

LIGHTHOUSE BANK

April 12, 2016

Dear Shareholder:

We are pleased to enclose our 2015 Annual Report to Shareholders, 2016 Notice of Annual Meeting and Proxy Statement, and form of Proxy.

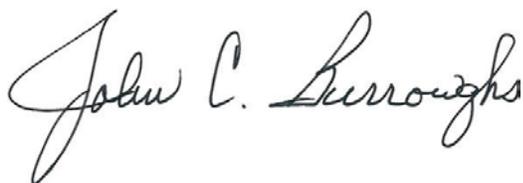
You are cordially invited to attend the 2016 Annual Meeting of Shareholders which will be held at 5:00 p.m. on Thursday, May 19, 2016 at Lighthouse Bank located at 2020 North Pacific Avenue, Santa Cruz, California.

The accompanying Notice of Annual Meeting and Proxy Statement provide information pertaining to the matters to be considered and acted upon at the Annual Meeting.

Your continuing support of Lighthouse Bank is appreciated and we hope you will attend the Annual Meeting. Whether or not you attend the Annual Meeting, it is very important that your shares be represented at the Annual Meeting. Accordingly, please date, sign, and mail the enclosed Proxy promptly.

If your shares are held in nominee or "street name," your shares will not be voted at the Annual Meeting unless you instruct your nominee, bank or broker how to vote. If you wish to vote in accordance with the Board of Directors' recommendations, it is not necessary to specify your choices. You may simply sign, date and return the enclosed Proxy in the enclosed postage-paid envelope.

Sincerely,



John C. Burroughs
Chairman of the Board



Lane S. Lawson
Chief Executive Officer
Chief Credit Officer

LIGHTHOUSE BANK
2020 North Pacific Avenue
Santa Cruz, California 95060
831-600-4000

Notice of Annual Meeting of Shareholders
To Be Held May 19, 2016
At 5:00 p.m.

The Annual Meeting of Shareholders of Lighthouse Bank (the "Bank") will be held at Lighthouse Bank located at 2020 North Pacific Avenue, Santa Cruz, California on Thursday, May 19, 2016, at 5:00 p.m., and at any and all adjournments or postponements thereof, for the following purposes:

1. To elect the following nine (9) incumbent director-nominees to serve as directors of the Bank:

John C. Burroughs
James R. Castellanos
Michael P. Dunn, D.O.
Craig A. French
Lane S. Lawson, Jr.

Bruce A. McPherson
Stephen D. Pahl
William R. Slakey
James L. Weisenstein

2. To ratify the selection of Vavrinek, Trine, Day & Co., LLP, independent public accountants, to serve as the Bank's auditors for the year ending December 31, 2016.

3. To consider and transact such other business as may properly come before the Annual Meeting and any and all adjournments or postponements of the Annual Meeting.

Only shareholders of record at the close of business on March 29, 2016 are entitled to notice of and to vote at the Annual Meeting.

Article II, Section 2.14 of the Bank's Bylaws governs nominations for election of members of the Board of Directors as follows:

"Nominations for election of members of the board of directors may be made by the board of directors or by any shareholder of any outstanding class of capital stock of the corporation entitled to vote for the election of directors. Notice of intention to make any nominations (other than for persons named in the notice of the meeting at which such nomination is to be made) shall be made in writing and shall be delivered to the President of the corporation by the later of the close of business twenty-one (21) days prior to any meeting of shareholders called for the election of directors or seven (7) days after the date of mailing of notice of the meeting to shareholders. Such notification shall contain the following information to the extent known to the notifying shareholder: (a) the name and address of each proposed nominee; (b) the principal occupation of each proposed nominee; (c) the number of shares of capital stock of the corporation owned by each proposed nominee; (d) the name and residence address of the notifying shareholder; (e) the number of shares of capital stock of the corporation owned by the notifying shareholder; (f) with the written consent of the proposed nominee, a copy of which shall be furnished with the notification, whether the proposed nominee has ever been convicted of or pleaded nolo contendere to any criminal offense involving dishonesty or breach of trust, filed a petition in bankruptcy, or been adjudged bankrupt. The notice shall be signed by the nominating shareholder and by the nominee.

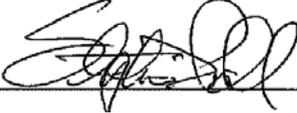
Nominations not made in accordance herewith shall be disregarded by the chairman of the meeting, and upon his instructions, the inspectors of election shall disregard all votes cast for each such nominee. The restrictions set forth in this paragraph shall not apply to nomination of a person to replace a proposed nominee who has died or otherwise become incapacitated to serve as a director between the last day for giving notice hereunder and the date of election of directors if the procedure called for in this paragraph was followed with respect to the nomination of the proposed nominee.”

Copies of Lighthouse Bank’s Annual Disclosure Statement, the first copy of which will be provided free of charge, are available by contacting: Lighthouse Bank, 2020 North Pacific Avenue, Santa Cruz, CA 95060, (831) 600-4009.

YOU ARE REQUESTED TO DATE, SIGN AND RETURN THE ENCLOSED PROXY WITHOUT DELAY WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING. YOU MAY REVOKE YOUR PROXY AT ANY TIME PRIOR TO ITS BEING VOTED, EITHER BY ATTENDING THE ANNUAL MEETING AND ELECTING TO VOTE IN PERSON, OR BY FILING WITH THE SECRETARY OF THE BANK, PRIOR TO THE ANNUAL MEETING, A WRITTEN NOTICE OF REVOCATION OR A DULY EXECUTED PROXY BEARING A LATER DATE.

PLEASE INDICATE ON THE PROXY WHETHER OR NOT YOU EXPECT TO ATTEND THE ANNUAL MEETING SO THAT WE MAY ARRANGE FOR ADEQUATE ACCOMMODATIONS.

BY ORDER OF THE BOARD OF DIRECTORS



Stephen D. Pahl
Secretary

April 12, 2016
Santa Cruz, California

**WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING,
PLEASE DATE, SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS
POSSIBLE IN THE ENCLOSED POSTAGE-PAID ENVELOPE.**

**PROXY STATEMENT
FOR
THE ANNUAL MEETING OF SHAREHOLDERS
OF
LIGHTHOUSE BANK**

MAY 19, 2016

INTRODUCTION

This Proxy Statement is being furnished to the shareholders of Lighthouse Bank (the “Bank”) in connection with the solicitation of proxies by the Board of Directors of the Bank for use at the Annual Meeting of Shareholders to be held at Lighthouse Bank located at 2020 North Pacific Avenue, Santa Cruz, California on Thursday, May 19, 2016, at 5:00p.m., and at any and all adjournments or postponements thereof (the “Annual Meeting”), for the following purposes:

1. To elect the following nine (9) incumbent director-nominees to serve as directors of the Bank:

John C. Burroughs
James R. Castellanos
Michael P. Dunn, D.O.
Craig A. French
Lane S. Lawson, Jr.

Bruce A. McPherson
Stephen D. Pahl
William R. Slakey
James L. Weisenstein

2. To ratify the selection of Vavrinek, Trine, Day & Co., LLP, independent public accountants, to serve as the Bank’s auditors for the year ending December 31, 2016.

3. To consider and transact such other business as may properly come before the Annual Meeting and any and all adjournments or postponements of the Annual Meeting.

This Proxy Statement and the accompanying Notice of Annual Meeting and form of Proxy are being mailed to shareholders on or about April 12, 2016.

