

First Foundation Inc.  
Form DEF 14A  
September 25, 2015

**SCHEDULE 14A**

**(Rule 14a-101)**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the  
Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

**FIRST FOUNDATION INC.**

**(Name of Registrant as Specified In Its Charter)**

N/A

**(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)**

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(3) Filing Party:

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**FIRST FOUNDATION INC.**

September 30, 2015

Dear Fellow Shareholder:

The Board of Directors and I would like to extend you a cordial invitation to attend the Annual Meeting of Shareholders of First Foundation Inc. (the Company). The Annual Meeting will be held on October 27, 2015, at 8:00 A.M. Pacific Time, at 18101 Von Karman Avenue, Suite 200, Irvine, California 92612.

The attached Notice of Annual Meeting of Shareholders and Proxy Statement describe in detail the matters to be acted on at the Annual Meeting. We also will discuss the operations of the Company and its wholly-owned subsidiaries, First Foundation Bank and First Foundation Advisors.

**Your vote is important.** Whether or not you plan to attend the Annual Meeting, we hope you will vote as soon as possible. You will be able to vote your shares by telephone, over the Internet, or by completing and returning, by mail, a proxy or voting instruction card. Please review the instructions with respect to your voting options described in the accompanying Proxy Statement and on your proxy or voting instruction card.

At the time you vote your shares, please also let us know if you plan to attend our Annual Meeting by indicating your plans, when prompted, if you are voting on the Internet or by telephone, or by marking the appropriate box on the enclosed proxy card.

Thank you for your ongoing support. We look forward to seeing you at our Annual Meeting.

Sincerely:

Ulrich E. Keller, Jr.

Chairman of the Board

**18101 Von Karman Avenue, Suite 700, Irvine, California 92612 (949) 202-4160**

**FIRST FOUNDATION INC.**

**18101 Von Karman Avenue, Suite 700,**

**Irvine, California 92612**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held October 27, 2015**

**NOTICE TO THE SHAREHOLDERS OF FIRST FOUNDATION INC.:**

The 2015 Annual Meeting of Shareholders of First Foundation Inc. (the Company) will be held at 18101 Von Karman Avenue, Suite 200, Irvine, California 92612, on October 27, 2015, at 8:00 A.M. Pacific Time, for the following purposes:

1. To elect the 10 nominees, named below, to serve as the Company's Directors for the ensuing year and until their successors are elected and qualify to serve:

Ulrich E. Keller, Jr., CFP  
Scott F. Kavanaugh  
James Brakke  
Max Briggs, CFP  
Victoria Collins, Ph.D.

Warren D. Fix  
John Hakopian  
Gerald Larsen  
Mitchell M. Rosenberg, Ph.D.  
Coby Sonenshine, J.D., CFA

2. To amend the Company's Articles of Incorporation to increase the authorized number of shares of the Company's common stock from 20,000,000 shares to 70,000,000 shares (*Proposal No. 2* or the *Share Increase Amendment*);
3. To approve the reincorporation of the Company from California to Delaware (*Proposal No. 3* or the *Reincorporation Proposal*);
4. To approve the First Foundation Inc. 2015 Equity Incentive Plan (*Proposal No. 4*);
5. To ratify the appointment of Vavrinek, Trine, Day & Co., LLP as the Company's independent registered public accounting firm for fiscal year 2015 (*Proposal No. 5*); and
6. To approve the adjournment or postponement of the Annual Meeting, if necessary to solicit additional proxies in favor of one or more of the foregoing proposals (*Proposal No. 6* or the *Adjournment Proposal*).
- 7.

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To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Our Board of Directors recommends that you vote **FOR** the election of each of the ten director nominees named above; **FOR** the approval of the Share Increase Amendment (Proposal No. 2); **FOR** the Reincorporation Proposal (Proposal No. 3); **FOR** the approval of the First Foundation Inc. 2015 Equity Incentive Plan (Proposal No. 4); **FOR** the ratification of the appointment of Vavrinek, Trine, Day & Co., LLP as our independent registered public accounting firm for 2015 (Proposal No. 5); and **FOR** the Adjournment Proposal (Proposal No. 6). Additional information regarding these matters is contained in the accompanying Proxy Statement, which shareholders are urged to read.

Only shareholders of record at the close of business on September 22, 2015 (the Record Date ) are entitled to notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

**Whether or not you plan to attend the Annual Meeting, please be sure to vote by telephone, over the Internet or by completing, signing and returning the enclosed proxy card in the accompanying postage-paid return envelope, so that your shares may be voted in accordance with your wishes. Voting by any of these methods will not prevent you from voting in person if you choose to attend the Annual Meeting.**

By Order of the Board of Directors:

Ulrich E. Keller, Jr.

Chairman of the Board

September 30, 2015

**FIRST FOUNDATION INC.**

**18101 Von Karman Avenue, Suite 700,**

**Irvine, California 92612**

**PROXY STATEMENT**

**ANNUAL MEETING OF SHAREHOLDERS**

**To Be Held October 27, 2015**

**INTRODUCTION**

This Proxy Statement is being furnished to you in connection with the solicitation of proxies by the Board of Directors of First Foundation Inc., a California corporation, for its 2015 Annual Meeting of Shareholders which will be held on October 27, 2015, at 8:00 A.M. Pacific Time, at the 18101 Von Karman Avenue, Suite 200, Irvine, California 92612. This Proxy Statement will be available to our shareholders, on the internet at [www.proxyvote.com](http://www.proxyvote.com), beginning on September 30, 2015. As a matter of convenience, in this proxy statement we will refer to First Foundation Inc. as FFI or as the Company or we, us or our and our 2015 Annual Meeting of Shareholders as the Annual Meeting.

All shareholders are cordially invited to attend the Annual Meeting in person. However, you do not need to attend the Annual Meeting to vote your shares. Instead, you may vote your shares by telephone, over the Internet or by completing, signing and returning the enclosed proxy card in the postage-paid return enveloped enclosed for your convenience.

**YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, WE ENCOURAGE YOU TO READ THIS PROXY STATEMENT AND PROVIDE US WITH YOUR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE.**

**Why Did You Send Me This Proxy Statement?**

We sent you this proxy statement because you were an owner of record of shares of our common stock as of close of business on September 22, 2015, which is the record date for our Annual Meeting and, therefore, pursuant to applicable law, you are entitled to receive notice of and to vote your shares of common stock at the Annual Meeting. Along with this proxy statement, we are also sending you our 2014 Annual Report to Shareholders (the Annual Report ).

We intend to begin mailing this proxy statement, the attached Notice of Annual Meeting, the enclosed proxy card and the Annual Report on or about September 30, 2015, to all shareholders of record who are entitled to vote at the Annual Meeting.

### **How Many Votes Do I Have?**

Each share of common stock is entitled to one vote on each matter presented for a vote of the shareholders; except that if any shareholder present in person at the Annual Meeting announces, prior to the voting, an intention to cumulate votes in the election of directors, then all shareholders will be entitled to cumulate votes in that election. In an election of directors held by cumulative voting, each shareholder is entitled to cast a number of votes that is equal to the number of directors to be elected (which, at this Annual Meeting, will be 10), multiplied by the number of shares that the shareholder is entitled to vote at the Annual Meeting, and the shareholder may cast all of those votes for a single nominee or may divide those votes among any two or more of the nominees in such proportions as the shareholder may choose. However, in accordance with the applicable provisions of the Company's Bylaws, no shareholder may cumulate votes for the election of any individual as a director unless that individual's name has been properly placed in nomination before the voting.

## How Can I Vote My Shares?

If you were a shareholder of record on September 22, 2015, you may vote by any of the following methods:

*Voting by Telephone or over the Internet.* You may vote your shares by telephone by calling, toll-free, 1-800-690-6903 Alternatively, you may vote on the Internet by following the instructions provided at [www.proxyvote.com](http://www.proxyvote.com). Telephone and Internet voting are available 24 hours a day until 11:55 P.M. Pacific Time on October 26, 2015. Our telephone and Internet voting procedures are designed to authenticate each shareholder by using an individual control number that is located on your proxy card. If you vote by telephone or on the Internet, you do not need to return your proxy card.

*Voting by Mail.* As in past years, shareholders may vote by mail, by completing, dating and signing and then returning the enclosed proxy card in the postage-paid return envelope included with this proxy statement.

*Voting In Person at the Annual Meeting.* As always, you may vote in person if you attend the Annual Meeting.

Even if you vote by telephone, on the Internet or by mail, you may later change your vote by taking, prior to the Annual Meeting, one of the actions described in the subsection below entitled **How Can I Revoke My Proxy and Change My Vote?** or by attending the Annual Meeting and voting in person.

All shares that are properly voted by a shareholder, whether over the Internet or by telephone or mail, and not properly revoked, will be voted at the Annual Meeting in accordance with the shareholder's voting instructions or, if a shareholder does not provide voting instructions, then in accordance with the recommendations of the Board of Directors.

*Voting on Other Matters.* If other matters are properly presented for a vote of the shareholders at the Annual Meeting, the Board of Directors will have discretion to determine how shares for which proxies have been received will be voted on such matters. As of the date of this Proxy Statement, we did not know of any other matters to be presented for a vote of the shareholders at the Annual Meeting.

**However, if your shares are held in a brokerage or bank account or by a nominee holder, please read the information below under the captions **Voting Shares Held by Brokers, Banks and Other Nominee Holders** regarding how your shares may be voted in accordance with your wishes.**

### **Voting Shares Held by Brokers, Banks and Other Nominee Holders**

If your shares are held in a brokerage account, by a bank or by a nominee holder, you are deemed to be the beneficial owner of those shares, holding them in street name. In that event, the broker, bank or other nominee holder is deemed to be the record owner of your shares and, therefore, is entitled to vote your shares. However, under rules applicable to securities brokerage firms, a broker who holds shares in street name for the beneficial owner of the shares does not have the authority to vote those shares on any non-routine proposal, except in accordance with voting instructions received from the beneficial owner of the shares. Proposal No. 1, Proposal No. 2, Proposal No. 3 and Proposal No. 4 are deemed to be non-routine proposals.

Therefore, if you hold your shares in street name and want your shares to be voted on Proposal No. 1, Proposal No. 2, Proposal No. 3 or Proposal No. 4, you must give voting instructions to your broker, bank or other intermediary who is the nominee holder of your shares. We ask brokers, banks and other nominee holders to obtain voting instructions from the beneficial owners of our common stock. Proxies that are returned to us by brokers, banks or other nominee holders on your behalf will count toward a quorum and will be voted in accordance with the voting instructions you have sent to your broker or bank or other nominee holder. If, however, you want to attend and vote your shares in

person at the Annual Meeting, you will need to obtain a legal proxy or broker's proxy card from your broker or other nominee holder and bring it with you to the Annual Meeting.

**If you do not provide voting instructions to, and do not obtain a proxy from, your broker, bank or other nominee holder, your shares cannot be voted at the Annual Meeting.**

### **What is the Recommendation of the Board and How Will the Board Vote My Proxy?**

The Board of Directors unanimously recommends that the shareholders vote **FOR** the election of each of the Director-Nominees named below and **FOR** approval of Proposal Nos. 2, 3, 4, 5 and 6 described below.

If you grant us your proxy to vote your shares, and you do not revoke that proxy prior to or at the Annual Meeting, your shares will be voted as directed by you. If you do not provide any specific direction as to how your shares should be voted, your shares will be voted **FOR**:

1. The election of each of the 10 director-nominees named below (*Proposal No. 1*).
2. Approval of the amendment to the Company's Articles of Incorporation to increase the authorized number of shares of the Company's common stock to 70,000,000 shares from 20,000,000 shares (*Proposal No. 2*).
3. Approval of the Company's reincorporation from California to Delaware (*Proposal No. 3*).
4. Approval of the First Foundation Inc. 2015 Equity Incentive Plan (*Proposal No. 4*).
5. Ratification of the appointment of Vavrinek Trine Day & Co. LLP as the Company's independent registered public accounting firm for fiscal year 2015 (*Proposal No. 5*).
6. Approval of the adjournment or postponement of the Annual Meeting, if necessary to solicit additional proxies in favor of one or more of the foregoing proposals (*Proposal No. 6*).

If any other matter should be presented at the Annual Meeting upon which a vote may properly be taken, the shares represented by your proxy will be voted in accordance with the judgment of the holders of the proxy. However, if your shares are held in a brokerage account or by a nominee, please read the information above under the caption "Voting Shares Held by Brokers, Banks and Other Nominee Holders" regarding how your shares may be voted.

### **What is the Vote Required to Approve the Proposals that will be Voted on at the Annual Meeting?**

*Quorum Requirement.* Our Bylaws require that a quorum—that is, the holders of a majority of all of the shares entitled to vote at the Annual Meeting—be present, either in person or by proxy, before any business may be transacted at the Annual Meeting (other than adjourning the Annual Meeting to a later date to allow time to obtain additional proxies to satisfy the quorum requirement).

*Proposal No. 1. Election of Directors.* A plurality of the votes cast is required for the election of directors. This means that the 10 nominees for election to the Board who receive the highest number of votes cast will be elected. As a result, any shares voted to "Withhold Authority" and any broker non-votes (which are described below) will not have any effect on the outcome of the election. However, shares voted to "Withhold Authority" and broker non-votes are considered present at the meeting for purposes of determining whether a quorum is present.

*Proposal No. 2. Approval of Amendment to the Company's Articles of Incorporation to Increase the Authorized Number of Shares of Common Stock to 70,000,000 Shares from 20,000,000 Shares.* The affirmative vote of the

holders of a majority of the Company's outstanding shares of common stock is required to approve this Proposal. As a result, abstentions and broker non-votes will have the same effect as a vote against this Proposal.

*Proposal No. 3. Approval of the Company's Reincorporation from California to Delaware.* The affirmative vote of the holders of a majority of the Company's outstanding shares of common stock is required to approve this Proposal. As a result, abstentions and broker non-votes will have the same effect as votes against this Proposal.

*Proposal No. 4. Approval of the Company's 2015 Equity Incentive Plan.* The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and voting at the annual meeting is required to approve this Proposal. As a result, broker non-votes will not affect the outcome of the vote on this Proposal.

