

**Lakeland Financial Corporation (LKFN)
Dividend Reinvestment and Stock Purchase Plan**

Please read the complete Plan Prospectus for the Lakeland Financial Corporation Dividend Reinvestment and Stock Purchase Plan before participating.

1. What is the purpose of the Plan?

The purpose of the Plan is to provide participating shareholders with a simple and convenient method of investing cash dividends paid by the Company on its shares of common stock into additional shares of common stock. The Administrator will generally purchase shares of common stock in the open market or in negotiated transactions, but the Administrator may also purchase authorized but unissued or treasury shares of common stock directly from the Company. The Company will not receive any funds from the purchases of shares of common stock made by the Plan in the open market or through privately negotiated transactions. If authorized but unissued shares or treasury shares of common stock are purchased from the Company for use in the Plan, the company will apply the proceeds to general corporate purposes.

2. Who is eligible to participate?

All holders of record of the Company's common stock ("Shareholders") are eligible to participate in the Plan. Shareholders whose shares are registered in names other than their own (for instance, in the name of a broker or bank nominee) must either become holders of record by having their shares transferred into their own names, or must instruct their broker or nominee to act for them with respect to becoming a Participant and for any elections to be made under the Plan. Shareholders with questions regarding their eligibility to participate in the Plan should contact the Administrator at the address provided in Question 4.

3. What are the advantages of the Plan?

Participants in the Plan will gain the following advantages:

- The ability to purchase additional shares of common stock automatically with no additional action required;
- Reinvestment of dividends through the purchase of shares of common stock without the payment of any brokerage commissions;
- Full investment use of funds because the Plan is able to credit accounts with fractional shares; and
- The avoidance of cumbersome safekeeping and recordkeeping costs due to the custodial service and reporting, which are provided as part of the Plan.

4. Who administers the Plan for Participants?

American Stock Transfer & Trust Company, New York, NY, administers the Plan for the Company, serves as Administrator for Participants, keeps records, sends statements of account to Participants and performs other duties related to the Plan. Shares of common stock purchased under the Plan will be registered in the name of the Administrator (or its nominee) and credited to the account of individual Participants. All communications to the Administrator regarding the Plan should be addressed to: American Stock Transfer & Trust Company, P.O. Box 922, Wall Street Station, New York, NY 10269-0560, Attn: Dividend Reinvestment Department.

5. How does a Shareholder participate?

A Shareholder may join the Plan at any time by completing and signing the Shareholder Authorization Card and returning it to the Administrator. Such authorization will be effective as of the first dividend payment date after receipt by the Administrator of the Authorization Card, provided that it is received on or before the record date for that dividend. All authorizations currently on file are deemed to remain in effect until terminated by the respective shareholders. Additional Shareholder Authorization Cards and pre-addressed, postage-paid return envelopes may be obtained by writing to the Administrator.

6. What are the features under the Plan?

Participants must elect to reinvest dividends on all certificated shares of common stock then or subsequently held, and reinvest dividends paid on all shares of common stock held or subsequently held by the Plan.

Under this option, the Administrator will automatically reinvest all dividends paid on shares of common stock held by the Plan until participation with respect to these shares is terminated. For information regarding the termination of participation, see Question 21. The Shareholder Authorization Card allows Shareholders to indicate how they wish to participate in the Plan by checking the appropriate box.

Participants may also contribute cash to the Plan in amounts not less than \$100 and not more than \$5,000 per quarter to be used by the Administrator to purchase additional shares of common stock for the Participant's Account (see Questions 24-27), and may send to the Administrator for safekeeping any certificated shares of common stock which they currently hold or subsequently acquire provided the shares sent to the Administrator for safekeeping are participating in the Plan, i.e., the respective Shareholder has elected to have the dividends on such shares reinvested through the Plan (see Question 16).

