

LAKELAND FINANCIAL CORP  
Form DEF 14A  
March 06, 2006  
SCHEDULE 14A

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

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

Filed by the Registrant  X

Filed by a party other than the Registrant  o

Check the appropriate box:

Preliminary Proxy Statement.

Confidential, for Use of the Commission only (as permitted by Rule 14a-6(e)(2))

Definitive proxy statement.

Definitive additional materials.

Soliciting material under Rule 14a-12.

**Lakeland Financial Corporation**

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(Name of Registrant as Specified in Its Charter)

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(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (check the appropriate box):

No fee required.

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

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

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

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

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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Fee paid previously with preliminary materials:

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

(1) Amount Previously Paid:

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

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(3) Filing Party:

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(4) Date Filed:

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

March 6, 2006

Dear Shareholder:

On behalf of the board of directors and management of Lakeland Financial Corporation, we cordially invite you to attend the annual meeting of shareholders of Lakeland Financial Corporation to be held at 12:00 p.m. on April 11, 2006, at Westminster Hall located at 200 Seminary Drive in Winona Lake, Indiana. The accompanying notice of annual meeting of shareholders and proxy statement discuss the business to be conducted at the meeting. We have also enclosed a copy of our 2005 summary annual report to shareholders and a copy of our annual report on Form 10-K for your review. At the meeting we will report on operations and the outlook for the year ahead.

Our Nominating and Corporate Governance Committee has nominated four persons to serve as directors, each of whom are incumbent directors. Additionally, our Audit Committee has selected, and we recommend, that you ratify the selection of Crowe Chizek and Company LLC to continue as our independent registered public accounting firm for the year ending December 31, 2006. We recommend you vote your shares for the director nominees and in favor of the ratification of our accountants.

We encourage you to attend the meeting in person. Please return the enclosed RSVP card if you plan to attend. **Whether or not you plan to attend, however, please complete, date, sign and return the enclosed proxy card in the enclosed envelope.** This will assure that your shares are represented at the meeting.

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

Very truly yours,

Michael L. Kubacki

Chairman of the Board, President and Chief Executive Officer

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

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**TO BE HELD APRIL 11, 2006**

To the shareholders:

The annual meeting of the shareholders of Lakeland Financial Corporation will be held on Tuesday, April 11, 2006, at 12:00 p.m. at Westminster Hall located at 200 Seminary Drive in Winona Lake, Indiana, for the following purposes:

1. to elect four members of the board of directors;
2. to ratify the appointment of Crowe Chizek and Company LLC as our independent registered public accounting firm for the fiscal year ending December 31, 2006; and
3. to transact such other business as may properly be brought before the meeting and any adjournments or postponements of the meeting.

Only shareholders of record on our books at the close of business on February 22, 2006, the record date for the annual meeting, will be entitled to vote at the annual meeting. In the event there are an insufficient number of votes for a quorum or to approve or ratify any of the foregoing proposals at the time of the annual meeting, the meeting may be adjourned or postponed in order to permit us to further solicit proxies.

By order of the board of directors

Michael L. Kubacki  
Chairman of the Board, President and  
Chief Executive Officer

Warsaw, Indiana

March 6, 2006

**PLEASE SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT IN THE ENCLOSED ENVELOPE AS PROMPTLY AS POSSIBLE, WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING IN PERSON. WE HOPE THAT YOU WILL BE ABLE TO ATTEND THE MEETING, AND IF YOU DO YOU MAY VOTE YOUR STOCK IN PERSON IF YOU WISH. YOU MAY REVOKE THE PROXY CARD AT ANY TIME PRIOR TO ITS EXERCISE.**

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**LAKELAND FINANCIAL CORPORATION**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**April 11, 2006**

Lakeland Financial Corporation, an Indiana corporation, with its principal executive offices located in Warsaw, Indiana, is the holding company for Lake City Bank. We also own all of the common securities of Lakeland Statutory Trust II, a Connecticut business trust created for the issuance of trust preferred securities. Lake City Bank owns all of the common stock of LCB Investments Limited, a subsidiary formed in 1999 to manage a portion of the Bank's securities portfolio.