*Proposal No. 5. Ratification of Appointment of Vavrinek, Trine, Day & Co., LLP as the Company's independent registered public accounting firm for fiscal year 2015.* The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and voting at the Annual Meeting is required to approve this Proposal. As a result, broker non-votes will not affect the outcome of the vote on this Proposal.

*Proposal No. 6. Approval of the Adjournment or Postponement of the Annual Meeting.* The affirmative vote of a majority of the shares of common stock present in person or represented by proxy and voting at the Annual Meeting is required to approve this Proposal. As a result, broker non-votes will not affect the outcome of the vote on this Proposal.

### **What are Broker Non-Votes and How Will They Affect the Voting at the Annual Meeting?**

Under rules applicable to securities brokerage firms, a broker who holds your shares in street name does not have the authority to vote those shares on any non-routine proposal, except in accordance with voting instructions received from you. On the other hand, your broker may vote your shares on certain routine proposals (such as the ratification of the appointment of independent registered public accountants), if the broker has transmitted proxy-soliciting materials to you, as the beneficial owner of the shares, but has not received voting instructions from you on such proposals. If the broker does not receive voting instructions from you, but chooses to vote your shares on a routine matter, then your shares will be deemed to be present by proxy and will count toward a quorum at the Annual Meeting, but will not be counted as having been voted on, and as a result will be deemed to constitute broker non-votes with respect to, non-routine proposals which, at this year's Annual Meeting, will consist of: the Election of Directors (Proposal No. 1), the approval of the Share Increase Amendment (Proposal No. 2), the approval of the Reincorporation Proposal (Proposal No. 3) and the approval of the 2015 Equity Incentive Plan Proposal (Proposal No. 4). We will treat broker non-votes as follows:

Broker non-votes will have the same effect as a vote against a proposal if approval of the proposal requires the affirmative vote of the holders of a majority of the outstanding shares, and will be counted as present for quorum purposes.

Broker non-votes will not be counted as having been voted, and will not affect the outcome of the voting, on approval of the 2015 Equity Incentive Proposal and on any routine proposal which, to be approved, requires the affirmative vote of the holders of a majority of the shares voted on the proposal, but broker non-votes will be counted as present for quorum purposes.

### **How Can I Revoke My Proxy and Change My Vote?**

If you are a registered owner and have given us your proxy (whether by mail, by telephone or over the Internet), you may change your vote by taking any of the following actions:

Sending a written notice to us that you are revoking your proxy, addressed to the Secretary of the Company, at 18101 Von Karman Avenue, Suite 700, Irvine, California 92612, and then voting again by one of the methods described immediately below. To be effective, the notice of revocation must be received by the Company before the Annual Meeting commences. If, however, after sending us a written notice of revocation, you fail to vote your shares by either of the following two methods, then none of your shares can be voted at the Annual Meeting.

Sending us another proxy, by mail, dated at a later date than your earlier proxy. However, to be effective, that later-dated proxy must be received by the Company before the Annual Meeting commences and must be dated and signed by you. If you fail to date or fail to sign that later-dated proxy, it will not be treated as a revocation of an earlier-dated proxy and your shares will be voted in accordance with your earlier voting

instructions.

Attending the Annual Meeting and voting in person in a manner that is different than the voting instructions contained in your earlier proxy or voting instructions.

**However, if your shares are held by a broker or by a bank or other nominee holder, you will need to contact your broker, bank or nominee holder if you wish to revoke your earlier voting instructions.**

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Set forth below is information regarding the beneficial ownership, as of September 14, 2015, of the Company's common stock by (i) each person who we knew owned, beneficially, more than 5% of the Company's outstanding shares, (ii) each of the Company's directors and each nominee standing for election to the Board at the Annual Meeting, (iii) each of the current executive officers of the Company who are named in the Summary Compensation Table below, and (iv) all of the directors and executive officers as a group. As of September 14, 2015, a total of 15,960,464 shares of our common stock were issued and outstanding.

Name and Title	As of September 14, 2015 <sup>(1)</sup>	
	Number of Shares Beneficially Owned <sup>(2)</sup>	Percent of Class
Wellington Management Company, LLP 280 Congress Street Boston, MA 02210	1,485,000	9.3%
Ulrich Keller, Jr., Executive Chairman	1,396,085 <sup>(3)</sup>	8.7%
Scott Kavanaugh, Vice Chairman and CEO	689,467	4.3%
James Brakke, Director	62,761	*
Max Briggs, Director	30,958 <sup>(4)</sup>	*
Victoria Collins, Director	407,810 <sup>(5)</sup>	2.5%
Warren Fix, Director	82,218 <sup>(6)</sup>	*
John Hakopian, Director and President of FFA	485,180	3.0%
Gerald Larsen, Director	21,401	*
Mitchell M. Rosenberg, Director	33,701	*
Jacob Sonenshine, Director	40,201	*
David S. DePillo	344,785	2.2%
John Michel	144,000	*
All Directors and executive officers as a Group (12 persons)	3,738,567	22.4%

\* Less than 1%

- (1) This table is based upon information supplied to us by our officers, directors and principal shareholders. Except as otherwise noted, we believe that each of the shareholders named in the table has sole voting and investment power with respect to all shares of common stock shown as to which he or she is shown to be the beneficial owner, subject to applicable community property laws. The percentage ownership interest of each individual or group is based upon the total number of shares of the Company's common stock outstanding plus the shares which the respective individual or group has the right to acquire within 60 days after September 14, 2015 through the exercise of stock options or pursuant to any contract.
- (2) Includes shares that may be acquired within 60 days of September 14, 2015 pursuant to the exercise of stock options, as follows: Mr. Keller 95,000 shares; Mr. Kavanaugh 260,000 shares; Messrs. Brakke, Fix, Sonenshine and Dr. Rosenberg, 16,500 shares each; Dr. Collins 45,500 shares; Mr. Hakopian 90,500 shares; Mr. Briggs 15,000 shares; Mr. Larsen 11,000 shares; Mr. Michel 127,000 shares; and all of the directors and executive officers as a group 710,500 shares.
- (3) Includes 100,000 shares beneficially owned by Mr. Keller's wife, as to which he disclaims beneficial ownership.
- (4) Includes 3,000 shares beneficially owned by Mr. Briggs' wife, as to which he disclaims beneficial ownership.

- (5) Includes 8,121 shares beneficially owned by Dr. Collins' husband, as to which she disclaims beneficial ownership.
- (6) Includes 5,900 shares beneficially owned by Mr. Fix's wife, as to which he disclaims beneficial ownership.

## ELECTION OF DIRECTORS

### (Proposal No. 1)

The Company's Bylaws provide that the authorized number of Directors may be any number within a range of 7 and 13, inclusive, with the exact number within that range to be set by the Board of Directors. The Board of Directors has set the authorized number of Directors at 10.

Accordingly, a total of 10 Directors will be elected at the Annual Meeting to hold office until the next annual shareholders' meeting and until their respective successors are elected and qualify to serve. The Board of Directors has nominated for election the 10 persons named in the table below, all of whom are incumbent Directors. Each of the nominees has consented to serve as a Director if elected at the Annual Meeting. Unless authority to vote has been withheld, the named proxy holders intend to vote the shares represented by the proxies received by them **FOR** the election of all of those 10 nominees. If, prior to the Annual Meeting, any of the Board of Director's nominees becomes unable to serve, the Board of Directors either will designate a substitute nominee, in which event the proxy holders will vote the proxies received by them for his or her election, or will reduce the authorized number of directors standing for election.

#### Vote Required and Recommendation of the Board of Directors

Under California law, the 10 nominees receiving the highest number of votes cast by holders of shares of the Company's common stock voted in person or by proxy at the Annual Meeting will be elected to serve as the Directors of the Company until the next annual shareholders' meeting and until their respective successors are elected and have qualified to serve. As a result, although shares as to which the authority to vote is withheld will be counted, they will have no practical effect on the outcome of the election of Directors.

If, prior to voting, any record shareholder announces at the Annual Meeting an intention to cumulate votes in the election of the Directors, the proxy holders named on the enclosed proxy card will have the discretionary authority to allocate and cast the votes represented by the proxies they hold among the nominees named below as to whom authority to vote has not been withheld in such proportions as they deem appropriate in order to elect as many of those nominees as is possible.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE ELECTION OF EACH OF THE NOMINEES NAMED BELOW.**

#### Nominees

Set forth below is the name, age and position with the Company of each of the nominees selected by the Board of Directors to stand for election to the Board at the Annual Meeting. All of the nominees named below were elected to the Board by the shareholders at last year's annual meeting. The business address for all of these nominees is 18101 Von Karman Avenue, Suite 700, Irvine, California 92612.

Name	Age	Director Since	Positions with FFI
Ulrich E. Keller, Jr., CFP	58	2007	Executive Chairman and Director
Scott F. Kavanaugh	54	2007	Chief Executive Officer, Vice Chairman and Director

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James Brakke	73	2007	Director
Max Briggs, CFP	50	2012	Director
Victoria Collins, Ph.D.,	72	2007	Director
Warren D. Fix, CPA	77	2007	Director
John Hakopian	47	2007	Director, President of FFA
Gerald Larsen	66	2013	Director
Mitchell M. Rosenberg, Ph.D	61	2007	Director
Coby Sonenshine, J.D., CFA	44	2007	Director

Seven of the Company's 10 directors have been determined to be independent directors, because they have not been employed nor have they received any compensation from the Company or any of its subsidiaries during the past three years, other than compensation for their service on the Board and on Board Committees. Those directors are Dr. Collins and Messrs. Brakke, Briggs, Fix, Larsen, Rosenberg and Sonenshine.

Set forth below is a summary of the business experience and qualifications of the nominees named above who are standing for election to the Board at the Annual Meeting.

**Ulrich Keller, Jr., CFP.** Mr. Keller is one of the founders of the Company and currently is the Executive Chairman of FFI and its wholly-owned subsidiary, First Foundation Advisors ( FFA ). Mr. Keller served as Chief Executive Officer ( CEO ) of FFA from 1990, when it began operations as a fee-only investment advisor, until December 2009, at which time he became its Executive Chairman. In 2007, Mr. Keller became the Executive Chairman of FFI and from June 2007 until December 2009 he also served as the CEO of FFI. Mr. Keller earned a Bachelor of Science degree in Finance from San Diego State University and completed the financial planning program at the University of Southern California. Mr. Keller serves as a member of the University of California, Irvine ( UCI ) Foundation's Finance & Investment Committee and serves as Co-Chair for the Center for Investment and Wealth Management at the Paul Merage School of Business at UCI. As one of the founders of the Company, who played a key role in the development and successful implementation of our business strategy of providing high quality and personalized wealth management and investment advisory services to our clients and the expansion of the financial services we offer our clients, Mr. Keller brings to the Board considerable knowledge and valuable insights about the wealth management and investment advisory business and the Southern California financial services market.

**Scott Kavanaugh.** Mr. Kavanaugh is, and since December 2009 has been the CEO of FFI, and from June 2007 until December 2009, he served as President and Chief Operating Officer of FFI. Mr. Kavanaugh has been the Vice-Chairman of FFI since June 2007. He also is, and since September 2007 has been, the Chairman and CEO of FFI's wholly-owned banking subsidiary, First Foundation Bank ( FFB ). Mr. Kavanaugh was a founding shareholder and served as an Executive Vice President and Chief Administrative Officer and a member of the board of directors of Commercial Capital Bancorp, Inc., the parent holding company of Commercial Capital Bank. During his tenure as an executive officer and director of Commercial Capital Bancorp, Inc. that company became a publicly traded company, listed on NASDAQ, and its total assets grew to more than \$1.7 billion. From 1998 until 2003, Mr. Kavanaugh served as the Executive Vice President and Chief Operating Officer and a director of Commercial Capital Mortgage. From 1993 to 1998, Mr. Kavanaugh was a partner and head of trading for fixed income and equity securities at Great Pacific Securities, Inc., a west coast-based regional securities firm. Mr. Kavanaugh earned a Bachelor of Science degree in Business Administration and Accounting at the University of Tennessee and a Masters of Business Administration ( MBA ) degree in Information Systems at North Texas State University. Mr. Kavanaugh is, and since 2008 has been, a member of the board of directors of Colorado Federal Savings Bank and its parent holding company, Silver Queen Financial Services, Inc. Mr. Kavanaugh also is, and since December 2013 has been, a member of the boards of directors of NexBank SSB and its parent holding company, NexBank Capital, Inc. From January 2000 until June 2012, Mr. Kavanaugh served as Independent Trustee and Chairman of the Audit Committee, and from June 2012 until December 2013 served as Chairman, of the Highland Mutual Funds, a mutual fund group managed by Highland Capital Management. The Board believes that Mr. Kavanaugh's extensive experience as an executive officer of banks and other financial services organizations, combined with his experience as a director of both public and private companies, qualifies him to serve as a member of our Board of Directors. In addition, because Mr. Kavanaugh is the Company's Chief Executive Officer, the Board of Directors believes that his participation as a member of the Board facilitates communication between the outside Board members and management.

**James Brakke.** Mr. Brakke has served as a director of FFI since 2007. From 2001 until 2006 Mr. Brakke served as a director of Commercial Capital Bancorp, Inc. and from 2000 until 2006, Mr. Brakke served as a director of Commercial Capital Bank. Mr. Brakke is, and since 2001 has been, Executive Vice President and director of the Dealer Protection Group, an insurance brokerage firm that Mr. Brakke co-founded, which specializes in providing

insurance products to the automobile industry. Mr. Brakke also serves as a salesperson for Brakke-Schafnitz Insurance Brokers, a commercial insurance brokerage and consulting firm that he co-founded and where he was President and Chairman from 1971 until 2009. Mr. Brakke currently serves as a director of Maury Microwave Corporation and as Chairman of Advanced Wellness and Lasers. Mr. Brakke earned a Bachelor of Science degree in Business and Finance from Colorado State University. Mr. Brakke's experience as a director of Commercial Capital Bancorp, Inc. and its wholly owned banking subsidiary, Commercial Capital Bank, is valuable to other independent member of the Company's

Board of Directors. Moreover, we believe Mr. Brakke's extensive knowledge of the insurance industry provides valuable insight and support for our insurance operations.