7. When may a Shareholder join the Plan?

A Shareholder may join the Plan at any time. If the Administrator receives a Participant's Shareholder Authorization Card on or before the record date established for a particular dividend, reinvestment will commence with that dividend. The Company currently pays dividends on the 25th day of January, April, July and October (or, if not a business day, immediately following business date). If the Shareholder Authorization Card is received after the record date established for a particular dividend, then the reinvestment of dividends will not begin until the next dividend payment date. Cash contributions made to the Administrator prior to the last business day of the month preceding the dividend payment date will be applied to the acquisition of common stock on the dividend payment date or within thirty (30) days thereafter. A Participant may withdraw the entire optional cash investment if the Administrator receives written request for a refund more than two (2) weeks before the funds are to be invested.

8. How does the reinvestment of dividends work?

The Plan works automatically. Instead of sending dividend payments on participating shares to Participants, the Company forwards these payments to the Administrator. The Administrator will automatically reinvest such funds, reduced by any required withholding for federal income tax purposes (see Question 20), in additional shares of common stock.

9. When and at what prices will shares of common stock be purchased under the Plan?

The Administrator will use dividend proceeds and any amounts received from Participants for additional cash purchases to purchase common stock as soon as practicable (typically within five business days), but in no event later than 30 days after the payment date of the dividend or receipt of the additional funds, except where necessary to comply with federal securities laws. The Administrator will generally purchase shares of common stock in the open market, as such market exists, at the then prevailing market price. If shares are purchased in the open market, it is unlikely that all of the shares purchased for Participants on any given purchase date will be purchased at the same price. The price at which the Administrator will be deemed to have acquired shares for each Participant's account will be the average price of all shares purchased by it, as Shareholder for all Participants in the Plan, with the proceeds of a single cash dividend of the Company or with additional amounts received from Participants on such date. The Administrator may also purchase shares directly from the Company, in which case the purchase price of such shares will be the lower of the (1) the last closing price of the shares on the dividend payment date or (2) the average of the closing prices of the common stock, as quoted on the NASDAQ Stock Market, for the five trading days immediately prior to the date of the purchase. In making purchases for each Participant's account, the Administrator may commingle such Participant's funds with those of other Participants.

10. How many shares of common stock will be purchased for Participants?

The number of shares to be purchased depends upon the amount of shares the Participant has participating in the Plan, the amount of dividends paid on those shares, as reduced by any withholding for federal income tax purposes (see Question 20), any additional amounts sent to the Administrator for additional purchases and the purchase price of the common stock. Each Participant's account will be credited with the number of shares, including fractions computed to six decimal places, purchased under the Plan.

11. Are there any expenses to Participants in connection with purchases under the Plan?

With the exception of sales transactions, special statement reporting, and fees for re-registering or transferring shares, all brokerage commission, service charges, and other costs associated with the administration of the Plan will be paid by the Company. The Company will pass through any commissions and service charges on the sale of shares. The Administrator will access normal processing fees for special statements or for transferring or re-registering shares.

12. What kind of reports will be sent to Participants?

Following each purchase of shares for a Participant's account, the Administrator will mail to the Participant a statement of account showing the amount invested, purchase price, number of shares purchased, service charges (which will generally be zero) and other similar information for the year-to-date. These statements will be a complete record of each Participant's purchases and should be retained for income tax and other purposes. In addition, each Participant will receive copies of all communications sent to record holders of common stock, including the Company's Annual Report to Shareholders, a notice of the annual meeting, proxy statements and Internal Revenue Service ("IRS") information for reporting dividend income received.

13. Will dividends paid on the shares of common stock held in Participants' accounts under the Plan be automatically reinvested?

As the record holder for any shares of common stock held in Participants' accounts under the Plan, the Administrator will receive dividends paid on all such shares held by the Plan on the dividend record date, will credit such dividends to individual Participants' accounts on the basis of full and fractional shares held and will automatically reinvest such dividends, reduced by any withholding for federal income tax purposes (see Question 20), in additional shares of common stock.

14. May a Participant change options under the Plan?

A Participant may elect at any time to change his or her level of participation by requesting and executing a new Shareholder Authorization Card and returning it to the Administrator. Shareholder Authorization Cards may be obtained by contacting the Administrator. Changes in the level of participation will be effective in the same manner as the initial authorization for participation.