This proxy statement is being furnished to shareholders in connection with the solicitation by our board of directors of proxies to be used at the annual meeting to be held at Westminster Hall, located at 200 Seminary Drive in Winona Lake, Indiana on Tuesday, April 11, 2006 at 12:00 p.m., or at any adjournments or postponements of the meeting. Our summary annual report to shareholders, including the consolidated financial statements for the fiscal year ended December 31, 2005 and a copy of our Form 10-K that we filed with the Securities and Exchange Commission, accompanies this proxy statement, which is first being mailed to shareholders on or about March 6, 2006.

The following is information regarding the meeting and the voting process, presented in a question and answer format.

**Why am I receiving this proxy statement and proxy card?**

You are receiving a proxy statement and proxy card from us because on February 22, 2006, the record date for the annual meeting, you owned shares of Lakeland Financial's common stock. This proxy statement describes the matters that will be presented for consideration by the shareholders at the annual meeting. It also gives you information concerning the matters to assist you in making an informed decision.

When you sign the enclosed proxy card, you appoint the proxy holder as your representative at the meeting. The proxy holder will vote your shares as you have instructed in the proxy card, thereby ensuring that your shares will be voted whether or not you attend the meeting. Even if you plan to attend the meeting, you should complete, sign and return your proxy card in advance of the meeting just in case your plans change.

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

**What matters will be voted on at the meeting?**

You are being asked to vote on the election of four directors of Lakeland Financial for a term expiring in 2009 and the ratification of the appointment of Crowe Chizek and Company LLC as our independent registered public accounting firm for the 2006 fiscal year. These matters are more fully described in this proxy statement.

**How do I vote?**



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You may vote either by mail or in person at the meeting. If you are a record holder of shares, you may complete and sign the enclosed proxy card and mail it in the enclosed pre-addressed envelope. No postage is required if mailed in the United States. If you mark your proxy card to indicate how you want your shares voted, your shares will be voted as you instruct.

If you sign and return your proxy card but do not mark the card to provide voting instructions, the shares represented by your proxy card will be voted

for all four nominees named in this proxy statement and for the ratification of the appointment of our auditors.

If you are a beneficial owner and a broker or other fiduciary is the record holder (or in what is usually referred to as street name), then you received this proxy statement from the record holder. The record holder should have given you instructions for directing how the record holder should vote your shares. It will then be the record holder's responsibility to vote your shares for you in the manner you direct.

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

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

Under the rules of various national and regional securities exchanges, brokers and other fiduciaries may generally vote on routine matters, such as the election of directors and the ratification of independent registered public accounting firm, but cannot vote on non-routine matters, such as an amendment to the certificate of incorporation or the adoption of a stock incentive plan, unless they have received voting instructions from the person for whom they are holding shares. You should do this by carefully following the instructions your broker gives you concerning their procedures.

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

It means that you have multiple holdings reflected in our stock transfer records and/or in accounts with stockbrokers. Please sign and return **ALL** proxy cards to ensure that all of your shares are voted.

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

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

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

American Stock Transfer and Trust Company

59 Maiden Lane

New York, New York 10038;

sending notice to us that you are revoking your proxy; or

voting in person at the meeting.

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

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

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

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

is present and votes in person at the meeting; or

has properly submitted a signed proxy card or other form of proxy.

On February 22, 2006, the record date, there were 6,013,029 shares of common stock issued and outstanding. Therefore, at least 3,006,515 shares need to be present at the annual meeting.

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

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

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

You may vote for or withhold authority to vote for each nominee for director. You may vote for, against or abstain on the ratification of the appointment of our independent registered public accounting firm and on any other proposal that may properly be brought before the meeting.

**How many votes may I cast?**

Generally, you are entitled to cast one vote for each share of stock you owned on the record date. The proxy card included with this proxy statement indicates the number of shares owned by an account attributable to you.