**Max Briggs, CFP.** From 2005 to 2012, Mr. Briggs served as Chairman of the Board of DCB. He was elected as a director of the Company following our acquisition of DCB in August 2012. Mr. Briggs is, and since 1996 has been the President and CEO of FLC Capital Advisors, a wealth management firm with over \$300 million of assets under management. Mr. Briggs earned a Business Administration and Finance degree from Stetson University. We believe Mr. Briggs is a valuable member of our Board of Directors due to his knowledge of the banking business, gained from his service as Chairman of DCB, particularly as conducted in Palm Desert, California and its surrounding communities, where we have two of our wealth management offices, and his experience as President and CEO of a wealth management firm.

**Victoria Collins, Ph.D.** Dr. Collins is and has been a director of FFI since 2007. Beginning in 1990, Dr. Collins served as an executive officer of FFA, including as an Executive Vice President from 1990 until 2009 and as a Senior Managing Director from 2009, until her retirement in December 2011. Dr. Collins currently serves on the Dean's Advisory Board for the Center for Investment and Wealth Management at the Paul Merage School of Business at the University of California, Irvine. Dr. Collins earned a Bachelor's of Administration degree in Psychology from San Diego State University, a Master of Arts degree in Educational Psychology from St. Mary's College and a Doctor of Philosophy (Ph.D.) degree in Cognitive Psychology from the University of California, Berkeley. Dr. Collins found that her knowledge of psychology was invaluable in her role as an executive officer and a senior wealth manager at FFA. We believe that the Board has found that Dr. Collins brings to the Board valuable insights about FFA's business from her knowledge of and her experience in wealth management, and her management experience at FFA.

**Warren Fix.** Mr. Fix has served as a director of FFI since 2007. Mr. Fix is, and since 1992 has been, a partner in The Contrarian Group, a business investment and management company. From 1995 to 2008, Mr. Fix served in various management capacities and on the Board of Directors of WCH, Inc., formerly Candlewood Hotel Company. From 1989 to 1992, Mr. Fix served as President of the Pacific Company, a real estate investment and development company. From 1964 to 1989, Mr. Fix held numerous positions at the Irvine Company, including serving as its Chief Financial Officer (CFO) and as a director. Mr. Fix currently serves as a director of Healthcare Trust of America, a publicly traded real estate investment trust, Clark Investment Group, Accel Networks and CT Realty. Mr. Fix earned a Bachelor of Administration degree from Claremont McKenna College. We believe Mr. Fix brings to the Board his knowledge of accounting as a result of his long tenure as CFO of the Irvine Company and his experience as an independent director of both public and private companies.

**John Hakopian.** Mr. Hakopian is, and since April 2009 has been, the President of FFA and is and since 2007 has been a member of the Company's Board of Directors. Mr. Hakopian was one of the founders of FFA in 1990, when it began its operations as a fee-based investment advisor and served as its Executive Vice President and Co-Portfolio Manager from 1994 through April 2009. Mr. Hakopian earned a Bachelor of Arts degree in Economics from UCI and a MBA degree in Finance from the University of Southern California. Mr. Hakopian's extensive knowledge of the Company's wealth management and investment advisory business makes him a valuable member of the Board who is able to provide the outside Board members with insight in to the operations and risks of that business.

**Gerald Larsen, J.D., LL.M., CFP, CPA.** Mr. Larsen has served as a director of FFI since 2013 and as a director of FFB since 2008. Mr. Larsen is, and since 1992 has served as the President, Principal and owner of the law firm of Larsen & Risley, located in Costa Mesa, California. Mr. Larsen's law practice focuses on federal and state taxation, probate, estate planning, partnerships and corporate law. Mr. Larsen earned a Bachelor of Science degree in Accounting from California State University, Northridge, a Juris Doctorate degree from the law school at Stetson University, in Florida, and an LL.M. degree from the University of Florida. We believe that Mr. Larsen's extensive experience as a tax and estate planning lawyer provides the Board with valuable insights regarding the tax and estate planning aspects of wealth management.

***Mitchell Rosenberg, Ph.D.*** Dr. Rosenberg has served as a director of FFI since 2007. Dr. Rosenberg is, and since 2005 has served as, President and founder of the consulting firm of M. M. Rosenberg & Associates, which provides executive and organizational development services to technology companies, health care businesses and public entities. From 2002 to 2005, Dr. Rosenberg was Chief Executive Officer for The Picerne Group, an international investment firm investing primarily in real estate, and portfolios of loans. Prior to 2002, Dr. Rosenberg served as Executive Vice President and Director of Business Services for Ameritrust Capital Corporation and directed the

Human Resource and Organizational Development functions for Washington Mutual Bank, American Savings Bank and Great Western Bank. Dr. Rosenberg earned a Bachelor of Science degree in Psychology from Ohio University, a Masters of Science degree in Industrial Psychology from California State University, Long Beach, and a Ph.D. degree in Psychology with an emphasis on Organizational Behavior from Claremont Graduate University, which is the graduate university of the Claremont Colleges. We believe that Dr. Rosenberg's educational and operational experience in managing the human resource and organizational development functions of a number of banking organizations and a real estate investment firm provides insight regarding the Company's human resource functions, including compensation considerations that will impact the Company's growth and expansion.

**Jacob Sonenshine, J.D., CFA.** Mr. Sonenshine has served as a director of FFI since 2007. Mr. Sonenshine is, and since 2012 has served as, co-chief executive officer of Prell Restaurant Group, an operator of fast casual restaurants. From 2006 until 2012, Mr. Sonenshine served as the President and Chief Operating Officer of Professional Retirement Strategy, a retirement planning and entity risk management firm. From 1999 to 2005, Mr. Sonenshine was President and co-founder of RSM EquiCo, an investment bank specializing in mergers and acquisitions of privately-held middle market companies. Mr. Sonenshine currently serves on the Board of New Momentum, LLC, a software firm focusing on brand protection, anti-counterfeiting and channel integrity. Mr. Sonenshine earned a Bachelor of Science degree in economics and a Bachelor of Administration degree in International Relations from the University of Pennsylvania, and a J.D. degree and a MBA degree from the University of Southern California. We believe Mr. Sonenshine's experience as CEO of a retirement planning firm is valuable to the Board in overseeing FFA's wealth management and investment advisory business.

There are no family relationships among any of the Company's directors or executive officers.

## **Executive Officers**

In addition to Messrs. Keller, Kavanaugh and Hakopian, each of whom is an executive officer and an incumbent Director and nominee for re-election to the Board at the Annual Meeting, set forth below are the names and biographical information of our other executive officers:

**David S. DePillo.** Mr. DePillo, age 54, is, and since May 2015 has been, the President of FFB. Mr. DePillo has more than 25 years of banking and investment management experience. He was most recently at Umpqua Bank, where he served as Executive Vice President from April 2014, following Umpqua's acquisition of Sterling Savings Bank, until he left to join FFB. He joined Sterling Savings Bank in October 2010 as its chief credit officer and transitioned to chief lending officer in March 2012, until his appointment as Executive Vice President of Umpqua Bank. Previously, Mr. DePillo served as the vice chairman of the board of Fremont General Corporation, a financial services holding company, and of Fremont Investment & Loan, its wholly-owned bank subsidiary. From November 2007 to September 2009, he was the president of both companies. From 1999 through 2006, Mr. DePillo served as the vice chairman, president and chief operating officer of Commercial Capital Bancorp Inc. and its subsidiary companies.

**John Michel.** Mr. Michel, age 56, is, and since September 2007 has been, the Executive Vice President and CFO of the Company and FFB. Since January 2009, he has also served as the CFO of FFA. Mr. Michel served as the Chief Financial Officer of Sunwest Bank from February 2005 to October 2006 and of Fidelity Federal Bank from September 1998 to December 2001. Mr. Michel earned a Bachelor of Business Administration Accounting degree from the University of Notre Dame.

## **The Board of Directors**

### *Election of Directors*

Our bylaws provide that our directors are to be elected at each annual meeting of shareholders but, if any such annual meeting is not held or the directors are not elected at an annual meeting, the directors may be elected at any special meeting of shareholders held for that purpose. All directors shall hold office until their respective successors are elected, subject to applicable California law and the provisions of our bylaws with respect to vacancies on the Board. A vacancy on the Board of Directors shall be deemed to exist (i) in case of the death, resignation or the removal (with or without cause) of any director, (ii) if a director has been declared of unsound mind by order of court or convicted of a felony, (iii) if the authorized number of directors is increased, or (iv) if the shareholders fail, at any annual or special

meeting of shareholders at which any director or directors are elected, to elect the full authorized number of directors to be voted for at that meeting.

Vacancies on the Board of Directors, other than a vacancy created by the removal of a director, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director, and each director so elected shall hold office until his or her successor is elected at the next annual or a special meeting of the shareholders called for the purpose of electing directors. A vacancy on the Board of Directors created by the removal of a director may only be filled by the vote of a majority of the shares entitled to vote represented at a duly held meeting of the shareholders at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares.

#### *Role of the Board of Directors*

In accordance with California law, the Board of Directors oversees the management of the business and affairs of the Company. The members of the Board keep informed about our business primarily through discussions with management, by reviewing analyses and reports sent to them by management and outside consultants, and by participating in Board and in Board committee meetings.

Our Board members are encouraged to prepare for and to attend all meetings of the Board and the Board committees of which they are members and all meetings of our shareholders. During the fiscal year ended December 31, 2014, the Board of Directors of the Company held a total of 11 meetings and each of the directors attended at least 90% of the total of those meetings and the meetings of the Board committees on which he or she served during 2014, except for Dr. Collins who attended more than 70% of total of those 11 Board meetings and the meetings of the Board committees on which she served during 2014. All of our directors also attended the 2014 Annual Meeting of Shareholders. Although we have no formal policy requiring director attendance at annual meetings of shareholders, we attempt to schedule each annual meeting for a date that is convenient for all directors to attend.

#### *The Board's Role in Risk Oversight*

The Board's responsibilities in overseeing the Company's management and business include oversight of the Company's key risks and management processes and controls. Management, in turn, is responsible for the day-to-day management of risk and implementation of appropriate risk management controls and procedures.

The risk of incurring losses on the loans we make is an inherent feature of the banking business and, if not effectively managed, such risks can materially affect our results of operations. Accordingly, the Board, as a whole, exercises oversight responsibility over the processes that our management employs to manage those risks. The Board fulfills that oversight responsibility by:

- monitoring trends in the Company's loan portfolio and the Company's allowance for loan losses;

- establishing internal limits related to the Company's lending exposure and reviewing and determining whether or not to approve loans in amounts exceeding certain specified limits;

- reviewing and discussing at least quarterly, and more frequently as the Board may deem to be necessary, reports from FFB's chief credit officer relating to such matters as (i) risks in the Company's loan portfolio, (ii) economic conditions or trends that could reasonably be expected to affect (positively or negatively) the

performance of the loan portfolio or require increases in the allowance for loan losses, and (iii) specific loans that have been classified as special mention, substandard or doubtful and, therefore, require increased attention from management;

reviewing, at least quarterly, management's determinations with respect to the adequacy of, and any provisions required to be made to replenish or increase, the allowance for loan losses;

reviewing management reports regarding collection efforts with respect to nonperforming loans; and

authorizing the retention of, and reviewing the reports of, external loan review consultants with respect to the risks in and the quality of the loan portfolio.

Although risk oversight permeates many elements of the work of the full Board and its committees, the audit committee is responsible for overseeing any other significant risk management processes.

*Committees of our Board of Directors*

Our Board of Directors has three standing committees: an audit committee, a compensation committee and a nominating and governance committee. The Board has adopted a written charter for each of those committees, and copies of those charters are available in the investor relations section of our website at: <http://investor.ff-inc.com>. In addition, from time to time, special committees may be established under the direction of our Board of Directors when necessary to address specific issues.

*The Audit Committee.* The Board has established a standing audit committee, the members of which are Mr. Fix, its chairman, and Messrs. Briggs and Larsen. The Board of Directors has determined that all of the members of the audit committee are independent within the meaning of the enhanced independence requirements for audit committee members contained in Rule 10A-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act). Our Board of Directors also has determined that each of Messrs. Fix and Briggs meets the definition of audit committee financial expert adopted by the Securities and Exchange Commission (the SEC). The audit committee held five meetings in 2014.

The audit committee's responsibilities include:

Selecting and appointing the Company's independent auditors, following the committee's evaluation of their qualifications, preapproving the services to be rendered by them, and determining the fees to be paid the independent auditors for their services to the Company;

overseeing the work of and monitoring and evaluating the independent auditors' performance and independence and making all decisions with respect to the termination of the independent auditors;

reviewing all audit and non-audit services to be performed by the independent auditors, taking into consideration whether the provision of any non-audit services by the independent auditors is compatible with maintaining their independence;

reviewing and discussing with management and the independent auditors the annual and quarterly financial statements prior to their release;

reviewing and discussing with management and our independent auditors the adequacy and effectiveness of our accounting and financial reporting processes and internal controls and the audits of our financial statements;

establishing and overseeing procedures for the receipt, retention and treatment of any complaints that may be received by us regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential and anonymous submission by our employees of questions or concerns regarding accounting or auditing matters;

investigating any matter brought to the audit committee's attention within the scope of its duties and engaging independent counsel and other advisors as the audit committee deems necessary for that purpose;

reviewing reports to management prepared by the internal audit function, as well as management's responses to those reports;

reviewing and assessing the adequacy of the committee's formal written charter on an annual basis;

reviewing and deciding whether or not to approve any related party transactions in accordance with the Company's related party transaction policy; and

overseeing such other matters that may be specifically delegated to the audit committee by our Board of Directors.

*The Compensation Committee.* The Board has established a standing compensation committee, the members of which are Dr. Rosenberg, its chairman, and Messrs. Brakke and Larsen. The Board of Directors has determined that all of the members of the compensation committee are independent within the meaning of the NASDAQ rules applicable to such committees. The compensation committee held two meetings in 2014.