15. Will certificates be issued for shares of common stock purchased under the Plan?

Shares purchased by the Administrator for a Participant's account will be registered in the name of the Administrator or its nominee and will be held by the Administrator for safekeeping. This feature protects against loss, theft or destruction of stock certificates. The number of shares credited to the account of the Participant under the Plan will be shown on the statement of account sent to each Participant. If a Participant is reinvesting cash dividends with respect to any or all of his or her certificated shares, no certificates will be issued for the shares purchased with the dividends paid on such certificated shares unless certificates are expressly requested. Certificates representing fractional shares will not be issued under any circumstances.

16. How does the share "safekeeping" service work?

In addition to retaining the shares purchased under the Plan, the Administrator provides a "safekeeping" service under which any certificated shares of common stock sent by a Participant to the Administrator for safekeeping are held for the Participant in a custodial account until certificates are requested. This safekeeping service is available for certificated shares of common

stock that a Shareholder currently owns and for any certificated shares of common stock, which a Shareholder subsequently acquires. Shareholders must be Participants to use the safekeeping service and the service is only available for shares, which are participating in the Plan.

If a Shareholder would like the Administrator to hold shares which he or she currently holds or subsequently acquires, the Shareholder should send the certificates to the Administrator at the address provided in Question 4. There is no charge for the safekeeping service. Shareholders may at any time request that certificates be issued for all or a portion of their shares held for safekeeping by contracting the Administrator in writing. Certificates for fractional shares will not be issued. There is no charge for issuing certificates for shares held for safekeeping.

17. May a Participant receive certificated shares purchased under the Plan?

A Participant may at any time withdraw all or a portion of the shares credited to his or her account under the Plan and receive certificates representing such shares by notifying the Administrator in writing that he or she wishes to withdraw shares and specifying the number of whole shares to be received. This notice should be mailed to the Administrator at the address provided in Question 4. Certificates for whole shares of common stock which are withdrawn will be registered in the name of and issued to the Participant. In no case will certificates representing fractional shares be issued.

All future dividends paid on withdrawn shares and on shares remaining in the Participant's account will continue to be reinvested until five days after the Administrator receives written notice of termination (see Question 21).

18. What happens to any fractional share when a Participant requests certificated shares from the Plan?

If a Participant's account from which the complete withdraw of shares is requested contains a fractional share, a cash payment equal to the current market price of the common stock, as determined by the Administrator, multiplied by such fraction, together with certificates for the whole shares, will be mailed directly to the Participant.

19. What happens to a Participant's Plan account if all certificated shares of common stock in the Participant's own name are transferred or sold?

If a Participant disposes of all shares of common stock for which they hold certificates or which are held by a broker on their behalf (i.e., shares which are not held by the Plan), dividends on all shares of common stock held by the Administrator in the Participant's account, including dividends paid on shares held by the Administrator for safekeeping, will continue to be reinvested until the Administrator is notified that the Participant wishes to completely or partially terminate his or her participation in the Plan.

20. What are the federal income tax consequences of participation in the Plan?

The following general information is provided solely for informational purposes. The information provided in this section or elsewhere in this document should not be construed as the provision of tax advice by the Company.

Under IRS rulings in connection with similar plans, a Participant will be treated for federal income tax purposes as having received a dividend on the dividend payment date equal to the fair market value on the dividend payment date of the shares purchased with reinvested dividends. The amount of dividends reinvested will be eligible, in the case of corporate Shareholders, for any dividends received deduction available under the Internal Revenue Code of 1986, as amended (the "Code").

If the Participant is not subject to the "backup" withholding of federal income tax, the full amount of dividends received will be used to purchase shares under the Plan; however, if the Participant is subject to "backup" Withholding, the amount of federal income tax withheld will reduce the amount available to purchase shares. Generally, a Participant is subject to "backup" withholding

if: (1) the Participant fails to certify to the Company his or her social security number and that he or she is not subject to "backup" withholding; (2) the IRS notified the Company that an incorrect number was furnished; or (3) the Participant is notified that he or she is subject to "backup" withholding under §3406(a)(1)(C) of the Code. Each Participant will be required to furnish a Form W-9 to the Administrator, which contains the required certifications to have dividends on shares enrolled in the Plan reinvested without withholding.