**How many votes are needed for each proposal?**

Directors we elected by a plurality and the four individuals receiving the highest number of votes cast for their election will be elected as directors of Lakeland Financial.

The ratification of the appointment of our independent registered public accounting firm and all other matters must receive the affirmative vote of a majority of the shares present in person or by proxy at the meeting and entitled to vote. Broker non-votes will not be counted as entitled to vote, but will count for purposes of determining whether or not a quorum is present on the matter.

**Where do I find the voting results of the meeting?**

If available, we will announce voting results at the meeting. The voting results will also be disclosed in our Form 10-Q for the quarter ended June 30, 2006.

**Who bears the cost of soliciting proxies?**

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

**SECURITY OWNERSHIP OF CERTAIN**

**BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information with respect to the beneficial ownership of our common stock at February 22, 2006, by each person known by us to be the beneficial owner of more than 5% of the outstanding common stock, by each director or nominee, by each executive officer named in the summary compensation table which can be found later in this proxy statement, and by all directors and executive officers of Lakeland Financial as a group. Beneficial ownership has been determined for this purpose in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), under which a person is deemed to be the beneficial owner of securities if he or she has or shares voting power or investment power in respect of such securities or has the right to acquire beneficial ownership of securities within 60 days of February 22, 2006.

| <b>Name of Individual or<br/><u>Number of Individuals in Group</u></b> | <b>Amount and Nature of<br/><u>Beneficial Ownership</u>(1,2)</b> | <b>Percent<br/><u>of Class</u></b> |
|--|--|------------------------------------|
| <b>5% Shareholders</b>   |  |                                    |
| Lakeland Financial Corporation 401(k) Plan                             | 517,406(3)   | 8.60%                              |

Post Office Box 1387

Warsaw, Indiana 46581-1387

**Directors and Nominees**

|                        |            |       |
|------------------------|------------|-------|
| Robert E. Bartels, Jr. | 100        | *     |
| L. Craig Fulmer        | 22,233(4)  | *     |
| George B. Huber        | 4,000(5)   | *     |
| Michael L. Kubacki     | 100,444(6) | 1.63% |

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|   |             |       |
|---|-------------|-------|
| Allan J. Ludwig                                 | 37,256(7)   | *     |
| Charles E. Niemier                              | 18,699(8)   | *     |
| Emily E. Pichon                                 | 500         | *     |
| Richard L. Pletcher                             | 16,493(9)   | *     |
| Steven D. Ross                                  | 4,003       | *     |
| Donald B. Steininger                            | 16,241(10)  | *     |
| Terry L. Tucker                                 | 15,601(11)  | *     |
| M. Scott Welch                                  | 10,751(12)  | *     |
| <b>Other Named Executive Officers</b>           |             |       |
| David M. Findlay                                | 29,941(13)  | *     |
| Charles D. Smith                                | 58,710(14)  | *     |
| Kevin L. Deardorff                              | 25,543(15)  | *     |
| Robert C. Condon                                | 17,662      | *     |
| All directors and executive officers as a group |             |       |
| (19 persons)                                    | 389,052(16) | 6.30% |