Revocability of Proxies

Any shareholder who returns the form of Proxy accompanying this Proxy Statement has the power to revoke that Proxy prior to its exercise. The Proxy may be revoked prior to the Annual Meeting by delivering to the Secretary of the Bank either a written instrument revoking the Proxy or a duly executed proxy bearing a later date. The Proxy may also be revoked by the shareholder by attending and voting at the Annual Meeting. The Proxy will be voted as directed by the shareholder and if no directions are given on the Proxy, it will be voted “FOR” the nominees of the Board of Directors as described in this Proxy Statement, “FOR” the ratification of the selection of Vavrinek, Trine, Day & Co., LLP as independent public accountants for the year ending December 31, 2016, and, at the proxy holders’ discretion, on such other matters, if any, which may come before the Annual Meeting and any and all adjournments or postponements of the Annual Meeting.

The proxy also confers discretionary authority to vote the shares represented thereby on any matter that was not known at the time this Proxy Statement was mailed which may properly be presented for action at the Annual Meeting and may include: action with respect to procedural matters pertaining to the conduct of the Annual Meeting; and election of any person to any office for which a bona fide nominee is named herein if such nominee is unable to serve or for good cause will not serve.

Solicitation of Proxies

The solicitation of proxies is being made by the Board of Directors of the Bank. The expense of preparing, assembling, printing, and mailing this Proxy Statement and the materials used in the solicitation of proxies for the Annual Meeting will be borne by the Bank. It is contemplated that proxies will be solicited principally through the use of the mail, but officers, directors, and employees of the Bank may solicit proxies personally or by telephone, without receiving special compensation therefore. The Bank will reimburse banks, brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding the Proxy Statement to shareholders whose stock in the Bank is held of record by such entities. In addition, the Bank may use the services of individuals or companies it does not regularly employ in connection with this solicitation of proxies, if the Board of Directors and management determine it to be advisable.

Voting Securities; Record Date; Cumulative Voting

There were issued and outstanding **2,322,828** shares of the Bank's common stock on March 29, 2016 (the "Record Date"), which has been fixed as the Record Date for the purpose of determining shareholders entitled to notice of, and to vote at, the Annual Meeting. On any matter submitted to the vote of the shareholders, each holder of Bank common stock will be entitled to one vote, in person or by proxy, for each share of common stock he or she held of record on the books of the Bank as of the Record Date, except in connection with the election of directors as described below. Votes cast at the Annual Meeting will be counted by an inspector of election appointed by the Bank. Approval of any proposal (other than the election of directors) requires the affirmative vote of a majority of the shares represented and voting at the Annual Meeting which also constitutes a majority of the required quorum (unless a greater number is required as described in a proposal). In the election of directors, the nine (9) nominees receiving the highest number of affirmative votes will be elected. Shares represented by proxies that reflect abstentions or "broker non-votes" will be treated by the inspector of election as shares present and entitled to vote for purposes of determining the presence of a quorum; however, broker non-votes will not be treated as shares voted on any proposal and therefore will have no effect upon the outcome of any proposal. Abstentions will not be treated as affirmative votes on any proposal at the Annual Meeting and will have the same effect as a vote "against" a proposal (other than the election of directors proposal) if the affirmative votes in favor of a proposal are less than a majority of the required quorum. "Broker non-votes" means shares held by brokers or nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote and the broker or nominee does not have discretionary voting power under applicable rules of the stock exchange or other self-regulatory organization of which the broker or nominee is a member.

In connection with the election of directors, shares may be voted cumulatively if a shareholder present at the Annual Meeting gives notice to the Chairman at the Annual Meeting, prior to the voting for election of directors, of his or her intention to vote cumulatively. If any shareholder of the Bank gives such notice, then all shareholders eligible to vote will be entitled to cumulate their shares in voting for the election of directors. In such event, the proxy holders will have discretionary authority to cumulate votes represented by proxies delivered pursuant to this Proxy Statement, in accordance with the recommendations of the Board of Directors. Cumulative voting allows a shareholder to cast a number of votes equal to the shares held in his or her name as of the Record Date multiplied by the number of

directors to be elected. These votes may be cast for any one nominee, or may be distributed among as many nominees as the shareholder sees fit.

PROPOSAL NO. 1

ELECTION OF DIRECTORS

The Bank's Bylaws provide that the number of directors of the Bank shall not be less than seven (7) nor more than thirteen (13) until changed by an amendment to the Bylaws adopted by the Bank's shareholders. The Bylaws further provide that the exact number of directors in the foregoing authorized range may be set by resolution of the Board of Directors or shareholders. The Board of Directors has set the exact number of directors at nine (9).

The persons named below, all of whom are incumbent directors, are nominated for election as directors at the Annual Meeting to serve until the 2017 Annual Meeting of Shareholders and until their successors are elected and qualified. Unless otherwise directed, votes will be cast by the proxy holders in such a way to effect, if possible, the election of the nine (9) incumbent director-nominees named below including, in the event of cumulative voting, the authority of the proxy holders to cumulate votes represented by the shares covered by proxies in the election of directors. The nine (9) nominees for director receiving the most votes will be elected as directors. In the event that any of the nominees should be unable to serve as a director, it is intended that the proxies received will be voted by the proxy holders for the election of such substitute nominee, if any, as shall be designated by the Board of Directors. Except as described above, the Board of Directors has no reason to believe that any of the nominees named below will be unable to serve if elected.

The table below sets forth the names of and certain information, as of March 29, 2016, concerning the persons nominated by the Board of Directors for election as directors of the Bank. The Board of Directors considered such information including the business experience of each nominee in connection with its evaluation of the qualifications, attributes and skills that led the Board of Directors to nominate these individuals to serve as directors of the Bank. The Board of Directors also believes that the nominees have a reputation for honesty, integrity and adherence to high ethical standards, in addition to being prepared to make the significant commitment of time and energy to serve on our Board of Directors and its committees and possessing the willingness to engage management and each other in a positive and collaborative fashion.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE ELECTION OF THE NOMINEES NAMED IN THE FOLLOWING TABLE AS DIRECTORS OF THE BANK.

Board of Directors Nominees:

<u>Name and Position</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>
John C. Burroughs, Chairman of the Board	71	2007	Mr. Burroughs is owner of Burroughs-Braleay Financial Planning and Wealth Management, a registered investment advisor, located in Santa Cruz. He is also Chairman of the Board of Directors of Foothill Securities, Inc. a broker/dealer and member of FINRA and SIPC, located in Mountain View. Mr. Burroughs served on the Board of Directors of Coast Commercial Bank from 1982 to 2000.

