



LIGHTHOUSE

Financial Services, Inc.
A Fee-Only Advisory Firm

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Form ADV Part 2A – Firm Brochure

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This brochure provides information about the qualifications and business practices of Lighthouse Financial Services, Inc. If you have any questions about the contents of this brochure, please contact us at 714-572-8900. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Lighthouse Financial Services, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Lighthouse Financial Services, Inc. is 110367.

Lighthouse Financial Services, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2: Material Changes

Since the last annual filing dated March 10, 2016, the following material changes have occurred:

- Item 1, we have moved to a new office location.

Item 3: Table of Contents

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Item 4: Advisory Business

Description of Advisory Firm

Lighthouse Financial Services, Inc.'s registration was granted by the United States Securities and Exchange Commission on September 2, 1988. George Dale McDaniel (CRD Number 2257060) owns the majority of the equity of the firm and is the firm's Chief Executive Officer. Robert George McDaniel, President (CRD Number 3028236) and Michael Robert Verity (CRD Number 5848445), Vice President and Senior Portfolio Manager, owns a minority interest in the firm. The firm is not publicly owned or traded. There are no indirect owners of the firm. The firm manages each client's portfolio on an individualized basis. Clients may impose restrictions on their accounts. The firm does not sponsor any wrap programs. As of December 31, 2016, the firm managed assets on a discretionary basis in the amount of \$226,457,350, representing 772 accounts.

Wrap Fee Programs

We do not participate in wrap fee programs.

Item 5: Fees and Compensation

Lighthouse Financial Services, Inc. shall engage in both fee only financial planning activities and investment supervisory services in the nature of both discretionary and non-discretionary asset management services. Approximately ninety-four (94%) percent of Lighthouse Financial Services, Inc.'s advisory fees shall be attributable to the asset management / investment supervisory activity. Approximately two (2%) percent of Lighthouse Financial Services, Inc.'s advisory billings shall be attributable to the fee-only financial planning activity within the context of providing advice about securities related matters. All new client or prospective clients are entitled to 60 free minutes of consultation for financial planning and asset management. Approximately four (4%) percent of Lighthouse Financial Services, Inc.'s total advisory billings shall be attributable to the provision of advice not involving securities within the context of providing fee-only financial planning services. With respect to the asset management activity, Lighthouse Financial Services, Inc. shall not have any custody of client assets but rather shall use an outside custodian such as TD Ameritrade Clearing, Inc., a subsidiary of TD Ameritrade, Inc., or US Bank. Modification of fees can be facilitated with the approval of the firm's Chief Compliance Officer (CCO).

The fee for the asset management activity for the dividend growth, growth, asset allocation, growth & income, balanced, equity income, equity growth & income, and flexible income portfolio follows:

Assets Under Management	Annual Fee
First \$300,000	1.20%
Next \$300,000	1.00%
Next \$400,000	0.90%
Next \$2,000,000	0.80%
Next \$3,000,000	0.70%
Over \$6,000,000	0.60%

The fee for the asset management activity for the capital preservation portfolio follows:

Account Value	Annual Advisory Fee
First \$1,000,000	0.60%
Next \$4,000,000	0.50%
\$5,000,000 Plus	0.50%

Clients may elect to have their management fee billed directly or have the fees deducted from their accounts. Investments are billed on a quarterly and intra-quarterly basis and financial planning services are billed on a contractual basis.

Because mutual funds could pay advisory fees to their investment advisers and such fees are therefore indirectly charged to all holders of mutual fund shares, Clients with mutual funds in their portfolio could effectively be paying both the Lighthouse Financial Services, Inc. and the mutual fund adviser for the management of their assets. Clients who place mutual fund shares under the Lighthouse Financial Services, Inc.'s management are therefore subject to both the Lighthouse Financial Services, Inc.'s direct management fees and the indirect management fee of the mutual fund adviser. Clients could incur a trading fee charged by the custodian. These fees are deducted by the custodian and Lighthouse Financial Services, Inc. does not participate in any fee sharing arrangement.

Some mutual funds and exchange traded funds do not have transaction fees. The Client will bear the cost of all securities transactions, including mutual funds, purchased for the Client as

well as taxes, interest (if any), brokerage fees, commissions, custodian charges (if any) and transfer fees (if any).

For additional information see section 12 of this brochure.

The asset management fee will be payable quarterly in advance. Some grandfathered clients are billed quarterly in arrears and have different fee schedules. Lighthouse Financial Services, Inc. shall refund all unearned or unapplied fees in excess of minimum quarterly fees to client when client provides Lighthouse Financial Services, Inc. with a thirty day (30) written notice for termination. The refund is determined by calculating the remaining days in the quarter and then prorating the amount of the refund. No fee is ever based on capital gains or capital appreciation of assets. No fee is ever payable more than six (6) months in advance. Lighthouse Financial Service, Inc. does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

Lighthouse Financial Services financial planning clients have the option to purchase investment products the firm has recommended through other agents or brokers not affiliated with Lighthouse Financial Services, Inc.