The compensation committee's responsibilities include:

developing, reviewing, and approving our management compensation programs and reporting to the full Board of Directors regarding the adoption and effectiveness of such programs, including

cash bonus and cash incentive plans and programs; and

equity incentive plans and programs;

approving individual grants or awards under cash and equity incentive compensation plans and reporting to the full Board of Directors regarding the terms of such grants or awards;

reviewing and approving individual and Company performance goals and objectives that must be achieved for executive officers to earn any performance-contingent cash or equity incentive awards;

reviewing and approving the terms of any employment agreement, severance or change in control arrangements, or other compensatory arrangement with any executive officers or other key management employees;

reviewing with management the narrative discussion to be included in the annual proxy statements with respect to executive officer and director compensation;

reviewing and assessing, on an annual basis, the adequacy of its formal written charter; and

overseeing any other matters that may be specifically delegated to the compensation committee by our Board of Directors.

*The Nominating and Governance Committee.* The Board has established a standing nominating and governance committee, the members of which are Dr. Rosenberg, its chairman, and Messrs. Briggs and Sonenshine. The Board of Directors has determined that all of the members of the nominating and governance committee are independent within the meaning of the NASDAQ rules applicable to such committees. The nominating and governance committee held one meeting in 2014.

The nominating and governance committee's responsibilities include:

identifying and recommending nominees for election to the Board of Directors;

making recommendations to the Board of Directors regarding the directors to be appointed to each of its standing committees;

developing and recommending corporate governance guidelines for adoption by the Board of Directors; and

overseeing annual self-assessments by the directors of the performance of the Board and its committees.

**Corporate Governance Principles and Policies**

Our Directors believe that sound governance policies and practices provide an important framework to assist them in fulfilling their duties to the Company's shareholders. Our Board of Directors has adopted the following governance guidelines, which include a number of policies and practices under which our Board has operated for some time, together with concepts suggested by various authorities in corporate governance and the requirements under applicable NASDAQ rules. Our Board members believe these policies and practices are essential to the performance of the Board's oversight responsibilities and to the maintenance of the Company's integrity in the marketplace.

Some of the principal subjects covered by those guidelines include:

*Codes of Business and Ethical Conduct.* Our Board of Directors has adopted a Code of Business and Ethical Conduct for our officers and employees and a Code of Conduct which contains specific ethical policies and principles that apply to our Chief Executive Officer, Chief Financial Officer, FFB's President and other key accounting and financial personnel. A copy of each of these codes is accessible at the Investor Relations section of our website at <http://ff-inc.com>. We intend to disclose, at that same location on our website, any amendments to and any waivers of the requirements of the Code of Business and Ethical Conduct that may be granted to our Chief Executive Officer or Chief Financial Officer.

*Incentive Compensation Clawback Policy.* Our Board of Directors has adopted an Incentive Compensation Clawback Policy. Under that Policy, if any of our executive officers receive incentive compensation as a result of our achievement of financial results measured on the basis of financial statements that are required to be restated, we will become entitled to recoup from those executive officers the amount by which the incentive compensation they had received based on those financial statements exceeds the incentive compensation they would have received had such incentive compensation been determined on the basis of the restated financial statements ( excess compensation ). The Policy further provides that, if the excess compensation was paid or received in shares of common stock and the officer had sold those shares within a year of the public disclosure of the financial statements that were the subject of the accounting restatement, we will be entitled to recoup the net profits realized by the officer from the sale of those shares.

*Related Party Transaction Policy.* Our Board of Directors has adopted a Related Party Transaction Policy, which provides that, subject to certain limited exceptions, the Company will not enter into or consummate a related party transaction that is determined by the Audit Committee to be materially less favorable from a financial standpoint to the Company than similar transactions between the Company and unaffiliated third parties.

*Board Leadership Structure.* The Chairman of our Board of Directors is Rick Keller, who is a member of senior management, and our Chief Executive Officer is Scott Kavanaugh. The Board of Directors decided to separate the positions of Chairman and Chief Executive Officer because the board believes that doing so provides the appropriate leadership structure for us at this time, particularly since the separation of those two positions enables our Chief Executive Officer to focus on the management of our business and the development and implementation of strategic initiatives, while the Chairman leads the board of directors in the performance of its responsibilities.

*Director Independence and Diversity.* SEC rules impose several requirements with respect to the independence of our directors. Our nominating and governance committee and the Board of Directors have evaluated the independence of the members of the Board, the Audit Committee and the Compensation Committee based upon those rules and on the independence standards adopted by the NASDAQ Stock Market which, among other things, require that a board be comprised of at least a majority of independent directors. Our Board of Directors has affirmatively determined that 7 of our 10 directors are independent within the meaning of those rules and standards.

The Board of Directors believes that differences in experience, knowledge, skills and viewpoints enhance the Board of Directors' performance. Accordingly, the nominating and governance committee considers such diversity in selecting, evaluating and recommending proposed Board nominees. However, the Board of Directors has not implemented a formal policy with respect to the consideration of diversity for the composition of the Board of Directors.

*Director Responsibilities.* Directors are expected to act in the best interests of all shareholders; develop and maintain a sound understanding of our business and the industry in which we operate; prepare for and attend Board and Board committee meetings; and provide active, objective and constructive participation at those meetings.

*Director Access to Management.* Directors will have access to members of management and members of management will provide Board presentations and reports regarding the functional areas of our business for which they are responsible.

*Adequate Funding for the Board and its Committees.* The Company will provide the funding necessary to enable the Board and each of its committees to retain independent advisors as the Board, or such committees acting independently of the Board, deem to be necessary or appropriate.

*Executive Sessions without Management.* The independent directors of the Board will hold separate sessions, outside the presence of management, to consider and evaluate the performance of the Company and its management and such other matters as they deem appropriate. In addition, the Audit Committee shall meet separately with the Company's outside auditors.

*Communications with the Board of Directors.* Shareholders and other interested persons may communicate with the full Board of Directors, any Board committee, the independent directors as a group or any individual member of the Board in writing by mail addressed to the Corporate Secretary, First Foundation Inc. 18101 Von Karman Avenue, Suite 700, Irvine CA, 92612. All communications will be forwarded to the Board of Directors, the particular committee of the Board or the specified directors or individual director, as appropriate. The Company screens all regular mail for security purposes.

### **Selection and Nomination of Candidates for Election to the Board of Directors**

We believe that our directors should have the highest professional and personal ethics and values, consistent with our longstanding values and standards. They should have broad experience at the policy-making level in business, banking or government or established academic credentials and achievements in fields relevant to our businesses. They should be committed to enhancing shareholder value and must represent the interests of all shareholders as opposed to any particular constituency within our shareholders. Directors also should have sufficient time to carry out their duties and to provide insight and practical wisdom, based on their experience, to management. Therefore, their service on boards of other companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly their duties as directors of the Company.

The nominating and governance committee recommends to the Board for selection as Board nominees persons who the members of that committee believe are best qualified to serve on the Board. That committee will consider director candidates recommended by shareholders, other members of the Board, officers and employees of the Company and other sources that the committee deems appropriate. Under its charter, the committee also has the authority to engage an executive search firm and other advisors as it deems appropriate to assist it in identifying qualified Board candidates. The nominating and governance committee charter directs the committee to evaluate the candidates based upon the totality of their merits and not based upon minimum qualifications or attributes. In considering individual director candidates, the committee takes into account the qualifications and business experience of the other members of the Board to ensure that a broad variety of skill sets and experience beneficial to the Company and its businesses are represented on the Board of Directors. The nominating and governance committee evaluates all director candidates in the same manner regardless of the source of the recommendation. The committee will interview and, when deemed appropriate, will conduct background inquiries about, Board candidates. Some of the criteria used by the committee to evaluate the candidates, including those selected for nomination at the 2015 Annual Meeting, include:

personal and professional integrity;

independence;

absence of conflicts of interest;

prior business experience or academic achievements and credentials, including knowledge of the banking business;

educational record and achievements;

skills that may be relevant to the Company's business;

prior board experience with the Company or other publicly traded companies; and

involvement in community, business and civic affairs.

*Shareholder Recommendation of Board Candidates.* Any shareholder desiring to submit a recommendation for consideration by the nominating and governance committee of a candidate for election to the Board may do so by submitting that recommendation in writing to the Board not later 120 days prior to the first anniversary of the date on

which the proxy materials for the prior year's annual meeting were first sent to shareholders. However, if the date of an annual meeting has been changed by more than 30 days from the anniversary date of the prior year's annual meeting, the recommendation must be received within a reasonable time before the Company begins to print and mail its proxy materials for that annual meeting. In addition, the recommendation should be accompanied by the following information: (i) the name and address of the nominating shareholder and the person that the nominating shareholder is recommending for consideration as a candidate for Board membership; (ii) the number of shares of voting stock of the Company that are owned by the nominating shareholder, his or her recommended candidate and any other shareholders known by the nominating shareholder to be supporting the nomination of that candidate; (iii) a description of any arrangements or understandings that relate to the election of directors of the Company, between the nominating shareholder, or any person that (directly or indirectly through one or more intermediaries) controls, or is controlled by, or is under common control with, such shareholder, on the one hand, and the person that the nominating shareholder is recommending for election to the Board or any other person or persons (naming each such person), on the other hand; (iv) such other information regarding the recommended candidate as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; and (v) the written consent of the recommended candidate to be named as a nominee and, if nominated and elected, to serve as a director. The Board and the nominating and governance committee make no distinction between whether a candidate is recommended by a shareholder or by management and the Board and the nominating and governance committee apply the same process and criteria in evaluating a candidate recommended by a shareholder as it would for a candidate recommended by management.

*Shareholder Nominations.* Our Bylaws provide that any record shareholder also may nominate, at any annual meeting of shareholders, one or more candidates for election to the Board of Directors, by giving the Company written notice (addressed to the Secretary of the Company at the Company's principal offices) of such shareholder's intention to do so not later than 120 days prior to the first anniversary of the date on which the proxy materials for the prior year's annual meeting were first sent to shareholders. If, however, the date of the annual meeting has been changed by more than 30 calendar days from the first anniversary of the date of the prior year's meeting, then such notice must have been received not later than the close of business on the tenth day following the day on which public announcement of the date of such meeting is made. Such notice must be accompanied by the same information, described in the immediately preceding paragraph, regarding each such candidate to be nominated for election to the Board and the nominating shareholder and the written consent of such candidate to be named as a nominee and, if nominated and elected, to serve as a director. Shareholders are advised to review our Bylaws, which contain a description of the information required to be submitted, as well as the advance notice and other requirements that apply to nominations by shareholders of candidates for election to the Board. Any shareholder nomination at any annual meeting that does not comply with these Bylaw requirements will be ineffective and disregarded.

### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires each of our directors and executive officers, and any person who may own more than 10% of our common stock (a 10% Shareholder), to file reports with the SEC containing information regarding such person's ownership and changes in ownership of our shares of common stock and of options, warrants or any other rights to purchase shares of our common stock. Our directors and executive officers and any 10% Shareholders are required by SEC regulations to furnish us with copies of all forms that each has filed with the SEC pursuant to Section 16(a) of the Exchange Act.

To our knowledge, based solely on a review of copies of Section 16(a) reports furnished to us and on written representations from such reporting persons, during 2014, all of those persons complied with the Section 16(a) filing requirements, except for a Form 4 filed to report a purchase of 500 shares of the Company's common stock by Warren Fix, which was inadvertently filed two (2) days late.



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**AMENDMENT OF THE COMPANY S ARTICLES OF INCORPORATION**

**TO INCREASE THE AUTHORIZED NUMBER OF SHARES**

**OF COMMON STOCK TO 70,000,000 SHARES**

**(Proposal No. 2)**

Article Three of the Company s Articles of Incorporation, as amended (the Articles of Incorporation ), currently authorizes the issuance, by Board action, of up to 20,000,000 million shares of our common stock, par value \$0.001 per share, and up to 5,000,000 shares of our preferred stock, par value \$0.001 per share. As of September 14, 2015, a total of 15,962,686 shares of common stock were issued and outstanding and a total of 1,686,786 shares of common stock were reserved for future issuance under the Company s shareholder-approved equity incentive plans, leaving a total of just 2,350,528 shares of common stock available for sales of shares in the future.

The Board of Directors has approved, subject to shareholder approval, an amendment to Article Three of the Company s Articles of Incorporation to increase the authorized number of shares of our common stock to 70,000,000 shares (the Share Increase Amendment ). The authorized number of shares of preferred stock will remain unchanged at 5,000,000 shares.

The increase in the authorized number of shares of common stock is intended to ensure that the Company will continue to have an adequate number of authorized and unissued shares of common stock for future use. While the Company does not have any current intention to sell or issue the shares contemplated by the Share Increase Amendment, this amendment would give the Company the necessary flexibility to issue shares of common stock to raise additional capital to support the Company s growth initiatives, for general corporate purposes, to use as consideration in business acquisitions, and pursuant to equity-based incentive compensation plans. Having such shares available for issuance in the future will enable us to issue and sell shares of common stock without the expense and delay of a shareholders meeting (except when shareholder approval is required under applicable law or NASDAQ rules). Among other things, any such delay could cause us to lose out on acquisition opportunities when we are competing for those acquisitions with other companies that do have available shares.

Additional shares of common stock authorized for issuance by the Share Increase Amendment, if and when issued, will have the same rights and privileges as the shares of common stock that are currently owned by our shareholders. Our common stock has no preemptive rights to purchase common stock or other securities. In addition, under California law, our shareholders are not entitled to dissenters or appraisal rights in connection with the proposed increase in the number of shares of common stock authorized for future issuance.

If the Share Increase Amendment is approved by our shareholders at the Annual Meeting, then, paragraph (a) of Article Three of the Articles of Incorporation will be amended and restated to read in its entirety as follows:

(a) The total number of shares which the corporation shall have authority to issue is 75,000,000 shares, comprised of 70,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.001 per share.

The proposed increase in the number of authorized shares of the Company s common stock will not, by itself, change the number of shares of common stock outstanding, nor will it have any immediate dilutive effect on the Company s current shareholders. However, the issuance of additional shares of common stock authorized by the Share Increase Amendment may occur at times or under circumstances that could result in a dilutive effect on earnings per share, book value per share or the percentage voting or ownership interest of the present holders of the Company s common stock, none of whom have preemptive rights to subscribe for additional shares that the Company may issue.