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

- (1) The total number of shares of common stock issued and outstanding on February 22, 2006 was 6,013,029.
- (2) The information contained in this column is based upon information furnished to us by the persons named above and as shown on our transfer records. The nature of beneficial ownership for shares shown in this column, unless otherwise noted, represents sole voting and investment power.
- (3) This information has been supplied by Fidelity Investments which serves as trustee of the trust for the plan. Participant employees of Lakeland Financial and Lake City Bank exercise voting and investment power over the shares held in their respective participant accounts. Lake City Bank exercises sole investment power over those shares not allocated to any participant account.
- (4) Includes 2,853 shares held by Mr. Fulmer's individual retirement account, as to which shares he shares voting and investment power; 300 shares held by Mr. Fulmer's wife's individual retirement account, as to which shares he shares voting and investment power; 3,600 options, which are currently exercisable, over which Mr. Fulmer has no voting power and sole investment power; and 7,163 shares credited to Mr. Fulmer's account as of January 25, 2006 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (5) Includes 2,000 shares held in trust in which Mr. Huber shares voting and investment power.
- (6) Includes 100 shares owned by Mr. Kubacki's son and 300 shares held in a trust in which he serves as co-trustee and 60,000 options, which are currently exercisable, over which Mr. Kubacki has no voting power and sole investment power.
- (7) Includes 17,492 shares held by Ludwig Investments, as to which shares Mr. Ludwig exercises voting and investment power; 8,000 shares held by Mr. Ludwig's individual retirement account, as to which shares he exercises voting and investment power; 2,000 shares held by Mr. Ludwig's wife's retirement account, as to which shares Mr. Ludwig disclaims any beneficial interest; 3,600 options, which are currently exercisable, over which Mr. Ludwig has no voting power and sole investment power; and 6,164 shares credited to Mr. Ludwig's account as of January 25, 2006 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (8) Includes 2,974 shares held by Mr. Niemier's individual retirement account, as to which shares he shares voting and investment power; 1,855 shares held by Mr. Niemier's wife's individual retirement account, as to which shares he disclaims any beneficial interest; 3,638 shares held in Mr. Niemier's 401(k) plan, as to which shares he shares voting and investment power; 2,675 options, which are currently exercisable, over which Mr. Niemier has no voting power and sole investment power; and 5,259 shares credited to Mr. Niemier's account as of January 25, 2006 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

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- (9) Includes 775 shares held by Mr. Pletcher's individual retirement account. Also included are 775 shares held by Mr. Pletcher's wife's individual retirement account, with respect to which shares Mr. Pletcher disclaims any beneficial interest; 3,600 options, which are currently exercisable, over which Mr. Pletcher has no voting power and sole investment power; and 9,922 shares credited to Mr. Pletcher's account as of January 25, 2006 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.

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- (10) Includes 700 shares held by Mr. Steininger's wife's individual retirement account, as to which shares he shares voting and investment power and 1,541 shares credited to Mr. Steininger's account as of January 25, 2006 under terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (11) Includes 3,600 options, which are currently exercisable, over which Mr. Tucker has no voting power and sole investment power; and 6,721 shares credited to Mr. Tucker's account as of January 25, 2006 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (12) Includes 700 shares held by Mr. Welch's wife's individual retirement account, as to which shares he shares voting and investment power; 2,675 options, which are currently exercisable, over which Mr. Welch has no voting power and sole investment power; and 4,076 shares credited to Mr. Welch's account as of January 25, 2006 under the terms of the Amended and Restated Lakeland Financial Corporation Directors Fee Deferral Plan.
- (13) Includes 27,000 options, which are currently exercisable, over which Mr. Findlay has no voting power and sole investment power.
- (14) Includes 290 shares owned by Mr. Smith's wife, as to which shares he disclaims any beneficial interest and 23,000 options, which are currently exercisable, over which Mr. Smith has no voting power and sole investment power.
- (15) Includes 22,000 options, which are currently exercisable, over which Mr. Deardorff has no voting power and sole investment power.
- (16) This includes shares which have been allocated to executive officers under the 401(k) plan through December 31, 2005.

## ELECTION OF DIRECTORS

Shareholders will be entitled to elect four directors for a term expiring in 2009 at the annual meeting. Our board is divided into three classes of directors having staggered terms of three years. In January 2006, we expanded the size of our board from eleven to twelve directors and appointed George B. Huber as a director to the class standing for election at this meeting. We have no knowledge that any nominee will refuse or be unable to serve, but if any of the nominees is unavailable for election, the holders of the proxies reserve the right to substitute another person of their choice as a nominee when voting at the meeting.

