ARDELYX, INC.
Form 8-K
May 19, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d)

of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 19, 2015

ARDELYX, INC.

(Exact name of registrant as specified in its charter)

Delaware	**001-36485**	**26-1303944**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(IRS Employer Identification Number)**

34175 Ardenwood Blvd.

Fremont, CA 94555

(Address of principal executive offices, including Zip Code)

Registrant s telephone number, including area code: (510) 745-1700

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

On May 19, 2015, Ardelyx, Inc. (the Company) announced that it will present clinical results from a Phase 2b trial evaluating tenapanor in patients with irritable bowel syndrome at the Digestive Disease Week (DDW) 2015 conference being held in Washington, D.C., from May 16-19, 2015. A copy of the press release is attached hereto as Exhibit 99.1, and a copy of the presentation of the data is attached hereto as Exhibit 99.2.

The information furnished under this Item 7.01 shall not be considered filed under the Securities Act of 1934, as amended, nor shall it be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or under the Securities Exchange Act of 1934, as amended, unless the Company expressly sets forth in such future filing that such information shall be considered filed or incorporated by reference therein.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
99.1	Press Release dated May 19, 2015
99.2	Corporate Presentation of Ardelyx, Inc.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: May 19, 2015	ARDELYX, INC.
	By: /s/ Mark Kaufmann
	Mark Kaufmann
	Chief Financial Officer

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated May 19, 2015
99.2	Corporate Presentation of Ardelyx, Inc.

bottom; background-color: rgb(255, 255, 255);">
Total Capital (to Risk

Weighted Assets)

Consolidated
$541,475

13.26%

$326,782

8.00%

$377,842

N/A

N/A

N/A
Bank
$525,482

12.89%

$326,140

8.00%

$377,099

9.250%

$407,675

10.00%
Tier I Capital (to Risk

Weighted Assets)

Consolidated
$494,265

12.10%

$245,087

6.00%

$296,147

N/A

N/A

N/A
Bank
$478,272

11.73%

$244,605

6.00%

$295,564

7.250%

$326,140

8.00%
Common Equity Tier 1 (CET1)

Consolidated
$464,265

11.37%

$183,815

4.50%

$234,875

N/A

N/A

N/A

Bank
$478,272

11.73%

$183,454

4.50%

$234,413

5.750%

$264,988

6.50%
Tier I Capital (to Average Assets)

Consolidated
$494,265

10.76%

$183,793

4.00%

$183,793

N/A

N/A

N/A
Bank
$478,272

10.44%

$183,187

4.00%

$183,187

4.00%

$228,984

5.00%

The Bank is required to obtain the approval of the Indiana Department of Financial Institutions for the payment of any dividend if the total amount of all dividends declared by the Bank during the calendar year, including the proposed dividend, would exceed the sum of the retained net income for the year-to-date combined with the retained net income for the previous two years. Indiana law defines “retained net income” to mean the net income of a specified period, calculated under the consolidated report of income instructions, less the total amount of all dividends declared for the specified period. As of December 31, 2018, approximately $96.1 million was available to be paid as dividends to the Company by the Bank.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of December 31, 2018. Notwithstanding the availability of funds for dividends however, the FDIC may prohibit the payment of any dividends by the Bank if the FDIC determines such payment would constitute an unsafe or unsound practice.

NOTE 17 – OFFSETTING ASSETS AND LIABILITIES

The following tables summarize gross and net information about financial instruments and derivative instruments that are offset in the statement of financial position or that are subject to an enforceable master netting arrangement at December 31, 2018 and 2017.

	December 31, 2018					
	Gross Amounts of Recognized Assets/ Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
(dollars in thousands)				Financial Instruments	Cash Collateral Received	Net Amount
Assets						
Interest Rate Swap Derivatives	$3,869	$0	$3,869	$0	$(760)	$3,109
Total Assets	$3,869	$0	$3,869	$0	$(760)	$3,109
Liabilities						
Interest Rate Swap Derivatives	$4,025	$0	$4,025	$0	$(560)	$3,465
Repurchase Agreements	75,555	0	75,555	(75,555)	0	0
Total Liabilities	$79,580	$0	$79,580	$(75,555)	$(560)	$3,465

