting must be represented at the meeting in person or by proxy.

We will count as present at each of the special meetings, for purposes of determining the presence or absence of a quorum:

shares of common stock held by persons attending the special meeting, whether or not they are voting, and

shares of common stock for which the applicable company has received proxies, including proxies with respect to which holders of those shares have abstained from voting.

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### **Vote Required; Voting Agreements**

The approval of the merger agreement and the merger by Newton will require the affirmative vote, in person or by proxy, of the holders of two thirds of the outstanding shares of Newton common stock. Abstentions and broker non-votes will be counted in determining whether a quorum is present and will have the same effect as a negative vote on the merger and merger agreement.

The authorization by Lakeland's shareholders of the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement will require the affirmative vote, in person or by proxy, of the holders of a majority of the shares of Lakeland common stock voted at the special meeting, assuming that a quorum is present in person or by proxy. Abstentions and broker non-votes will be counted in determining whether a quorum is present but will have no impact on the substantive determinations to be made by the shareholders at Lakeland's special meeting.

The directors of Newton have agreed with Lakeland to vote all shares of Newton common stock for which they have voting power on the record date in favor of the approval of the merger agreement and the merger. On the record date, such directors had sole or shared voting power over \_\_\_\_\_ shares of Newton common stock, or approximately \_\_\_\_\_ % of the shares of Newton common stock outstanding on the record date.

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

### **Voting your Shares**

The Newton board of directors is soliciting proxies from the Newton shareholders and the Lakeland board of directors is soliciting proxies from the Lakeland shareholders. This will give you an opportunity to vote at the applicable special meeting. When you deliver a valid proxy, the shares represented by that proxy will be voted by a named agent in accordance with your instructions.

Newton and Lakeland shareholders will have four alternative ways to vote:

by traditional paper proxy card;

by telephone;

via the Internet; or

in person at the Meeting.

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

*Voting by Proxy Card.* If proxy cards in the accompanying form are properly executed and returned, the shares represented thereby will be voted in the manner specified therein. If you vote by proxy card but make no specification on your proxy card that you have otherwise properly executed, the agent will vote the shares FOR approval of the merger agreement and the merger if you are a Newton shareholder or FOR authorization of the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement if you are a Lakeland shareholder.

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

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

If your shares are registered in the name of a broker or other nominee, your nominee may be participating in a program provided through ADP Investor Communication Services that allows you to vote by telephone or the Internet. If so, the voting form your nominee sent you will provide telephone and Internet voting instructions.

The deadline for voting by telephone or through the Internet as a shareholder of record of Newton or Lakeland is 11:59 p.m., EST, on March 9, 2004. For shareholders whose shares are registered in the name of a broker or other nominee, please consult the voting instructions provided by your broker for information about the deadline for voting by phone or through the Internet.

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

### **Changing your Vote**

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

Any Newton shareholder may revoke a proxy at any time before or at the Newton special meeting in one or more of the following ways:

Delivering a written notice of revocation, bearing a later date than the proxy, at any time prior to the vote at the special meeting to Donald E. Hinkel, Jr., President and Chief Executive Officer of Newton; or

Submitting a later-dated proxy card; or

Submitting a new proxy via telephone or the Internet.

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A Newton shareholder should send any written notice of revocation or subsequent proxy card to Newton Financial Corporation, Attention: Donald E. Hinkel, Jr., President and Chief Executive Officer, 30 Park Place, Newton, New Jersey 07860, or hand deliver the notice of revocation or subsequent proxy card to Mr. Hinkel before the taking of the vote at the Newton special meeting. Attendance at the Newton special meeting will not by itself constitute a revocation of a proxy.

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

Delivering a written notice of revocation, bearing a later date than the proxy, at any time prior to the vote at the special meeting to Paul P. Lubertazzi, Corporate Secretary of Lakeland; or

Submitting a later-dated proxy card; or

Submitting a new proxy via telephone or the Internet.

A Lakeland shareholder should send any written notice of revocation or subsequent proxy card to Lakeland Bancorp, Inc., Attention: Paul P. Lubertazzi, Corporate Secretary, 250 Oak Ridge Road, Oak Ridge, New Jersey 07438, or hand deliver the notice of revocation or subsequent proxy card to Mr. Lubertazzi before the taking of the vote at the special meeting. Attendance at the Lakeland special meeting will not by itself constitute a revocation of a proxy.

## **Solicitation of Proxies and Costs**

Newton and Lakeland will each pay the costs of soliciting proxies with respect to their separate meetings. In addition to solicitation by mail, directors, officers and employees acting on behalf of Newton or Lakeland may solicit proxies for the special meetings in person or by telephone, telegraph, facsimile or other means of communication. Newton and Lakeland will not pay any additional compensation to these directors, officers or employees for these activities, but may reimburse them for reasonable out-of-pocket expenses. Newton and Lakeland will each make arrangements with brokerage houses, custodians, nominees and fiduciaries for the forwarding of proxy solicitation materials to beneficial owners of shares held of record by these brokerage houses, custodians, nominees and fiduciaries, and Newton and Lakeland will reimburse these brokerage houses, custodians, nominees and fiduciaries for their reasonable expenses incurred in connection with the solicitation.

Newton has retained Morrow & Co., Inc., at an estimated cost of approximately \$4,000 plus reimbursement of expenses, to assist in the solicitation of proxies. Newton also has agreed to indemnify Morrow & Co., Inc. against certain liabilities in connection with this proxy solicitation.

## **Principal Shareholders**

We set forth below the names of each of the shareholders of Newton known by Newton to have beneficially owned more than five percent of Newton's common stock as of November 30, 2003. We also set forth below the number of shares of Newton common stock believed to be owned by such shareholders on such date and such shareholders' percentage ownership.



<u>Newton Shareholder</u>	<u>Number of Shares</u>	<u>Percentage of Outstanding Shares of Newton Common Stock</u>
Selective Insurance Company 40 Wantage Avenue Branchville, NJ	100,800	7.35%
Celeste Hendershot Trust 381 Ridge Road Newton, NJ	96,466	7.04%

Lakeland is not aware of any shareholder who beneficially owns more than five percent of Lakeland's common stock.

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**THE MERGER**

The following information describes the material terms and provisions of the merger. This description is not complete. We qualify this discussion in its entirety by reference to the merger agreement which we incorporate by reference in this joint proxy statement and prospectus. A copy of the merger agreement is attached hereto as Annex A. We urge you to read the full text of the agreement carefully.

The merger agreement provides that:

Newton Financial Corporation will merge with and into Lakeland Bancorp, Inc.;

for a period of two years after that merger is completed, Newton Trust Company, a subsidiary of Newton, will be a separate subsidiary of Lakeland, the intention being to merge Newton Trust Company into Lakeland Bank at the end of such two year period; and

subject to adjustment in certain events described in this joint proxy statement and prospectus, each shareholder of Newton will receive, for each of such shareholder's shares of Newton common stock, either \$72.08 in cash or 4.5 shares of Lakeland common stock.

Subject to allocation provisions in the merger agreement that preclude more than 25% of Newton's shares from being converted into cash, each Newton shareholder will have the right to elect to:

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

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

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

There is no limitation on the number of Newton shareholders who will be permitted to elect to receive Lakeland common stock; thus, at least to the extent that a Newton shareholder elects to convert such shareholder's Newton common stock into Lakeland common stock, that election will be honored. If holders of more than 25% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the Exchange Agent will reduce the number of shares of Newton common stock so converted to 25% by a pro rata reduction. Thus, by way of example and subject to certain tax considerations, if holders of 75% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, then, for each such holder, one third of such holder's shares will be converted into cash and two thirds of such holder's shares will be converted into Lakeland common stock. See - What Newton Shareholders Will Receive in the Merger, beginning at page 38.

The boards of directors of Newton and Lakeland have unanimously approved and adopted the merger agreement and believe that the merger is in the best interests of their respective shareholders. The Newton board of directors unanimously recommends that Newton shareholders vote **FOR** the merger agreement and the merger and the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** the proposal to authorize the issuance of the shares of common stock issuable pursuant to the merger agreement.

As of October 24, 2003, there were 1,360,814 shares of Newton common stock outstanding and there were options outstanding covering an additional 23,591 shares of Newton Common Stock. If:

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

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

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

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

then the maximum number of shares of Lakeland common stock issuable pursuant to the merger agreement is 6,229,822 shares. Since this number represents more than 20% of Lakeland's outstanding shares, Nasdaq rules required Lakeland to condition the merger on the receipt of authorization from Lakeland's shareholders to issue the shares of Lakeland common stock issuable in the merger. Because Lakeland expects that some Newton shareholders will elect to receive cash in the merger, Lakeland's management expects that the actual number of shares issuable in the merger will be substantially less than 6,229,822 shares, although the precise number can not be determined at this time.

Newton stock options that are outstanding when the merger is completed will be converted into options to purchase the number of shares of Lakeland common stock that the option holder would have received had such option holder exercised his or her option prior to the effective time of the merger and had all of his or her Newton shares converted into Lakeland common stock.

The directors of Newton have interests in the merger as directors that are different from the interests of Newton's shareholders in general. See Interests of Management and Others in the Merger. These interests were considered by Newton's board of directors and Lakeland's board of directors before approving and recommending the merger.