Although an increase in the number of authorized shares of the Company's common stock could, under certain circumstances, also be construed as having an anti-takeover effect (for example, by permitting easier dilution of the stock ownership of a person seeking to effect a change in the composition of the Board of Directors or contemplating a tender offer or other transaction resulting in our acquisition by another company), the proposed increase in authorized shares and in authorized shares of common stock is not in response to any effort by any person or group to accumulate our common stock or to obtain control of us by any means. In addition, the proposal is not part of any plan by our Board of Directors to recommend or implement a series of anti-takeover measures.

If the Share Increase Amendment is approved by our shareholders, then, it will become effective upon filing of a Certificate of Amendment of the Articles of Incorporation of the Company with the California Secretary of State. However, if the shareholders also approve the reincorporation of the Company from California to Delaware (Proposal No. 3) at the Annual Meeting, then the Board of Directors may choose, instead, to give effect to the increase in the authorized number of shares, not by filing the Certificate of Amendment of Articles of Incorporation with the California Secretary of State, but by providing, in the Certificate of Incorporation to be filed in Delaware in connection with the reincorporation, that the Company's authorized capital stock shall consist of 75,000,000 million shares, comprised of 70,000,000 shares of common stock, par value \$0.001 per share, and 5,000,000 shares of preferred stock, par value \$0.001 per share. Our shareholders will be deemed to have approved this method for effectuating the Share Increase Amendment if they approve both the Share Increase Amendment and the Reincorporation Proposal.

However, even if the Company's shareholders approve the Share Increase Amendment, the Board retains the discretion under California law not to implement that Amendment. Nevertheless, the Board has no reason to expect that, if the Share Increase Amendment is approved by our shareholders, it would not implement that Amendment.

#### **Vote Required for Approval and Board Recommendation**

The affirmative vote of the majority of the outstanding shares of common stock entitled to vote on the Share Increase Amendment is required to amend the Articles of Incorporation to increase the authorized number of shares of common stock to 70,000,000 shares.

**The Board unanimously recommends a vote FOR approval of the Share Increase Amendment**

**to increase the authorized number of shares of common stock from 20,000,000 shares to 70,000,000 shares.**

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## REINCORPORATION OF THE COMPANY FROM CALIFORNIA TO DELAWARE

### (Proposal No. 3)

#### Introduction

Our Board has unanimously approved a change in our state of incorporation from California to Delaware (the Reincorporation ), subject to the approval of our shareholders. If approved, the Reincorporation will be effectuated pursuant to the terms of a merger agreement providing for us to merge into a newly formed wholly-owned subsidiary of the Company incorporated in the State of Delaware ( FFI-Delaware ). The name of the Company after the Reincorporation will remain First Foundation Inc. For purposes of the discussion below, the Company as it currently exists as a corporation organized under the laws of the State of California is sometimes referred to as FFI-California or as we or us.

Shareholders are urged to read this proposal carefully, including the exhibits attached to this Proxy Statement, before voting on the Reincorporation Proposal. The following discussion summarizes material provisions of the proposed Reincorporation. This summary is subject to and qualified in its entirety by the Agreement and Plan of Merger (the Reincorporation Agreement ) that will be entered into by FFI-California and FFI-Delaware in substantially the form attached hereto as Exhibit A, the Certificate of Incorporation of FFI-Delaware to be effective immediately following the Reincorporation (the Delaware Certificate ), in substantially the form attached hereto as Exhibit B, and the Bylaws of FFI-Delaware to be effective immediately following the Reincorporation (the Delaware Bylaws ), in substantially the form attached hereto as Exhibit C. Copies of the Articles of Incorporation of FFI-California filed in California, as amended to date (the California Articles ), and the Bylaws of FFI-California, as amended to date (the California Bylaws ), are publicly available as exhibits to the reports we have filed with the SEC and also are available for inspection at our principal executive offices. Additionally, we will send copies to shareholders free of charge upon written request to First Foundation Inc., Attention: Corporate Secretary, at 18101 Von Karman Avenue, Suite 700, Irvine, California 92612.

#### Reasons for the Reincorporation

Because state corporate law governs the internal affairs of a corporation, choice of a state domicile is an extremely important decision for a public company. Management and boards of directors of corporations look to state corporate law, and judicial interpretations of state law, to guide their decision-making on many key issues, including determining appropriate governance policies and procedures, ensuring that boards satisfy their fiduciary obligations to shareholders, and evaluating key strategic alternatives for a corporation, including mergers, acquisitions and divestitures. Our Board and management believe that it is essential for us to be able to draw upon well-established principles of corporate governance in making legal and business decisions. The prominence and predictability of Delaware corporate law provide a reliable foundation on which our governance decisions can be based, and we believe that our shareholders will benefit from the responsiveness of Delaware corporate law and the Delaware judiciary to their needs and to those of the corporation they own. The principal factors the Board considered in deciding to pursue and recommending that our shareholder approve the Reincorporation are summarized below:

highly developed and predictable corporate law in Delaware;

access to specialized courts; and

enhanced ability to attract and retain directors and officers.

*Highly Developed and Predictable Corporate Law.* Delaware has adopted comprehensive and flexible corporate laws that are revised regularly to meet changing business circumstances. The Delaware legislature is sensitive to and experienced in addressing issues regarding corporate law and is especially responsive to developments in modern corporate law. The Delaware Secretary of State is viewed as particularly flexible and responsive in its administration of the filings required for mergers, acquisitions and other corporate transactions. Delaware has become a preferred domicile for many major American corporations and its corporate law and administrative practices have become comparatively well-known and widely understood. In addition, Delaware case law provides a well-developed body of law defining the proper duties and decision making processes expected of boards of directors in evaluating potential or proposed extraordinary corporate transactions. As a result of these factors, it is anticipated that Delaware law will

provide greater efficiency, predictability and flexibility in our legal affairs than is presently available under California law.

*Access to Specialized Courts.* Delaware offers a system of specialized Chancery Courts to adjudicate cases involving corporate law issues. These courts have developed considerable expertise in dealing with corporate legal issues, as well as a substantial and influential body of case law construing Delaware's corporate law and have streamlined procedures and processes that help provide relatively quick decisions. In contrast, California does not have a similar specialized court established to hear only corporate law cases. Instead, disputes involving questions of California corporate law are either heard by the California Superior Court, the general trial court in California that hears all manner of cases, from criminal to civil (including personal injury and marital dissolution cases) or, if federal jurisdiction exists, a federal district court. As a result, corporate law cases brought in California may not proceed as expeditiously as cases brought in Delaware and the outcomes in such courts may be less consistent and predictable.

*Enhanced Ability to Attract and Retain Directors and Officers.* The Board believes that the Reincorporation will enhance our ability to attract and retain qualified directors and officers, as well as encourage directors and officers to continue to make independent decisions in good faith on behalf of the Company. We are in a competitive industry and compete for talented individuals to serve on our management team and on our Board. The majority of public companies are incorporated in Delaware. Not only is Delaware law more familiar to directors, it also offers greater certainty and stability from the perspective of those who serve as corporate officers and directors. The parameters of director and officer liability have been more extensively addressed in Delaware court decisions and, therefore, are better defined and better understood than under California law. The Board believes that the Reincorporation will provide appropriate protection for shareholders from possible abuses by directors and officers, while enhancing our ability to recruit and retain directors and officers. In this regard, it should be noted that directors' personal liability is not, and cannot be, eliminated under Delaware law for intentional misconduct, bad faith conduct or any transaction from which the director derives an improper personal benefit. We believe that the better understood and comparatively stable corporate environment afforded by Delaware law will enable us to compete more effectively with other public companies in the recruitment of talented and experienced directors and officers.

### **Adoption of Majority Vote Standard for Board of Director Elections**

Based on the Board's belief that directors should be elected by majority vote, the Delaware Bylaws include a majority-voting standard for uncontested director elections. This means that, in an uncontested election, a nominee for director must receive a majority of the votes cast in the election of directors for his or her election to the Board. The majority vote standard will require any director who was elected to the Board by a plurality, but not a majority, of the votes cast in an uncontested election to tender his or her resignation from the Board. The Board will then have the choice of either accepting or rejecting the resignation. However, if the Board decides to reject the resignation, it will be required to disclose publicly the reasons for that decision. An uncontested election is an election in which the number of nominees for director is not greater than the number of directors to be elected. A majority of the votes cast means that the number of votes **FOR** a director-nominee must exceed 50% of the total number of votes cast in his or her election. Shares voted as withhold authority to vote on the election of a nominee will count as votes cast against the nominee's election. On the other hand, in a contested election, directors will be elected by a plurality of the votes cast by the shareholders entitled to vote in the election of directors. A contested election is an election in which the number of nominees for director is greater than the number of directors to be elected.

### **Mechanics of the Reincorporation**

The Reincorporation will be effectuated by the merger of FFI-California with and into FFI-Delaware, a wholly-owned subsidiary of the Company that recently has been incorporated under the Delaware General Corporation Law (the DGCL) for purposes of the Reincorporation. The Company, as it currently exists as a California corporation, will cease to exist as a result of the merger, and FFI-Delaware will be the surviving corporation and will continue to

operate our businesses as they were operated prior to the Reincorporation. The existing holders of our common stock will own all of the outstanding shares of FFI-Delaware common stock, and there will be no change in number of shares owned by or in the percentage ownership of any shareholder as a result of the Reincorporation. Assuming approval of the Reincorporation Proposal, we currently intend to effectuate the Reincorporation as soon as reasonably practicable following the Annual Meeting.

At the time and date on which the Reincorporation becomes effective (the Effective Time ), we will be governed by the Delaware Certificate, the Delaware Bylaws and the DGCL. Although the Delaware Certificate and the Delaware Bylaws contain many provisions that are similar to the provisions of the California Articles and the California Bylaws, they do include certain provisions that are different from the provisions contained in the California Articles and the California Bylaws or under the California General Corporation Law (the CGCL ), as described in more detail below.

### **Changes to the Business of the Company as a Result of the Reincorporation**

Other than the change in corporate domicile, the Reincorporation will not result in any change in the business, physical location, management, assets, liabilities or capitalization of the Company, nor will it result in any change in location of our current officers or employees. Upon consummation of the Reincorporation, our daily business operations will continue as they are presently conducted at our principal executive offices located at 18101 Von Karman Avenue, Suite 700, Irvine, California 92612 and at our wealth management and banking offices. The consolidated financial condition and results of operations of FFI-Delaware immediately after consummation of the Reincorporation will be the same as those of FFI-California immediately prior to the consummation of the Reincorporation. In addition, upon the effectiveness of the Reincorporation, the Board of Directors of FFI-Delaware will be comprised of the persons who were elected to the Board of Directors of FFI-California at the Annual Meeting and will continue to serve until the next annual shareholders meeting and until their successors are elected. There will be no changes in our executive officers or in their titles or responsibilities. Upon effectiveness of the Reincorporation, FFI-Delaware will be the successor in interest to FFI-California, and the shareholders will become shareholders of FFI-Delaware, owning the same number of shares of its common stock as they owned of FFI-California's common stock.

All of our employee benefit and incentive compensation plans existing immediately prior to the Reincorporation will be continued by FFI-Delaware, and each outstanding option to purchase shares of FFI-California's common stock will be converted into an option to purchase the same number of shares of FFI-Delaware's common stock on the same terms and subject to the same conditions. The registration statements of FFI-California on file with the SEC immediately prior to the Reincorporation will be assumed by FFI-Delaware, and the shares of FFI-Delaware will continue to be listed on NASDAQ.

### **FFI-CALIFORNIA SHARE CERTIFICATES WILL AUTOMATICALLY REPRESENT SHARES OF FFI-DELAWARE UPON THE EFFECTIVENESS OF THE REINCORPORATION, AND SHAREHOLDERS WILL NOT BE REQUIRED TO SURRENDER OR EXCHANGE THEIR FFI-CALIFORNIA SHARE CERTIFICATES AS A RESULT OF THE REINCORPORATION.**

The Reincorporation Agreement provides that the Board may abandon the Reincorporation at any time prior to the Effective Time if the Board determines that the Reincorporation is inadvisable for any reason. For example, the DGCL or the California General Corporation Law, or CGCL, may be changed to reduce the benefits that the Board is seeking to achieve through the Reincorporation, or the costs of operating as a Delaware corporation may be increased, although we do not know of any such changes under consideration. The Reincorporation Agreement may be amended at any time prior to the Effective Time, either before or after the shareholders have voted to adopt the proposal, subject to applicable law. We will re-solicit shareholder approval of the Reincorporation if the terms of the Reincorporation Agreement are materially changed.

### **Possible Negative Considerations**

Notwithstanding the belief of the Board as to the benefits to our shareholders of the Reincorporation, it should be noted that Delaware law has been criticized by some commentators and institutional shareholders on the grounds that it does not afford minority shareholders the same substantive rights and protections as are available in a number of other states, including California. In addition, the Delaware Certificate and the Delaware Bylaws, in comparison to the

California Articles and the California Bylaws, contain or eliminate certain provisions that may have the effect of reducing the rights of minority shareholders. The Reincorporation may make it more difficult for minority shareholders to elect directors and influence our policies and to call special shareholder meetings. It should also be noted that the interests of the Board, management and affiliated shareholders in voting on the Reincorporation proposal may not be the same as those of unaffiliated shareholders. In addition, franchise taxes payable by us in Delaware may be greater than in California.

The members of the Board have considered the potential disadvantages of the Reincorporation and they have unanimously concluded that the potential benefits of the Reincorporation outweigh the possible disadvantages of the Reincorporation.

**Differences between the Charters and Bylaws of FFI-California and FFI-Delaware**

The following is a comparison of provisions in the Articles of Incorporation and the Bylaws of FFI-California and provisions in the Certificate of Incorporation and the Bylaws of FFI-Delaware, as well as certain provisions of California law and Delaware law. The comparison summarizes the important differences, but is not intended to list all differences, and is qualified in its entirety by reference to those documents and to the respective General Corporation Laws of the States of California and Delaware. Shareholders are encouraged to read the Certificate of Incorporation and the Bylaws of FFI-Delaware and the Articles of Incorporation and the Bylaws of FFI-California, in their entirety. Copies of the Certificate of Incorporation and the Bylaws of FFI-Delaware are attached as Exhibits B and C, respectively, to this proxy statement, and the Articles of Incorporation and the Bylaws of FFI-California are filed publicly as exhibits to the periodic reports we have previously filed with the SEC.