	December 31, 2017					
	Gross Amounts of Recognized Assets/ Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position		
(dollars in thousands)				Financial Instruments	Cash Collateral Received	Net Amount
Assets						
Interest Rate Swap Derivatives	$2,441	$0	$2,441	$0	$0	$2,441
Total Assets	$2,441	$0	$2,441	$0	$0	$2,441
Liabilities						
Interest Rate Swap Derivatives	$2,562	$0	$2,562	$0	$(750)	$1,812
Repurchase Agreements	70,652	0	70,652	(70,652)	0	0
Total Liabilities	$73,214	$0	$73,214	$(70,652)	$(750)	$1,812

If an event of default occurs causing an early termination of an interest rate swap derivative, any early termination amount payable to one party by the other party may be reduced by set-off against any other amount payable by the one party to the other party. If a default in performance of any obligation of a repurchase agreement occurs, each party will set-off property held in respect of transactions against obligations owing in respect of any other transactions.

NOTE 18 – COMMITMENTS, OFF BALANCE SHEET RISKS AND CONTINGENCIES

During the normal course of business, the Company becomes a party to financial instruments with off-balance sheet risk in order to meet the financing needs of its customers. These financial instruments include commitments to make loans and open-ended revolving lines of credit. Amounts as of the years ended December 31, 2018 and 2017, were as follows:

	2018		2017	
(dollars in thousands)	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commercial loan lines of credit	$63,625	$1,337,437	$53,998	$1,155,096
Commercial letters of credit	0	3,245	0	50
Standby letters of credit	0	81,512	0	71,046
Real estate mortgage loans	2,811	2,881	4,973	5,722
Real estate construction mortgage loans	400	2,189	2,365	6,042
Home equity mortgage open-ended revolving lines	0	232,362	0	212,776
Consumer loan open-ended revolving lines	215	14,468	249	11,892
Total	$67,051	$1,674,094	$61,585	$1,462,624

The index on variable rate commercial loan commitments is principally the national prime rate. Interest rate ranges on commitments and open-ended revolving lines of credit for years ended December 31, 2018 and 2017, were as follows:

	2018		2017	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commercial loan	0.75-14.50%	2.65-10.00%	2.00-14.50%	2.48-9.50%
Real estate mortgage loan	3.75-6.13%	3.75-11.00%	3.25-4.50%	3.50-5.75%
Consumer loan open-ended revolving line	15.00%	3.88-15.00%	15.00%	4.00-15.00%

Commitments, excluding open-ended revolving lines, generally have fixed expiration dates of one year or less. Open-ended revolving lines are monitored for proper performance and compliance on a monthly basis. Since many commitments expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Company follows the same credit policy (including requiring collateral, if deemed appropriate) to make such commitments as it follows for those loans that are recorded in its financial statements.

The Company's exposure to credit losses in the event of nonperformance is represented by the contractual amount of the commitments. Management does not expect any significant losses as a result of these commitments.

103

NOTE 19 – PARENT COMPANY STATEMENTS

The Company operates primarily in the banking industry, which accounts for substantially all of its revenues, operating income and assets. Presented below are parent only financial statements:

CONDENSED BALANCE SHEETS

	December 31,	
(dollars in thousands)	2018	2017
ASSETS		
Deposits with Lake City Bank	$1,283	$850
Deposits with other depository institutions	7,613	4,969
Cash	8,896	5,819
Investments in banking subsidiary	533,442	482,585
Investments in other subsidiaries	3,992	3,552
Other assets	6,468	7,789
Total assets	$552,798	$499,745
LIABILITIES		
Dividends payable and other liabilities	$255	$239
Subordinated debt	30,928	30,928
STOCKHOLDERS' EQUITY	521,615	468,578
Total liabilities and stockholders' equity	$552,798	$499,745

CONDENSED STATEMENTS OF INCOME

	Years Ended December 31,		
(dollars in thousands)	2018	2017	2016
Dividends from Lake City Bank	$27,933	$21,822	$20,622
Dividends from non-bank subsidiaries	1,010	1,030	1,035
Other income	171	57	50
Interest expense on subordinated debt	(1,643)	(1,349)	(1,190)
Miscellaneous expense	(6,422)	(6,491)	(5,006)
INCOME BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	21,049	15,069	15,511
Income tax benefit	2,795	2,688	2,483
INCOME BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	23,844	17,757	17,994
Equity in undistributed income of subsidiaries	56,567	39,573	34,090
NET INCOME	$80,411	$57,330	$52,084
COMPREHENSIVE INCOME	$75,131	$59,047	$47,555

