

LIGHTHOUSE BANK

April 10, 2018

Dear Shareholder:

We are pleased to enclose our 2017 Annual Report to Shareholders, 2018 Notice of Annual Meeting and Proxy Statement, and form of Proxy.

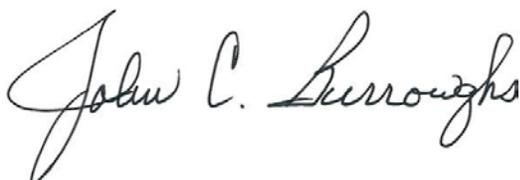
You are cordially invited to attend the 2018 Annual Meeting of Shareholders which will be held at 5:00 p.m. on Thursday, May 17, 2018 at Lighthouse Bank located at 2020 North Pacific Avenue, Santa Cruz, California.

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, Jr.
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 17, 2018
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 17, 2018, at 5:00 p.m., and at any and all adjournments or postponements thereof, for the following purposes:

1. To elect the following eleven (11) incumbent director-nominees to serve as directors of the Bank:

John C. Burroughs	Bruce A. McPherson
James R. Castellanos	Stephen D. Pahl
Michael P. Dunn, D.O.	Jon P. Sisk
Craig A. French	William R. Slakey
Lane S. Lawson, Jr.	James L. Weisenstein
Cynthia K. Lazares	

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, 2018.

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 27, 2018 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.”

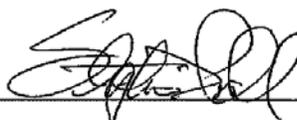
Copies of Lighthouse Bank’s Annual Disclosure Statement, the first copy of which will be provided free of charge, are available by contacting: Lighthouse Bank, 2020 North Pacific Avenue, Santa Cruz, CA 95060, (831) 600-4009.

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.

IF YOU VOTE BY TELEPHONE OR ELECTRONICALLY THROUGH THE INTERNET, AS DESCRIBED IN THE PROXY STATEMENT ACCOMPANYING THIS NOTICE, YOU DO NOT NEED TO RETURN THE PROXY.

BY ORDER OF THE BOARD OF DIRECTORS

A handwritten signature in black ink, appearing to read "Stephen D. Pahl", is written over a horizontal line.

Stephen D. Pahl
Vice Chairman of the Board
Secretary

April 10, 2018
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 17, 2018

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 17, 2018, at 5:00 p.m., and at any and all adjournments or postponements thereof (the “Annual Meeting”), for the following purposes:

1. To elect the following eleven (11) 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.
Cynthia K. Lazares

Bruce A. McPherson
Stephen D. Pahl
Jon P. Sisk
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, 2018.

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 10, 2018.

Instead of voting by proxy, a shareholder may choose to vote by telephone or electronically by using the Internet, as indicated on the Proxy. Telephone voting is conducted by calling the toll-free number (at no cost to the shareholder) indicated on the Proxy. Telephone voting is available 24 hours per day. Easy to follow voice prompts allow a shareholder to vote shares and to confirm that instructions have been properly recorded. The Bank’s telephone voting procedures are designed to authenticate the identity of shareholders by utilizing individual control numbers. Internet voting procedures are designed to authenticate the identity of a shareholder and to confirm that instructions have been properly recorded. The Bank believes these procedures are consistent with the requirements of applicable law. ***If a shareholder votes by telephone or electronically by using the Internet, there is no need to return the Proxy.***

If you vote by telephone or electronically through the Internet, your vote must be received by 12:00 a.m., Central Time, on May 17, 2018 to ensure that your vote is counted.

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, 2018, 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 2,585,573 shares of the Bank's common stock on March 27, 2018 (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 eleven (11) 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 eleven (11).