Set forth below is information concerning the nominees for election and for each of Lakeland Financial's other directors, whose terms of office will continue after the meeting, including the age, the year first appointed or elected as a director and the other positions held by the person at Lakeland Financial and Lake City Bank. The nominees, if elected at the annual meeting, will serve as directors for a three-year term expiring in 2009, except as noted below. **We recommend that shareholders vote FOR each of the nominees for director. Unless authority to vote for the nominees is withheld, the shares represented by the enclosed proxy card, if executed and returned, will be voted FOR the election of the nominees.**

## NOMINEES

| <u>Name (age)</u><br><u>Term Expires 2009</u> | <u>Director Since</u> | <u>Positions with Lakeland Financial and Lake City Bank</u> |
|---|-----------------------|---|
| George B. Huber (age 48)                      | 2006                  | Director of Lakeland Financial and Lake City Bank           |
| Allan J. Ludwig (age 67)                      | 1996                  | Director of Lakeland Financial and Lake City Bank           |
| Emily E. Pichon (age 42)                      | 2002                  | Director of Lakeland Financial and Lake City Bank           |
| Richard L. Pletcher (age 64)                  | 1992                  | Director of Lakeland Financial and Lake City Bank           |





**CONTINUING DIRECTORS**

**Term Expires 2007**

|                               |      |   |
|-------------------------------|------|---|
| L. Craig Fulmer (age 63)      | 1993 | Director of Lakeland Financial and Lake City Bank |
| Charles E. Niemier (age 50)   | 1998 | Director of Lakeland Financial and Lake City Bank |
| Donald B. Steininger (age 63) | 2001 | Director of Lakeland Financial and Lake City Bank |
| Terry L. Tucker (age 65)      | 1988 | Director of Lakeland Financial and Lake City Bank |

**Term Expires 2008**

|                                 |      |   |
|---------------------------------|------|---|
| Robert E. Bartels, Jr. (age 41) | 2002 | Director of Lakeland Financial and Lake City Bank   |
| Michael L. Kubacki (age 54)     | 1998 | Chairman, President and Chief Executive Officer of<br>Lakeland Financial and Lake City Bank |
| Steven D. Ross (age 51)         | 2000 | Director of Lakeland Financial and Lake City Bank   |
| M. Scott Welch (age 45)         | 1998 | Director of Lakeland Financial and Lake City Bank   |

Except as noted above, all directors will hold office for the terms indicated, or until their earlier death, resignation, removal or disqualification, and until their respective successors are duly elected and qualified. There are no arrangements or understandings between any of the nominees, directors or executive officers and any other person pursuant to which any of our nominees, directors or executive officers have been selected for their respective positions. No nominee, member of the board of directors or executive officer is related to any other nominee, member of the board of directors or executive officer. No nominee or director is a director of another public corporation (i.e. subject to the reporting requirements of the Securities Exchange Act of 1934) or of any investment company, except for Mr. Niemier, who is a director of Biomet, Inc.

The business experience of each of the nominees and continuing directors for the past five years is as follows:

**Mr. Bartels, Jr.** is President and Chief Executive Officer of Martin's Supermarkets, Inc., a regional supermarket chain headquartered in South Bend, Indiana.

**Mr. Fulmer** is Chairman of Heritage Financial Group, Inc., a real estate investment and management company based in Elkhart, Indiana.

**Mr. Huber** is President and founder of Equity Investment Group, Inc., a national real estate investment and management company headquartered in Fort Wayne, Indiana. Mr. Huber also serves as the President of Murphy & Associates, a Midwest commercial real estate and investment management company.

**Mr. Kubacki** presently serves as Chairman, President and Chief Executive Officer of Lakeland Financial and Lake City Bank. Prior to joining Lakeland Financial in 1998, Mr. Kubacki served as Executive Vice President of the Northern Trust Bank of California, NA.

**Mr. Ludwig** is an entrepreneur and industrial developer in Elkhart, Indiana.

**Mr. Niemier** is Chief Operating Officer - International Operations and a director of Biomet, Inc., which is a manufacturer of medical and orthopedic devices based in Warsaw, Indiana. He also serves as a trustee of Valparaiso University.

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**Ms. Pichon** is a director of the Cole Foundation, a private charitable foundation focused on northeast Indiana education, economic development and conservation based in Fort Wayne, Indiana.