<b>Provision</b>	<b>FFI-California</b>	<b>FFI-Delaware</b>
Authorized Shares	70,000,000 shares of Common Stock, par value \$0.001 per share (or 20,000,000 if Proposal No. 2 above is not approved).	70,000,000 shares of Common Stock, par value \$0.001 per share (or 20,000,000 if Proposal No. 2 above is not approved).
	5,000,000 shares of Preferred Stock, par value \$0.001 per share.	5,000,000 shares of Preferred Stock, par value \$0.001 per share.
Vote Required to Approve Merger or Sale of Company	The California Articles require the affirmative vote of not less than a majority of the outstanding shares to approve a merger of the company or a sale of substantially all the assets of the company.	Like the California Articles, the Delaware Certificate requires the affirmative vote of not less than a majority of the outstanding shares to approve a merger of the company or a sale of substantially all the assets of the company.
50/90 Rule Restriction on Cash Mergers	Under California law, a merger may not be consummated for cash if the purchaser owns more than 50%, but less than 90%, of the then outstanding shares (the 50/90 Rule ), unless either (i) all the shareholders consent, which is not practical for a public company, or (ii) the California Department of Business Oversight approves the merger.	Delaware law does not have a provision similar to California's 50/90 Rule.

The 50/90 Rule may make it more difficult for an acquiror to make an all cash acquisition of the Company if the acquisition were to be opposed by the Board of FFI-California. Specifically, the 50/90 rule encourages an acquiror making an unsolicited tender offer to either tender for less than 50% of the outstanding shares or more than 90% of the outstanding shares. A purchase by such acquiror of less than 50% of the outstanding shares, however, does not allow the acquiror to gain ownership of a majority of the outstanding shares needed to approve a second step merger (for purposes of enabling the acquiror to acquire the remaining shares of the Company) and, therefore, creates risk for such an acquiror that such a favorable vote will not be obtained. On the other hand, a tender offer conditioned upon receipt of tenders from at least 90% of the outstanding shares also creates risk for the acquiror, because it is likely to be very difficult to obtain tenders from holders of at least 90% of the outstanding shares. Consequently, it is possible that these risks would discourage some

potential acquirors from pursuing an all cash acquisition of the Company that is opposed by the Board of Directors.

Restrictions on Mergers or Company Sales Transactions with Interested Shareholders

Section 1203 of the CGCL, which applies to mergers or corporate acquisition transactions with interested shareholders or their affiliates, makes it a condition to the consummation of a merger or other acquisition transaction with an interested shareholder that an affirmative opinion be obtained in writing as to the fairness of the consideration to be received by the shareholders of the corporation being acquired.

Section 203 prohibits, subject to certain exceptions, a Delaware corporation from engaging in a business combination with an interested stockholder (i.e., a stockholder acquiring 15% or more of the outstanding voting stock) for three years following the date that such stockholder becomes an interested stockholder without Board approval. Section 203 makes certain types of unfriendly or hostile corporate takeovers, or other non-board approved transactions involving a corporation and one or more of its significant shareholders, more difficult.

Because Section 203 could be considered to have anti-takeover implications that could be construed as unfavorable to stockholder interests, the Board has elected to have FFI-Delaware opt-out of Section 203, so that it will not be applicable to FFI-Delaware.

Provision	FFI-California	FFI-Delaware
Bylaw Amendments	<p>The California Bylaws may be amended by the affirmative vote of a majority of the outstanding shares. or by action of the Board of Directors; <i>provided, however</i>, that (i) any bylaw specifying or changing a fixed number of directors or the maximum or minimum number may only be adopted by the shareholders; and (ii) a bylaw or amendment reducing the number or the minimum number of directors to a number less than five (5) cannot be adopted if the votes cast against its adoption at a meeting or the shares not consenting in the case of action by written consent are equal to more than sixteen and two-thirds percent of the outstanding shares entitled to vote.</p>	<p>The Delaware Bylaws may be amended by the affirmative vote of a majority of the members of the Board or by the affirmative vote of the holders of a majority of the Company's outstanding shares that are entitled to vote on the amendment.</p>
Shareholder Action by Written Consent	<p>The California Bylaws provide that an action to be taken at any annual or special meeting of shareholders may be taken without a meeting if a consent in writing is signed by the holders of outstanding shares having not less than the minimum number of votes required to authorize or take such action at such meeting at which all shares entitled to vote thereon were present and voted; <i>provided, however</i>, that directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote in the election of directors.</p>	<p>Like the California Bylaws, the Delaware Certificate and Bylaws provide that an action to be taken at any annual or special meeting of shareholders may be taken without a meeting if a consent in writing is signed by the holders of outstanding shares having not less than the minimum number of votes required to authorize or take such action at such a meeting at which all shares entitled to vote thereon were present and voted; <i>provided, however</i>, that directors may not be elected by written consent except by unanimous written consent of all shares entitled to vote in the election of directors.</p>
Ability of Shareholders to Call Special Meetings	<p>Consistent with California law, the California Bylaws provide that a special meeting of shareholders may be called by the Board, the Chairman of the Board, the President, or holders of shares entitled to cast not less than 10% of the votes at such meeting.</p>	<p>Under the DGCL, a special meeting of shareholders may be called by the board of directors or by any person authorized to do so in the certificate of incorporation or the bylaws.</p>
		<p>The Delaware Certificate and Bylaws provide that a special meeting of shareholders may be called by the Board, the Chairman of the Board, the President, or shareholders owning not less than 20% of the voting power of the Company, <i>provided</i> that such holder or holders have held at least a 20% net long position in the Company's outstanding shares for at least one year.</p>

In the case of a special meeting called following receipt of a written demand or demands from shareholders entitled to call such a meeting, the date of such special meeting, as fixed by the Board, will not be fewer than 30 days nor more than 90 days after the date the demand or demands by such shareholders have been received, together with the information required by the Bylaws, by the Company at its principal executive offices.

Exclusive Forum Selection Provision    The California Bylaws do not contain an exclusive forum selection provision.

The Delaware Certificate contains an exclusive forum selection provision that requires certain legal actions, including stockholder derivative lawsuits, to be brought in courts located in Delaware.

<b>Provision</b>	<b>FFI-California</b>	<b>FFI-Delaware</b>
Shareholder Proposal Notice Provisions	<p>The California Bylaws provide that a written notice containing the name of any person to be nominated by any shareholder for election as a director of the Company or containing any shareholder proposal to be presented at an upcoming shareholders meeting must generally be received by the Secretary of the Company not less than 120 days prior to the first anniversary of the date the Company's proxy statement for the prior year's annual meeting was first released to shareholders; <i>provided</i>, that if no annual meeting was held in the preceding year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, such notice must be received by the corporation no later than the close of business on the tenth (10th) day following the day on which notice of the date of that annual meeting was first mailed or was first publicly announced, whichever occurred first.</p>	<p>The Delaware Bylaws will contain notice provisions that are the same as those contained in the California Bylaws, except that, to be timely, the notice must be received not less than 90 days, nor more than 120 days, prior to the first anniversary of the date the Company's proxy statement for the prior year's annual meeting was first released to shareholders (rather than not less than the 120 days required by the California Bylaws; provided that if no annual meeting was held in the preceding year or the date of the annual meeting has been changed by more than 30 calendar days from the date contemplated at the time of the previous year's proxy statement, to be timely such notice must be received by the later of the (i) 90th day prior to such annual meeting or (ii) the 10th day following the date on which a public announcement of the date of such meeting was first mailed or was first publicly announced.</p>
Change in Number of Directors	<p>Under California law, a change in the number of directors must generally be approved by the shareholders, but the board of directors may fix the exact number of directors within a stated range set forth in the articles of incorporation or the bylaws, if the range has been approved by the shareholders.</p>	<p>Under the DGCL, the number of directors will be fixed by or in the manner provided in the bylaws, unless the Delaware Certificate fixes the number of directors.</p>
Classified Board	<p>The California Bylaws provide that the Board may fix the number of directors within a range between seven (7) to thirteen (13) directors.</p>	<p>The Delaware Certificate does not fix a number of directors. The Delaware Bylaws provide that the number of directors shall be determined exclusively by a resolution adopted by a majority of the Board.</p>
Filling Vacancies on the Board	<p>The California Bylaws provide that all vacancies on the Board, including any vacancy resulting from an increase in the authorized number of directors, may be filled by a majority of the remaining directors, though less than a quorum, or by a sole remaining director. A vacancy in the board of directors created by the removal of a director may only be filled by the vote of a majority of the shares entitled to</p>	<p>The Delaware Certificate does not provide for a classified board. As a result, FFI-Delaware's directors will be elected annually.</p> <p>Like the California Bylaws, the Delaware Certificate and Bylaws provide that any vacancies on the Board, including any vacancy resulting from an increase in the authorized number of directors, may be filled by a majority of the directors then in office (even though less than a quorum) or by a sole remaining director. However, unlike California law and the California Bylaws, neither</p>

vote represented at a duly held meeting at which a quorum is present, or by the written consent of the holders of a majority of the outstanding shares.

Delaware law nor the Delaware Bylaws require shareholder action to fill a vacancy created by the removal of a director.

Removal of  
Directors

Under California law, any or all of the directors may be removed without cause if the removal is approved by the outstanding shares; *provided* that no director may be removed (unless the entire board is removed) when the votes cast against removal, or not consenting in writing to the removal, would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast (or, if the action is taken by written consent, all shares entitled to vote were voted) and the entire number of directors authorized at the time of the director's most recent election were then being elected.

Delaware law provides that, unless otherwise restricted by law, by the Delaware Certificate or the Bylaws, any director or the entire board of directors may be removed, but only for cause, by the holders of a majority of the shares then entitled to vote at an election of directors. Neither the Delaware Certificate nor the Delaware Bylaws contains any such restrictions.

<b>Provision</b>	<b>FFI-California</b>	<b>FFI-Delaware</b>
Cumulative Voting; Vote Required to Elect Directors; Majority Vote Standard	<p>California law provides that if any shareholder has given notice of his or her intention to cumulate votes for the election of directors, all other shareholders of the corporation are also entitled to cumulate their votes at such election.</p> <p>California law permits a corporation that is listed on a national securities exchange to amend its articles or bylaws to eliminate cumulative voting if approved by the board of directors and the holders of a majority of the outstanding shares.</p>	<p>Under Delaware law, cumulative voting is not permitted unless a corporation provides for cumulative voting rights in its certificate of incorporation. Further, a corporation may adopt a policy that specifies the vote necessary for the election of directors, such as a majority.</p> <p>The Board of FFI-Delaware has adopted a majority voting bylaw in uncontested elections. As a result, we will not provide for cumulative voting in director elections following the Reincorporation. Most Delaware corporations have not adopted cumulative voting.</p>
	<p>The California Articles and the California Bylaws have not eliminated cumulative voting.</p>	<p>The Board believes that cumulative voting is incompatible with the objectives of a majority voting standard. Majority voting enables all shareholders to have a greater voice in director elections and facilitates the election of directors who most closely represent the interests of all shareholders. By contrast, cumulative voting gives shareholders the ability to vote all of their shares for a single nominee or to distribute the number of shares that they are entitled to vote among two or more nominees. Cumulative voting thus allows minority shareholders to elect a director not supported by the holders of a majority of the outstanding shares, and the absence of cumulative voting would make it more difficult for a minority stockholder, whose interests may be adverse to a majority of the shareholders, to obtain representation on the Board.</p>
Indemnification	<p>California law requires indemnification when the indemnitee has defended the action successfully on the merits. Expenses incurred by an officer or director in defending an action may be paid in advance, if the director or officer undertakes to repay such amounts if it is ultimately determined that he or she is not entitled to indemnification. California law authorizes a corporation to purchase indemnity insurance for the benefit of its officers, directors, employees and agents whether or not</p>	<p>Delaware law generally permits indemnification of expenses, including attorneys fees, actually and reasonably incurred in the defense or settlement of a derivative or third party action, provided there is a determination by a majority vote of a disinterested quorum of the directors, by independent legal counsel or by the shareholders that the person seeking indemnification acted in good faith and in a manner reasonably believed to be in the best</p>

the corporation would have the power to indemnify against the liability covered by the policy.

California law permits a corporation to provide rights to indemnification beyond those provided therein to the extent such additional indemnification is authorized in the corporation's articles of incorporation. Thus, if so authorized, rights to indemnification may be provided pursuant to agreements or bylaw provisions which make mandatory the permissive indemnification provided by California law.

The California Articles authorize indemnification to the fullest extent permissible under California law.

interests of the corporation. Without court approval, however, no indemnification may be made in respect of any derivative action in which such person is adjudged liable for negligence or misconduct in the performance of his or her duty to the corporation. Expenses incurred by an officer or director in defending an action may be paid in advance, if the director or officer undertakes to repay such amounts if it is ultimately determined that he or she is not entitled to indemnification. Delaware law authorizes a corporation to purchase indemnity insurance for the benefit of its directors, officers, employees and agents whether or not the corporation would have the power to indemnify against the liability covered by the policy.

Delaware law permits a Delaware corporation to provide indemnification in excess of that provided by statute.

The Delaware Certificate authorizes indemnification to the fullest extent permissible under Delaware law.