CONDENSED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
(dollars in thousands)	2018	2017	2016

Cash flows from operating activities:			
Net income	$80,411	$57,330	$52,084
Adjustments to net cash from operating activities:			
Equity in undistributed income of subsidiaries	(56,567)	(39,573)	(34,090)
Other changes	7,294	3,586	3,818
Net cash from operating activities	31,138	21,343	21,812
Cash flows from financing activities			
Proceeds (Payments) related to equity incentive plans	(2,435)	(1,736)	614
Purchase of treasury stock	(463)	(495)	(458)
Sales of treasury stock	115	0	0
Dividends paid	(25,278)	(21,396)	(18,200)
Cash flows from financing activities	(28,061)	(23,627)	(18,044)
Net increase in cash and cash equivalents	3,077	(2,284)	3,768
Cash and cash equivalents at beginning of the year	5,819	8,103	4,335
Cash and cash equivalents at end of the year	$8,896	$5,819	$8,103

104

NOTE 20 – EARNINGS PER SHARE

Following are the factors used in the earnings per share computations:

(dollars in thousand except share and per share data)	2018	2017	2016
Basic earnings per common share:			
Net income	$80,411	$57,330	$52,084
Weighted-average common shares outstanding	25,288,533	25,181,208	25,056,095
Basic earnings per common share	$3.18	$2.28	$2.08
Diluted earnings per common share:			
Net income	$80,411	$57,330	$52,084
Weighted-average common shares outstanding for basic earnings per common share	25,288,533	25,181,208	25,056,095
Add: Dilutive effect of assumed exercise of warrant	225,831	219,273	184,205
Add: Dilutive effect of assumed exercises of stock options and awards	213,467	262,900	220,427
Average shares and dilutive potential common shares	25,727,831	25,663,381	25,460,727
Diluted earnings per common share	$3.13	$2.23	$2.05

There were no antidilutive stock options for 2018, 2017 and 2016.

NOTE 21 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following tables summarize the changes within each classification of accumulated other comprehensive income (loss) for December 31, 2018 and 2017 all shown net of tax:

(dollars in thousands)	Unrealized Gains and Losses on Available-for-Sales Securities	Defined Benefit Pension Items	Total
Balance at December 31, 2017	$784	$(1,454)	$(670)
Other comprehensive income before reclassification	(5,691)	175	(5,516)
Amounts reclassified from accumulated other comprehensive income (loss)	39	197	236
Net current period other comprehensive income	(5,652)	372	(5,280)
Adoption of ASU 2018-02	140	(313)	(173)
Adoption of ASU 2016-01	(68)	0	(68)
Balance at December 31, 2018	$(4,796)	$(1,395)	$(6,191)

(dollars in thousands)	Unrealized Gains and Losses on Available-for-Sales Securities	Defined Benefit Pension Items	Total
Balance at December 31, 2016	$(722)	$(1,665)	$(2,387)

Other comprehensive income before reclassification	1,525	50	1,575
Amounts reclassified from accumulated other comprehensive income (loss)	(19)	161	142
Net current period other comprehensive income	1,506	211	1,717
Balance at December 31, 2017	$784	$(1,454)	$(670)

105

NOTE 21 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (continued)

Reclassifications out of accumulated comprehensive income for the years ended December 31, 2018, 2017 and 2016 are as follows:

Details about Accumulated Other Comprehensive Income Components	Amount Reclassified From Accumulated Other Comprehensive Income	Affected Line Item in the Statement Where Net Income is Presented
2018		
(dollars in thousands)		
Unrealized gains and losses on available-for-sale securities	$(50)	Net securities gains (losses)
Tax effect	11	Income tax expense
	(39)	Net of tax
Amortization of defined benefit pension items[1]	(266)	Salaries and employee benefits
Tax effect	69	Income tax expense
	(197)	Net of tax
Total reclassifications for the period	$(236)	Net income
2017		
(dollars in thousands)		
Unrealized gains and losses on available-for-sale securities	$32	Net securities gains (losses)
Tax effect	(13)	Income tax expense
	19	Net of tax
Amortization of defined benefit pension items[1]	(265)	Salaries and employee benefits
Tax effect	104	Income tax expense
	(161)	Net of tax
Total reclassifications for the period	$(142)	Net income
2016		
(dollars in thousands)		
Unrealized gains and losses on available-for-sale securities	$66	Net securities gains (losses)
Tax effect	(26)	Income tax expense
	40	Net of tax
Amortization of defined benefit pension items[1]	(215)	Salaries and employee benefits
Tax effect	85	Income tax expense
	(130)	Net of tax
Total reclassifications for the period	$(90)	Net income

(1) Included in the computation of net pension plan expense as more fully discussed in Note 11.