**Mr. Pletcher** is President of Pletcher Enterprises, Inc., a holding company located in Nappanee, Indiana, and Chief Executive Officer of its principal subsidiary, Amish Acres, LLC, a heritage resort.

**Mr. Ross** is President of Bertsch Services, which is a regional food service and vending company based in Warsaw, Indiana.

**Mr. Steininger** is President of Steininger Development, a real estate development company based in Ft. Wayne, Indiana.

**Mr. Tucker** is Chairman and Chief Executive Officer of Maple Leaf Farms, Inc., which is primarily engaged in duck production, processing and sales, as well as the production and sale of other food products and is headquartered in Milford, Indiana.

**Mr. Welch** is the Chief Executive Officer of Welch Packaging Group, Inc., which is primarily engaged in producing industrial and point of purchase packaging and is headquartered in Elkhart, Indiana.

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

**David M. Findlay**, age 44, became an Executive Vice President and Chief Financial Officer of Lakeland Financial and Lake City Bank in September, 2000. Prior to his arrival, Mr. Findlay served as the Chief Financial Officer of Quality Dining, Inc., a publicly traded company with its headquarters in South Bend, Indiana. Prior to that, he served in various capacities with The Northern Trust Company in Chicago.

**Charles D. Smith**, age 61, presently serves as an Executive Vice President of Lakeland Financial and Lake City Bank, positions he has held since 2000. He has served as an officer of Lake City Bank since 1983.

**Kevin L. Deardorff**, age 44, presently serves as an Executive Vice President of Lakeland Financial and Lake City Bank, positions he has held since 2001. He has served as an officer of Lake City Bank since 1993.

**Robert C. Condon**, age 65, presently serves as an Executive Vice President of Lakeland Financial and Lake City Bank, positions he has held since 1999. Prior to that he was Managing Director of the Northern California region of The Northern Trust Company for eight years. Before that he was Vice President and Division Head for Trust Division A for The Northern Trust Company in Chicago.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Securities Exchange Act of 1934 requires that our executive officers, directors and persons who own more than 10% of our common stock file reports of ownership and changes in ownership with the Securities and Exchange Commission. They are also required to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms, and, if appropriate, representations made to us by any reporting person concerning whether a Form 5 was required to be filed for 2005, we are not aware that any of our directors, executive officers or 10% shareholders failed to comply with the filing requirements of Section 16(a) during 2005 except for Mr. Fulmer who did not timely file two reports concerning acquisitions of our common stock each totaling 500 shares and Mr. Steininger who did not timely file one report concerning an acquisition of our common stock totaling 2,500 shares.

## CORPORATE GOVERNANCE AND THE BOARD OF DIRECTORS

### General

In January 2006, we expanded the size of our board from eleven to twelve directors and appointed George B. Huber as a director to the class of directors who are up for election at this year's annual meeting. Generally, the board oversees our business and monitors the performance of our management. In accordance with our corporate governance procedures, the board does not involve itself in the day-to-day operations of Lakeland Financial, which is monitored by our executive officers and management. Our directors fulfill their duties and responsibilities by attending regular meetings of the board, which were held on a monthly basis in 2005, but going forward will convene at least eight times per year, and through committee membership, which is discussed below. Our directors also discuss business and other matters with Mr. Kubacki, our President and Chief Executive Officer, other key executives and our principal external advisers (legal counsel, auditors and other consultants). All members of our board of directors also serve as members of Lake City Bank's board of directors.

With the exception of Mr. Kubacki, all of our current directors are independent as defined by the Nasdaq Stock Market, Inc. and the board has determined that the independent directors do not have other relationships with us that prevent them from making objective, independent decisions. The board of directors has established an Audit Committee, a Nominating and Corporate Governance Committee and a Compensation Committee, among other committees. The current charters of each of these committees are available on our website at [www.lakecitybank.com](http://www.lakecitybank.com). Also posted on the web site is a general description regarding our company and links to our filings with the Securities and Exchange Commission.