<u>Name and Position</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>
James R. Castellanos, Director	63	2014	Mr. Castellanos was appointed to the Board of Directors of Lighthouse Bank in July of 2014. Since 1981, he has been President of Casco Property Management, LLC, a real estate management firm specializing in residential properties in San Jose and Santa Cruz.
Michael P. Dunn, D.O., Director	54	2007	Dr. Dunn is a self-employed physician. From January 2010 through February 2015, Dr. Dunn was a partner in the Watsonville Emergency Medical Group. He has also served on the medical staff at both Dominican Hospital since 1998, and at Watsonville Community Hospital since 2010. From 1998 to 2009, he was a physician and member of the Board of Directors of the Santa Cruz Emergency Physicians.
Craig A. French, Director	66	2007	Since 2012, Mr. French has been the President of French Resources Group, Inc., a real estate investment and development company in Santa Cruz. From 2001 to 2012, he was the Managing Director and Chief Operating Officer of Redtree Properties, a real estate investment and development company in Santa Cruz.
Lane S. Lawson Jr., Director, Chief Executive Officer and Chief Credit Officer	68	2016	Mr. Lawson joined the Bank on October 1, 2007 as Executive Vice President, Chief Credit Officer. In February 2016, Mr. Lawson was promoted to Chief Executive Officer and Chief Credit Officer of Lighthouse Bank and was appointed to the Board of Directors. Prior to joining the Bank, Mr. Lawson was with Legacy Bank in Campbell, where he was Executive Vice President of Commercial Real Estate Lending. He also served as President and Chief Executive Officer of Heritage Bank South Valley and held positions at Bank of Santa Clara, Wells Fargo Bank, Pacific Western Bank and County Bank and Trust. He has 45 years of experience in the banking industry.
Bruce A. McPherson, Director	72	2007	In 2012, Mr. McPherson was elected to the Santa Cruz County Board of Supervisors, representing the Fifth District. He previously served as the California Secretary of State from 2005 through 2006 and served as a California State Senator for the 15 th district from 1996 to 2004.
Stephen D. Pahl, Director	59	2007	Since 2007, Mr. Pahl has been Senior Partner and Chairman of Pahl & McCay, a professional law corporation, in San Jose, California. From 1989 to 2007, he was President & CEO with Pahl & Gosselin, a professional law corporation, in San Jose and San Francisco.
William R. Slakey, Director	57	2007	Since May 2015, Mr. Slakey has been the Chief Financial Officer of Cupertino Electric Inc. in San Jose, a provider of electrical engineering and construction services. From November 2011 to April 2015, Mr. Slakey was Chief Financial Officer of Echelon Corporation, in San Jose, a developer of an open standard, multi-application energy control networking platform for smart grids, smart cities and smart building applications. From 2008 to 2011, Mr. Slakey was the CFO of LiveOps, Inc., a provider of on-demand call center technology, in Santa Clara.

<u>Name and Position</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>
James L. Weisenstein, Director	60	2007	Mr. Weisenstein was the CEO of Day One Solar, Inc., a provider of solar electric commercial and residential installations, in Santa Cruz from July 2013 to December 2015. He also served on the board of directors of NextSpace, Inc., in Santa Cruz, from 2007-2011. From 2002 to 2013, Mr. Weisenstein was the President of Graystone Consulting, Inc., a provider of business consulting and executive coaching services, in Scotts Valley.

None of the directors were selected pursuant to any arrangement or understanding other than with the directors and officers of the Bank acting within their capacities as such. There are no family relationships between any two or more of the directors, officers or persons nominated or chosen by the Board of Directors to become a director or officer.

No director or officer of the Bank currently serves, or within the last five years has served, as a director of any public company, including any company which has a class of securities registered under, or which is subject to the periodic reporting requirements of, the Securities Exchange Act of 1934, or of any company registered as an investment company under the Investment Company Act of 1940, except Mr. Burroughs who is the Chairman of Foothill Securities, Inc., a broker-dealer and member of FINRA and SIPC, located in Mountain View. None of the nominees were subject to any legal, judicial or administrative proceedings involving or based on violations of federal or state securities, commodities, banking or insurance laws and regulations or settlements thereof, involvement in mail or wire fraud or fraud in connection with any business entity, any disciplinary sanctions or orders imposed by a stock, commodities or derivatives exchange or other self-regulatory organization, convictions in a criminal proceeding (excluding traffic violations and minor offenses) or had a petition under bankruptcy laws filed against themselves or an affiliate, in each case within the last ten years.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Management of the Bank knows of no person who owns, beneficially or of record, either individually or together with associates, five (5) percent or more of the outstanding shares of Bank common stock, except as set forth in the table below. The following table sets forth, as of March 29, 2016, the number and percentage of shares of Bank common stock beneficially owned, directly or indirectly, by each of the Bank's directors, principal shareholders, the executive officers⁽¹⁾ named in the Summary Compensation Table, and all of the individuals named in the table as a group. Beneficial ownership generally includes shares over which a person named below has sole or shared voting or investment power and shares which such person has the right to acquire within 60 days of March 29, 2016. Unless otherwise indicated, the persons listed below have sole voting and investment powers respecting the shares beneficially owned.

Title of Class	Name and Address of Beneficial Owner(2)	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock, No Par Value	John C. Burroughs	127,250 ⁽⁴⁾	5.49%
Common Stock, No Par Value	James R. Castellanos	9,150 ⁽⁵⁾	0.40%
Common Stock, No Par Value	Michael P. Dunn, D.O.	40,425 ⁽⁶⁾	1.75%
Common Stock, No Par Value	Craig A. French	28,679 ⁽⁷⁾	1.25%
Common Stock, No Par Value	Lane S. Lawson, Jr.	53,130 ⁽⁸⁾	2.26%
Common Stock, No Par Value	Bruce A. McPherson	40,425 ⁽⁹⁾	1.75%
Common Stock, No Par Value	Stephen D. Pahl	91,768 ⁽¹⁰⁾	3.95%
Common Stock, No Par Value	Kimberly M. Raynal	23,992 ⁽¹¹⁾	1.03%
Common Stock, No Par Value	Jon P. Sisk	14,820 ⁽¹²⁾	0.64%
Common Stock, No Par Value	William R. Slakey	46,200 ⁽¹³⁾	1.99%
Common Stock, No Par Value	Donald H. Soman	48,408 ⁽¹⁴⁾	2.10%
Common Stock, No Par Value	James L. Weisenstein	58,674 ⁽¹⁵⁾	2.54%
All named individuals as a group (12 persons)		582,919 ⁽¹⁶⁾	23.68%

- (1) As used in this Proxy Statement, the term “executive officer” of the Bank includes the Chief Executive Officer and Chief Credit Officer, President, Executive Vice President and Chief Financial Officer, and Executive Vice President and Chief Operating Officer, of the Bank.
- (2) The address for beneficial owners is c/o Lighthouse Bank, 2020 North Pacific Avenue, Santa Cruz, California 95060.
- (3) Includes shares beneficially owned (including options exercisable within 60 days of the Record Date), directly and indirectly, together with associates. A beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: (a) voting power, which includes the power to vote, or to direct the voting of such security; and/or (b) investment power, which includes the power to dispose, or to direct the disposition, of such security, which may include shares held as trustee of a trust or as custodian for minor children. Unless otherwise noted, all shares are held as community property under California law or with sole investment and voting power.
- (4) Includes 112,250 shares in which Mr. Burroughs has shared voting and investment powers and 15,000 shares subject to stock options exercisable within 60 days of the Record Date.
- (5) Includes 5,300 shares in which Mr. Castellanos has sole voting and investment powers and 3,850 shares subject to stock options exercisable within 60 days of the Record Date.
- (6) Includes 28,875 shares in which Dr. Dunn has shared voting and investment powers and 11,550 shares subject to stock options exercisable within 60 days of the Record Date.
- (7) Includes 28,679 shares in which Mr. French has shared voting and investment powers and no shares subject to stock options exercisable within 60 days of the Record Date.
- (8) Includes 6,930 shares in which Mr. Lawson has shared voting and investment powers and 46,200 shares subject to stock options exercisable within 60 days of the Record Date.
- (9) Includes 28,875 shares in which Mr. McPherson has shared voting and investment powers and 11,550 shares subject to stock options exercisable within 60 days of the Record Date.
- (10) Includes 74,443 shares in which Mr. Pahl has shared voting and investment powers and 17,325 shares subject to stock options exercisable within 60 days of the Record Date.
- (11) All shares are subject to stock options exercisable within 60 days of the Record Date.
- (12) Includes 14,820 shares in which Mr. Sisk has shared voting and investment powers. Mr. Sisk has no shares subject to stock options exercisable within 60 days of the Record Date.
- (13) Includes 28,875 shares in which Mr. Slakey has shared voting and investment powers and 17,325 shares subject to stock options exercisable within 60 days of the Record Date.
- (14) Mr. Soman has sole voting and investment powers as to 42,648 shares and 5,760 shares subject to stock options exercisable within 60 days of the Record Date.
- (15) Includes 53,124 shares in which Mr. Weisenstein has shared voting and investment powers and 5,550 shares subject to stock options exercisable within 60 days of the Record Date.
- (16) Includes 158,102 shares subject to stock options exercisable within 60 days of the Record Date.