NOTE 22 – SELECTED QUARTERLY DATA (UNAUDITED) (in thousands except per share data)

2018	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	$53,728	$50,379	$48,795	$46,068
Interest expense	14,138	12,454	11,262	9,845
Net interest income	39,590	37,925	37,533	36,223
Provision for loan losses	300	1,100	1,700	3,300
Net interest income after provision	39,290	36,825	35,833	32,923
Noninterest income	10,105	10,433	9,693	9,879
Noninterest expense	22,552	22,009	20,274	21,202
Income tax expense	5,480	4,679	5,110	3,264
Net income	$21,363	$20,570	$20,142	$18,336
Basic earnings per common share	$0.84	$0.81	$0.80	$0.73
Diluted earnings per common share	$0.83	$0.80	$0.78	$0.71

2017	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	$44,161	$42,589	$40,821	$38,127
Interest expense	8,769	7,969	7,002	6,066
Net interest income	35,392	34,620	33,819	32,061
Provision for loan losses	1,850	450	500	200
Net interest income after provision	33,542	34,170	33,319	31,861
Noninterest income	9,462	9,497	8,791	8,259
Noninterest expense	19,598	20,269	19,352	20,048
Income tax expense	11,779	7,573	7,394	5,558
Net income	$11,627	$15,825	$15,364	$14,514
Basic earnings per common share	$0.46	$0.63	$0.61	$0.58
Diluted earnings per common share	$0.45	$0.62	$0.60	$0.57

107

NOTE 23 – WARRANT

On February 27, 2009, the Company entered into a Letter Agreement with the Treasury, pursuant to which the Company issued (i) 56,044 shares of the Company's Series A Preferred Stock and (ii) the Warrant to purchase 396,538 shares of the Company's common stock, no par value, for an aggregate purchase price of $56,044,000 in cash. This transaction was conducted in accordance with the CPP.

The Warrant has a 10-year term and is immediately exercisable upon its issuance, with an exercise price, subject to anti-dilution adjustments, equal to $21.20 per share of the common stock (trailing 20-day Lakeland average closing price as of December 17, 2008, which was the last trading day prior to date of receipt of Treasury's preliminary approval for our participation in the CPP). The Warrant was valued using the Black-Scholes model with the following assumptions: market price of $17.45; exercise price of $21.20; risk-free interest rate of 3.02%; expected life of 10 years; expected dividend rate on common stock of 4.5759% and volatility of common stock price of 41.8046%. This resulted in a value of $4.4433 per share of common stock underlying the Warrant.

On December 3, 2009, the Company was notified by Treasury that, as a result of the Company's completion of our November 18, 2009 Qualified Equity Offering, the amount of the Warrant was reduced by 50% to 198,269 shares. In accordance with the terms of the Warrant, the number of shares issuable upon exercise and the exercise price are adjusted each time the Company pays a dividend to its stockholders in excess of the dividend paid at the time the warrant was issued. In 2017 and 2016, the Company paid four dividends each year in excess of dividend paid at the time the Warrant was issued. In 2016, the number of shares issuable upon exercise and the exercise price were also adjusted for a 3-for-2 stock split on July 25, 2016 paid in the form of a dividend on August 5, 2016. Based on the formula set forth in the warrant, at December 31, 2018, the amount of shares issuable upon exercise of the Warrant was 314,846 and the exercise price was $13.3503. Based on the formula set forth in the Warrant, at December 31, 2017, the amount of shares issuable upon exercise of the Warrant was 310,968 and the exercise price was $13.5168.