The persons named below, all of whom are incumbent directors, are nominated for election as directors at the Annual Meeting to serve until the 2019 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 eleven (11) 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 eleven (11) 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 27, 2018, 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” PROPOSAL NO. 1, TO ELECT 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	73	2007	Currently a retired Certified Financial Planner, Mr. Burroughs was owner of Burroughs-Braleay Financial Planning and Wealth Management, a registered investment advisor, located in Santa Cruz from April 4 th 2003 through December 31, 2017. 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.
James R. Castellanos, Director	65	2014	Since 1981, Mr. Castellanos has been President and Chief Executive Officer 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	56	2007	Dr. Dunn is a physician with Dignity Health Medical Group. 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.
Craig A. French, Director	68	2007	Currently retired, Mr. French was 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	70	2016	Mr. Lawson joined the Bank on October 1, 2007 as Executive Vice President and Chief Credit Officer. On February 8, 2016, Mr. Lawson was promoted to Chief Executive Officer and Chief Credit Officer of Lighthouse Bank and was appointed to the Board of Directors.
Cynthia K. Lazares, CPA Director	63	2017	Mrs. Lazares is a Certified Public Accountant and President of Cynthia Lazares CPA, Inc. Mrs. Lazares also serves as Vice President of Lazares Development, Inc. in Los Gatos. She was a founder of Focus Business Bank in San Jose and served as a member of the Board of Directors from 2006 to 2015.
Bruce A. McPherson, Director	74	2007	Mr. McPherson currently serves on the Santa Cruz County Board of Supervisors representing the Fifth District. Mr. McPherson was elected in 2012 and re-elected in 2016.
Stephen D. Pahl, Vice Chairman of the Board	61	2007	Since 2007, Mr. Pahl has been Senior Partner and Chairman of Pahl & McCay, a professional law corporation, in San Jose, California.

<u>Name and Position</u>	<u>Age</u>	<u>Director Since</u>	<u>Principal Occupation and Business Experience During Past Five Years</u>
Jon P. Sisk, Director and President	55	2017	Mr. Sisk was a founder of Lighthouse Bank in 2007 and worked as Senior Vice President and Senior Lending Officer until 2013. On February 8, 2016, he returned to the Bank and was appointed to the position of President. On February 15, 2017, he was also appointed to the Board of Directors.
William R. Slakey, Director	59	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.
James L. Weisenstein, Director	62	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 the Board of Directors 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 27, 2018, 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 27, 2018. 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 (3)	Percent of Class
Common Stock, No Par Value	John C. Burroughs	133,029 ⁽⁴⁾	5.15%
Common Stock, No Par Value	James R. Castellanos	26,258 ⁽⁵⁾	1.02%
Common Stock, No Par Value	Michael P. Dunn, D.O.	35,437 ⁽⁶⁾	1.37%
Common Stock, No Par Value	Craig A. French	30,030 ⁽⁷⁾	1.16%
Common Stock, No Par Value	Lane S. Lawson, Jr.	53,120 ⁽⁸⁾	2.05%
Common Stock, No Par Value	Lazares, Cynthia K.	5,500 ⁽⁹⁾	0.21%
Common Stock, No Par Value	Bruce A. McPherson	36,425 ⁽¹⁰⁾	1.41%
Common Stock, No Par Value	Stephen D. Pahl	101,048 ⁽¹¹⁾	3.91%
Common Stock, No Par Value	Kimberly M. Raynal	10,000 ⁽¹²⁾	0.39%
Common Stock, No Par Value	Jon P. Sisk	53,103 ⁽¹³⁾	2.03%
Common Stock, No Par Value	William R. Slakey	37,376 ⁽¹⁴⁾	1.45%
Common Stock, No Par Value	Donald H. Soman	42,291 ⁽¹⁵⁾	1.64%
Common Stock, No Par Value	James L. Weisenstein	58,674 ⁽¹⁶⁾	2.27%
	All named individuals as a group (13 persons)	622,291 ⁽¹⁷⁾	23.67%

- (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 any vested restricted shares and any 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 133,029 shares in which Mr. Burroughs has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (5) Includes 26,258 shares in which Mr. Castellanos has sole voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (6) Includes 35,437 shares in which Dr. Dunn has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (7) Includes 30,030 shares in which Mr. French has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (8) Includes 53,120 shares in which Mr. Lawson has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (9) Includes 5,500 shares in which Ms. Lazares has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (10) Includes 36,425 shares in which Mr. McPherson has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (11) Includes 101,048 shares in which Mr. Pahl has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (12) Mrs. Raynal has no vested restricted shares and 10,000 stock options exercisable within 60 days of the Record Date.
- (13) Includes 19,770 shares in which Mr. Sisk has shared voting and investment powers, no vested restricted shares and 33,333 shares subject to stock options exercisable within 60 days of the Record Date.
- (14) Includes 37,376 shares in which Mr. Slakey has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.