EXECUTIVE OFFICERS

The following table sets forth the names of and certain information, as of March 29, 2016, concerning the Bank's executive officers.

Name and Position	Age	Officer Since	Principal Occupation and Business Experience During Past Five Years
Lane S. Lawson, Jr., Chief Executive Officer and Chief Credit Officer	68	2007	Mr. Lawson was appointed to serve as a Director, Chief Executive Officer and Chief Credit Officer effective with the retirement of former President and Chief Executive Officer, Richard G. Hofstetter, on February 8, 2016. Since October 1, 2007, Mr. Lawson has served as Executive Vice President and Chief Credit Officer.
Jon P. Sisk President	53	2016	Mr. Sisk was appointed to serve as President effective February 8, 2016. From September 4, 2013 to February 5, 2016, he was Senior Vice President and Director of Real Estate and Construction Lending at Santa Cruz County Bank. Previously, from October 15, 2007 until July 11, 2013, he served at Lighthouse Bank as Senior Vice President and Senior Lending Officer. Mr. Sisk has 25 years of banking experience.
Donald H. Soman, Executive Vice President and Chief Financial Officer	65	2007	Mr. Soman has served as Executive Vice President and Chief Financial Officer since September 1, 2007. Mr. Soman has 35 years of banking experience.
Kimberly M. Raynal, Executive Vice President and Chief Operating Officer	48	2007	Mrs. Raynal has served as Executive Vice President and Chief Operating Officer since September 16, 2013. She has previously served as Vice President and Chief Operating Officer since September 15, 2007 and has 32 years of banking experience.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

The Compensation Committee establishes general compensation policies as well as the actual salary of the Bank's executive officers. The Committee is composed of independent directors. Executive compensation is reviewed annually. Compensation for newly hired executive officers may be established by the Committee at a special meeting. In addition, the Committee oversees the benefit plans that cover all employees of the Bank.

The Bank's compensation policy is designed to attract and retain highly qualified personnel. Such compensation may include elements that reward long-term financial performance and growth of the Bank in the form of stock options under the Bank's 2007 Stock Option Plan and retirement benefits under the Bank's 401(k) Plan, in addition to short-term elements such as salary and bonus opportunity. The goal of stock option issuance as a long-term incentive is to attempt to more closely align the interests of the option recipient with the long-term interests of shareholders. The Bank's general strategy, including compensation paid to executive officers, is to pay annual compensation that is competitive with similar positions at peer group banks, with consideration given to the Bank's overall financial condition and performance relative to banks in similar positions.

Compensation for executive officers may also include termination severance benefits under executive employment agreements with the goal of retention of executive officers and continuity of management over the long-term development of the Bank. In determining compensation benefits, including compensation of executive officers, the Committee obtains salary information and surveys from industry trade associations and may consult with independent compensation and benefits experts. The Committee has not engaged any compensation and benefits consultants. The awarding of stock options is based on an officer's responsibilities and relative position in the Bank and is recommended by the Committee to the Board of Directors for approval.

The table below reflects the compensation earned and paid to the Bank's President and Chief Executive Officer and next two highest paid executive officers, Executive Vice President and Chief Credit Officer, and Executive Vice President and Chief Financial Officer, for the periods ended December 31, 2015 and 2014.

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽²⁾	Option	All Other	Total
				Awards ⁽³⁾	Compensation ⁽⁴⁾	
Richard G. Hofstetter, (5) President and Chief Executive Officer	2015	\$ 250,000	\$ 15,000	\$ -	\$ 6,507	\$ 271,507
	2014	\$ 250,000	\$ 5,000	\$ -	\$ 6,496	\$ 261,496
Lane S. Lawson, Jr., (6) Executive Vice President and Chief Credit Officer	2015	\$ 190,135	\$ 12,500	\$ -	\$ 6,684	\$ 209,319
	2014	\$ 185,982	\$ 12,000	\$ -	\$ 6,650	\$ 204,632
Donald H. Soman, Executive Vice President and Chief Financial Officer	2015	\$ 186,208	\$ 12,500	\$ -	\$ 6,732	\$ 205,440
	2014	\$ 182,592	\$ 12,000	\$ -	\$ 6,696	\$ 201,288

- (1) Amounts shown for 2014 and 2015 include cash and non-cash compensation earned and received by the named executive officers, as well as amounts, if any, earned but deferred at the election of those officers under the Bank's 401(k) Plan. The Bank entered into employment agreements with Messrs. Hofstetter, Lawson and Soman, dated August 1, 2007, October 1, 2007 and September 1, 2007, respectively, which agreements were subsequently amended in 2011 and in the case of Messrs. Hofstetter and Lawson, the agreements were terminated in connection with the retirement of Mr. Hofstetter and a new agreement entered into with Mr. Lawson, as described hereafter in this Proxy Statement under the heading "Employment Agreements."
- (2) Bonus payments, if any, are paid in the discretion of the Board of Directors after evaluation of financial results of operations and individual performance during the year prior to the year in which they were received.
- (3) Awards of incentive and non-statutory stock options may be made under the Bank's 2007 Stock Option Plan. See discussion of the 2007 Plan hereafter in this Proxy Statement under the heading "2007 Stock Option Plan." No stock options were awarded to the named executive officers in 2014 or 2015. Awards of stock options to purchase 46,200 shares of the Bank's common stock (originally 40,000 shares which were subsequently adjusted for the December 5, 2011 and March 8, 2013 stock dividends) were made to each of the named executive officers in 2007. See the "Outstanding Equity Awards at Fiscal Year-End Table" for additional information regarding the stock option awards to the named executive officers.
- (4) Amounts shown for Messrs. Hofstetter, Lawson, and Soman include (i) automobile allowances for combined business and personal usage of \$4,800 each for 2014 and 2015; (ii) employer matching 401(k) Plan contributions of \$1,500 each to Messrs. Hofstetter, Lawson, and Soman in 2014 and 2015; (iii) life insurance premiums of \$196, \$350 and \$396 for 2014 and \$207, \$384 and \$432 for 2015, respectively; and (iv) Group health insurance premiums are excluded from the table in 2014 and 2015 because such premiums are pursuant to a plan that does not discriminate in favor of executive officers and is generally available to all qualified employees.
- (5) Mr. Hofstetter retired effective February 5, 2016.
- (6) Mr. Lawson was appointed as Director, Chief Executive Officer and Chief Credit Officer effective in connection with the retirement of Mr. Hofstetter on February 8, 2016.