On June 9, 2010, the Company redeemed the Series A Preferred Stock and accreted the remaining unamortized discount on these shares. The Company did not repurchase the Warrant, and the Warrant was sold by Treasury to an independent, third party. The Warrant had not been exercised as of December 31, 2018, however on February 4, 2019 the Company was notified that the holder of the Warrant was initiating the exercise on a cashless basis. On February 8, 2019 the Company issued 224,066 shares to the Warrant holder as a cashless exercise and the Warrant was retired.

NOTE 24 – REVENUE RECOGNITION

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. The following table presents the Company's sources of noninterest income for the years ended 2018, 2017, and 2016. Items outside of scope of ASC 606 are noted as such.

	2018	2017 (2)	2016 (2)
NONINTEREST INCOME			
Wealth advisory fees	$6,344	$5,481	$4,805
Investment brokerage fees	1,458	1,273	1,010
Service charges on deposit accounts			
Service charges on commercial deposit acounts	10,234	8,230	6,224
Service charges on retail deposit acounts	879	905	989
Overdrafts, net	3,581	3,452	3,700
Other	1,137	1,109	1,100
Loan and service fees			
Debit card interchange fees	5,883	4,663	4,332
Loan fees (1)	2,423	2,231	2,421
Other	985	1,006	928
Merchant card fee income	2,461	2,279	2,098
Bank owned life insurance income (1)	1,244	1,768	1,392
Other income	2,381	2,598	2,213
Mortgage banking income (1)	1,150	982	1,586
Net securities gains/(losses) (1)	(50)	32	66
Total noninterest income	$40,110	$36,009	$32,864

(1) Not within scope of ASC 606

(2) The Company elected the modified retrospective approach of adoption; therefore, prior period balances are presented under legacy GAAP and may not be comparable to current year presentation. As a result of this new standard, the only revenue streams with changes in reporting in the current periods compared to the prior year comparable periods are loan and service fees and other income.

109

NOTE 24 – REVENUE RECOGNITION (continued)

The following is a description of principal activities from which we generate revenue. Revenues are recognized as the Company satisfies its obligations with our customers, in an amount that reflects the consideration that we expect to receive in exchange for those services.

Wealth advisory fees

The Company provides wealth advisory services to its customers and earns fees from its contracts with trust customers to manage assets for investment and/or to transact on their accounts. These fees are primarily earned over time as the Company provides the contracted monthly, quarterly, or annual services and are generally assessed based on a tiered scale of the market value of assets under management (AUM) at month-end. Fees that are transaction based, including trade execution services, are recognized at the point in time that the transaction is executed. Other related services, such as escrow accounts that are based on a fixed schedule, are recognized when the services are rendered.

Investment brokerage services

The Company provides investment brokerage services through a full service brokerage and investment and advisory firm, Cetera Investment Services LLC ("Cetera"). The Company receives commissions from Cetera on a monthly basis based upon customer activity for the month. The fees are recognized monthly and a receivable is recorded until commissions are generally paid by the 5th business day of the following month. Because the Company (i) acts as an agent in arranging the relationship between the customer and the Cetera and (ii) does not control the services to the customers, investment brokerage service fees are presented net of Cetera's related costs.

Service charges on deposit accounts

The Company earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's balance.

Interchange income

The Company provides the ability to transact on certain deposit accounts through the use of debit cards by outsourcing the services through third party service providers. Performance obligations are met on a transactional basis and income is recognized monthly based on transaction type and volume. Under the accounting standards in effect in the prior period, revenue was previously recognized net of the third party's costs. Under ASC 606, fees from interchange income related to its customers use of debit cards will be reported gross in loan and service fees under noninterest income. The cost of using third party providers for these interchange services will be reported in data processing fees and supplies under noninterest expense, which has no effect on net income for the period.

Gain on sale of other real estate (OREO) owned financed by seller

On occasion, the Company underwrites a loan to purchase property owned by the Company. Under the accounting standards in effect in the prior period, the gain on the sale of the Company owned property was deferred and recognized over the life of the loan. Under ASC 606, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the OREO asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Company adjusts the transaction price and related gain (loss) on sale if a significant financing component is present. As a result of the adoption of ASC 606, the Company reported a net increase of $24,000 to opening retained earnings as of January 1, 2018.