- (15) Mr. Soman has sole voting and investment powers as to 42,291 shares, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (16) Includes 58,674 shares in which Mr. Weisenstein has shared voting and investment powers, no vested restricted shares and no shares subject to stock options exercisable within 60 days of the Record Date.
- (17) Includes 43,333 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 27, 2018, 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	70	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. Mr. Lawson has 47 years of banking experience.
Jon P. Sisk President	55	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 27 years of banking experience.
Donald H. Soman, Executive Vice President and Chief Financial Officer	67	2007	Mr. Soman has served as Executive Vice President and Chief Financial Officer since September 1, 2007. Mr. Soman has 38 years of banking experience.
Kimberly M. Raynal, Executive Vice President and Chief Operating Officer	50	2007	Mrs. Raynal has served as Executive Vice President and Chief Operating Officer since September 16, 2013. She has previously served as Senior Vice President and Chief Operating Officer since September 15, 2007 and has 34 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. A majority of the members of the Committee are "independent" under the NASDAQ listing rules. 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 awards of stock options and restricted stock under the Bank's 2017 Equity Incentive 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 and restricted stock awards as a long-term incentive is to attempt to more closely align the interests of the award recipients 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 and restricted stock 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 former President and Chief Executive Officer, Chief Executive Officer and Chief Credit Officer and next two highest paid executive officers, President, and Executive Vice President and Chief Financial Officer, for the periods ended December 31, 2017 and 2016.

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽²⁾	Stock Awards ⁽³⁾	Option Awards ⁽³⁾	All Other Compensation ⁽⁴⁾	Total
Richard G. Hofstetter, (5) former President and Chief Executive Officer	2017	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	2016	\$ 55,259	\$ 15,000	\$ -	\$ -	\$ 202,126	\$ 272,385
Lane S. Lawson, Jr., (6) Chief Executive Officer and Chief Credit Officer	2017	\$ 257,885	\$ 50,329	\$ 154,875	\$ -	\$ 7,265	\$ 470,354
	2016	\$ 244,021	\$ 40,000	\$ -	\$ -	\$ 6,723	\$ 290,744
Jon P. Sisk, (7) President	2017	\$ 231,703	\$ 50,329	\$ 154,875	\$ -	\$ 6,947	\$ 443,854
	2016	\$ 202,067	\$ 25,000	\$ -	\$ 209,280	\$ 6,037	\$ 442,384
Donald H. Soman, Executive Vice President and Chief Financial Officer	2017	\$ 200,781	\$ 19,750	\$ 123,900	\$ -	\$ 7,315	\$ 351,746
	2016	\$ 194,797	\$ 15,000	\$ -	\$ -	\$ 6,770	\$ 216,567

- (1) Amounts shown for 2017 and 2016 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, Sisk and Soman, dated August 1, 2007, October 1, 2007, February 8, 2016 and September 1, 2007, respectively. Agreements for Messrs. Hofstetter, Lawson and Soman, 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) These columns require disclosure of the grant date fair value of awards for the years indicated under the Bank's 2017 Equity Incentive Plan and the Bank's 2007 Stock Option Plan ("Plans") to the named executive officers in accordance with ASU 2016-09. The number of exercisable and unexercisable shares underlying options, option exercise prices, option expiration dates and vesting for the named executive officers at December 31, 2017 are described in the "Outstanding Equity Awards at Fiscal Year-End" table and related footnotes in this Proxy Statement. The Plans are the only equity compensation plans maintained by the Bank. Stock options may be awarded to officers, employees and non-employee directors under the Plans, but only the 2017 Equity Incentive Plan permits the award of restricted stock. Options awarded under the Plans are either incentive stock options or nonstatutory stock options, however, only nonstatutory stock options may be awarded to non-employee directors (and to the non-director organizers of the Bank who received a one-time award in 2007 of nonstatutory options). Option awards become exercisable in accordance with a vesting schedule established at the award date. Vesting may vary, but may not extend beyond five years. Upon a change in control of the Bank or other terminating event under the Plans,