Personal-Based Fee

In some instances, clients may pay an annual fee based on a percentage of realized and unrealized profits ("performance fee"). This type of fee arrangement is only available to qualified clients and may be negotiable in certain cases. "Qualified Client" is further defined in Item 6 of this brochure.

The asset management fee shall be payable quarterly in arrears. At the end of each 3-month period (a "quarter"), the value of the Account shall be determined by adding the value of the securities, cash equivalents and any cash balance in the Account. If the account has a negative cash balance, the fee will be charged on the total assets under management, which will not include any cash debit (borrowing). The advisory fee is calculated by multiplying the percent return (if positive) at the end of each quarter by 10%. If the percent return at the end of any quarter is negative the management fee will be waived. There is no minimum management fee requirement for this fee schedule. There is also a one-time initial fee of \$900.00.

Comprehensive Financial Planning & Tax Planning Fees

- \$300 per hour for only Financial Planning
- \$250 per hour for clients with assets under management

Item 6: Performance-Based Fees and Side-By-Side Management

We manage certain strategies for which clients may pay performance-based fees. This type of fee arrangement is only available to “qualified clients” and may be negotiable in certain cases. The term ***Qualified Client*** means:

(i) A natural person who, or a company that, immediately after entering into the contract has at least \$1,000,000 under the management of the investment adviser;

(ii) A natural person who, or a company that, the investment adviser entering into the contract (and any person acting on his behalf) reasonably believes, immediately prior to entering into the contract, either:

(A) Has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,000,000. For purposes of calculating a natural person's net worth:

(1) The person's primary residence must not be included as an asset;

(2) Indebtedness secured by the person's primary residence, up to the estimated fair market value of the primary residence at the time the investment advisory contract is entered into may not be included as a liability (except that if the amount of such indebtedness outstanding at the time of calculation exceeds the amount outstanding 60 days before such time, other than as a result of the acquisition of the primary residence, the amount of such excess must be included as a liability); and

(3) Indebtedness that is secured by the person's primary residence in excess of the estimated fair market value of the residence must be included as a liability;
or

(B) Is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 (15 U.S.C. 80a-2(a)(51)(A)) at the time the contract is entered into; or

(iii) A natural person who immediately prior to entering into the contract is:

(A) An executive officer, director, trustee, general partner, or person serving in a similar capacity, of the investment adviser; or

(B) An employee of the investment adviser (other than an employee performing solely clerical, secretarial or administrative functions with regard to the investment adviser) who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar functions or duties for or on behalf of another company for at least 12 months.

Clients should be aware that this arrangement may cause an inherent conflict of interest as it may give us more incentive to take greater risks or direct investments that are perceived to have higher return potential to the accounts that pay a performance fee versus the accounts that pay only a regular standard advisory fee. We attempt to mitigate this conflict by monitoring and enforcing trading guidelines. These guidelines are reviewed and monitored by the client as well as our Chief Compliance Officer. We manage accounts for numerous clients that invest in the same or similar securities. Although the overwhelming majority of securities used in our investment strategy are highly liquid and readily available, certain securities may occasionally have capacity constraints. We attempt to allocate investment opportunities among clients in a fair and equitable manner. Performance is not a factor in our decision to allocate securities to a client's account.

Item 7: Types of Clients

Lighthouse Financial Services, Inc. client base is comprised of individual, trust, and pension accounts.

We also serve the investment and planning needs of the small and mid-size corporation. There is a minimum fee charged of \$900 per quarter for all new clients in the equity strategy, and \$750.00 for fixed income strategy clients. For performance fee accounts, the minimum account size is \$1,000,000. For all grandfathered clients there is a minimum \$300.00 fee per quarter. The minimum portfolio size is \$300,000. This can be negotiated with the approval of a Principal at the firm. The minimum account size for TD Ameritrade AdvisorDirect Program is \$500,000.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Lighthouse Financial Services, Inc. applies a longer-term investment approach to most of its management decisions and its investment strategies. Our investment process starts with a “Top Down” analysis of the markets and the economy. Through our “Top Down” process, we identify where we are, or will be, in the economic and investment business cycles. Asset allocation decisions are determined by the investment objective that clients have selected and their unique investment needs. Lighthouse Financial Services, Inc. seeks investments that we believe will deliver an appropriate amount of appreciation and risk over the next 12 or more months as it applies to the unique investment needs and the investment strategy that clients have selected. The investment allocation process includes both a macro and some micro components. On a macro level, we choose and assign percentages between asset classes (stocks, bonds, and cash). On a micro level, we select individual securities from the “Bottom Up,” using a combination of fundamental, technical, and quantitative research. Whenever possible, portfolio volatility and risk are managed through sensible diversification among sectors and across asset classes. Lighthouse Financial Services, Inc. routinely monitors the universe of investment securities. When alternative or superior investment securities become available, previous portfolio holdings may be replaced. As with any investment program, there will be risk. The client’s portfolio’s risk, return, and liquidity exposure are, in large part, a function of the asset classes that are to be included in the portfolio (Equity, Fixed Income, Cash and/or Cash Equivalent investments). Research shows that up to 94% of the portfolio’s rate of return is due to asset allocation decision. Accordingly, a client’s investment strategy may consider all three-asset classes when developing their investment allocation. The actual allocation to each asset class will be determined by the investment objective strategy that a client elects. The goal is to earn the highest possible rate of return commensurate with a client risk tolerance, investment objective, portfolio constraints, and the current economic and market conditions.