## **Background of the Merger**

Newton has, from time to time, been the recipient of unsolicited indications of interests regarding potential business combination transactions. Although Newton has generally evaluated the indications of interests it has received, its board of directors in the past concluded that it was in the best interests of Newton shareholders that Newton continue to implement its strategic plan and remain as a stand-alone institution.

In late August, 2003, the employment of Andrew A. DeGrego as Newton's President and Chief Executive Officer terminated. The next week, Newton received from Lakeland an unsolicited discussion memorandum outlining the terms for a proposed business combination. On September 9, 2003, the Newton board met in a special meeting to review the proposed outline. At that meeting, the Newton board approved the engagement of Lutz Advisors, Inc. to assist in analyzing the proposed outline of terms.

During the latter half of September, 2003, the Newton board held several special meetings to continue to evaluate Lakeland's discussion memorandum and to receive the advice of its financial advisor. At a meeting on September 19, 2003, the Newton board determined to continue discussions with Lakeland concerning the memorandum, and directed representatives of Lutz Advisors and Newton management to meet with representatives of Lakeland to refine the transaction described in Lakeland's discussion memorandum and negotiate additional terms. At a meeting on September 30, 2003, Newton's management and representatives of Lutz Advisors updated the Newton board on the then current state of negotiations, and were authorized to continue to meet with representatives of Lakeland to further refine the proposal.

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At a meeting on October 7, 2003, the Newton board determined not to direct Lutz Advisors to seek other indications of interest with regard to business combination transactions with Newton and authorized representatives of Lutz Advisors, Newton management and Newton's counsel to begin negotiating a definitive agreement with Lakeland, and to commence a diligence review of Lakeland. Representatives of Newton and Lakeland then commenced negotiations on the terms of a definitive agreement first received by them on October 6, 2003. John Fredericks, Roger Bosma and Joseph Hurley, respectively the Chairman of the Board, Chief Executive Officer and Chief Financial Officer of Lakeland, participated in those negotiations on behalf of Lakeland, with the assistance of Lakeland's securities counsel, Lowenstein Sandler PC. Donald E. Hinkel, Jr., then Newton's acting President and Chief Executive Officer, participated in those negotiations on behalf of Newton, with the assistance of Lutz Advisors and Newton's special counsel, Windels, Marx, Lane & Mittendorf, LLP. Throughout the negotiations, the

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basic terms of the definitive agreement remained substantially the same as those originally presented in Lakeland's September outline.

On October 21, 2003, the Newton board met to review the current terms of the proposed definitive agreement. Newton's counsel reviewed the legal terms of the definitive agreement and the fiduciary obligations of Newton's directors, and representatives of Lutz Advisors reviewed the financial terms with the Newton board. The Newton board then set a meeting for October 24, 2003 to receive the fairness opinion of Lutz Advisors and to approve the final form of the definitive merger agreement.

On October 24, 2003, the Newton board met to review the final form of the definitive merger agreement. Based on factors discussed below, the Newton board approved the proposed definitive agreement and authorized Newton's acting President and Chief Executive Officer to finalize and execute the definitive merger agreement.

The Lakeland board was briefed on the possibilities of acquiring Newton at a meeting held in August, 2003. Prior to October 24, 2003, the Lakeland board received a draft copy of the merger agreement and a summary of the transaction for the board's review. At a meeting on October 24, 2003, the Lakeland board received reports from Lakeland's management regarding the business aspects of the proposed combination and received a report from Lakeland's counsel regarding due diligence matters, the terms of the definitive agreement and the fiduciary duties of Lakeland's directors. Based on factors discussed below, the Lakeland board approved the proposed definitive agreement and authorized Lakeland's executive officers to finalize and execute the definitive merger agreement.

The merger agreement was executed and delivered during the evening on Friday, October 24, 2003, as were agreements pursuant to which each member of Newton's board agreed to vote in favor of the merger. A joint press release announcing the merger was issued prior to the opening of business on Monday, October 27, 2003.

### **Newton's Reasons for the Merger**

In the course of its deliberations on the proposed transaction with Lakeland, the Newton board consulted with its legal counsel with respect to its legal duties and the terms of the merger agreement. The Newton board consulted with its financial advisor with respect to the financial aspects of the transaction and the fairness of the consideration to be received by Newton's shareholders from a financial point of view, and with senior management regarding, among other things, operational matters.

The following discussion of the information and factors considered by the Newton board is not intended to be exhaustive; it does, however, include all material factors considered by the board.

In reaching its decision to approve the merger agreement, the Newton board considered the following:

the financial terms of the transaction, including the implied price based upon Lakeland's market price at the time the merger agreement was executed of \$72.08 per share and the cash component of the merger price, fixed at \$72.08 per share;

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the ability of Newton's stockholders to elect either cash or stock, and the fact that no Newton shareholders would be required to accept cash as part of the transaction if they prefer Lakeland's stock;

that Newton and Lakeland serve contiguous market areas with similar communities, and that the expanded reach of the combined company will benefit existing customers and make the combined company a more effective competitor for potential new customers;

the fact that Lakeland's common stock is regularly traded on the Nasdaq National Market and provides greater liquidity than Newton's stock;

Lakeland offers a broader range of products and services and the merger will provide Newton's customers with access to these products and services;

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Lakeland will continue to operate Newton Trust Company as a stand-alone subsidiary for two years, thereby providing Newton's existing customers with time to integrate into the Lakeland system while continuing to receive products and services they have become accustomed to, delivered by personnel with whom they are familiar;

the strength of Lakeland's management and board of directors and the similarity of the commitment to the community and operating philosophies of Newton;

the opinion of Lutz Advisors, Inc., that, as of October 24, 2003, the consideration payable in the merger was fair to the Newton shareholders from a financial point of view;

other terms of the merger agreement, including the opportunity for Newton stockholders to receive shares of Lakeland common stock in a tax free exchange for some, or possibly all, of their shares of Newton common stock; and

based upon Lakeland's history of acquisitions and regulatory applications, the likelihood that the merger would be approved by appropriate regulatory authorities.

All business combinations, including the merger, also include certain risks and disadvantages. The material potential risks and disadvantages to Newton's shareholders identified by Newton's board and management include the following material matters, the order of which does not necessarily reflect their relative significance:

the fact that the termination fee provided for in the merger agreement and certain other provisions of the agreement might discourage third parties from seeking to acquire Newton, in light of the fact that Lakeland was unwilling to enter into the merger agreement absent such provisions;

the fact that not all Newton shareholders will necessarily receive the amount of cash that they elect to receive;

the fact that the exchange ratio is fixed except in extraordinary circumstances, thus rendering Newton shareholders subject to the risk of declines in the market price of Lakeland common stock; and

the fact that Newton shareholders who receive cash in the merger will not have the opportunity to participate in the growth of the combined business.

In reaching the determination to approve the merger agreement and the related transactions, the Newton board of directors did not quantify or otherwise attempt to assign any relative weight to the various factors it considered, and individual directors may have viewed certain factors more positively or negatively than others. In addition, there can be no assurances that the benefits of the merger perceived by the Newton board of directors and described above will be realized or will outweigh the risks and uncertainties.

**Recommendation of the Newton Board of Directors**

The Newton board of directors has unanimously approved the merger and the merger agreement, and believes that the proposed merger is in the best interests of Newton and its shareholders. Accordingly, the Newton board of directors unanimously recommends that Newton shareholders



vote **FOR** approval of the merger agreement and the merger.

**Opinion of Newton's Financial Advisor**

Newton engaged Lutz Advisors to serve as financial advisor and to render an opinion to Newton's board as to the fairness, from a financial point of view, of the merger consideration offered to Newton's shareholders by Lakeland. Lutz Advisors delivered its written opinion dated October 24, 2003 to Newton's board. Lutz Advisors' opinion stated that, as of October 24, 2003, the consideration of 4.5 Lakeland common shares per Newton common

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share or \$72.08 in cash per Newton share, or some combination of cash and stock subject to Newton shareholder election and certain limitations contained in the merger agreement, was fair, from a financial point of view, to the holders of Newton common stock. Except as discussed herein, no limitations were imposed by Newton's board upon Lutz Advisors with respect to investigations made or procedures followed in rendering this opinion.

The full text of Lutz Advisors' written opinion is included in this document as Appendix C and is incorporated in this document by reference. Newton shareholders are urged to read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations of Lutz Advisors' analyses. The merger consideration was determined by negotiation between Lakeland and Newton and was not determined by Lutz Advisors.

LUTZ ADVISORS' OPINION IS DIRECTED ONLY TO NEWTON'S BOARD OF DIRECTORS REGARDING THE FAIRNESS OF THE MERGER CONSIDERATION FROM A FINANCIAL POINT OF VIEW. IT IS NOT A RECOMMENDATION ON HOW A SHAREHOLDER SHOULD VOTE AT THE SPECIAL MEETING.

In rendering its opinion, Lutz Advisors, among other things:

reviewed the Agreement and Plan of Merger dated October 24, 2003;

analyzed annual reports to stockholders, regulatory filings, and other financial information concerning Newton since 2000;

analyzed annual reports to stockholders, regulatory filings, and other financial information concerning Lakeland since 2000;

discussed past, present, and future financial performance and operating philosophies with Lakeland and Newton senior managements;

reviewed certain internal financial data and projections of Lakeland and Newton;

compared the financial condition, financial performance, and market trading multiples of Newton to similar financial institutions;

compared the financial condition, financial performance, and market trading multiples of Lakeland to similar financial institutions;

reviewed reported price and trading activity for Lakeland and compared it to the price and trading activity for similar financial institutions;

compared the consideration to be paid by Lakeland pursuant to the merger agreement with the consideration paid in acquisitions of similar financial institutions;

reviewed the pro forma impact of the merger on the earnings and book value of the combined company and compared the contributions of each institution in a number of key financial categories to the combined company; and

considered other financial studies, analyses, and investigations and reviewed other information deemed appropriate to render this opinion.