options awarded thereunder generally become exercisable to the extent vested and 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 Plans have an exercise price equal to the market value of the Bank's common stock on the date of award. Awards of restricted stock vest upon the lapse of restrictions established at the time of the award. Awards of restricted stock are represented in a book entry account in the name of the award recipient and no certificates are issued for the restricted stock until the restrictions lapse. Upon a change in control of the Bank, all remaining restrictions will lapse and the recipient will be entitled to possession of the shares underlying the recipient's restricted stock award. The restricted stock has substantially the same protection against dilution as the stock options under the Plans. Please also refer to (i) "2017 Equity Incentive Plan and 2007 Stock Option Plan" for information regarding the Plans (ii) "Director Compensation Table" and related footnotes in this Proxy Statement for information regarding non-employee director awards of restricted stock during 2017 and options outstanding at December 31, 2017, (iii) "Equity Compensation Plan Information" table in this Proxy Statement for information regarding Bank common stock issuable under the Plans at December 31, 2017, and (iv) "Note 1" and "Note 8" of "Notes to Financial Statements" in the Bank's audited financial statements for the years ended December 31, 2017 and 2016 included in the Bank's 2017 Annual Report to Shareholders for discussion of the assumptions related to calculation of the grant date fair value of stock options and restricted stock under ASU 2016-09.

- (4) Amounts shown for Messrs. Hofstetter, Lawson, Sisk, and Soman include (i) automobile allowances for combined business and personal usage of \$600, \$4,800, \$4,400, and \$4,800, respectively for 2016 and automobile allowances for combined business and personal usage of \$0, \$4,800, \$4,800, and \$4,800, respectively, for Messrs. Hofstetter, Lawson, Sisk, and Soman in 2017; (ii) employer matching 401(k) Plan contributions of \$1,500 each for Messrs. Hofstetter, Lawson, Sisk and Soman in 2016 and employer matching 401(k) Plan contributions of \$0, \$2,000, \$2,000, \$2,000, respectively for Messrs. Hofstetter, Lawson, Sisk and Soman in 2017; (iii) life insurance premiums of \$26, \$423, \$137, and \$470, respectively, for Messrs. Hofstetter, Lawson, Sisk and Soman in 2016 and \$0, \$465, \$147 and \$515, respectively, for Messrs. Hofstetter, Lawson, Sisk and Soman in 2017; and (iv) group health insurance premiums are excluded from the table in 2016 and 2017 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. Included in Other Compensation of Mr. Hoffstetter for 2016 is deferred compensation of \$200,000, which is described hereafter in this Proxy Statement under the heading "Employment Agreements – Employment Agreement with Mr. Hofstetter."
- (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.
- (7) Mr. Sisk was appointed as President effective 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 2016 and 2017, 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.

2017 Equity Incentive Plan and 2007 Stock Option Plan

The Bank's 2007 Stock Option Plan (the "2007 Plan") was adopted by the Board of Directors of the Bank on July 18, 2007 and was approved by the shareholders of the Bank on November 8, 2007, reserving 555,908 shares of common stock equal to approximately thirty percent (30%) of the Bank's outstanding common stock sold in its initial public offering (which was subsequently adjusted to 642,074 shares to reflect the issuance of stock dividends). The 2007 Plan provided for the award of stock options to Bank employees, officers, non-employee directors and consultants.

The Bank's 2017 Equity Incentive Plan (the "2017 Plan") was approved by the Board of Directors on February 15, 2017 and by the shareholders on May 18, 2017 to replace the 2007 Plan which terminated awards of stock options thereunder on February 15, 2017, provided that outstanding stock options awarded under the 2007 Plan remain outstanding until exercised or terminated. The 2017 Plan authorizes and reserves 445,255 shares of the Bank's common stock for issuance for awards of restricted stock and grants of stock options. These 445,255 shares of common stock reserved for the 2017 Plan, when aggregated with

282,604 shares reserved for issuance pursuant to awards of stock options outstanding and unexercised (both vested and unvested) as of February 15, 2017 under the 2007 Plan, represented approximately thirty percent (30%) of the total shares of the Bank's common stock outstanding as of February 15, 2017. The 2017 Plan provides for the award of restricted stock in addition to stock options. See the "Equity Compensation Plan Information" table for information regarding shares reserved for issuance underlying outstanding options and shares available for future option and restricted stock awards at December 31, 2017. See also footnote 3 to the "Summary Compensation Table" in this Proxy Statement for more information regarding the 2017 and 2007 Plans.

The table below sets forth information concerning equity awards made pursuant to the Bank's 2017 Plan to the Bank's executive officers named in the "Summary Compensation Table" on page 8 of this Proxy Statement in the fiscal year ended December 31, 2017.