The actual rate of return will vary widely with market conditions, and the target return is in no way guaranteed. Investment may be subject to market volatility due to its historically higher exposure to growth-oriented investments.

Item 9: Disciplinary Information

None.

Item 10: Other Financial Industry Activities and Affiliations

None.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The firm has adopted a written Code of Ethics pursuant to SEC Rule 204A-1. Such Code of Ethics requires associated persons and principals of the firm to observe certain federal securities laws and regulations, including matters involving personal securities holdings. Associates of the firm must report personal securities holdings to the Chief Compliance Officer of the firm. Our Code of Ethics has been made available to clients and prospective clients upon request.

Lighthouse Financial Services, Inc. or individuals associated with Lighthouse Financial Services, Inc. may buy or sell securities identical to those recommended to customers for their personal account.

It is the expressed policy of Lighthouse Financial Services, Inc. that no person employed by Lighthouse Financial Services, Inc. may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, and therefore, preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

Lighthouse Financial Services, Inc. or any related person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client.

As these situations may represent a conflict of interest, Lighthouse Financial Services, Inc. has established the following restrictions in order to ensure its fiduciary responsibilities:

1) A director, officer, or employee of Lighthouse Financial Services, Inc. shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No person of Lighthouse Financial Services, Inc. shall prefer his or her own interest to that of the advisory client.

- 2) Lighthouse Financial Services, Inc. maintains a list of all securities holdings for itself and anyone associated with this advisory practice. The Chief Compliance Officer reviews these holdings on a regular basis.
- 3) Lighthouse Financial Services, Inc. requires that all individuals must act in accordance with all applicable federal and state regulations governing registered investment advisory practices.
- 4) Any individual not in observance of the above may be subject to termination.

Item 12: Brokerage Practices

The Lighthouse Financial Services, Inc. recommends TD Ameritrade to clients because of the competitive transaction fees, account statement clarity, electronic access to client accounts, availability of research, and overall high service levels.

Lighthouse Financial Services, Inc. participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, Advisor participates in TD Ameritrade’s institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor’s participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD

Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by

TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts.

These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD

Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") and a member of FINRA/SIPC. TD Ameritrade is an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below).

Currently Lighthouse Financial Services, Inc. uses TD Ameritrade for all of its client custodial needs.

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13: Review of Accounts

Lighthouse Financial Services, Inc. schedules periodic reviews with both our investment and planning clients at least annually.

The investment reviews cover the client's specific portfolio and an overview of the current markets. These reviews are conducted by a member of the firm who are all registered investment advisors. The planning reviews are conducted by a Certified Financial Planner (CFP®).

All clients receive a monthly account statement from TD Ameritrade. This statement(s) can be either paper or electronic. Lighthouse Financial Services, Inc. provides a daily consolidated family account profile via the firm's website.

Item 14: Client Referrals and Other Compensation

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client.

Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or

indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Item 15: Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements.

Item 16: Investment Discretion

The asset management activity shall be provided on a discretionary basis to the extent that mutual funds are involved and such asset management service shall be provided on both a non-discretionary and discretionary basis to the extent that general securities are involved.

In view of the fact that Lighthouse Financial Services, Inc. provides discretionary investment supervisory service, it is conceivable that the Lighthouse Financial Services, Inc. or a related person could have the authority to determine, without first obtaining specific client consent, the securities to be bought or sold and/or the amount of securities to be bought or sold. This authority is provided to the firm by the client through the contract agreement and the account application process. The client has options to place limitations on investment holdings restricting the selling or purchasing of certain investments.

Item 17: Voting Client Securities

The firm does not vote proxy statements on behalf of advisory clients. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

Item 18: Financial Information

No financial reporting is required as the firm does not receive fees more than six months in advance.