Lutz Advisors met with certain members of senior management and other representatives of Lakeland and Newton to discuss the foregoing as well as matters Lutz Advisors deemed relevant. As part of its analyses, Lutz Advisors took into account its assessment of general economic, market and financial conditions, its experience in similar transactions, as well as its experience in and knowledge of the banking industry. Lutz Advisors' opinion is necessarily based upon conditions as they existed and could be evaluated on the respective dates thereof and the information made available to Lutz Advisors through the respective dates thereof.

Lutz Advisors relied upon the accuracy and completeness of all of the financial and other information reviewed and/or discussed for the purposes of its opinion. Lutz Advisors assumed that financial forecasts provided by Lakeland and Newton for their respective institutions were reasonably prepared on bases reflecting the best currently available estimates and judgments of the respective senior managements. Any estimates contained in the analyses performed by Lutz Advisors are not necessarily indicative of actual values or future results, which may be significantly more or less favorable than suggested by these analyses. Additionally, estimates of the value of businesses or securities do not purport to be appraisals or to reflect the prices at which such businesses or securities might actually be sold. Lutz Advisors did not make any independent evaluation or appraisals of the assets or liabilities of Lakeland and Newton nor was it furnished with any such appraisals. Lutz Advisors also assumed,

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without independent verification, that the aggregate allowances for loan losses for Lakeland and Newton were adequate.

On October 24, 2003, Lutz Advisors rendered a written fairness opinion to Newton's Board. The summary set forth below does not purport to be a complete description of the analyses performed by Lutz Advisors in connection with the merger. The preparation of a fairness opinion involves various determinations as to the most appropriate and relevant methods of financial analysis and the application of these methods to the particular circumstances and, therefore, the opinion is not readily susceptible to summary description. Lutz Advisors believes that its analyses must be considered as a whole and that selecting portions of its analyses and of the factors considered by it, without considering all analyses and factors, could create an incomplete view of the evaluation process underlying the opinion. No one component of the analyses performed by Lutz Advisors was assigned a greater significance than another component. Taken as a whole, Lutz Advisors believes these analyses support the conclusion that the consideration to be paid to Newton shareholders is fair, from a financial point of view.

The following table summarizes the material valuation methodologies and the range of values of Newton common stock used by Lutz Advisors in arriving at its opinion. The values for peer group and comparable transactions were arrived at by applying Newton financial data to median peer group trading and comparable transaction acquisition multiples. The valuation methodologies are described below in greater detail.

	<b>Implied Value per Common Share</b>
Discounted cash flow analysis	
on a trading basis	\$ 23.21-\$37.11
on an acquisition basis	\$ 38.54-\$55.47
Peer group analysis	
national peers	\$ 38.08-\$41.67
regional peers	\$ 32.82-\$42.57
Comparable transaction analysis	\$ 48.17-\$70.21

*Contribution Analysis* Based on discussions held with Lakeland, Lutz Advisors normalized certain income statement items assuming Lakeland's August 25, 2003 acquisition of CSB Financial Corp. was completed at the beginning of the financial period and all special charges relating to the acquisition were removed. Subsequently, Lutz Advisors reviewed the contribution made by each of Newton and Lakeland to various balance sheet items of the combined company based on balance sheet data at September 30, 2003. A similar contribution analysis was prepared for net income and income statement items based on year-to-date September 30, 2003. The analysis showed that:

Newton shareholders would own approximately 27.8% of the combined company if they elected 100% stock consideration, or Newton shareholders would own approximately 22.4% of the combined company if they elected 75% stock and 25% cash consideration;

Newton would contribute 17.3% of total assets of the combined company;

Newton would contribute 17.2% of total loans of the combined company;

Newton would contribute 16.8% of total deposits of the combined company;

Newton would contribute 23.0% of shareholders' equity of the combined company; and

Newton would contribute 16.0% of net income of the combined company.

*Discounted Cash Flow Analysis* Lutz Advisors performed a discounted cash flow analysis of future income streams of Newton using projected earnings for 2004-2008 based on management's forecasts and Newton's historical performance. Using these projections and market trading multiples from comparable institutions between 12.0 and 16.0 times earnings, and discount rates of between 8% and 12%, Lutz Advisors calculated a range of net present values of Newton common stock. This analysis assumed Newton was not acquired but remained independent for the projection period. The analysis showed a present value per share of Newton common stock between \$23.21 and \$37.11.

Using the aforementioned projections, Lutz Advisors used acquisition multiples from comparable merger transactions between 20.0 and 24.0 times earnings and discount rates of between 8% and 12%. Lutz Advisors then

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calculated a range of net present values of Newton common stock. This analysis assumed Newton was to be acquired at similar earnings multiples as comparable merger transactions. The analysis showed a present value per share of Newton common stock between \$38.54 and \$55.47.

Although the discounted cash flow analysis is a widely used valuation methodology, it relies on numerous assumptions, including balance sheet and earnings growth rates, discount rates, and market trading multiples that may ultimately be materially different than those used in this analysis. Therefore, this analysis does not purport to be indicative of the actual values or expected values of Newton common stock.

*Peer Group Analysis: Newton* Lutz Advisors compared selected balance sheet, asset quality, capitalization, profitability, and market trading ratios using financial data at or for the twelve months ended June 30, 2003 and market data as of October 17, 2003 for Newton and two groups of similar financial institutions. Group 1, referred to as the National Peers, includes 32 commercial banks nationwide with assets between \$305.1 million and \$397.0 million and deposits between \$233.3 million and \$340.0 million. Group 2, referred to as the Regional Peers, includes 13 commercial banks in the Mid-Atlantic Region with assets between \$331.9 million and \$464.4 million and deposits between \$258.8 million and \$360.1 million. For purposes of this analysis, non-performing assets include non-accrual loans, restructured loans, other real estate owned, and loans greater than 90 days past due but still accruing. Peer statistics are medians.

(financial data at or for the twelve months ended June 30, 2003)	National	Regional	
	Newton	Peers	Peers
Loans/Deposits (%)	60.80	81.42	73.23
Equity/Assets (%)	10.49	10.16	10.80
NPAs/Assets (%)	0.60	0.59	0.53
Reserves/NPAs (%)	110.73	140.77	146.94
Net Interest Margin (%)	4.21	4.26	4.07
Non-interest Income/Avg. Assets (%)	0.33	0.90	0.73
Non-interest Expense/Avg. Assets (%)	2.72	3.13	2.67
Efficiency Ratio (%)	65.07	58.74	55.87
Return on Avg. Assets (%)	0.98	1.24	1.32
Return on Avg. Equity (%)	9.23	11.41	11.48
Price to Earnings (x)	18.31	15.32	14.52
Price to Book Value (%)	169.13	158.28	174.62
Price to Tangible Book Value (%)	169.13	166.97	176.93
Current Dividend Yield (%)	2.40	2.61	2.67

*Peer Group Analysis: Lakeland* Lutz Advisors compared selected balance sheet, asset quality, capitalization, profitability, and market trading ratios using financial data at or for the twelve months ended June 30, 2003 and market data as of October 17, 2003 for Lakeland and two groups of similar financial institutions. Group 1, referred to as the National Peers, includes 18 commercial banks nationwide with assets between \$1.1 billion and \$1.9 billion and deposits between \$845.1 million and \$1.5 billion. Group 2, referred to as the Index Peers, includes 21 commercial banks identified in the merger agreement for purposes of tracking Lakeland's relative stock price performance. For purposes of this analysis, non-performing assets include non-accrual loans, restructured loans, other real estate owned, and loans greater than 90 days past due but still accruing. Peer statistics are medians.

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<i>(financial data at or for the twelve</i>		<b>National</b>	<b>Index</b>
<i>months ended June 30, 2003)</i>	<b>Lakeland</b>	<b>Peers</b>	<b>Peers</b>
Loans/Deposits (%)	64.20	73.82	81.37
Equity/Assets (%)	7.19	7.32	8.49
NPAs/Assets (%)	1.65	0.29	0.41
Reserves/NPAs (%)	85.10	209.08	183.01
Net Interest Margin (%)	4.49	3.90	4.11
Non-interest Income/Avg. Assets (%)	0.79	1.23	0.86
Non-interest Expense/Avg. Assets (%)	2.92	2.81	2.69
Efficiency Ratio (%)	58.47	58.73	55.86
Return on Avg. Assets (%)	0.87	1.16	1.38
Return on Avg. Equity (%)	11.62	15.92	14.99
Price to Earnings (x)	16.27	14.47	17.06
Price to Book Value (%)	236.48	234.75	227.05
Price to Tangible Book Value (%)	319.02	250.38	275.24
Current Dividend Yield (%)	2.46	2.16	2.56

*Comparable Transaction Analysis* Lutz Advisors reviewed the pricing of merger and acquisition transactions announced after January 1, 2000, where the target institution is a Mid-Atlantic commercial bank and transaction values were between \$50 million and \$150 million. The criteria resulted in a list of 17 merger and acquisition transactions. Premium as a percent of core deposits equates to the amount paid over book value, or the premium, divided by the target's core deposits, defined as all deposits less time deposits greater than \$100,000. Transaction multiples are calculated at the time the transactions were announced.