401(k) Plan

The Bank has a 401(k) Plan which was adopted in 2007, effective January 1, 2008. Generally, all Bank employees are eligible to participate in the 401(k) Plan beginning in January, 2008. Participating employees may defer a portion of their compensation in the 401(k) Plan and the Bank, at its option, may make matching contributions on participant deferrals. In 2014 and 2015, employer matching contributions were made to the 401(k) Plan for qualified employees including for the benefit of the named executive officers, which amounts are included in the column “All Other Compensation” in the “Summary Compensation Table,” above.

2007 Stock Option Plan

The Bank has a 2007 Stock Option Plan (the “2007 Plan”) which was adopted by the Board of Directors of the Bank on July 17, 2007, and approved pursuant to a written consent by shareholders on November 8, 2007. Subject to certain adjustments for changes in the Bank’s capitalization, including stock splits and stock dividends, the aggregate number of shares of common stock authorized for issuance under the 2007 Plan is 642,074 (adjusted from the original 555,908 shares to reflect the 10% stock dividend of December 5, 2011 and the 5% stock dividend of March 8, 2013). Options may be awarded to non-employee directors, officers, employees and consultants of the Bank. Options awarded under the 2007 Plan are either incentive stock options or nonstatutory stock options; however, only nonstatutory stock options may be awarded to non-employee directors and consultants. Option terms cannot extend beyond ten years from the date of award. Options awarded become exercisable in accordance with a vesting schedule established at the award date. Generally, vesting occurs annually over the first three years following the grant date. Upon a change in control of the Bank or other Terminating Event as defined in the 2007 Plan, options under the 2007 Plan become fully vested and exercisable, or may be assumed or equivalent options may be substituted by a successor corporation. Options are adjusted to protect against dilution in the event of certain changes in the Bank’s capitalization, including stock splits and stock dividends. All options awarded under the 2007 Plan have an exercise price equal to the fair market value per share of the common stock on the date of award.

The following table sets forth information concerning outstanding option awards to the named executive officers under the Bank’s 2007 Stock Option Plan at fiscal year-end 2015.

Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Awards			
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration Date
	(#)	(#)		
Exercisable	Unexercisable			
Richard G. Hofstetter	11,650 ⁽¹⁾	-	\$8.66	8/1/2017
Lane S. Lawson, Jr.	46,200 ⁽²⁾	-	\$8.66	10/1/2017
Donald H. Soman	21,945 ⁽³⁾	-	\$8.66	9/1/2017

- (1) Reflects shares of Bank common stock underlying incentive stock options awarded to Mr. Hofstetter on 8/1/07, which vest annually over the first three years following the award date. The option exercise price equals the fair market value on the date of award.
- (2) Reflects shares of Bank common stock underlying incentive stock options awarded to Mr. Lawson on 10/1/07, which vest annually over the first three years following the award date. The option exercise price equals the fair market value on the date of award.
- (3) Reflects shares of Bank common stock underlying incentive stock options awarded to Mr. Soman on 9/1/07, which vest annually over the first three years following the award date. The option exercise price equals the fair market value on the date of award.

OPTION EXERCISES AND STOCK VESTED

The following table summarizes information with respect to stock option awards exercised during fiscal year 2015 by any of the executive officers named in the “Summary Compensation Table.”

Option Exercises Table

Name	Option Awards	
	Number of Shares Acquired on Exercise	Value Realized on Exercise
	#	\$
Richard G. Hofstetter	34,650	\$ 219,750

Equity Compensation Plan Information

The table below lists information regarding Bank common stock issuable upon the exercise of stock options, the weighted average exercise price of those options and the number of shares available for issuance under the 2007 Stock Option Plan at year-end 2015. The Bank has no other equity compensation plan and there are no warrants or other rights outstanding that would result in the issuance of shares of Bank common stock.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	400,257	\$9.57	108,488
Equity compensation plans not approved by security holders	-	-	-
Total	400,257	\$9.57	108,488

(1) For additional information, see the discussion of the 2007 Plan under the heading “2007 Stock Option Plan” in this Proxy Statement.

Employment Agreements

Employment Agreement with Mr. Hofstetter. Effective August 1, 2007, the Bank entered into an employment agreement with Mr. Hofstetter, which was amended July 21, 2011 and further amended on November 20, 2013, pursuant to which Mr. Hofstetter served as a member of the Board of Directors and committees thereof, except the Audit Committee, and as the President and Chief Executive Officer of the Bank until his retirement effective February 5, 2016. The agreement had a three year term, to August 31, 2016 and terminated upon Mr. Hofstetter’s retirement.

The agreement included payment of a base salary per year, subject to adjustment upon an annual review by the Board of Directors, which salary is set forth in the "Summary Compensation Table" for the years indicated. At the end of each calendar year, the amount of bonus compensation, if any, to be paid to Mr. Hofstetter was to be determined in the sole discretion of the Board of Directors of the Bank (without the vote of Mr. Hofstetter) based upon evaluation of Mr. Hofstetter's performance and that of the Bank. On January 29, 2016, Mr. Hofstetter also received a \$200,000 payment that was contingent on his continued employment until his retirement date, and upon retention of a new Chief Executive Officer. The full amount was paid in a lump sum upon his retirement. The agreement provided for other incidental compensation and benefits, an auto allowance and reimbursement for business expenses.

In August 2007, as required by the agreement, and predicated upon applicable shareholder and regulatory approvals, the Bank awarded Mr. Hofstetter stock options to purchase 46,200 shares (originally 40,000 shares which were subsequently adjusted for the December 5, 2011 and March 8, 2013 stock dividends) of Bank common stock.

The agreement was an *at-will* contract that may be terminated by either party at any time. The agreement terminated upon Mr. Hofstetter's retirement. He received his earned compensation through his last day of employment, but he was not entitled to receive any severance payments provided under the agreement as a result of his voluntary termination of employment.

Employment Agreement with Mr. Lawson. Effective October 1, 2007, the Bank entered into an employment agreement with Mr. Lawson which was amended July 21, 2011, pursuant to which Mr. Lawson served as the Executive Vice President and Chief Credit Officer, subject to the direction of the Chief Executive Officer and the Board of Directors of the Bank. The agreement had a one-year term, renewable annually for successive one-year terms unless terminated or extended further by the Board of Directors. On February 8, 2016, the Bank entered into a new employment agreement with Mr. Lawson (the "2016 Agreement") pursuant to which Mr. Lawson serves as the Chief Executive Officer and Chief Credit Officer, subject to the direction of the Board of Directors of the Bank. The 2016 Agreement has a three-year term to February 8, 2019, which is automatically renewed annually for successive one-year terms, unless the 2016 Agreement is terminated upon written notice of non-renewal given not less than sixty (60) days prior to the end of a term.

The 2016 Agreement includes (i) payment of a base salary per year of \$250,000, subject to annual adjustment increase of not less than 3.5% or such greater increase as may be determined by the Board of Directors in its discretion; (ii) two payments of \$25,000 each as signing bonuses; and (iii) an annual payment equal to 1% of the Bank's net profit after tax if the Bank achieves 90% or more of the Board approved earnings target for each calendar year. At the end of each calendar year, the amount of bonus compensation, if any, (other than the signing bonuses described above) to be paid to Mr. Lawson is to be determined in the sole discretion of the Board of Directors of the Bank based upon evaluation of Mr. Lawson's performance and that of the Bank. The 2016 Agreement provides for other compensation and benefits, including, stock option entitlement under the Bank stock option plan, annual paid vacation, an auto allowance, medical and health benefits, and reimbursement for business expenses.

