



May 6, 2016

**Re: Form 8937, Report of Organizational Actions Affecting Basis of Securities**

Dear Lakeland Shareholder,

On January 7, 2016 (the "Effective Date"), Pascack Bancorp, Inc., a New Jersey corporation ("Pascack") was merged (the "Merger") with and into Lakeland Bancorp, Inc. ("Lakeland"), with Lakeland as the surviving entity, pursuant to the terms and conditions of the Agreement and Plan of Merger (the "Merger Agreement"), dated August 3, 2015, by and between Lakeland and Pascack.

As a shareholder of record of Lakeland during the period starting on August 3, 2015 and ending as of the date of this letter, you are entitled to receive a copy of the enclosed Form 8937, Report of Organizational Actions Affecting Basis of Securities ("Form 8937"), prepared in connection with the Merger.

For additional information, please refer to the full text of the Merger Agreement, which is included as Exhibit 2.1 in Lakeland's Form 8-K filed with the Securities and Exchange Commission ("SEC") on August 3, 2015.

**Please note, the information contained in the Form 8937 does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. You are urged to consult your own tax adviser to determine the particular tax consequences to you of the Merger.**

Sincerely,

A handwritten signature in cursive script that reads "Patricia Backman".

Patricia Backman  
Vice-President/Finance

Enclosure



**Part II Organizational Action** (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See attached

Horizontal lines for listing applicable Internal Revenue Code sections and subsections.

18 Can any resulting loss be recognized? ▶ See attached

Horizontal lines for providing information regarding resulting loss recognition.

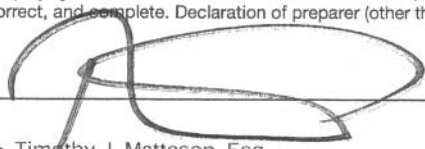
19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See attached

Horizontal lines for providing other information necessary to implement the adjustment.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ▶



Date ▶

5/2/16

Print your name ▶ Timothy J. Matteson, Esq.

Executive Vice President,

Title ▶ General Counsel & Corporate Secretary

**Paid Preparer Use Only**

Print/Type preparer's name

Preparer's signature

Date

Check  if self-employed

PTIN

Firm's name ▶

Firm's EIN ▶

Firm's address ▶

Phone no.

LAKELAND BANCORP, INC.

EIN 22-2953275

ATTACHMENT TO FORM 8937

REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

**Part II, Box 14:**

On January 7, 2016 (the "Effective Date"), Pascack Bancorp, Inc., a New Jersey corporation ("Pascack") was merged (the "Merger") with and into Lakeland Bancorp, Inc. ("Lakeland"), with Lakeland as the surviving entity, pursuant to the terms and conditions of the Agreement and Plan of Merger (the "Merger Agreement"), dated August 3, 2015, by and between Lakeland and Pascack.

**Part II, Box 15:**

Pursuant to the Merger Agreement, each share of Pascack common stock outstanding immediately prior to the effective time of the Merger (or that would have been outstanding upon conversion of each share of Pascack Series C Preferred stock) was cancelled and converted into the right to receive either 0.9576 shares of Lakeland common stock or \$11.35 in cash, subject to proration so that 90% of the outstanding shares of Pascack common stock would be exchanged for Lakeland common stock and 10% of the outstanding shares of Pascack common stock would be exchanged for cash. In addition, cash was paid for any fractional share interests.

**Part II, Box 16:**

**The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. Consult your tax adviser to determine the particular tax consequences to you of the Merger.**

The acquisition of Pascack by Lakeland pursuant to the Merger was intended to qualify as a reorganization within the meaning of section 368(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Assuming the Merger so qualifies, in general, for federal income tax purposes, the aggregate tax basis of the shares of Lakeland common stock received by Pascack shareholders as a result of the Merger (excluding any fractional share interests deemed received and redeemed for cash) will be the same as the aggregate tax basis of the Pascack shares

surrendered in exchange therefor, reduced by the amount of cash received in the exchange, and increased by the amount of any gain recognized upon the exchange. A Pascack shareholder must allocate the tax basis so calculated across the total number of the Lakeland common shares received by such shareholder in the Merger, which will permit the computation of a tax basis per share. This tax basis will differ with respect to each separate Pascack shareholder and, additionally, tax basis may differ with respect to separate and distinct blocks of common shares owned by any Pascack shareholder. To the extent that a Pascack shareholder received cash in lieu of a fractional Lakeland common share, a portion of the total tax basis must be allocated to the fractional share and such fractional share will be deemed to be received and then redeemed for cash. The holding period of any shares of Lakeland common stock received by Pascack shareholders in the Merger generally will include the holding period of the shares of Pascack common stock surrendered in the exchange.

**Part II, Box 17:**

The acquisition of Pascack by Lakeland pursuant to the Merger was intended to qualify as a reorganization within the meaning of section 368(a) of the Code. Assuming the Merger so qualifies, the federal income tax consequences to the Pascack shareholders who receive shares of Lakeland common stock as full or partial consideration for shares of Pascack common stock will be determined under Code sections 354, 356, 358, and 1221.

**Part II, Box 18:**

Pascack shareholders who received Lakeland common stock as Merger consideration cannot recognize any loss by reason of the Merger, except with respect to cash received in lieu of a fractional share of Lakeland common stock. If a Pascack shareholder receives cash in lieu of a fractional share of Lakeland common stock, the Pascack shareholder will be treated as having received a fractional share of Lakeland common stock pursuant to the Merger and then having exchanged the fractional share of Lakeland common stock for cash in a redemption by Lakeland. As a result, the Pascack shareholder generally will recognize gain or loss equal to the difference between the amount of cash received and the Pascack shareholder's basis in the fractional share of Lakeland common stock as described in line 16 above. Such gain or loss generally will be a capital gain or loss, and will be long-term capital gain or loss if, as of the Effective Date, the Pascack shareholder's holding period with respect to the fractional share (including the holding period of the Pascack common stock surrendered therefor) exceeds one year. Special rules apply to Pascack shareholders who received their shares of Pascack common stock through the exercise of an employee stock option, through a tax qualified retirement plan, or otherwise as compensation, and such Pascack shareholders are instructed to consult their own tax advisers.

**Part II, Box 19:**

In general, any adjustment to the tax basis that results in gain or loss recognized by a Pascack shareholder as a result of the completion of the Merger should be reported for the taxable year that includes the Effective Date (e.g., a calendar year shareholder would report the transaction on his or her federal income tax return filed for the 2016 calendar year).

For additional information please refer to the full text of the Merger Agreement, which is included as Exhibit 2.1 in Lakeland's Form 8-K filed with the Securities and Exchange Commission ("SEC") on August 3, 2015.