	<b>Lakeland</b>	<b>Newton</b>	<b>Comparable Transactions</b>
Price/Book (%)		290.10	255.88
Price/Tangible Book (%)		290.10	282.56
Price/LTM Earnings (x)		30.72	20.53
Price/Deposits (%)		36.88	26.47
Premium/Core Deposits (%)		25.33	18.18

No company or transaction in the preceding Peer Group and Comparable Transaction analyses is identical to Lakeland, Newton, or the contemplated transaction. Accordingly, an analysis of the results of the foregoing is not mathematically precise; rather, it involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading value of the companies to which they are being compared. The ranges of valuation resulting from any particular analysis described above should not be taken to be Lutz Advisors' view of the actual value of Newton or Lakeland.

The above is only a summary description of the analyses and procedures performed by Lutz Advisors in the course of arriving at its opinion. The text of Lutz Advisors' opinion dated October 24, 2003 and updated on January 1, 2004, which sets forth the assumptions made and matters considered, is attached to this joint proxy statement and prospectus as Annex C. Lutz Advisors' opinion is directed only to the fairness of the consideration received by Newton shareholders and does not constitute a recommendation to any Newton shareholder as to how such shareholder should vote with respect to the merger.

Newton engaged Lutz Advisors on October 9, 2003 to assist it in evaluating this potential transaction. Newton has paid Lutz Advisors a retainer of \$25,000 and an additional fee of \$75,000 upon the rendering of the written fairness opinion. Newton has agreed to pay Lutz Advisors a fee of 0.70% of the aggregate consideration to be paid in the merger upon the closing of the transaction. The retainer and the fairness opinion fee will

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be netted against the 0.70% fee. Lutz Advisors will be reimbursed for reasonable out of pocket expenses incurred on behalf of Newton. Newton has agreed to indemnify Lutz Advisors against certain liabilities.



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### **Lakeland's Reasons for the Merger**

Lakeland has acquired three independent financial institutions over the past five years – Metropolitan State Bank in 1998, National Bank of Sussex County and its High Point Financial Corp. holding company in 1999 and Community State Bank and its CSB Financial Corp. holding company in August 2003. In each of these transactions and in the pending acquisition of Newton, Lakeland's acquisition strategy has consisted of identifying financial institutions with business philosophies that are similar to those of Lakeland, which operate in strong markets that are geographically compatible with Lakeland's operations but which involve strategic geographic extensions for Lakeland, and which can be acquired at an acceptable cost. In evaluating acquisition opportunities, Lakeland generally considers potential revenue enhancements and operating efficiencies, asset quality and interest rate risk.

In determining the terms of its proposal for Newton and whether to enter into the merger agreement, Lakeland's board of directors considered a number of factors, including the following:

the strategic importance to Lakeland of expanding its presence in Sussex and Warren Counties in New Jersey;

the terms of the merger agreement and the related terms, including the financial terms of the transaction;

Newton's service-oriented emphasis on small business and retail customers, which is consistent with Lakeland's general business approach;

the financial condition, operating results and future prospects of Lakeland and Newton;

historical pro forma financial information on the merger, including, among other things, pro forma book value and earnings per share information, dilution analysis and capital ratio impact information;

a review of comparable transactions, including a comparison of the price being paid in the merger with the prices paid in other comparable financial institution mergers, expressed as, among other things, multiples of book value and earnings;

management's view, based on, among other things, such comparable transactions review, that the exchange ratio and cash consideration paid is fair to Lakeland and its shareholders from a financial point of view; and

a review of the benefits arising from the affiliate's agreement executed by the directors of Newton, including covenants against competition applicable to Sussex County, New Jersey.

In approving the transaction, the Lakeland board did not specifically identify any one factor or group of factors as being more significant than any other factor in the decision making process. Individual directors may have given one or more factors more weight than other factors. The emphasis of the Lakeland board's discussion, in considering the transaction, was on the strategic benefits and financial aspects of the transaction, particularly:

the importance to Lakeland of expanding its franchise in Sussex and Warren Counties, New Jersey;

a comparison of the expenses associated with the pending transaction with the expenses of opening new branches in the locations where Newton operates; and

perceived opportunities to increase the combined company's lending opportunities, and to reduce the combined company's operating expenses, following the merger.

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As we have noted above, business combinations, including the merger, typically include certain risks and disadvantages. The material potential risks and disadvantages to Lakeland identified by Lakeland's board and management include the following material matters, the order of which does not necessarily reflect their relative significance:

there can be no assurance that the combined company will attain the type of revenue enhancements and cost savings necessary to justify the expenditure of funds and issuance of stock contemplated by the merger agreement;

utilizing cash for a portion of the merger consideration will negatively impact Lakeland's capital; and

since the exchange ratio is fixed in most instances, Newton shareholders will receive the benefit of any appreciation in the market price of Lakeland's common stock.

There can be no certainty that the above benefits of the merger anticipated by the Lakeland board will occur. Actual results may vary materially from those anticipated. For more information on the factors that could affect actual results, see **RISK FACTORS** at page 20 and **FORWARD-LOOKING INFORMATION** at page 25.

## **Recommendation of the Lakeland Board of Directors**

The Lakeland board of directors has unanimously approved the merger and the merger agreement, and believes that the proposed merger is in the best interests of Lakeland and its shareholders. Accordingly, the Lakeland board of directors unanimously recommends that Lakeland shareholders vote **FOR** the proposal to authorize the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement.

## **Terms of the Merger**

### *Effect of the Merger*

Upon completion of the merger, the separate legal existence of Newton Financial Corporation will cease. All property, rights, powers, duties, obligations, debts and liabilities of Newton Financial Corporation will automatically be deemed transferred to Lakeland Bancorp, Inc., as the surviving corporation in the merger. Newton Trust Company will remain as a stand alone banking institution for a period of at least two years after the merger is completed. Lakeland and Lakeland Bank will continue to be governed by their respective certificates of incorporation and by-laws as in effect immediately prior to the merger.

### *What Newton Shareholders Will Receive in the Merger*

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In the merger, no more than 25% of the outstanding Newton common stock will be exchanged for cash. Lakeland reserves the right to reduce that percentage in the unlikely circumstance in which maintaining that percentage would result in certain adverse tax consequences. There is no limit on the percentage of the outstanding Newton common stock that may be exchanged for Lakeland common stock. Shareholders receiving cash in the merger will receive \$72.08 for each share of Newton common stock exchanged for cash in the merger. Subject to a possible adjustment in the exchange ratio described under - Termination , Newton shareholders receiving Lakeland common stock in the merger will receive 4.5 shares of Lakeland common stock for each share of Newton common stock exchanged for stock in the merger. In this document, we refer to the ratio of 4.5 shares of Lakeland common stock to one share of Newton common stock as the exchange ratio.

Subject to the tax consideration that we mentioned above, if holders of more than 25% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash, the Exchange Agent will reduce the number of shares of Newton common stock so converted to 25% by a pro rata reduction. Thus, by way of example and subject to certain tax considerations, if holders of 75% of Newton's shares outstanding immediately prior to the consummation of the merger elect to receive cash for all of their Newton shares, then, for each such holder, one third of such holder's shares will be converted into cash and two thirds of such holder's shares will be converted into Lakeland common stock.

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The closing price of Lakeland common stock on January , 2004, shortly before this joint proxy statement and prospectus was mailed to you, was \$ .

If there is a stock split, stock dividend or similar transaction affecting Lakeland common stock prior to the closing, appropriate changes will be made to the exchange ratio. Certain shares of Newton common stock held by Newton or by Lakeland or its subsidiaries will be canceled in the merger and will not be converted into Lakeland common stock.

If your Newton shares are converted into Lakeland common stock, you will not receive any fractional shares of Lakeland common stock. Instead you will receive, without interest, cash equal to the fractional share interest you otherwise would have received, multiplied by \$16.02.

The price of Lakeland common stock at the time the merger takes effect may be higher or lower than the price: (1) when the merger agreement was signed; (2) when this joint proxy statement and prospectus was mailed; (3) when the Newton shareholders meet to vote on the merger; or (4) when Newton shareholders receive Lakeland stock certificates from the Exchange Agent following the merger. We urge you to obtain current market quotations for the Lakeland common stock and the Newton common stock.

### *Election Form; Exchange of Shares*

Along with this joint proxy statement and prospectus, we have sent Newton shareholders a form of election that we refer to as the Election Form . We will make additional copies of the Election Form available upon request. Each Newton shareholder should use this form to tell the Exchange Agent such shareholder s preferences. Each Newton shareholder may use the Election Form to elect to:

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

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

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

We will refer to all shares that are so designated for conversion into cash as Cash Election Shares and all shares that are so designated for conversion into Lakeland common stock as Stock Election Shares. Alternatively, each Newton shareholder may signify to the Exchange Agent that such shareholder has no preference as to whether such shareholder receives cash or Lakeland common stock pursuant to the merger. We will refer to these shares as Non-Election Shares. If a Newton shareholder either (i) does not submit a properly completed Election Form in a timely fashion or (ii) revokes such shareholder s Election Form and does not submit a new Election Form prior to the deadline for the submission of the Election Form, the shares of Newton common stock held by such shareholder will be treated as Non-Election Shares.