In the case of foreign Shareholders, taxable income under the Plan is subject to federal income tax withholding, and the Administrator will make reinvestments net of the amount of tax required to be withheld. Regular statements of account confirming purchases made for foreign Participants will indicate the amounts of tax withheld.

The tax basis of any shares acquired through the Plan will be the fair market value of such shares on the purchase date plus any commissions or fees paid in connection with the acquisition of the shares. The holding period for shares acquired through the Plan will begin on the day after the purchase date.

A Participant will not realize any taxable income upon receipt of certificates for whole shares credited to the Participant's account under the Plan, either upon a request for withdrawal of such shares or upon the termination of participation in the Plan; however, upon withdrawal from the Plan, a Participant who receives a cash payment for a fractional share held in the participant's account will, if the shares are held as a capital asset, realize a capital gain or loss, measured by the difference between the amount of cash received by the Participant and the Participant's basis in the fractional share (which will generally be equal to the price at which such fraction was credited to the Participant's account).

For further information as to the tax consequences of participation in the Plan and sale of shares received under the Plan, Participants should consult their own tax advisors.

21. How does a Participant terminate participation in the Plan?

Participants may completely or partially discontinue the reinvestment of their dividends under the Plan at any time by notifying the Administrator in writing to that effect. Notice of complete termination of Participation in the Plan should be sent to the Administrator at the address provided in Question 4. To prevent the reinvestment of dividends in accordance with the Plan, notice of termination must be received at least five days prior to the dividend record date for the next dividend to be paid. Participants may decrease (or increase) their level of participation in the Plan by returning to the Administrator a properly completed Shareholder Authorization Card on or before the record date for which the change is to be effective.

22. What happens if the Company issues a stock dividend or declares a stock split?

Any stock dividend or shares resulting from stock splits with respect to shares held in a Participant's account will be credited to the Participant's account, and all dividends paid on such shares will be reinvested until the Participant terminates his or her participation in the Plan with respect to such shares (see Question 21).

23. How will a Participant's Plan shares be voted at each meeting of Shareholders?

Each Participant will be sent proxy forms representing both the shares registered in his or her own name and the shares held in his or her Plan account. When signed and returned, such proxies will be voted as directed. If the Participant does not have shares registered in his or her own name, the Participant will be sent a proxy form on which to indicate how the shares held in his or her Plan account are to be voted. If the proxy card or instruction form is not returned, or if it is returned unsigned by the Participant, none of the Participant's shares to which the proxy pertains will be voted.

24. How does the optional cash purchase feature of the Plan work?

Each Participant may purchase additional shares of common stock in addition to those shares purchased through the reinvestment of dividends by making optional cash payments to the Administrator (as provided in Question 25). No optional cash payment may be in an amount less than \$100 or more than \$5,000 per Participant account per quarter. The Administrator will generally purchase common stock with any optional cash payment received from a Participant within five days of receipt of such amount, but receives the right to hold such amounts for up to 30 days if market conditions or administrative factors make earlier investment impracticable. No interest will be paid by the Company or the Administrator on optional cash payments held pending investment. The Company reserves the right to deem any two or more Plan accounts to be "affiliated accounts," in its sole discretion and without prior notice, and to further limit the aggregate quarterly amount of option cash purchases which may be made by any such affiliated accounts.

25. How are optional cash payments made?

An initial optional cash payment may be made by a Participant when joining the Plan by enclosing a check or money order, payable to "Lake City Bank" with the Shareholder Authorization Card. Thereafter, optional cash payments may be made to the Administrator by the last business day of the month preceding the dividend payment date. Dividends are currently paid on the 25th day of January, April, July, and October. If the 25th day of such month does not occur on a business day, the dividends are currently paid on the immediately following business date. The Participant should send a check in an amount of not less than \$100 or more than \$5,000 to the Administrator with a completed cash payment form, which form will be attached to each statement of account sent to Participants.