In October 2007, as required by the 2007 agreement, and predicated upon applicable shareholder and regulatory approvals, the Bank awarded Mr. Lawson stock options to purchase 46,200 shares (originally 40,000 shares which were subsequently adjusted for the December 5, 2011 and March 8, 2013 stock dividends) of Bank common stock.

The 2016 Agreement is an *at-will* contract that may be terminated by either party at any time. If the Bank terminates Mr. Lawson's employment for cause, he will not be entitled to any further amounts except as earned through his last day of employment. If the Bank terminates Mr. Lawson's employment without cause, or he terminates his employment for certain "good reasons" specified in the 2016 Agreement, he will be entitled to (i) his earned compensation through his last day of employment; (ii) a lump sum payment equal to one-year of his then current annual salary; and (iii) a lump sum

payment equal to one-year of medical/dental Cobra payments. If Mr. Lawson terminates his employment voluntarily and not based upon “good reason,” then he will be entitled to no severance compensation, unless he is terminated in the context of a Change of Control (as that term is defined in the 2016 Agreement), in which case Mr. Lawson is entitled to a lump sum payment equal to (i) two-years of his then current annual salary; (ii) two-years of medical/dental Cobra payments; and (iii) the average of the two previous annual incentive compensation payments he received.

Employment Agreement with Mr. Soman. Effective September 1, 2007, the Bank entered into an employment agreement with Mr. Soman which was amended July 21, 2011, and subsequently amended June 10, 2015, pursuant to which Mr. Soman serves as the Executive Vice President and Chief Financial Officer, subject to the direction of the Chief Executive Officer and the Board of Directors of the Bank. The agreement has a one-year term, which automatically renews on the expiration date of the one-year term for consecutive one-year terms, unless affirmative action is taken by the Board of Directors not less than 60 days prior to the expiration date of the one-year term to terminate the agreement, or unless the agreement is modified or superseded by mutual consent.

The agreement includes payment of a base salary per year, subject to adjustment upon an annual review by the Board of Directors, which salary is set forth in the “Summary Compensation Table” for the years indicated. At the end of each calendar year, the amount of bonus compensation, if any, to be paid to Mr. Soman is to be determined in the sole discretion of the Board of Directors of the Bank based upon evaluation of Mr. Soman’s performance and that of the Bank. The agreement provides for other incidental compensation and benefits, an auto allowance and reimbursement for business expenses.

In September 2007, as required by the agreement, and predicated upon applicable shareholder and regulatory approvals, the Bank awarded Mr. Soman stock options to purchase 46,200 shares (originally 40,000 shares which were subsequently adjusted for the December 5, 2011 and March 8, 2013 stock dividends) of Bank common stock.

The agreement is an *at-will* contract that may be terminated by either party at any time. If the Bank terminates Mr. Soman's employment for cause, he will not be entitled to any further amounts except as earned through his last day of employment. If the Bank terminates Mr. Soman’s employment without cause, he will be entitled to (i) his earned compensation through his last day of employment; (ii) a lump sum payment equal to one-year of his then current annual salary; and (iii) a lump sum payment equal to one-year of medical/dental Cobra payments. If Mr. Soman terminates his employment voluntarily then he will be entitled to no severance compensation, unless such termination occurs in the context of a Change of Control (as that term is defined in the employment agreement), in which case Mr. Soman is entitled to a severance payment equal to eighteen months of his then current annual salary, plus a lump sum payment equal to eighteen months of medical/dental Cobra payments.

Change of Control in Bank Ownership

Management is not aware of any arrangements, including the pledge by any person of shares of the Bank, the operation of which may at a subsequent date result in a change in control of the Bank.

DIRECTOR COMPENSATION

Since the inception of the Bank’s operations and until 2011, the Bank’s Directors received no fees for attendance at meetings of the Board of Directors or committees of the Board. Directors received compensation only in the form of the award of stock options under the Bank’s 2007 Stock Option Plan (the “2007 Plan”). The 2007 Plan set aside 642,074 shares (adjusted from the original 555,908 shares to reflect the 10% stock dividend of December 5, 2011 and the 5% stock dividend of March 8, 2013) of Bank common stock for the award of incentive and nonstatutory stock options to non-employee directors, officers, employees and consultants of the Bank. Only nonstatutory options may be awarded to non-

employee directors and consultants under the 2007 Plan. Non-employee founders of the Bank who were not also directors (“Bank Founders”) were awarded nonstatutory options under the 2007 Plan to acquire 1,155 shares each for a total of 26,565 shares of the Bank’s common stock on the date of adoption of the 2007 Plan, at an exercise price of \$8.66 per share, which reflected the fair market value on the date of award. The option awards were made subject to the approval of the 2007 Plan by the shareholders of the Bank. Nonstatutory stock options awarded under the 2007 Plan generally vest annually over the first three years from the award date in the case of non-employee directors and were vested fully upon the award date in the case of the Bank Founders. As of March 29, 2016, there were 131,655 shares reserved for issuance upon exercise of nonstatutory stock options by all non-employee directors and Bank Founders as a group at the respective award prices described above. The number of shares of common stock subject to nonstatutory stock options exercisable by all non-employee directors and Bank Founders as a group at December 31, 2015 was 138,955. For all discussion presented, amounts pertaining to stock options reflect adjustment for the 10% stock dividend of December 5, 2011 and the 5% stock dividend of March 8, 2013.

The table below reflects the compensation earned by or paid to the Bank’s non-employee directors⁽¹⁾ during the year ended December 31, 2015.

Director Compensation Table

Name and Principal Position	Year	Fees Earned or Paid in Cash	Option Awards ⁽²⁾	All Other Compensation	Total
John C. Burroughs	2015	\$ 18,250	-	-	\$ 18,250
James R. Castellanos	2015	\$ 9,000	-	-	\$ 9,000
Michael P. Dunn	2015	\$ 11,500	-	-	\$ 11,500
Craig A. French	2015	\$ 13,000	-	-	\$ 13,000
Bruce A. McPherson	2015	\$ 9,250	-	-	\$ 9,250
Stephen D. Pahl	2015	\$ 13,250	-	-	\$ 13,250
William R. Slakey	2015	\$ 10,250	-	-	\$ 10,250
James L. Weisenstein	2015	\$ 12,500	-	-	\$ 12,500

(1) The compensation and option awards for former Director, President and Chief Executive Officer, Richard G. Hofstetter, are set forth in the “Summary Compensation Table” and footnotes thereto and in the “Outstanding Equity Awards at Fiscal Year-End Table” and footnotes thereto in this Proxy Statement.

(2) There were no stock option awards under the 2007 Plan during 2015 to the non-employee directors. The aggregate number of stock options outstanding at December 31, 2015 for each of the directors named in the table above are as follows: Burroughs, 30,000 options; Castellanos, 11,550 options; Dunn, 11,550 options; French, 11,550 options; McPherson, 11,550 options; Pahl, 17,325 options; Slakey, 17,325 options; and Weisenstein, 11,550 options. The weighted average exercise price for all directors named in the table as a group was \$8.94. For information regarding each director’s exercisable options as of or within 60 days of the Record Date, see the “Security Ownership of Management” table and related footnotes in this Proxy Statement.