<b>Provision</b>	<b>FFI-California</b>	<b>FFI-Delaware</b>
Elimination of Director Personal Liability for Monetary Damages	<p>California law permits a corporation to eliminate the personal liability of directors for monetary damages, except where such liability is based on:</p> <ul style="list-style-type: none"> <li>Intentional misconduct or knowing and culpable violation of law;</li> <li>Acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders or that involve the absence of good faith on the part of the director;</li> <li>Receipt of an improper personal benefit;</li> <li>Acts or omissions that show reckless disregard for the director's duty to the corporation or its shareholders, where the director in the ordinary course of performing a director's duties should be aware of a risk of serious injury to the corporation or its shareholders;</li> <li>Acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the director's duty to the corporation and its shareholders;</li> <li>Transactions between the corporation and a director who has a material financial interest in such transaction; or</li> <li>Liability for improper distributions, loans or guarantees.</li> </ul>	<p>The DGCL permits a corporation to eliminate the personal liability of directors for monetary damages, except where such liability is based on:</p> <ul style="list-style-type: none"> <li>Breaches of the director's duty of loyalty to the corporation or its shareholders;</li> <li>Acts or omissions not in good faith or involving intentional misconduct or knowing violations of law;</li> <li>The payment of unlawful dividends or unlawful stock repurchases or redemption; or</li> <li>Transactions in which the director received an improper personal benefit.</li> </ul> <p>Such a limitation of liability provision also may not limit a director's liability for violation of, or otherwise relieve the Company or the directors from the necessity of complying with, federal or state securities laws, or affect the availability of non-monetary remedies such as injunctive relief or rescission.</p> <p>The Delaware Certificate eliminates the liability of directors for monetary damages to the fullest extent permissible under the DGCL. As a result, following the Reincorporation, directors of FFI-Delaware cannot be held liable for monetary damages even for gross negligence or lack of due care in carrying out their duties as directors, so long as that gross negligence or lack of due care does not involve bad faith or a breach of their duty of loyalty to the Company.</p>

Dividends and  
Repurchases of  
Shares

The California Articles eliminate the liability of directors for monetary damages to the fullest extent permissible under California law.

Under California law, a corporation may not make any distribution to its shareholders or repurchase its shares unless either:

The amount of retained earnings of the corporation immediately prior to the distribution or payment of the price of the shares being repurchased equals or exceeds the sum of (i) the amount of the proposed distribution, plus (ii) the preferential dividends arrears amount, if any; or

Immediately after the distribution or share repurchase, the value of the corporation's assets would equal or exceed the sum of its total liabilities, plus the preferential rights amount, if any.

For purposes of determining whether a California corporation meets either of these tests, the determination may be based on any of the following:

The corporation's financial statements;

A fair valuation; or

Any other method that is reasonable under the circumstances.

These tests are applied to California corporations on a consolidated basis.

The DGCL is more flexible than California law with respect to payment of dividends and the implementation of share repurchase programs. The DGCL generally provides that a corporation may redeem or repurchase its shares out of its surplus. In addition, the DGCL generally provides that if there is no surplus, a corporation may declare and pay dividends out of net profits for the fiscal year in which the dividend is declared and/or for the preceding fiscal year. Surplus is defined as the excess of a corporation's net assets (i.e., its total assets minus its total liabilities) over the capital associated with issuances of its common stock. Moreover, the DGCL permits a board of directors to reduce its capital and transfer such amount to its surplus to increase the amounts available for the payment of dividends.

**Interest of the Company's Directors and Executive Officers in the Reincorporation**

The shareholders should be aware that certain of our directors and executive officers may have interests in the transaction that are different from, or in addition to, the interests of the shareholders generally. For example, the

Reincorporation may provide officers and directors of the Corporation with more clarity and certainty in the reduction of their potential personal liability, and to strengthen the ability of directors to resist takeover bids. The Board has considered these interests, among other matters, in reaching its decision to approve the Reincorporation and to recommend that our shareholders vote in favor of this proposal.

### **Certain U.S. Federal Income Tax Consequences**

The following discussion summarizes certain United States ( U.S. ) federal income tax consequences of the Reincorporation to holders of our common stock. The discussion is based on the Internal Revenue Code of 1986, as amended (the Code ), regulations promulgated under the Code by the U.S. Treasury Department (including proposed and temporary regulations), rulings, current administrative interpretations and official pronouncements of the Internal Revenue Service (the IRS ), and judicial decisions, all as currently in effect and all of which are subject to differing interpretations or to change, possibly with retroactive effect. Such change could materially and adversely affect the tax consequences described below. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described herein.

This discussion is for general information only, and does not purport to discuss all aspects of U.S. federal income taxation that may be important to a particular holder in light of its investment or tax circumstances or to holders subject to special tax rules, such as partnerships, subchapter S corporations or other pass-through entities, banks, financial institutions, tax-exempt entities, insurance companies, regulated investment companies, real estate investment trusts, trusts and estates, dealers in stocks, securities or currencies, traders in securities that have elected to use the mark-to-market method of accounting for their securities, persons holding our common stock as part of an integrated transaction, including a straddle, hedge, constructive sale, or conversion transaction, persons whose functional currency for tax purposes is not the U.S. dollar, persons who acquired our common stock pursuant to the exercise of stock options or otherwise as compensation and persons subject to the alternative minimum tax provisions of the Code. This discussion does not include any description of the tax laws of any state or local governments, or of any foreign government, that may be applicable to a particular holder.

This discussion is directed solely to holders that hold our common stock as capital assets within the meaning of Section 1221 of the Code, which generally means as property held for investment. In addition, the following discussion only addresses U.S. persons for U.S. federal income tax purposes, generally defined as beneficial owners of our common stock who are:

Individuals who are citizens or residents of the United States;

Corporations (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any state of the United States or the District of Columbia;

Estates the income of which is subject to U.S. federal income taxation regardless of its source;

Trusts if a court within the United States is able to exercise primary supervision over the administration of any such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust; or

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Trusts in existence on August 20, 1996 that have valid elections in effect under applicable Treasury regulations to be treated as U.S. persons.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our common stock, the U.S. federal income tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. A partner of a partnership holding our common stock should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the Reincorporation.

This discussion does not purport to be a complete analysis of all of the Reincorporation's tax consequences that may be relevant to holders. We urge you to consult your own tax advisor regarding your particular circumstances and the U.S. federal income and other federal tax consequences to you of the Reincorporation, as well as any tax consequences arising under the laws of any state, local, foreign or other tax jurisdiction and the possible effects of changes in U.S. federal or other tax laws.

We have not requested a ruling from the IRS or an opinion of counsel regarding the U.S. federal income tax consequences of the Reincorporation. However, we believe:

The Reincorporation will constitute a tax-free reorganization under Section 368(a) of the Code;

No gain or loss will be recognized by holders of FFI-California common stock on receipt of FFI-Delaware common stock pursuant to the Reincorporation;

The aggregate tax basis of FFI-Delaware common stock received by each holder will equal the aggregate tax basis of the FFI-California common stock surrendered by such holder in exchange therefor; and

The holding period of the FFI-Delaware common stock received by each holder will include the period during which such holder held the FFI-California common stock surrendered in exchange therefor.

**Vote Required**

Approval of the Reincorporation requires the affirmative vote of a majority of the outstanding shares of the Company's common stock entitled to vote at the Annual Meeting.

Shareholders are urged to read this proposal carefully, including all of the related Exhibits attached to this Proxy Statement, before voting on the Reincorporation. The discussion above is qualified in its entirety by the Merger Agreement in substantially the form attached hereto as Exhibit A, the Delaware Certificate in substantially the form attached hereto as Exhibit B, and the Delaware Bylaws in substantially the form attached hereto as Exhibit C.

**Recommendation of the Board of Directors**

**The Board of Directors unanimously recommends a vote FOR approval of the Reincorporation.**

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**FIRST FOUNDATION INC. 2015 EQUITY INCENTIVE PLAN**

**(Proposal No. 4)**

**Introduction**

We are asking our shareholders to approve the First Foundation Inc. 2015 Equity Incentive Plan (the "2015 Plan") at this year's Annual Meeting. If approved, the 2015 Plan will increase, by 750,000 shares, the number of shares of common stock that will be available for the grant of stock options, stock appreciation rights (or SARs), shares of restricted stock, restricted stock units (or RSUs), stock bonus awards and performance awards (collectively, "Equity Incentive Awards" or "Equity Incentives") to the Company's executive officers, other key employees and directors, as well as to consultants, advisors or other independent contractors (collectively, "outside service providers"). Based on the recommendation of the Board's compensation committee, comprised solely of independent non-employee directors, the Board of Directors unanimously adopted the 2015 Plan on September 29, 2015, subject to and effective upon the approval of the Plan by our shareholders.

The 2015 Plan is intended to replace our 2007 Stock Incentive Plan and 2007 Management Incentive Plan (the "Prior Plans"). Therefore, if the shareholders approve the 2015 Plan:

No further Equity Incentives will be granted under the Prior Plans, after October 27, 2015, which will be the effective date of the 2015 Plan;

Equity Incentive Awards that are outstanding under the Prior Plans on the effective date of the 2015 Plan will remain outstanding, unchanged and subject to the terms of those Plans and their respective award agreements, until their expiration, termination, cancellation or forfeiture pursuant to their terms;

As of September 14, 2015, a total of 1,374,958 shares of common stock were subject to stock options, 48,806 shares were subject to RSUs that had been granted, and 263,022 shares were available for additional grants of Equity Incentive Awards, under the Prior Plans. Upon termination, cancellation or forfeiture of any of the Equity Incentive Awards that are outstanding under the Prior Plan on the effective date of the 2015 Plan, the then unexercised or unvested shares subject to those Awards will not become available for future grants of Equity Incentives under the Prior Plans, but, subject to certain limitations described below, will be added to the pool of shares available for future grants of Equity Incentive Awards under the 2015 Plan.

**Burn Rate and Overhang**

In setting and recommending to our shareholders the number of shares to authorize under the 2015 Plan, our Board of Directors and the compensation committee considered the historical number of equity awards granted under the Prior Plans as well as our average burn rate for the preceding three fiscal years and the overhang that would exist assuming the 2015 Plan is approved by our shareholders at the Annual Meeting.

***Burn Rate***

The burn rate is the ratio of the number of shares underlying outstanding Equity Incentive Awards granted under the Prior Plans in a particular year to our weighted-average number of shares of common stock outstanding at the corresponding fiscal year-end. Set forth below are the Company's annual burn rates for each of the years in, and the Company's average burn rate for, the three years ended December 31, 2014:

<b>Year Ended December 31,</b>	<b>Options Granted</b>	<b>RSUs Granted</b>	<b>SARs Granted</b>	<b>Total Granted</b>	<b>Weighted Average Number of Shares Outstanding</b>	<b>Burn Rate</b>
2014	71,735	7,666		79,401	8,166,343	0.97%
2013	26,000	6,666		32,666	7,742,215	0.42%
2012	71,735			71,735	6,831,955	1.05%
<b>Three Year Average Burn Rate</b>						<b>0.52%</b>

As the above table indicates our three year average burn rate was 0.52%.

## Overhang

As of September 14, 2015, a total of 1,423,764 shares were subject to outstanding Equity Incentives, and 263,022 shares remained available for additional grants of Equity Incentives, under the Prior Plans and a total of 15,962,686 shares of our common stock were outstanding. An additional 750,000 shares will become available for future Equity Incentive grants if the 2015 Plan is approved by our shareholders at the Annual Meeting.

We calculated overhang as the percentage obtained by (a) dividing the sum of the number of shares underlying outstanding Equity Incentive Awards and the shares available for additional Equity Incentives under the Prior Plans as of September 14, 2015, and the 750,000 shares that will become available for Equity Incentive Awards as a result of the approval of the 2015 Plan, by (b) the sum of all of those shares and the number of shares outstanding as of September 14, 2015. That overhang percentage is 13.2%.

## Purposes of and Reasons for Adoption of the 2015 Plan

The primary purposes of the 2015 Plan are to enhance our ability, through the grant of Equity Incentive Awards:

To attract and retain officers, other key executives and directors, as well outside service providers, who have the requisite experience and track records of success who we will need if we are to grow our business and achieve financial goals that will increase long-term shareholder value.

To create meaningful financial incentives for our officers and other employees, directors and outside service providers to motivate them to focus their energies and devote their utmost efforts on the achievement by the Company of financial performance goals on which our future success will be largely dependent; and

to provide our officers, employees and directors, as well as outside service providers, the opportunity to acquire or increase their ownership stake in the Company to more closely align their financial interests with those of our shareholders by making a significant portion of their compensation dependent on the increases in our stock prices.

As of September 14, 2015, there were only 263,022 shares of our common stock still available for the grant of Equity Incentives under the Prior Plans. Additionally, the Prior Plans expire in 2017. Without additional shares, we would be at a competitive disadvantage in seeking to retain and to recruit officers and other key employees and directors on whose efforts and skills our future success will depend. Moreover, we will be forced to consider cash replacement alternatives to provide a market-competitive total compensation packages necessary to attract, retain and motivate the employee talent critical to our growth and future success. These cash replacement alternatives could, among other things, (i) reduce the cash available to grow our businesses, both organically and by acquisitions, (ii) cause a loss of motivation by employees to achieve superior performance over the longer term, (iii) reduce the incentive of employees and directors to remain in the service of our Company, and (iv) make it more difficult to align the financial interests of our officers and other key employees with the financial interests of our shareholders.

After carefully forecasting our anticipated growth rate for the next few years and considering our historical forfeiture rates, we currently believe that the share reserve under the 2015 Plan will be sufficient for us to make anticipated grants of equity incentive awards under our current compensation programs for the next five to seven years. However, a change in business conditions, Company strategy, the growth of our businesses, organically and by acquisitions, or equity market performance, could alter this projection.

**Features of the 2015 Plan that Benefit our Shareholders**

The 2015 Plan includes the following features that we believe will enhance our ability to retain and to attract talented personnel and provisions that that we believe reflect the best current compensation practices and that are designed to implement governance-related protections for our shareholders.

*Ability to Offer a Variety of Stock Incentive Awards.* The variety of Stock Incentive Awards that will be available under the 2015 Plan will give us flexibility to respond to market-competitive changes in equity compensation practices.

*The Ability to Provide a New Equity Incentive Plan that Reflects Best Current Compensation Practices.* We have included provisions in the 2015 Plan that we believe reflect the best current compensation practices and that implement strong governance-related protections for our shareholders including:

**Administration by Independent Non-Employee Directors.** The 2015 Plan will be administered by the Compensation Committee of our Board of Directors, which is comprised entirely of independent non-employee directors.

**Continued Broad-Based Eligibility for Equity Incentive Grants.** We make equity grants to a wide range of our employees. By doing so, we align their financial interests with those of our shareholders throughout the Company and motivate our employees to act in the best interests of our shareholders.