All elections must be made on an Election Form. To make an effective election, each Newton shareholder must, in accordance with the Election Form, (i) complete properly and return the Election Form to the Exchange Agent in the enclosed yellow envelope and (ii) deliver to the Exchange Agent such shareholder s Newton stock certificates with respect to such shares and any other required documents, all prior to the election deadline, which will be the close of business on the third business day prior to the date on which the merger is consummated. The

merger could close as soon as immediately after the Lakeland and Newton special meetings. **Thus, you should assume that the election deadline may be as soon as the close of business on March 5, 2004, the third business day prior to the date scheduled for the special meetings.**

A holder of shares of Newton common stock having a preference as to the form of consideration to be received for his or her shares should make an election because shares as to which an election has been made will be given priority in allocating such consideration over shares as to which an election is not received. Neither Newton nor Lakeland nor their respective boards of directors will make any recommendation as to whether shareholders

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should elect to receive cash or stock in the merger. Each holder of Newton common stock must make his or her own decision with respect to such election.

Subject to adjustment to comply with certain tax requirements, the cash and stock consideration payable in the merger will be allocated as follows:

All Stock Election Shares will be converted into shares of Lakeland common stock.

If the Cash Election Shares represent more than 25% of Newton's outstanding shares, then:

the Non-Election Shares will be converted into Lakeland common stock upon consummation of the merger;

the Exchange Agent will select from among the holders of Cash Election Shares, on a pro rata basis, a sufficient number of such shares which we will refer to as Stock Designated Shares such that the sum of the number of Stock Designated Shares, Stock Election Shares and Non-Election Shares will equal 75% of the outstanding shares of Newton common stock, and all such Stock Designated Shares will be converted into Lakeland common stock upon consummation of the merger; and

the Cash Election Shares not selected as Stock Designated Shares will be converted into cash upon consummation of the merger.

If the Cash Election Shares represent less than 25% of Newton's outstanding shares, then:

the Cash Election Shares will be converted into cash upon consummation of the merger;

the Exchange Agent will select from among the holders of Non-Election Shares, on a pro rata basis, a sufficient number of such shares which we will refer to as Cash Designated Shares such that the sum of the number of Cash Designated Shares and Cash Election Shares will equal 25% of the outstanding shares of Newton common stock, and all such Cash Designated Shares will be converted into cash upon consummation of the merger; and

the Non-Election Shares not selected as Cash Designated Shares will be converted into Lakeland common stock upon consummation of the merger.

If the Cash Election Shares represent 25% of Newton's outstanding shares, then:

all Cash Election Shares will be converted into cash upon consummation of the merger; and

all Non-Election Shares will be converted into Lakeland common stock upon consummation of the merger.

The Election Form will also serve as a letter of transmittal, which is the form Newton shareholders use to send their stock certificates to the Exchange Agent to be exchanged in the merger. The Election Form will have explicit instructions on how to exchange Newton stock certificates.

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Certificates representing shares of Newton common stock **MUST** be sent in with your Election Form in the enclosed yellow envelope. Newton shareholders should not send their stock certificates with their proxy card.

After Newton shareholders surrender their Newton stock certificates to the Exchange Agent and after the time the merger takes effect, former Newton shareholders will receive cash and/or a certificate representing their shares of Lakeland common stock. At the time any new stock certificate is issued, former Newton shareholders will also receive a check for any fractional shares. No interest will be paid with respect to any cash payable in the merger.



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### *Stock Options*

As of the record date for the special meeting, various directors, officers (and former officers) and employees of Newton held options to purchase a total of \_\_\_\_\_ shares of Newton common stock, all granted under Newton's 1999 Stock Option Plan. All such options will be converted into options to purchase Lakeland common stock upon consummation of the merger. The terms of the new Lakeland options will be the same as the terms of the old Newton stock options, except that:

upon exercise of the new options, optionees will acquire Lakeland common stock rather than Newton common stock;

the number of shares covered by each new option will equal the number of shares covered by the corresponding old option multiplied by the exchange ratio;

the exercise price of each new option will equal the exercise price of the corresponding old option divided by the exchange ratio; and

the new options will be administered by the same committee that administers the options granted by Lakeland to Lakeland employees.

### *Lakeland Common Stock*

Each share of Lakeland common stock outstanding immediately prior to completion of the merger will remain outstanding and unchanged by the merger.

## **Effective Date**

The merger will take effect after all conditions to the merger, including obtaining shareholder and regulatory approval, have been fulfilled or waived. Neither regulatory approval nor the approval of Newton's or Lakeland's shareholders can be waived. We presently expect to close the merger during the first quarter of 2004. See "THE MERGER Conditions to the Merger" at page 46 and "THE MERGER Regulatory Approvals" at page 51.

## **Representations and Warranties**

The merger agreement contains customary representations and warranties relating to, among other things:

### *Newton*

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Organization of Newton and its subsidiaries.

Capital structure of Newton.

Due authorization, execution, delivery, performance and enforceability of the merger agreement and interrelationship with other agreements.

Consents or approvals of regulatory authorities or third parties necessary to complete the merger.

Accuracy of reports filed with regulatory authorities.

Consistency of financial statements with generally accepted accounting principles and existence of suitable internal controls.

Liabilities incurred since December 31, 2002.

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Brokers' fees.

Absence of material adverse changes, since December 31, 2002, in Newton's consolidated business, results of operations or financial condition.

Absence of undisclosed material pending or threatened legal proceedings.

Filing of tax returns and payment of taxes.

Retirement and other employee plans and matters relating to the Employee Retirement Income Security Act of 1974.

Accuracy of information supplied by Newton for inclusion in the registration statement filed under the Securities Act of 1933 in connection with the issuance of Lakeland common stock in the merger, this joint proxy statement and prospectus, and all applications filed with regulatory authorities for approval of the merger.

Compliance with applicable laws and regulations.

Disclosure of material contracts.

Absence of regulatory orders.

Quality of title to assets and properties.

Maintenance of adequate insurance.

Absence of material environmental violations, actions or liabilities.

Indemnification obligations of Newton and its subsidiaries.

Validity and binding nature of loans reflected as assets in Newton's financial statements.

Inapplicability of anti-takeover provisions of New Jersey law to the merger.

Investment securities, deposits and other borrowings on Newton's statement of condition.

*Lakeland*

Organization of Lakeland and its subsidiaries.

Capital structure of Lakeland.

Due authorization, execution, delivery, performance and enforceability of the merger agreement and interrelationship with other agreements.

Consents or approvals of regulatory authorities or third parties necessary to complete the merger.

Accuracy of reports filed with regulatory authorities.

Consistency of financial statements with generally accepted accounting principles.

Accuracy of reports filed by Lakeland with the SEC.

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Absence of material adverse changes, since December 31, 2002, in Lakeland's consolidated business, results of operations or financial condition.

Accuracy of information supplied by Lakeland for inclusion in the registration statement filed under the Securities Act of 1933 in connection with the issuance of Lakeland common stock in the merger, this joint proxy statement and prospectus, and all applications filed with regulatory authorities for approval of the merger.

Compliance with applicable laws and regulations.

Absence of regulatory orders.

Regulatory capital.

**Conduct of Business Pending the Merger**

In the merger agreement, we each agreed to use commercially reasonable efforts to maintain and preserve intact our respective business organizations, properties, leases, employees and advantageous business relationships.

In addition, Newton agreed to use commercially reasonable efforts to conduct its business and to engage in transactions only in the ordinary and usual course consistent with past practices and prudent banking practice, except as otherwise required by the merger agreement or consented to by Lakeland. Subject to certain exceptions referred to in the merger agreement, Newton also agreed in the merger agreement that Newton will not, without the written consent of Lakeland except as otherwise specifically provided in the merger agreement:

declare or pay any dividends on its capital stock other than regular quarterly cash dividends consistent with past practices;

repurchase, redeem or otherwise acquire any of its capital stock;

issue any shares of its capital stock or any securities convertible into or exercisable for, or any rights, warrants or options to acquire, any such shares, except for the issuance of up to a total of 23,591 shares of Newton common stock upon the exercise of stock options outstanding on the date of the merger agreement;

amend its certificate of incorporation or by-laws;

make any non-scheduled capital expenditures in excess of \$50,000 in the aggregate;

enter into any new line of business or offer any new products or services;

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acquire any business or any material assets outside of the ordinary course of business;

take any action designed to preclude the parties from satisfying the conditions to closing described in the merger agreement;

change its methods of accounting, except as required by changes in generally accepted accounting principles or regulatory accounting principles as concurred with in writing by Newton's independent auditors;

adopt, amend, or terminate any employee benefit plan;

other than normal salary increases in the ordinary course of business consistent with past practices, which increases do not exceed 4% of the annual rate of base salary, increase the compensation or fringe benefits of any director, officer or employee, pay any benefit not required by any plan or agreement, pay any bonus or grant any stock options, stock appreciation rights, restricted stock, restricted stock units or performance units or shares;

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dispose of its material assets, properties or other rights or agreements;

other than in the ordinary course of business consistent with past practice, incur any indebtedness for borrowed money;

file any application to relocate or terminate the operations of any of its banking offices;

create, renew, amend or terminate any material contract;

settle any claim in excess of \$50,000 or involving any material restrictions on Newton's operations;

except in the ordinary course of business consistent with past practices and in amounts less than \$100,000, waive or release any material right;

make loans that fall outside of parameters set forth in the merger agreement;

make any investment or commitment to invest in real estate or in any real estate development project, other than real estate acquired in satisfaction of defaulted mortgage loans;

make any construction loans outside the ordinary course of business consistent with past practices, make any real estate loans secured by undeveloped land or make any real estate loans secured by land located outside the State of New Jersey;

establish any new branch or other office facilities;

elect to the board of directors any person who is not a current member of Newton's board;

make any material tax election or file any claim for a material income tax refund;

take any other action outside of the ordinary course of business; or

agree to do any of the foregoing.