Debit card incentive rebates

The Company receives incentive rebates based on debit card transaction volume. Performance obligations are met on a transactional basis and income is recognized monthly based on transaction volume. Under the accounting standards in effect in the prior period, revenue was previously recognized in other income under noninterest income. Under ASC 606, these rebates related to debit card transaction volume will be reported as a contra expense in data processing fees and supplies under noninterest expense, which has no effect on net income for the period.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Within the prior two years of the date of the most recent financial statement, there have been no changes in or disagreements with the Company's accountants.

ITEM 9A. CONTROLS AND PROCEDURES

a) An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a -15(e) and 15d-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of December 31, 2018. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective.

b) MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles ("GAAP").

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2018. In making this assessment, management used the 2013 criteria set forth by the Committee of Sponsoring Organizations of the Treadway
Commission (COSO) in Internal Control-Integrated Framework. Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2018.

The Company's independent registered public accounting firm has issued their report on the Company's internal control over financial reporting. That report appears under the heading, Report of Independent Registered Public Accounting Firm.

c) There have been no changes in the Company's internal controls during the previous fiscal quarter, ended December 31, 2018, that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required in response to this item will be contained under the captions “Election of Directors,” “Corporate Governance and the Board of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for the Annual Meeting of Stockholders to be held on April 9, 2019, as filed with the SEC on February 28, 2019, on Form DEF 14A, and such sections are incorporated herein by reference in response to this Item.

ITEM 11. EXECUTIVE COMPENSATION

The information required in response to this item will be contained under the captions “Director Compensation,” “Executive Compensation,” "Compensation Committee Interlocks and Insider Participation," and “Compensation Committee Report” in the definitive Proxy Statement, for the Annual Meeting of Stockholders to be held on April 9, 2019, as filed with the SEC on February 28, 2019, on Form DEF 14A, is incorporated herein by reference in response to this Item. The information included under the heading “Compensation Committee Report” in the Proxy Statement shall not be deemed “soliciting” materials or to be “filed” with the SEC or subject to Regulation 14A or 14C, or to the liabilities of Section 18 of the Securities Exchange Act of 1934, as amended.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHARELHOLDER MATTERS

The information appearing under the caption “Security Ownership of Certain Beneficial Owners and Management” in the definitive Proxy Statement, for the Annual Meeting of Stockholders to be held on April 9, 2019, as filed with the SEC on February 28, 2019, on Form DEF 14A, is incorporated herein by reference in response to this Item.

See Item 5 above for equity compensation plan information.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information appearing under the caption “Certain Relationships and Related Transactions” in the definitive Proxy Statement, for the Annual Meeting of Stockholders to be held on April 9, 2019, as filed February 28, 2019, on Form DEF 14A, is incorporated herein by reference in response to this Item. Certain additional information on related party transactions is also included in Note 14 to the Company’s financial statements contained in Item 8.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information appearing under the caption “Accountant Fees” in the definitive Proxy Statement, for the Annual Meeting of Stockholders to be held on April 9, 2019, as filed February 28, 2019, on Form DEF 14A, is incorporated herein by reference in response to this Item.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The documents listed below are filed as a part of this report:

(a) Exhibits

Exhibit No.	Document	Incorporated by reference to
3.1	Amended and Restated Articles of Incorporation of Lakeland Financial Corporation	Exhibit 3.1 to the Company’s Form 8-K filed on March 2, 2009
3.2	Amendment to Amended and Restated Articles of Incorporation of Lakeland Financial Corporation	Exhibit 3.2 to the Company’s Form 10-K for the fiscal year ended December 31, 2012
3.3	Restated Bylaws of Lakeland Financial Corporation	Exhibit 3.2 to the Company’s Form 10-K For the fiscal year ended December 31, 2011
4.1	Form of Common Stock Certificate	Exhibit 4.1 to the Company’s Form 10-K for the fiscal year ended December 31, 2003
4.2	Form of Warrant to Purchase Shares of Common Stock	Exhibit 4.2 to the Company’s Form 10-K for the fiscal year ended December 31, 2012

4.3	Form of Indenture for Trust Preferred Issuance	Exhibit 10.3 to the Company's Form 10-K for the fiscal year ended December 31, 2003
10.1	Lakeland Financial Corporation 2008 Equity Incentive Plan	Exhibit 10.1 to the Company's Form S-8 filed on May 14, 2008