Grants of Plan-Based Awards Table

Name	Award date	Stock Awards: Number of Shares of Stock (#)	Option awards: Number of securities underlying options (#)	Exercise or base price of option awards (\$/Sh)	Grant date fair value of Stock and Option awards (1)
Lane S. Lawson	10/19/17	7,500	-	-	\$154,875
Jon P. Sisk	10/19/17	7,500	-	-	\$154,875
Donald H. Soman	10/19/17	6,000	-	-	\$123,900

- (1) The amount reported in this column represents the fair value of restricted stock and stock options awarded during the year shown in accordance with ASU 2016-09. Please refer to footnotes 1 and 8 to our audited financial statements included in our annual report to shareholders for the year ended December 31, 2017 for a discussion of the assumptions related to the calculation of such value.

The following table sets forth information concerning outstanding equity awards to the executive officers named in the "Summary Compensation Table," under the Bank's 2017 and 2007 Plans at fiscal year-end 2017.

Outstanding Equity Awards at Fiscal Year-End Table

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options		Option Exercise Price (1)	Option Expiration Date	Number of Shares or Units That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested (\$) (2)
	(#)	(#)				
Lane S. Lawson, Jr. (3)	-	-	-	-	7,500	\$ 154,875
Jon P. Sisk (4)	16,667	33,333	\$14.75	2/8/2026	7,500	\$ 154,875
Donald H. Soman (5)	-	-	-	-	6,000	\$ 123,900

- (1) The option exercise price equals the market value of the Bank's common stock based on the closing price on the date of the award.
(2) The market value of restricted shares is based on the market value of the Bank's common stock based on the closing price on the date of the award.
(3) The 7,500 restricted shares awarded to Mr. Lawson vest 25% per year in arrears from the award date of October 19, 2017.

- (4) Reflects shares of Bank common stock underlying incentive stock options awarded to Mr. Sisk on 2/8/16, which vest annually over the first three years following the award date. The 7,500 restricted shares awarded to Mr. Sisk vest 25% per year in arrears from the award date of October 19, 2017.
- (5) The 6,000 restricted shares awarded to Mr. Soman vest 25% per year in arrears from the award date of October 19, 2017.

The following table summarizes information with respect to options exercised and stock awards vested during fiscal year 2017 by any of the executive officers named in the “Summary Compensation Table.”

Option Exercises and Stock Vested Table

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise #	Value Realized on Exercise (1) \$	Number of Shares Acquired on Vesting #	Value Realized on Vesting (2) (\$)
Lane S. Lawson, Jr.	23,100	\$ 245,830	-	-
Donald H. Soman	5,760	\$ 42,290	-	-

- (1) Reflects the difference between the exercise price on the date of award and the market value based on the closing price of the Bank’s common stock on the exercise date.
- (2) Represents the product of the number of shares acquired on vesting and the closing price of the Bank’s common stock on the vesting date.

Equity Compensation Plan Information

The table below summarizes information under which shares of the Bank’s common stock are authorized for issuance through the 2017 Equity Incentive Plan and the 2007 Stock Option Plan as of December 31, 2017. Both the 2017 Equity Incentive Plan and the 2007 Stock Option Plan were approved by the Bank’s shareholders. 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 the Bank’s 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 (c)
Equity compensation plans approved by security holders	152,076 ⁽¹⁾	\$14.05	371,755 ⁽²⁾
Equity compensation plans not approved by security holders	-	-	-
Total	152,076	\$14.05	371,755

- (1) Represents shares reserved but unissued under the 2007 Stock Option Plan and the 2017 Equity Incentive Plan. The 2007 Stock Option Plan terminated the award of stock options on February 15, 2017. No new award of stock options can be made under the 2007 Stock Option Plan and any shares reserved will either be exercised or will be forfeited. As of December 31, 2017, there were 132,076 outstanding stock options awarded under the 2007 Stock Option Plan and 20,000 outstanding stock options awarded under the 2017 Equity Incentive Plan.

- (2) Represents shares that were eligible for award as of December 31, 2017, under the 2007 Equity Incentive Plan. This amount does not include 53,500 shares of restricted stock and 20,000 stock options that were awarded, but have not yet vested or been exercised.