Newton also agreed in the merger agreement, among other things:

to submit the proposed merger to its shareholders for approval at a shareholders' meeting to be held as soon as is reasonably practicable after the date on which the registration statement, of which this joint proxy statement and prospectus is a part, is declared effective by the SEC;

through the Newton board of directors, subject to applicable fiduciary obligations, to recommend that Newton's shareholders approve the merger agreement;

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to provide Lakeland with certain financial statements which Lakeland will be required to file with the SEC upon consummation of the merger;

to cooperate with Lakeland to conform certain policies and procedures to the policies and procedures followed by Lakeland; and

to provide Lakeland with any information about Newton reasonably requested by Lakeland for use in any subsequent filings that Lakeland may be required to make in transactions unrelated to the merger.

Newton has also agreed not to solicit any proposal from a third party with respect to a merger, consolidation or similar transaction involving, or any purchase of, all or more than 10% of the assets or any equity securities of Newton or any of its subsidiaries. We refer to any such proposal as an acquisition proposal.



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Similarly, Newton has agreed not to participate in any negotiations concerning, or provide any confidential information with respect to, an acquisition proposal. These obligations are subject to certain exceptions in the merger agreement designed to assure that Newton's board of directors may exercise its fiduciary responsibilities in the event that a third party, acting on an unsolicited basis, makes an acquisition proposal prior to the consummation of the merger. In the event that Newton receives any such proposal, Newton is required to immediately disclose to Lakeland the identity of the person making the proposal and the substance of such proposal.

We jointly agreed, among other things:

to cooperate in preparing all regulatory and other filings to be made in connection with the merger;

to provide access to each other and to each other's representatives;

subject to applicable provisions of the merger agreement, to use our reasonable best efforts to consummate the transactions contemplated by the merger agreement and to obtain any consent of any governmental entity or other third party which is required in connection with the merger;

to deliver to each other quarterly and, if applicable, annual financial statements; and

to agree upon the form and substance of any press release or public disclosure related to the proposed merger.

Lakeland has agreed:

to use its reasonable best efforts to cause the Lakeland common stock to be issued in the merger to be approved for listing for quotation on the Nasdaq National Market;

to permit the Newton employees who remain in Lakeland's employ after the merger is consummated to participate in Lakeland's employee benefit plans to the same extent as similarly situated employees of Lakeland and generally to credit such employees with the years of service earned as employees of Newton;

to indemnify any current or former director or officer of Newton against any claim, including any claim which relates in any way to the merger, this joint proxy statement and prospectus, the merger agreement, any of the transactions contemplated by the merger agreement, such person's service as a member of the board of directors of Newton, the events leading up to the execution of the merger agreement, any statement, recommendation or solicitation made in connection with the merger and any breach of any duty in connection with any of the foregoing, in each case to the extent that indemnification would have been permitted under any applicable law and Newton's certificate of incorporation and by-laws had the merger not occurred;

to cause the persons serving as officers and directors of Newton immediately prior to the consummation of the merger to be covered by directors and officers liability insurance for a period of six years after the closing, subject to a limitation on the amount which Lakeland must spend for such insurance;

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to cause the shares of Lakeland common stock issued pursuant to the merger agreement to be accompanied by the rights afforded to holders of Lakeland common stock under Lakeland's shareholder rights plan;

to permit Newton Trust Company to operate on a stand alone basis for a period of two years after the merger is consummated with a board consisting principally of the current members of the board of directors of Newton Trust Company;

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to permit each of the current Chairman of the Board and the current Chief Executive Officer of Newton Trust Company to retain those positions for such two year period; and

to provide severance to any Newton employee who is terminated or whose terms of employment are substantially adversely modified within one year after the date on which the merger is consummated.

**Conditions to the Merger**

Our obligations to effect the merger are subject to various conditions, including the following:

*Conditions Applicable to Newton and Lakeland*

Newton's shareholders shall have approved the merger agreement and the transactions contemplated by that agreement;

Lakeland's shareholders shall have approved the issuance of all shares of Lakeland common stock issuable pursuant to the merger agreement;

the registration statement of which this joint proxy statement and prospectus is a part shall not be subject to an order typically referred to as a stop order demanding that we cease using these documents;

we shall have received all necessary approvals of governmental entities, such approvals shall not be subject to any material conditions, any conditions relating to such approvals shall have been satisfied and all statutory waiting periods shall have expired;

no order, judgment or decree shall be outstanding that would have the effect of preventing completion of the merger;

no suit, action or other proceeding shall be pending or threatened by any governmental entity seeking to restrain or prohibit the merger;

no suit, action or other proceeding shall be pending before any court or governmental entity seeking to restrain or prohibit the merger or obtain other substantial monetary or other relief against one or more of the parties which Lakeland or Newton determines in good faith, based upon the advice of their respective counsel, makes it inadvisable to proceed;

we shall have received from Lakeland's counsel the tax opinion described under THE MERGER Material Federal Income Tax Consequences ; and

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the shares of Lakeland common stock issuable in the merger shall have been authorized for listing for quotation on the Nasdaq National Market, subject to official notice of issuance.

### *Additional Conditions Applicable to Lakeland*

In addition to the foregoing, Lakeland's obligations to close the merger are also conditioned, among other things, on the following:

except for representations made as of a particular date, Newton's representations shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) at closing;

Newton representations made as of a particular date shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) as of such date;

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Newton shall have performed in all material respects the covenants which it is required to perform under the merger agreement;

Newton shall have obtained all consents of any third parties, other than governmental entities, which are necessary to permit the consummation of the merger, except for those which would not materially adversely affect Newton or Lakeland if not obtained;

none of such consents shall contain any term or condition which would materially adversely affect Lakeland; and

the issuance by a court of competent jurisdiction of a declaratory judgment or order reasonably satisfactory to Lakeland confirming that Newton's currently outstanding shares are validly issued and outstanding.

Lakeland insisted upon the last condition described above because although Newton's shareholders twice approved amendments to Newton's certificate of incorporation increasing Newton's authorized shares, certificates of amendment were not filed with the State of New Jersey as required by the New Jersey Business Corporation Act.

*Additional Conditions Applicable to Newton*

In addition to the foregoing, Newton's obligations to close the merger are also conditioned, among other things, on the following:

except for representations made as of a particular date, Lakeland's representations shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) at closing;

Lakeland representations made as of a particular date shall be true and correct in all material respects (or in all respects for representations which are qualified as to materiality) as of such date; and

Lakeland shall have performed in all material respects the covenants which it is required to perform under the merger agreement.

Except for the requirements of Newton and Lakeland shareholder approval, regulatory approvals and the absence of any order, decree, or injunction preventing the transactions contemplated by the merger agreement, we each may waive each of the conditions described above in the manner and to the extent described in THE MERGER Amendment; Waiver at page 47. However, neither of us anticipates waiving the condition that a tax opinion be delivered by Lakeland's counsel.

**Amendment; Waiver**

Subject to applicable law, at any time prior to completion of the merger, we may:

Amend the merger agreement.

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Extend the time for the performance of any of the obligations or other acts of the other party required in the merger agreement.

Waive any inaccuracies in the representations and warranties of the other party contained in the merger agreement.

Waive compliance by the other party with any of the agreements or conditions contained in the merger agreement, except for the requirements of Newton shareholder approval, Lakeland shareholder approval, regulatory approvals and the absence of any order, decree, or injunction preventing the transactions contemplated by the merger agreement.

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**Termination**

Subject to certain qualifications described in the merger agreement, the merger agreement may be terminated under the following circumstances:

by agreement of Lakeland and Newton;

by either Lakeland or Newton:

60 days after the date on which any application for a required regulatory approval shall have been denied or withdrawn at the request or recommendation of the applicable governmental entity, unless within the 60-day period following such denial or withdrawal a petition for rehearing or an amended application is filed with the applicable governmental entity;

if the merger is not consummated on or before June 30, 2004;

if Newton's shareholders fail to approve the merger or if Lakeland's shareholders fail to approve the issuance of the shares of Lakeland common stock issuable pursuant to the merger agreement;

if there is a breach of the other party's representations in the merger agreement, and such breach is not cured within thirty days following written notice to the party committing such breach; provided, however, that neither party can terminate the merger agreement unless the breach, together with all other such breaches, would constitute a failure to satisfy a condition of closing;

if the other party materially breaches any covenant in the merger agreement and such breach is not cured within thirty days following written notice to the party committing such breach; or

if the conditions to such party's obligations to close are not capable of being satisfied on or before June 30, 2004.

by Newton, if it approves an acquisition proposal, but only if:

at least 48 hours prior to entering into a definitive agreement relating to the acquisition proposal, Newton provides Lakeland with a copy of that agreement;

Newton's board determines in good faith that approving that definitive agreement is legally necessary for the proper discharge of its fiduciary duties; and

after considering any response that Lakeland may have after reviewing that definitive agreement, the Newton board determines in good faith that the transactions contemplated by that definitive agreement are reasonably likely to be consummated and would, if consummated, be more favorable to Newton's shareholders than the merger agreement and any transaction then being proposed by Lakeland, and Newton delivers the applicable termination fee and a release described in the merger agreement.