Our board of directors held twelve meetings during 2005. With the exception of Mr. Bartels and Mr. Welch, all of the directors attended at least 75% of the board meetings and meetings of committees of which they were members. While we do not have a specific policy regarding attendance at the annual shareholder meeting, all directors are encouraged and expected to attend the meeting. Last year's annual meeting was attended by ten of the eleven directors in office during 2005.

### Audit Committee

In 2005, the Audit Committee was comprised of Charles E. Neimier, Robert E. Bartels, Jr., Emily E. Pichon, Richard L. Pletcher, Terry L. Tucker and M. Scott Welch, each of whom is expected to serve on the committee through 2006. Each of the members is considered independent according to the Nasdaq listing requirements and the regulations of the Securities and Exchange Commission. The board of directors has determined that Mr. Neimier qualifies as an audit committee financial expert under the regulations of the Securities and Exchange Commission. The board based this decision on Mr. Neimier's education, his professional experience at an audit firm and his experience as former Chief Financial Officer and current board member of Biomet, Inc., a company with its common stock quoted on the Nasdaq National Market System.

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

- overseeing our accounting and financial reporting;
- selecting, appointing and overseeing our independent registered public accounting firm;
- reviewing actions by management on recommendations of the independent registered public accounting firm and internal auditors;

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meeting with management, the internal auditors and the independent registered public accounting firm to review the effectiveness of our system of internal control and internal audit procedures; and

reviewing reports of bank regulatory agencies and monitoring management's compliance with recommendations contained in those reports.

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To promote independence of the audit function, the committee consults separately and jointly with the independent registered public accounting firm, the internal auditors and management. We have adopted a written charter for the committee, which sets forth the committee's duties and responsibilities. Our current charter is attached to this proxy statement as Appendix A and is also available on our website at [www.lakecitybank.com](http://www.lakecitybank.com). In 2005, the committee met five times.

### **Compensation Committee**

During 2005, the Compensation Committee was comprised of L. Craig Fulmer, Charles E. Niemer, Emily E. Pichon, Richard L. Pletcher and Terry L. Tucker, each of whom is expected to serve on the committee through 2006. Each of the members is considered independent according to the Nasdaq listing requirements, an outside director pursuant to Section 162(m) of the Internal Revenue Code and a non-employee director under Section 16 of the Securities Exchange Act of 1934. The purpose of the Compensation Committee is to determine the salary and bonus to be paid to Mr. Kubacki, our Chief Executive Officer, and to review and approve the salaries and bonuses for our other executive officers. The committee also administers our share incentive plan and meets either independently or in conjunction with our full board of directors to grant awards to eligible individuals in accordance with the terms of the plan. We have adopted a written charter for the committee, which sets forth the committee's duties and responsibilities. Our current charter is available on our website at [www.lakecitybank.com](http://www.lakecitybank.com). In 2005, the committee met two times.

### **Corporate Governance Committee**

We also have a Corporate Governance Committee. The members of the committee are Allan J. Ludwig, Steven D. Ross, Donald B. Steininger and M. Scott Welch, and each is considered independent according to the Nasdaq listing requirements. The primary purposes of the committee are to identify and recommend individuals to be presented to our shareholders for election or re-election to the board of directors and to review and monitor our policies, procedures and structure as they relate to corporate governance. We have adopted a written charter for the committee, which sets forth the committee's duties and responsibilities. Our current charter is available on our website at [www.lakecitybank.com](http://www.lakecitybank.com). The committee met one time in 2005.

### **Director Nominations and Qualifications**

In December 2005, Mr. Kubacki, our President and Chief Executive Officer, recommended to the Corporate Governance Committee that George B. Huber be appointed as a director to further strengthen the board and to increase board representation in the Fort Wayne market. Members of the Corporate Governance Committee considered the recommendation and determined that his experience and skills met the criteria for directors, described below, and the committee recommended to the full board that Mr. Huber be appointed as a director. In January 2006, we expanded the size of our board from eleven to twelve directors and the full board of directors appointed George B. Huber as a director to the class standing for election at the 2006 annual meeting of shareholders. For the 2006 annual meeting, the Corporate Governance Committee nominated for re-election to the board the four incumbent directors, including Mr. Huber, whose terms are set to expire in 2006. This nomination was further approved by the full board. We did not receive any shareholder nominations for director for the 2006 annual meeting.