26. Is there an obligation to make optional cash payments?

There is no obligation to make an optional cash payment in any quarter, and the same amount of optional cash payment need not be made each quarter. However, no optional cash payment will be accepted in an amount less than \$100 or more than \$5,000 for each unaffiliated Plan account.

27. May optional cash payments be returned to a Participant?

Optional cash payments will be returned by the Administrator, without interest, upon written request only if it is practicable to do so prior to the purchase of shares with such amounts. Optional cash payments are generally invested into shares of common stock within five business days of receipt by the Administrator. Additionally, the Administrator will return, without interest, any optional cash payments sent to the Administrator if the Administrator determines that the purchase of shares with such amounts is impracticable or if the Company has advised the Administrator that the amounts will be used by an affiliated account (see Question 24) for impermissible purchases.

28. Can Participants sell shares through the Administrator?

A Participant may sell any or all shares held in the Plan or held by the Administrator for safekeeping by notifying the Administrator in writing. Shares enrolled in the Plan but held by the Participant in certificated form may also be sold through the Administrator after depositing these shares with the Administrator. Any brokerage commission or service charge (see Question 11), any amount required to be withheld for income tax purposes and any applicable transfer taxes incurred in connection with the sale of shares by the Administrator will be deducted from the proceeds of such sale. Sales will generally be made within five business days following receipt of the written request to sell, but the Administrator reserves the right to delay such sales for up to 30 days if market conditions or administrative factors make an earlier sale impracticable. Proceeds will be sent to the respective Participant as soon as is practicable following the sale of the shares.

29. Are there any restrictions on the transferability of common stock purchased under the Plan?

In general, no resale restriction should apply to the resale or other transfer of shares of common stock purchased under the Plan. The shares of common stock to be purchased by the

Administrator for Participants generally will have been registered by the Company pursuant to the federal securities laws, although the Administrator may purchase shares in the open market or in private transactions which have not been so registered. In either case, certain resale restrictions may apply if a Participant is an affiliate of the Company.

30. What interprets the Plan?

Any questions of interpretation arising under the Plan will be determined by the Company's board of directors, or by an authorized officer with respect to any determinations regarding affiliated accounts (see Question 24), and any such determination will be final.

31. May the Plan be changed or discontinued?

While the Company hopes to continue a Dividend Reinvestment and Stock Purchase Plan indefinitely, the Company may modify, amend, suspend, or terminate the Plan, or any Shareholder's interest therein, at any time, including the period between a dividend record date and the related dividend payment date, upon the giving of ninety (90) days prior written notice to each affected Participant and, in the case of the modification, amendment, suspension, or termination of the Plan, thirty (30) days prior written notice to each non-participating Shareholder. If the Plan is amended or restated, a current participant will automatically be enrolled unless the Participant gives written notice to the contrary. The Company also reserves the right to terminate any Shareholder's participation in the Plan at any time.

32. What is the responsibility of the Plan Administrator?

In administering the Plan, neither the Company nor the Administrator will be liable for any act done in good faith or for any good faith omission to act including, without limitation, any claim or liability arising from: (1) the failure to terminate a deceased Participant's account prior to receipt by the Administrator of written notice of such death; (2) the prices at which shares are purchased for a Participant's account; (3) the time when purchases are made; (4) any fluctuations in the market value of the common stock; or (5) the failure to make optional cash purchases for any account deemed to be an affiliated account (see Question 24). Neither the Company, the Administrator nor their respective Administrators can provide any assurance of the profit or protection against a loss with respect to any shares purchased or held for safekeeping under the Plan.

Neither the Securities & Exchange Commission nor any state securities commission has approved nor disapproved of these securities or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offense. Investments in shares of Lakeland Financial Corporation common stock through the Plan are not guaranteed or insured by any bank or government agency and involve risk, including possible loss of principal.

If you have additional questions, please e-mail.