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 was entitled to receive \$200,000 contingent on his continued employment until his retirement date and retention of a new Chief Executive Officer, payable 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, equity awards, 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; (iii) a lump sum payment equal to one-year of medical/dental Cobra payments; and (iv) eligibility for a lump sum payment equal to the average of the two previous annual incentive compensation payments he received. 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) eligibility for a lump sum payment equal to the average of the two previous annual incentive compensation payments he received.

Employment Agreement with Mr. Sisk. Effective February 8, 2016, the Bank entered into an employment agreement with Mr. Sisk, pursuant to which Mr. Sisk serves as the President, subject to the direction of the Chief Executive Officer of the Bank. The agreement has a three-year term, through February 8, 2019, and is renewable annually for successive one-year terms unless written notice is received not less than sixty (60) days prior to the end of the term of the intention of either party not to renew the agreement.

The agreement includes (i) payment of a base salary per year of \$225,000, subject to annual adjustment increase as may be determined by the Bank 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. Sisk is to be determined in the sole discretion of the Board of Directors. The agreement provides for other compensation and benefits, including, equity awards under the Bank stock option plan, annual paid vacation, an auto allowance, medical and health benefits, and reimbursement for business expenses.

In February 2016, as required by the agreement, the Bank awarded Mr. Sisk a stock option to purchase 50,000 shares 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. Sisk'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. Sisk's employment without cause he will be entitled to receive (i) his earned compensation through his last day of employment; (ii) a severance payment equal to one-year of his then current annual salary; (iii) a lump sum payment equal to one-year of medical/dental Cobra payments; and (iv) eligibility for a lump sum payment equal to the average of the two previous annual incentive compensation payments he received. Except for termination for Cause, disability or death, after the occurrence of a Change in Control (as that term is defined in the agreement), if Mr. Sisk's employment with the Bank is materially adversely altered or he is not retained by the Bank

or the surviving bank or company, Mr. Sisk shall be entitled to a severance payment equal to (i) two-years of his then current annual salary; (ii) a lump sum payment equal to the cost of two-years of medical/dental Cobra payments; and (iii) eligibility for a lump sum payment equal to 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

Directors are entitled to receive compensation in the form of fees for attendance at meetings of the Board of Directors and committees of the Board of Directors on which they serve and awards of stock options and restricted shares under the Bank’s 2017 Equity Incentive Plan (the “2017 Plan”). Prior to the adoption of the 2017 Plan, directors were entitled to receive similar compensation and option awards under the Bank’s 2007 Stock Option Plan (the “2007 Plan”). The 2017 Plan set aside 445,255 shares of the Bank’s no par value common stock to be reserved for issuance under the 2017 Plan for the award of incentive and nonstatutory stock options and restricted shares to non-employee directors, officers,

employees, and consultants of the Bank. Only nonstatutory stock options may be granted to non-employee directors and consultants under the 2017 Plan. As of the Record Date, there were no shares reserved under the 2007 Plan for issuance underlying outstanding nonstatutory stock options for non-employee directors. As of the Record Date, there were 22,500 outstanding restricted share awards to non-employee directors under the 2017 Plan, none of which were then vested or would vest within 60 days of the Record Date.

The table below reflects the compensation earned by or paid to the Bank's non-employee directors⁽¹⁾ during the year ended December 31, 2017.

Director Compensation Table						
Name and Principal Position	Year	Fees Earned or Paid in Cash	Stock Awards ⁽¹⁾	Option Awards ⁽²⁾	All Other Compensation	Total
John C. Burroughs	2017	\$ 24,000	\$ 47,625	-	-	\$ 71,625
James R. Castellanos	2017	\$ 18,000	\$ 47,625	-	-	\$ 65,625
Michael P. Dunn	2017	\$ 18,250	\$ 47,625	-	-	\$ 65,875
Craig A. French	2017	\$ 16,250	\$ 47,625	-	-	\$ 63,875
Cynthia K. Lazares	2017	\$ 5,250	\$ 47,625	-	-	\$ 52,875
Bruce A. McPherson	2017	\$ 11,250	\$ 47,625	-	-	\$ 58,875
Stephen D. Pahl	2017	\$ 19,500	\$ 47,625	-	-	\$ 67,125
William R. Slakey	2017	\$ 13,250	\$ 47,625	-	-	\$ 60,875
James L. Weisenstein	2017	\$ 16,125	\$ 47,625	-	-	\$ 63,750

(1) The amounts shown reflect the grant date fair value under ASU 2016-09 of all restricted share awards to the Bank's non-employee directors for the year ended December 31, 2017. Please also refer to "Note 1" and "Note 8" of "Notes to Financial Statements" in the Bank's audited financial statements for the years ended December 31, 2017 and 2016 included in the Bank's 2017 Annual Report to Shareholders for discussion of the assumptions related to calculation of the grant date fair values under ASU 2016-09. All awards were granted July 20, 2017 and vest over four years.