The Corporate Governance Committee evaluates all potential nominees for election, including incumbent directors, board nominees and those shareholder nominees included in the proxy statement, in the same manner. Generally, the committee believes that, at a minimum, directors should possess certain qualities, including the highest personal and professional ethics and integrity, a sufficient educational and professional background, demonstrated leadership skills, sound judgment, a strong sense of service to the communities which we serve and an ability to meet



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the standards and duties set forth in our code of conduct. Additionally, all nominees must be under the age of 70, which is the mandatory retirement age established by the board. The committee also evaluates potential nominees to determine if they have any conflicts of interest that may interfere with their ability to serve as

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effective board members and to determine whether they are independent in accordance with Nasdaq requirements (to ensure that at least a majority of the directors will, at all times, be independent). The committee has not, in the past, retained any third party to assist it in identifying candidates.

#### **Shareholder Communication with the Board, Nomination and Proposal Procedures**

**General Communications with the Board.** Shareholders may contact Lakeland Financial's board of directors by contacting David M. Findlay, Corporate Secretary, at Lakeland Financial Corporation, P.O. Box 1387, Warsaw, Indiana, 46581-1387 or (574) 267-6144. All comments will be forwarded directly to the Chairman of the Board.

**Nominations of Directors.** In accordance with our bylaws, a shareholder may nominate a director for election to the board at an annual meeting of shareholders by delivering written notice of the nomination to our President not fewer than 10 days nor more than 50 days prior to the date of the annual meeting. The shareholder's notice of intention to nominate a director must include the name and address of the proposed nominee, the principal occupation of the proposed nominee, the name and address of the shareholder making the nomination, and the number of shares of capital stock of Lakeland Financial owned by the notifying shareholder. We may request additional information after receiving the notification.

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

**Other Shareholder Proposals.** For all other shareholder proposals to be considered for inclusion in our proxy statement and form of proxy relating to our annual meeting of shareholders to be held in 2007, shareholder proposals must be received by David M. Findlay, our Corporate Secretary, at the above address, no later than November 6, 2006, and must otherwise comply with the rules and regulations set forth by the Securities and Exchange Commission.

#### **Independent Director Sessions**

Consistent with the Nasdaq listing requirements, the independent directors regularly have the opportunity to meet without Mr. Kubacki in attendance and in 2005 there were three such sessions. In 2003, the board of directors created the position of a lead independent director, and the Corporate Governance Committee appointed L. Craig Fulmer as our lead independent director. This appointment is reviewed annually by the Corporate Governance Committee. The lead independent director assists the board in assuring effective corporate governance and serves as chairperson of the independent director sessions.

#### **Code of Ethics**

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

## **EXECUTIVE COMPENSATION**

The goal of our executive compensation program is to attract, motivate and retain highly qualified individuals to assist us in delivering high performance to our customers and shareholders. In accordance with these goals, we have divided executive compensation into two main components - salary and bonus - to ensure that compensation is related to an individual executive's performance. When setting an executive's compensation, these components are intended to work together to compensate the executive for his or her services and reward the executive based upon his or her ability to meet performance objectives and based upon our overall performance during the year. We also believe it is important to provide executive officers the opportunity to own our stock by participating in our 401(k) plan and our share incentive program. We review all aspects of our compensation program and its application to individual executive officers on an annual basis to ensure that it continues to achieve our goals and objectives and to ensure that our compensation packages remain competitive.

The following table shows the compensation earned for the last three fiscal years by the Chief Executive Officer and our four other most highly paid executive officers:

**SUMMARY COMPENSATION TABLE**