TRANSACTIONS WITH RELATED PERSONS

There have been no material transactions in 2015, nor are there any presently proposed transactions, to which the Bank was or is to be a party in which the amount involved exceeds the lesser of \$120,000 or 1% of the average of the Bank's total assets for the two-year period ended December 31, 2015, and in which any director, executive officer, nominee for director, or 5% shareholder, or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest.

Indebtedness of Management and Directors

Some of the Bank's directors and executive officers, as well as members of their immediate families and associates, are customers of, and have had deposit banking transactions with the Bank in the ordinary course of the Bank's business, and the Bank expects to continue to have such ordinary banking transactions with these persons in the future. It is, however, the policy of the Bank to not extend credit to executive officers or employees. It is the policy of the Bank to extend credit to its non-employee directors provided that all loans and commitments to lend included in such transactions were made in the ordinary course of business, in compliance with Regulation O, on the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness, and do not involve more than the normal risk of collectability or present other unfavorable features. While the Bank does not have any limits on the aggregate amount it may lend to directors, individually or as a group, loans to individual directors must comply with the Bank's lending policies and statutory lending limits. In addition, prior approval of the Bank's Board of Directors is required for all such loans over \$100,000. The aggregate amount of indebtedness including extensions of credit or overdrafts, endorsements and guarantees outstanding at any time since the beginning of the Bank's last fiscal year and as of the latest practicable date did not exceed (i) the lesser of ten percent of the equity capital accounts of the Bank or five million dollars as to each such director or executive officer, as well as members of their immediate families and associates, or (ii) twenty percent of the equity capital accounts of the Bank as a group.

CORPORATE GOVERNANCE

General Role of the Board of Directors

The Bank's Board of Directors oversees the Company's Chief Executive Officer and other senior management officers in the competent and ethical operation of the Bank on a day-to-day basis and assures that the long-term interests of the shareholders are being served. To satisfy its duties, directors are expected to take a proactive, focused approach to their position, and set standards to ensure that the Bank is committed to business success through the maintenance of high standards of responsibility and ethics.

Code of Ethics

The Board of Directors has adopted policies of ethical behavior that require the Bank's officers (including the principal executive, financial and accounting officers, or controller and persons performing similar functions) and employees to conduct business in accordance with the highest ethical standards and in compliance with all laws, rules and regulations applicable to the Bank.

Director Independence

The Bank has adopted the NASDAQ “independence” listing rules definition to determine the independence of its non-employee directors. Each member of the Board of Directors and each nominee for election as a director, except Chief Executive Officer and Chief Credit Officer Lane S. Lawson Jr., qualifies as “independent” under such NASDAQ definition.

Leadership Structure of the Board

The Board believes that the Bank and its shareholders are best served by having an independent Board Chairman whose duties are separate from those of the Chief Executive Officer. In accordance with the Bank’s bylaws, the Board of Directors elects the Chief Executive Officer and the Board Chairman. The Chairman is selected from the independent directors. The Board of Directors believes that the current structure of the Board of Directors is appropriate to effectively manage the affairs of the Bank and is in the best interests of the Bank’s shareholders.

Board’s Role in Risk Oversight

The Board of Directors is actively involved in oversight of risks that could affect the Bank. This oversight is conducted primarily through committees of the Board of Directors, as disclosed in the descriptions of each of the committees below, but the full Board has retained responsibility for general oversight of risks. The Board satisfies this responsibility through full reports by each committee chair regarding the committee’s considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within the Bank.

Committees of the Board of Directors

Audit Committee

The Audit Committee reviews all reports of examination of the Bank made by regulatory authorities and conducts, in accordance with the Audit Committee Charter, Audit Policy and procedures approved by the Board, third party examinations and audits of the Bank. The Audit Committee Charter is posted on the Bank’s website at www.lighthousebank.net. The Bank’s auditors report directly to the Audit Committee. The Audit Committee regularly reports to the Board its findings, conclusions and recommendations, if any, relating to the adequacy of internal controls and procedures in accordance with applicable laws, regulations and sound financial accounting principles. Directors Slakey (Chairman), Burroughs, Castellanos, McPherson, and Weisenstein served as members of the Committee. Each Audit Committee member is deemed “independent” as defined under NASDAQ listing rules and financially sophisticated and qualified to review the Bank’s financial statements. The Audit Committee met four times during 2015.

Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements of the Bank for the fiscal year ended December 31, 2015 with management and Vavrinek, Trine, Day & Co., LLP, the Bank's independent public accountants. The Committee has also discussed with Vavrinek, Trine, Day & Co., LLP the matters required to be discussed by Statement on Auditing Standards No. 114 (The Auditor's Communication With Those Charged With Governance) as may be modified or supplemented. The Committee has also received the letter from Vavrinek, Trine, Day & Co., LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees) as may be modified or supplemented, and the Committee has discussed the independence of Vavrinek, Trine, Day & Co., LLP with that firm. Based on the Committee's review and discussions noted above, the Committee recommended to the Board of Directors that the Bank's audited financial statements be included in the Bank's Annual Report to Shareholders for the fiscal year ended December 31, 2015.

Submitted by:

/s/ William R. Slakey, John C. Burroughs, Castellanos, Bruce A. McPherson, and James L. Weisenstein

Loan Committee

The Loan Committee is responsible for approving loan policies and procedures, approving loans and reviewing the Bank's loan portfolio. The Loan Committee also has general oversight responsibility for the Bank's policy and performance under the Community Reinvestment Act. Directors Pahl (Chairman), Burroughs, Castellanos, Dunn, French, and Hofstetter (non-voting), Chief Credit Officer, Lawson Jr. (non-voting), and Senior Loan Officer, Kristin Ditlevsen (non-voting) served as members of the Committee. The Loan Committee met twelve times during 2015.

Asset-Liability Management Committee

The Asset-Liability Management Committee reviews, approves and monitors the policies and procedures governing investments and asset/liability management. Directors Dunn (Chairman), Burroughs, Hofstetter, McPherson, Slakey, and Weisenstein and Executive Officer Soman (non-voting) served as members of the Committee. The Asset-Liability Management Committee met four times during 2015.

Compensation Committee

The Compensation Committee is responsible for overseeing the adequacy and effectiveness of compensation and benefit plans and employee programs. The Compensation Committee makes recommendations to the Board of Directors regarding the compensation for executive officers and benefits for all employees. The Compensation Committee does not have a charter and believes that policies and practices established by the Board of Directors currently provide sufficient guidance. Directors Weisenstein (Chairman), Burroughs, Dunn, French, Pahl, and Hofstetter (non-voting on matters pertaining to his own compensation) served as members of the Committee. The Compensation Committee met two times during 2015.

Strategic Planning Committee

The Strategic Planning Committee is responsible for establishing and recommending to the Board of Directors strategic plans and initiatives for the Bank. Directors Weisenstein (Chairman), Burroughs, Castellanos, French, Hofstetter, and Pahl served as members of the Committee. The Strategic Planning Committee met six times during 2015.