We refer to this termination right as Newton's fiduciary out.

by Lakeland, if either Newton's shareholders fail to approve the merger agreement at the special meeting, or the special meeting is adjourned or canceled, or Newton's board disavows its recommendation that the Newton shareholders approve the merger, or Newton materially breached the merger agreement, in each case after an acquisition proposal is communicated to Newton.

We refer to this termination right as Lakeland's responsive out.



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In addition, Newton will have the right to terminate the merger agreement in the event that both of the following events occur:

the average closing sales price of Lakeland common stock on the Nasdaq National Market System, during the 20 consecutive full trading days ending on the date (referred to in this document as the Determination Date ) on which all bank regulatory approvals for the merger have been received an average price which we refer to as the Lakeland Average Closing Price is less than \$12.01; and

the number equal to the Lakeland Average Closing Price divided by \$16.02 shall be less than the so-called Index Ratio (described below) minus 0.25.

We refer to this termination right as Newton's pricing out. For purposes of Newton's pricing out, the Index Ratio means the average closing price of the common stock of the banking institutions listed below on the Determination Date divided by the average closing price of such stocks on October 24, 2003:

<u>Company Name</u>	<u>City</u>	<u>State</u>
Arrow Financial Corporation	Glens Falls	NY
BSB Bancorp, Inc.	Binghamton	NY
Community Banks, Inc.	Harrisburg	PA
Financial Institutions, Inc.	Warsaw	NY
Harleysville National Corporation	Harleysville	PA
Interchange Financial Services Corporation	Saddle Brook	NJ
Omega Financial Corporation	State College	PA
Patriot Bank Corp	Pottstown	PA
PennRock Financial Services Corp.	Blue Ball	PA
Royal Bancshares of Pennsylvania, Inc.	Narberth	PA
S&T Bancorp, Inc.	Indiana	PA
State Bancorp, Inc.	New Hyde Park	NY
Sterling Bancorp	New York	NY
Sterling Financial Corporation	Lancaster	PA
Suffolk Bancorp.	Riverhead	NY
Sun Bancorp, Inc.	Lewisburg	PA
Sun Bancorp, Inc.	Vineland	NJ
Tompkins Trustco, Inc.	Ithaca	NY
U.S.B. Holding Co., Inc.	Orangeburg	NY
Univest Corporation of Pennsylvania	Souderton	PA
Yardville National Bancorp	Hamilton	NJ

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The effect of this provision is to enable Newton to terminate the merger agreement if the market price of Lakeland common stock falls substantially, both in absolute terms (that is, below \$12.01) and by comparison to the list of peer banking institutions referred to above. However, if Newton seeks to exercise its pricing out, Lakeland will have the right to negate such termination by increasing the exchange ratio from 4.5 to a formula amount determined in

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accordance with Section 8.1(k) of the merger agreement. Lakeland will not be required to take such action. If Lakeland does take such action, each share of Newton common stock converted into Lakeland common stock in the merger will be converted into a number of shares of Lakeland common stock equal to the lesser of:

\$54.045 divided by the Lakeland Average Closing Price; or

a fraction, the numerator of which is 4.5 times the Index Ratio and the denominator of which is the Lakeland Average Closing Price divided by \$16.02

## **Termination Fees**

Newton has agreed to pay a fee of \$3,250,000 to Lakeland and has agreed to reimburse Lakeland for up to \$150,000 in out-of-pocket expenses if Newton exercises its fiduciary out or if Lakeland exercises its responsive out.

Lakeland has agreed to pay Newton a fee of \$1,700,000 in the event that Newton terminates the merger agreement as a result of a material breach by Lakeland of any covenant in the merger agreement or as a result of a material misrepresentation by Lakeland in the merger agreement.

## **Nasdaq Listing**

Newton's obligation to complete the merger is subject to the condition that the Lakeland common stock issuable in the merger be authorized for quotation on the National Market tier of the Nasdaq Stock Market.

## **Expenses**

Subject to expense reimbursement in connection with certain types of termination, we will each pay all costs and expenses that we incur in connection with the transactions contemplated by the merger agreement, including fees and expenses of financial consultants, accountants and legal counsel.

## **Exchange of Newton Stock Certificates and Payment of Consideration**

The conversion of Newton common stock into the right to receive Lakeland common stock or cash will occur automatically on the merger's effective date. As soon as possible after the effective date of the merger, the Exchange Agent designated by Lakeland will send, to those Newton shareholders who have not already submitted their stock certificates and Election Forms, a transmittal form, along with instructions, to use in exchanging Newton stock certificates for Lakeland stock certificates or the cash portion of the merger consideration, as well as for cash in lieu of fractional shares. The Exchange Agent will mail certificates representing shares of Lakeland common stock, checks for the cash consideration

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and checks for cash in lieu of fractional share interests to former shareholders of Newton as soon as reasonably possible following the closing and its receipt of certificates representing former shares of Newton common stock and other related documentation required by the Exchange Agent.

Newton shareholders should not return their Newton stock certificates with the enclosed proxy card. They should not send their Newton stock certificates to the Exchange Agent until they are ready to submit their Election Forms or, if they do not submit an Election Form prior to the closing, until they receive the transmittal form after the closing.

Until the merger has been consummated and the certificates representing shares of Newton common stock are surrendered for exchange, holders of such certificates will not receive the merger consideration or, in the case of former Newton shareholders entitled to receive Lakeland common stock, dividends or distributions on the Lakeland common stock into which such shares have been converted. When such certificates are surrendered after the consummation of the merger, any unpaid dividends or other distributions will be paid without interest. For all other purposes, however, each certificate representing shares of Newton common stock outstanding at the merger's effective date will be deemed to evidence ownership of and the right to receive the shares of Lakeland common stock (and cash in lieu of fractional shares) and cash into which such shares have been converted.

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None of the parties will be liable to any Newton shareholder for any amount paid in good faith to a public official pursuant to any applicable abandoned property, escheat or similar law.

No fractional shares of Lakeland common stock will be issued to any shareholder of Newton upon completion of the merger. For each fractional share that would otherwise be issued, Lakeland will pay by check an amount equal to the fractional share interest to which such holder would otherwise be entitled multiplied by \$16.02.

## **Regulatory Approvals**

Completion of the merger requires approval by the Federal Reserve Board and by the New Jersey Department of Banking and Insurance. Approval by either of these bank regulators does not constitute an endorsement of the merger or a determination that the terms of the merger are fair to Newton's shareholders. Lakeland has filed applications with the Federal Reserve Board and the New Jersey Department of Banking and Insurance. We can not assure you that the necessary regulatory approvals and waivers will be granted, or that they will be granted on a timely basis without conditions unacceptable to Lakeland.

## **Interests of Management and Others in the Merger**

In considering the recommendation of the Newton board regarding the merger, Newton shareholders should know that certain directors and officers of Newton have interests in the merger in addition to their interests as shareholders of Newton. All those additional interests are described below, to the extent they are material and are known to Newton. The Newton board and the Lakeland board were aware of these interests and considered them, among other matters, in approving the merger agreement:

*Change-in-Control and Severance Agreements.* Under his employment agreement with Newton, Donald E. Hinkel Jr., Newton's Chief Executive Officer, may become entitled to a severance payment as a result of the merger. Mr. Hinkel is entitled to receive a lump sum payment equal to twice his then current salary in the event that he is terminated without cause or if he resigns for reasons described in the employment agreement following a change of control, as defined in the employment agreement. The merger will constitute a change of control. In addition, any Newton employee, including executive officers, whose employment is terminated or substantially adversely modified (other than for cause) within one year of the merger will be entitled to severance equal to two weeks of their then current base salary for each of the first five years of their service with Newton, and one week per year thereafter, with a total and maximum payment to any terminated employee of thirty weeks. Finally, certain senior officers of Newton (excluding Mr. Hinkel) will be entitled to a retention bonus if they maintain their employment with Newton until that person's job function has been converted or transitioned and that person does not accept an offer for continued employment with Lakeland.

*Stock Options.* When the merger becomes effective, each outstanding option to purchase Newton common stock will be converted into an option to purchase Lakeland common stock. See - Terms of the Merger Stock Options.

*Indemnification; Directors and Officers.* The merger agreement requires Lakeland to indemnify each director and officer of Newton and Newton Trust Company to the fullest extent permitted under applicable law and Newton's certificate of incorporation and by-laws, for a period of six years after the merger is completed. The merger agreement also requires Lakeland to provide Newton's officers and directors with directors' and officers' liability insurance for at least six years after the merger takes effect upon terms and conditions not materially less advantageous than Newton's existing directors' and officers' insurance policy, subject to restrictions as to the price of such policy.