(2) No nonstatutory stock options were awarded to directors for the year ended December 31, 2017. As of December 31, 2017, the aggregate number of vested and exercisable nonstatutory stock options held by individual directors is as follows: Mr. Castellanos, 7,700. The weighted average exercise price for stock options held by all directors named in the table as a group was \$11.61. For information regarding each director's exercisable options as of or within 60 days of the Record Date, see the "Stock Ownership of Certain Beneficial Owners and Management" table and related footnotes in this Proxy Statement.

TRANSACTIONS WITH RELATED PERSONS

There have been no material transactions in 2017, 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, 2017, 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. and President Jon P. Sisk, qualifies as "independent" under such NASDAQ definition.

Leadership Structure of the Board

The Board of Directors believes that the Bank and its shareholders are best served by having an independent Chairman of the Board of Directors 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 Chairman of the Board of Directors. 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 of Directors has retained responsibility for general oversight of risks. The Board of Directors 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, and French 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 2017.

Audit Committee Report

The Audit Committee has reviewed and discussed the audited financial statements of the Bank for the fiscal year ended December 31, 2017 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, 2017.

Submitted by:

/s/ William R. Slakey, John C. Burroughs, James R. Castellanos, and Craig A. French.

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, Lazares, Chief Credit Officer, Lawson Jr. (non-voting), President, Sisk (non-voting) and Senior Loan Officer, Kristin Ditlevsen (non-voting) served as members of the Committee. The Loan Committee met twenty-one times during 2017.

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, Lawson, McPherson, Pahl, and Slakey, and Executive Officer Soman (non-voting) served as members of the Committee. The Asset-Liability Management Committee met four times during 2017.

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, Lawson (non-voting on matters pertaining to his own compensation), Pahl and Sisk (non-voting on matters pertaining to his own compensation) served as members of the Committee. The Compensation Committee met three times during 2017.

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, Lawson, Lazares, Pahl, and Sisk served as members of the Committee. The Strategic Planning Committee met three times during 2017.

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 2017, the Bank's Board of Directors met thirteen 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. Average director attendance at the combination of meetings of the Board of Directors and committees was 94% in 2017.

Annual Meeting Attendance

The Bank encourages members of its Board of Directors to attend the Bank's Annual Meeting of Shareholders each year. All incumbent directors attended the Bank's Annual Meeting of Shareholders held in 2017.

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 2017 and 2016 fiscal years. 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 2017 and 2016 fiscal years.

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 2017 and 2016.

Category of Services	Fiscal Year 2017	Fiscal Year 2016
Audit Fees ⁽¹⁾	\$47,000	\$45,000
Audit-Related Fees	-	-
Tax Fees ⁽²⁾	\$8,000	\$7,000
All Other Fees	-	-
Total Accounting Fees	\$55,000	\$52,000

- (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, 2017 and December 31, 2016.
- (2) Tax fees consisted primarily of assistance relating to tax compliance, tax advice, tax planning and related tax services for years 2017 and 2016.

The Audit Committee pre-approved 100% of all professional services rendered by Vavrinek, Trine, Day & Co., LLP during the 2017 and 2016 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 2018 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 unanimously be in the best interests of the Bank and its shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY 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, 2017, is being mailed concurrently with this Proxy Statement to all shareholders of record as of March 27, 2018.

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 16, 2019. Any shareholder desiring to submit a proposal for action at the 2019 Annual Meeting of Shareholders which is to be presented in the Bank's Proxy Statement with respect to the 2019 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 13, 2018. 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

A handwritten signature in black ink, appearing to read "Stephen D. Pahl", is written over a solid horizontal line.

Stephen D. Pahl
Vice Chairman of the Board
Secretary

Santa Cruz, California
April 10, 2018