Nominating Committee

The Bank does not have a Nominating Committee. The full Board of Directors performs the functions of a Nominating Committee which include evaluation and recommendation of candidates for nomination as directors of the Bank. Candidates are selected by a majority of directors who are “independent” as defined under the NASDAQ listing rules. The Board of Directors does not have a nominating committee charter and believes that its practices established by the Board of Directors currently provide sufficient guidance. Any recommendations by shareholders will be evaluated by the Board of Directors in the same manner as any other recommendation. Shareholders that desire to recommend candidates for consideration by the Bank’s Board of Directors must mail or deliver written recommendations to the Bank addressed as follows: Board of Directors, Lighthouse Bank, 2020 North Pacific Avenue, Santa Cruz, California 95060. Any recommendation must include biographical information indicating the background and experience of the candidate that qualifies the candidate for consideration as a director for evaluation by the Board of Directors. In addition to minimum standards of “independence” for non-employee directors and financial literacy, the Board of Directors considers various other criteria including the candidate’s experience and expertise, financial resources, ability to devote the time and effort necessary to fulfill the responsibilities of a director and involvement in community activities in the market areas served by the Bank that may enhance the reputation of the Bank. Diversity is one of the factors that the Board considers in identifying nominees for director, which may include, among other matters, an evaluation of (a) the competencies and skills that the candidate possesses and the candidate’s areas of qualification and expertise that would enhance the composition of the Board and (b) how the candidate would contribute to the Board’s overall balance of expertise, perspectives, backgrounds and experiences in substantive matters pertaining to the Bank’s business. The Board has not adopted a formal diversity policy with regard to the selection of director-nominees. The Bank has not paid a fee to any third party to identify or evaluate director candidates. The Board of Directors may, however, elect to use third parties in the future to identify or evaluate candidates for consideration as directors. Shareholders who wish to nominate a candidate for election to the Bank’s Board of Directors, as opposed to recommending a potential nominee for consideration by the Board of Directors, are required to comply with the advance notice and any other requirements of the Bank’s Bylaws, applicable laws and regulations. For a discussion of the specific backgrounds and qualifications of our current directors and director-nominees, see “Proposal No. 1 – Election of Directors – Board of Directors Nominees.”

Board and Committee Attendance

During calendar year 2015, the Bank’s Board of Directors met twelve times for regularly scheduled and special meetings. Each director attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors; and (ii) the total number of meetings of board committees on which each director served, with the exception of James R. Castellanos, who attended 67% and 72%, respectively. Average director attendance at the combination of meetings of the board and committees was 90% in 2015.

Annual Meeting Attendance

The Bank encourages members of its Board of Directors to attend the Bank’s Annual Meeting of Shareholders each year. Eight directors attended the Bank’s Annual Meeting of Shareholders held in 2015.

Shareholder Communications

A majority of the members of the Board of Directors, each of whom is “independent” as defined under the NASDAQ listing rules, has established procedures for receipt and delivery of shareholder communications addressed to the Board of Directors. Any such shareholder communications, including communications by employees of the Bank solely in their capacity as shareholders, should be mailed to the Bank addressed as follows: Board of Directors, Lighthouse Bank, 2020 North Pacific Avenue, Santa Cruz, California 95060.

PROPOSAL NO. 2

RATIFICATION OF THE SELECTION OF INDEPENDENT PUBLIC ACCOUNTANTS

Vavrinek, Trine, Day & Co., LLP served as the Bank’s independent public accountants for the 2015 fiscal year. Vavrinek, Trine, Day & Co., LLP provided various services to the Bank as described below consisting of audit services and tax related services, including preparation of tax returns, for the 2015 fiscal year.

Vavrinek, Trine, Day & Co., LLP has no interests, financial or otherwise, in the Bank and the Bank has had no disagreements with its accountants with respect to accounting principles, practices or financial statement disclosure. It is anticipated that one or more representatives of Vavrinek, Trine, Day & Co., LLP will be present at the Annual Meeting and will be able to make a statement if they so desire and answer appropriate questions.

The table below summarizes the services rendered to the Bank by Vavrinek, Trine, Day & Co., LLP in 2015 and 2014.

Category of Services	Fiscal Year 2015	Fiscal Year 2014
Audit Fees ⁽¹⁾	\$45,000	\$43,000
Audit-Related Fees	-	-
Tax Fees ⁽²⁾	\$7,000	\$7,000
All Other Fees	-	-
Total Accounting Fees	\$52,000	\$50,000

(1) Audit fees consisted of services rendered by Vavrinek, Trine, Day & Co., LLP for the audit of the financial statements included in the Bank’s Annual Report to Shareholders for the years ended December 31, 2015 and December 31, 2014.

(2) Tax fees consisted primarily of assistance relating to tax compliance, tax advice, tax planning and related tax services for years 2014 and 2013.

The Audit Committee pre-approved 100% of all professional services rendered by Vavrinek, Trine, Day & Co., LLP during the 2015 and 2014 fiscal years, including the preparation of the Bank’s tax returns and the pre-approval of all audit and permissible non-audit services, and considered whether the provision of such services is compatible with Vavrinek, Trine, Day & Co., LLP maintaining its independence.

The Board of Directors has selected Vavrinek, Trine, Day & Co., LLP to serve as the Bank's independent public accountants for the 2016 fiscal year. The ratification of the selection of Vavrinek, Trine, Day & Co., LLP as the Bank's independent public accountants requires the affirmative vote of the holders of a majority of the shares of the Bank’s common stock represented and voting at the Annual Meeting. If shareholders do not ratify the selection of Vavrinek, Trine, Day & Co., LLP, the Board of Directors will reconsider the selection. The Board of Directors reserves the right, in its discretion, to select alternative independent public accountants notwithstanding ratification by shareholders, at any time that the Board of Directors determines that such a change would be in the best interests of the Bank and its shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” PROPOSAL NO. 2.

WEBSITE ACCESS

Information regarding the Bank may be obtained from the Bank’s website at www.lighthousebank.net.

ANNUAL REPORT

The Annual Report to Shareholders for the year ended December 31, 2015, is being mailed concurrently with this Proxy Statement to all shareholders of record as of March 29, 2016.

ANNUAL DISCLOSURE STATEMENT

Copies of Lighthouse Bank’s Annual Disclosure Statement, the first copy of which will be provided free of charge, are available by contacting: Lighthouse Bank, 2020 North Pacific Avenue, Santa Cruz, CA 95060, (831) 600-4009.

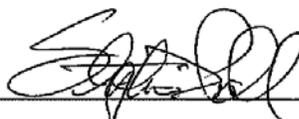
SHAREHOLDERS' PROPOSALS

Next year’s Annual Meeting of Shareholders is currently anticipated to be held on May 18, 2017. Any shareholder desiring to submit a proposal for action at the 2017 Annual Meeting of Shareholders which is to be presented in the Bank’s Proxy Statement with respect to the 2017 Annual Meeting of Shareholders, should mail the proposal by certified mail return receipt requested, to the Bank, 2020 North Pacific Avenue, Santa Cruz, California 95060, Attention: Brianna Carabba, Vice President, Executive Administrator. All such proposals must be received by the Bank not later than December 15, 2016. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included, and other aspects, are subject to all applicable laws and regulations.

OTHER MATTERS

Management is not aware of any other matters to come before the Annual Meeting. If any other matter not mentioned in this Proxy Statement is brought before the Annual Meeting or any adjournments or postponements thereof, the persons named in the enclosed form of Proxy will have discretionary authority to vote all proxies with respect thereto in accordance with the recommendations of management.

LIGHTHOUSE BANK



Stephen D. Pahl
Secretary

Santa Cruz, California
April 12, 2016