*Share Ownership.* As of January 23, 2004, the record date for the meeting, the directors of Newton beneficially owned in the aggregate approximately % of the issued and outstanding shares of Newton common stock. The directors of Newton have executed an affiliates agreement in which they committed to vote in favor of the merger agreement. As of such record date, officers of Newton who are not also directors but are named in the summary compensation table presented elsewhere herein beneficially owned, in the aggregate, % of the issued and outstanding shares of Newton common stock.

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*Other Arrangements.* Lakeland has agreed to the following arrangements involving Newton's board members and executive officers:

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

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

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

## **Accounting Treatment**

Lakeland will account for the merger under the purchase method of accounting. Lakeland will record, at fair value, the acquired assets and assumed liabilities of Newton. To the extent that the total purchase price exceeds the fair value of the assets acquired and liabilities assumed, Lakeland may record intangible assets, which include goodwill and core deposit intangibles. Lakeland will include in its results of operations the results of Newton's operations after completion of the merger.

## **Material Federal Income Tax Consequences**

The following is a discussion of the material federal income tax consequences of the merger. This discussion is based on currently existing provisions of the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed federal income tax regulations, and administrative and judicial interpretations of the Internal Revenue Code and those regulations, all as in effect as of the date of this joint proxy statement and prospectus and all of which are subject to change, possibly with retroactive effect. This discussion does not address all aspects of United States federal income taxation that may be applicable to Newton shareholders in light of their particular circumstances or to holders of Newton stock subject to special treatment under United States federal income tax law, including, without limitation:

Partnerships and other pass-through entities;

Foreign persons who may be subject to tax under the provisions of the Foreign Investment in Real Property Tax Act of 1980;

Certain financial institutions;

Insurance companies;

Tax-exempt entities;

Dealers in securities or foreign currencies;

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Traders in securities that elect to apply a mark-to-market method of accounting;

Certain United States expatriates;

Persons who hold their Newton stock as part of a straddle, hedge, conversion transaction, or other integrated investment;

Persons whose functional currency is not the United States dollar;

Persons who acquired their Newton stock upon the exercise of employee stock options or otherwise as compensation; and



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Persons who received Lakeland common stock upon the exercise of employee stock options or otherwise as compensation.

Furthermore, this discussion does not address any aspect of state, local, or foreign taxation, or any aspect of United States federal tax laws other than the United States federal income tax. **Because this discussion does not address tax consequences which may vary with your individual circumstances, we strongly urge you to consult your own tax advisor as to the specific United States federal, state, local or foreign income or other tax consequences of the merger to you.**

This discussion is limited to Newton shareholders who hold their Newton stock as capital assets. A shareholder holds stock as a capital asset unless that shareholder holds the stock as stock in trade or other property of a kind which would be included in the shareholder's inventory if on hand at the close of the taxable year, or primarily for sale to customers in the ordinary course of the shareholder's trade or business.

The consummation of the merger is conditioned, in part, upon the receipt of an opinion from Lowenstein Sandler PC that the merger will constitute a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code. This closing condition will not be waived without resoliciting the vote of Newton's shareholders. The tax opinion will be based upon law existing on the date of the opinion and upon certain facts, assumptions, limitations, representations and covenants including those contained in representation letters executed by officers of Lakeland and Newton that, if incorrect in certain material respects, would jeopardize the conclusions reached by Lowenstein Sandler PC in its opinion. The tax opinion will not bind the Internal Revenue Service or prevent the Internal Revenue Service from successfully asserting a contrary opinion. No ruling will be requested from the Internal Revenue Service in connection with the merger.

The United States federal income tax consequences of the merger are as follows:

The merger will be treated as a reorganization qualifying under the provisions of section 368(a) of the Internal Revenue Code.

Neither Lakeland nor Newton will recognize taxable gain or loss as a result of the merger.

Newton shareholders will not recognize taxable gain or loss upon the exchange of Newton common stock solely for Lakeland common stock.

A Newton shareholder who receives cash in whole or in part in exchange for Newton common stock will recognize taxable gain (but not loss) in an amount, if any, equal to the lesser of:

the excess of the sum of the amount of cash and the fair market value of Lakeland common stock received in the merger over the holder's adjusted tax basis in the shares of Newton common stock surrendered by the holder, or

the amount of cash received by the holder in the merger,

in each case including cash received in lieu of fractional shares of Lakeland common stock.

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Any taxable gain to a Newton shareholder on the exchange of Newton common stock will be treated as capital gain (long-term or short-term depending on the shareholder's holding period for the Newton common stock), except in the case of any such shareholder as to whom the exchange has the effect of a dividend due to the mix of cash and Lakeland common stock received by such shareholder (or treated as received by such shareholder under attribution rules) as compared to the mix of cash and Lakeland common stock received by other shareholders.

The tax basis of any Lakeland common stock exchanged for Newton common stock in the merger will equal the tax basis of the Newton common stock surrendered in the exchange.

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reduced by the amount of cash received, if any, in the exchange, and increased by the amount of the gain recognized, if any, in the exchange (whether characterized as dividend or capital gain income).

The holding period for any Lakeland common stock exchanged for Newton common stock in the merger will include the period during which Newton common stock surrendered in the exchange was held.

## **Resale of Lakeland Common Stock**

The Lakeland common stock issued in the merger will be freely transferable under the Securities Act, except for shares issued to any Newton shareholder who may be deemed to be:

an affiliate of Newton for purposes of Rule 145 under the Securities Act; or

an affiliate of Lakeland for purposes of Rule 144 under the Securities Act.

Affiliates will include persons generally executive officers, directors and 10% or more shareholders who control, are controlled by, or are under common control with, Lakeland or Newton at the time of the Newton special meeting, and with respect to Lakeland, at or after the effective date of the merger.

Newton's affiliates will be subject to Rules 144 and 145. Those rules restrict the sale of shares of Lakeland common stock received in the merger by affiliates and certain of their family members and related interests. Under those rules:

Generally, during the year following the effective date of the merger, those persons who are affiliates of Newton at the time of the Newton special meeting, provided they are not affiliates of Lakeland at or following the merger's effective date, may publicly resell any shares of Lakeland common stock received by them in the merger, subject to certain limitations and requirements. These limitations and requirements include the amount of Lakeland common stock that may be sold by them in any three-month period, the manner of sale, and the adequacy of current public information about Lakeland.

After the one-year period, such affiliates may resell their shares without such restrictions so long as there is adequate current public information with respect to Lakeland as required by Rule 144.

After the two-year anniversary of the closing of the merger, such affiliates will not be subject to any such restrictions.

Persons who are affiliates of Lakeland after the merger's effective date may publicly resell any shares of Lakeland common stock received by them in the merger, subject to the same limitations and requirements as apply to Newton affiliates in the first year and subject to certain filing requirements specified in Rule 144.

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The ability of affiliates to resell shares of Lakeland common stock received in the merger under Rule 144 or Rule 145, as summarized in this joint proxy statement and prospectus, generally will be subject to Lakeland's having satisfied its public reporting requirements under the Securities Exchange Act of 1934 for specified periods prior to the time of sale.

This joint proxy statement and prospectus does not cover any resales of shares of Lakeland common stock received by persons who may be deemed to be affiliates of Lakeland or Newton.

Each Newton director has agreed with Lakeland, as a Newton affiliate, not to transfer any shares of Lakeland common stock received in the merger except in compliance with the Securities Act.

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### **No Appraisal Rights**

Newton shareholders will not have any rights to dissent, otherwise known as appraisal rights, with respect to the merger.

### **Affiliates Agreement**

As a condition to Lakeland's execution of the merger agreement, members of Newton's board of directors, who beneficially owned a total of approximately 8.5% of Newton's outstanding common stock as of November 30, 2003, have entered into an affiliates agreement with Lakeland. A copy of the affiliates agreement is attached to this joint proxy statement and prospectus as Annex B. Under the affiliates agreement, the directors that are parties to the affiliates agreement have agreed to vote in favor of the merger and against any competing proposal. This commitment, however, is subject to the fiduciary out provision of the merger agreement described above.

In addition to the voting provisions, the affiliates agreement also provides for the following:

the directors have agreed for a period of three years after the merger is consummated not to be engaged in or have any financial interest in (other than certain passive ownership positions) any bank, bank holding company, other depository institution or other entity that makes or arranges loans that has offices in Sussex County, New Jersey or any entity seeking to organize itself as a bank, bank holding company, other depository institution or other entity that makes or arranges loans that proposes to open for business in Sussex County, New Jersey; and

the directors have agreed to abide by the restrictions described above with respect to Rule 145.

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION**

The following unaudited pro forma condensed combined financial information should be read in conjunction with the historical consolidated financial statements, including the notes thereto, of Lakeland, which are incorporated herein by reference, and of Newton, which are presented elsewhere herein. The unaudited pro forma information is presented for illustration purposes only in accordance with the assumptions set forth below, and is not necessarily indicative of the operating results or financial position that would have been reported if the merger had been consummated previously nor is it necessarily indicative of future operating results or financial position of the combined enterprise. The unaudited pro forma condensed combined financial information does not reflect any adjustments to conform accounting practices or to reflect any cost savings or other synergies which may occur as a result of the merger or any merger-related expenses.

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**UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET**

The following unaudited pro forma condensed combined balance sheet presents, under the purchase method of accounting, the consolidated balance sheets of Lakeland and Newton, combined as of September 30, 2003, as if the merger had occurred on that date.