112

10.2	Lakeland Financial Corporation 401(k) Plan	Exhibit 10.1 to the Company's Form S-8 filed on October 23, 2000
10.3	Amended and Restated Lakeland Financial Corporation Director's Fee Deferral Plan	Exhibit 10.4 to the Company's Form 10-K for the fiscal year ended December 31, 2008
10.4	Form of Change in Control Agreement entered into with David M. Findlay, Kevin L. Deardorff, Eric H. Ottinger, Michael E. Gavin, Lisa M. O'Neill and Kristin L. Pruitt	Exhibit 10.1 of the Company's Form 8-K filed on March 2, 2016
10.5	Employee Deferred Compensation Plan	Exhibit 10.7 to the Company's Form 10-K for the fiscal year ended December 31, 2008
10.6	Executive Incentive Bonus Plan	Exhibit 10.11 to the Company's Form 10-K for the fiscal year ended December 31, 2004
10.7	Amended and Restated Long Term Incentive Plan	Exhibit 10.1 to the Company's Form 10-Q for the quarter ended September 30, 2009
10.8	Lakeland Financial Corporation 2013 Equity Incentive Plan	Appendix A to the Definitive Proxy Statement on Form DEF-14A filed on March 4, 2013
10.9	Form of Restricted Stock Award Agreement	Exhibit 4.3 to the Company's Form S-8 filed on July 9, 2013
10.10	Form of Nonqualified Stock Option Award Agreement	Exhibit 4.4 to the Company's Form S-8 filed on July 9, 2013
10.11	Form of Restricted Stock Unit Award Agreement	Exhibit 4.5 to the Company's Form S-8 filed on July 9, 2013
10.12	Lakeland Financial Corporation 2017 Equity Incentive Plan	Exhibit 4.5 to the Company's Form S-8 filed on April 13, 2017
10.13	Form of Restricted Stock Unit Award Agreement	Exhibit 4.6 to the Company's Form S-8 filed on April 13, 2017
10.14	Form of Restricted Stock Award Agreement	Exhibit 4.7 to the Company's Form S-8 filed on April 13, 2017
10.15	Form of Restricted Stock Award Agreement	Exhibit 4.8 to the Company's Form S-8 filed on April 13, 2017

10.16	Form of Nonqualified Stock Option Award Agreement	Exhibit 4.9 to the Company's Form S-8 filed on April 13, 2017
23.1	Consent of Independent Registered Public Accounting Firm	Attached hereto

113

31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-15(e)/15d-15(e) and 13(a)-15(f)/15d-15(f)	Attached hereto
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-15(e)/15d-15(e) and 13(a)-15(f)/15d-15(f)	Attached hereto
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached hereto
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Attached hereto

ITEM 16. FORM 10-K SUMMARY

None.

114

SIGNATURES

Pursuant to the requirements of Section 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LAKELAND FINANCIAL CORPORATION

Date: February 28, 2019 By /s/ David M. Findlay
David M. Findlay, Chief Executive Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ David M. Findlay David M. Findlay	President, Chief Executive Officer and Director (principal executive officer)	February 28, 2019
/s/ Lisa M. O'Neill Lisa M. O'Neill	Executive Vice President, Chief Financial Officer (principal financial officer and principal accounting officer)	February 28, 2019
/s/ Blake W. Augsburger Blake W. Augsburger	Director	February 28, 2019
/s/ Robert E. Bartels, Jr. Robert E. Bartels, Jr.	Director	February 28, 2019
/s/Darrianne P. Christian Darrianne P. Christian	Director	February 28, 2019
/s/ Daniel F. Evans, Jr. Daniel F. Evans, Jr.	Director	February 28, 2019
/s/ Thomas A. Hiatt Thomas A. Hiatt	Director	February 28, 2019
/s/ Michael L. Kubacki Michael L. Kubacki	Chairman and Director	February 28, 2019
/s/ Emily E. Pichon		

Emily E. Pichon	Director	February 28, 2019

S1

/s/ Steven D. Ross		
Steven D. Ross	Director	February 28, 2019
/s/ Brian J. Smith		
Brian J. Smith	Director	February 28, 2019
/s/ Bradley J. Toothaker		
Bradley J. Toothaker	Director	February 28, 2019
/s/ Ronald D. Truex		
Ronald D. Truex	Director	February 28, 2019
/s/ M. Scott Welch		
M. Scott Welch	Director	February 28, 2019

S2