**No Evergreen Provision; Shareholder Approval Required for Additional Shares.** The 2015 Plan does not contain an annual evergreen provision. As a result, shareholder approval will be required to increase the maximum number of shares that may be issued under the 2015 Plan, other than adjustments due to stock splits, stock dividends and similar changes to the Company's capitalization (see **Summary of the 2015 Stock Incentive Plan Adjustments** below).

**Repricing and Cash Buyouts Prohibited unless Approved by our Shareholders.** The 2015 Plan prohibits the repricing or exchanges for cash of underwater stock options and SARs without prior shareholder approval.

**Equity-Based Clawback Provision.** The 2015 Plan provides that all equity incentive awards will be subject to compensation clawback policy that has been adopted by our board of directors or as may be required by law. See **Corporate Governance Principles and Policies Incentive Compensation Clawback Policy** above in this proxy statement.

**Limitations on Recycling of Shares.** The 2015 Plan provides that if any Equity Incentive Award is cancelled or is terminated, the then unexercised or unvested shares subject to the award will again become available for the grant of future Equity Incentives under the 2015 Plan (commonly referred to as recycling). However, the 2015 Plan expressly provides that shares which are tendered by participants or withheld by us to pay the exercise price of an Award or that are withheld to satisfy tax withholding obligations arising from the exercise or vesting of any Awards, will not become available for future grants under the 2015 Plan.

**Plan does not Contain Single-Trigger Plan Provision.** The 2015 Plan does not provide for automatic *single trigger* vesting of Plan awards in the event of a change of control of the Company.

**No Discounted Stock Options or SARs.** The 2015 Plan provides that no stock options or SARs may be granted with an exercise or base price that is less than the fair market value of our common stock on the date the stock option or SAR is granted, except in certain situations in which we are assuming or replacing options granted by another company that we are acquiring.

**No tax gross-ups.** The 2015 Plan does not provide for any tax gross-ups.

**Annual limits on non-employee director grants.** The 2015 Plan includes fixed limits as to the maximum value of awards that may be granted in each calendar year to non-employee directors.

**Summary of the 2015 Stock Incentive Plan**

The following summary highlights the significant terms of the 2015 Plan. This summary does not contain all of the information contained in the 2015 Plan, which is set forth in full as Exhibit D to this Proxy Statement. To the extent there is a conflict between this summary and the terms of the 2015 Plan, the terms of the 2015 Plan will govern.

*Purposes.* The purposes of the 2015 Plan are (a) to enhance our ability to attract and retain the services of officers and other key employees, directors and outside service providers, (b) to provide additional incentives to such persons to devote their effort and skills to the advancement of the Company by providing them an opportunity to

participate in the ownership of the Company, and (c) to more closely align their interests with the interests of our shareholders by rewarding performance that results in increases in our share prices.

*Limitations on Awards.* Subject to any adjustments for stock splits and other similar changes in our capital structure, (a) no more than 600,000 shares may be issued pursuant to the exercise of incentive stock options; (b) no participant in the 2015 Plan may be granted options or SARs during any 12-month period during the term of the 2015 Plan with respect to more than 250,000 shares (increased to 400,000 with respect to awards granted during the first calendar year of employment) and (c) in the case of restricted stock awards, RSUs, performance awards or stock bonus awards that are intended to comply with the performance-based exception under Section 162(m) of the U.S. Internal Revenue Code, if applicable, and are denominated in shares, no more than 100,000 shares may be earned for each 12 months in the vesting period or performance period (increased to 200,000 with respect to awards during the first calendar year of employment). These limits are intended to ensure that awards will qualify under Section 162(m) of the Code, if applicable. Failure to qualify under Section 162(m) might result in our inability to take a tax deduction for part of our performance-based compensation to senior executives. In addition, during any calendar year no participant may be granted cash-based awards that are intended to comply with the performance-based exception under Section 162(m) of the Code and are denominated in cash under which more than \$2,000,000 may be earned for each 12 months in the performance period (increased to \$4,000,000 with respect to awards granted during the first calendar of employment).

*Eligible Participants.* Incentive stock options may be granted only to employees of the Company or its subsidiaries. All other Awards may be granted to any of our officers, other employees and directors, and to outside service providers that render bona fide services not in connection with the offer and sale of securities in a capital-raising transaction. The compensation committee determines which individuals will participate in the 2015 Plan. As of September 14, 2015, there were approximately 260 employees and 7 non-employee directors eligible to participate in the 2015 Plan.

*Adjustments.* If the number of outstanding shares of the Company is changed by a stock dividend, extraordinary dividends or distributions (whether in cash, shares or other property, other than a regular cash dividend), recapitalization, stock split, reverse stock split, subdivision, combination, reclassification, spin-off or similar change in our capital structure, then (a) the number of shares reserved for issuance and future grant under the 2015 Plan, (b) the exercise prices of and number of shares subject to outstanding options and stock appreciation rights, (c) the number of shares subject to other outstanding awards, (d) the maximum number of shares that may be issued as incentive stock options or other awards and, (e) the maximum number of shares that may be issued to an individual or to a new employee in any one calendar year, will be proportionately adjusted, subject to any required action by our board of directors or our shareholders and in compliance with applicable securities laws. No fraction of shares may be issued following any adjustment.

*Award Types.* The 2015 Plan permits the issuance of the following types of Equity Incentive Awards:

**Options.** Options may be non-qualified stock options or incentive stock options and may vest based on time or achievement of performance goals. Our compensation committee may provide for options to be exercised only as they vest or to be immediately exercisable with any shares issued on exercise being subject to our right of repurchase that lapses as the shares vest.

**Restricted Stock.** A restricted stock award is an offer by us to sell or award shares of our common stock subject to restrictions, which may vest based on time or achievement of predetermined performance goals and which may be subject to forfeiture, in whole or in part, in the event of a cessation of the participant's service with the Company or a failure to achieve any performance goals. The price, if any, of a restricted

stock award will be determined by the Compensation Committee.

**Stock Appreciation Rights.** SARs provide for a payment, or payments, in cash or shares of our common stock, to the holder based upon the difference between the fair market value of our common stock on the date of exercise and the stated exercise price at grant up to a maximum amount of cash or number of shares.

**Restricted Stock Units.** RSUs represent the right to receive shares of our common stock at a specified date in the future, subject to forfeiture of that right because of termination of employment or failure to achieve certain performance goals. Upon the vesting of an RSU, we will deliver to the holder of the RSU

shares of our common stock (which may be subject to additional restrictions), cash or a combination of shares of our common stock and cash.

**Performance Awards.** Performance awards cover a number of shares of our common stock that may be settled upon achievement of the pre-established performance goals in cash or by issuance of the underlying shares.

**Stock Bonuses.** Stock bonus awards may be granted as additional compensation for past or future service or achievement of performance goals, and therefore, no payment will be required for any shares awarded under a stock bonus.

*Terms applicable to Stock Options and Stock Appreciation Rights.* The exercise or base price of grants made under the 2015 Plan of stock options or SARs may not be less than the closing price of our common stock on the date of grant. The term of these awards may not be longer than ten years, except in the case of incentive stock options granted to holders of more than 10% of our voting power, which may have a term no longer than five years. The compensation committee determines at the time of grant the other terms and conditions applicable to such award, including vesting and exercisability.

*Terms applicable to Restricted Stock Awards, RSU Awards, Performance Awards and Stock Bonus Awards.* The compensation committee determines the terms and conditions applicable to the granting of restricted stock awards, RSUs, performance awards and stock bonus awards. The compensation committee may make the grant, issuance, retention and/or vesting of such awards contingent upon continued employment or service, the passage of time, or such performance criteria or goals and the level of achievement versus such criteria as it deems appropriate.

*Non-Employee Directors.* Under the 2015 Plan, non-employee directors may be granted awards either on a discretionary basis or pursuant to policies adopted by our Board of Directors, except that no non-employee director may be granted awards in any calendar year with a grant date fair value of more than \$800,000 (increased to \$1,600,000 with respect to awards granted during the first calendar year of service).

*Administration.* The compensation committee will administer the 2015 Plan. Subject to the terms and limitations expressly set forth in the 2015 Plan, the compensation committee selects the persons who receive awards, determines the number of shares covered thereby, and establishes the terms, conditions and other provisions of Incentive Awards. The compensation committee may construe and interpret the 2015 Plan and prescribe, amend and rescind any rules and regulations relating to the 2015 Plan.

*Eligibility Under Section 162(m) of the Code and Section 16 of the Exchange Act.* Section 162(m) of the Code generally disallows a federal income tax deduction to public companies for compensation paid to the Chief Executive Officer and the three other most highly compensated officers, other than the Chief Financial Officer (covered employees), to the extent that any of them receive more than \$1.0 million in compensation in any single year. However, if compensation qualifies as performance-based compensation for Section 162(m) purposes, a public company may deduct the compensation for federal income tax purposes even if the compensation exceeds \$1.0 million in a single year.

Our 2015 Plan permits the grant of performance-based stock and cash awards that may qualify as performance-based compensation that are not subject to the \$1.0 million limitation on income tax deductibility imposed by Section 162(m) of the Code. In addition to the grant of options or SARs that are deemed to be performance-based if issued with an exercise price no less than the fair market value on the date of grant, our compensation committee may structure awards so that the stock or cash will be issued or paid only following the achievement of certain pre-established performance goals during a designated performance period.

The 2015 Plan is intended to comply with the requirements of Section 162(m) of the Code in order that performance-based awards in excess of \$1.0 million payable to covered employees may be deductible by us. However, while our compensation committee is mindful of the benefit to us of the full deductibility of compensation and will consider deductibility when analyzing potential compensation alternatives, the committee believes that it should not be constrained by the requirements of Section 162(m), where those requirements would impair flexibility in compensating our executive officers in a manner that can best promote our corporate objectives.

Awards may, but need not, include performance criteria that satisfy Section 162(m) of the Code. To the extent that awards are intended to qualify as performance-based compensation under Section 162(m), the performance criteria may include any of the factors selected by the compensation committee and specified in an award, from among the following objective measures, either individually, alternatively or in any combination, applied to us as a whole or any business unit or subsidiary, either individually, alternatively or in any combination, on a GAAP or non-GAAP basis, and measured, to the extent applicable on an absolute basis or relative to a pre-established target or index or group of comparator companies, to determine whether the performance goals established by the compensation committee with respect to applicable awards have been satisfied:

our stock price

our stock price as compared to the stock prices of a pre-determined index of comparable companies;

net income;

net income per share;

pre-tax income;

revenue (net interest income plus noninterest income);

noninterest expense;

efficiency ratio;

return on equity or average equity;

return on assets or average assets;

assets under management (or AUM);

book value and book value per share;

ratio of nonperforming assets to total assets;

ratio of loan charge-offs to average loans outstanding;

growth in stockholder value relative to a pre-determined index;

individual confidential business objectives;

strategic plan development and implementation;

attainment of objective operating goals.

Performance goals will be set by the compensation committee prior to the earlier of (i) 90 days after the commencement of the applicable performance period and or (ii) the expiration of 25% of the performance period, and will otherwise comply with the requirements of Section 162(m) of the Code and the regulations thereunder. When required by Section 162(m) of the Code, prior to settlement of any award at least two of the outside directors then serving on the compensation committee (or a majority if more than two outside directors then serve on the compensation committee) will determine and certify in writing the extent to which such performance goals have been timely achieved and the extent to which the award has been earned, and the compensation committee may adjust downwards, but not upwards, the amount payable pursuant to the award. Awards granted to participants who are subject to Section 16 of the Exchange Act must be approved by two or more non-employee directors (as defined in the regulations promulgated under Section 16 of the Exchange Act). With respect to participants whose compensation is subject to Section 162(m) of the Code, the compensation committee may specify at the time of the initial grant of the award, the manner of adjustment of any performance goals upon which vesting or settlement of any portion of the award is to be subject, if and to the extent necessary to prevent dilution or enlargement of any award as a result of extraordinary events or circumstances, as determined by the compensation committee, or to exclude the effects of an event or occurrence which the compensation committee determines should appropriately be excluded, including extraordinary, unusual, infrequent, or non-recurring items, an event either not directly related to our operations or not within the reasonable control of our management, changes in applicable laws, regulations or accounting principles or standards, currency fluctuations, discontinued operations, non-cash items, such as amortization, depreciation or reserves, asset impairment or any recapitalization, restructuring, reorganization, merger, acquisition, divestiture, consolidation, spin-off, split-up, combination, liquidation, dissolution, sale of assets or other similar corporate transaction, but only to the extent such adjustments would be permitted under Section 162(m) of the Code.

*Changes of Control and Certain Other Corporate Transactions.* In the event of a change of control, merger, sale of all or substantially all of our assets or other similar corporate transaction, unless otherwise determined by the compensation committee, all outstanding awards may be assumed or replaced by the successor corporation. In the

alternative, the successor corporation may substitute equivalent awards or provide substantially similar consideration to participants as was provided to shareholders (after taking into account the existing provisions of the awards). The successor corporation may also issue, in place of outstanding shares held by the participant, substantially similar shares or other property subject to repurchase restrictions no less favorable to the participant. In the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute awards, then the awards will have their vesting accelerate as to all shares subject to such award (and any applicable right of repurchase fully lapse) immediately prior to the consummation of the corporate transaction. In addition, in the event such successor or acquiring corporation (if any) refuses to assume, convert, replace or substitute awards, then the compensation committee will notify the participants that such award will be exercisable for a period of time determined by the compensation committee, and such awards will terminate upon the expiration of such period. Awards need not be treated similarly in a change of control or any other such transaction.

*Method of Payment.* The exercise price of options and the purchase price, if any, of other stock awards may be paid in cash or by check or, where expressly approved by the compensation committee and permitted by law, cancellation of indebtedness, surrender or cancellation of shares, waiver of compensation, a broker-assisted or other form of cashless exercise program, any combination of the foregoing or any other method permitted by applicable law.

*Transferability.* Except as otherwise determined by the Compensation Committee, awards granted under the 2015 Plan may not be sold, pledged, assigned, hypothecated, transferred or disposed of except by will or the laws of descent and distribution or pursuant a domestic relations order.

*Repricing Prohibited.* Repricing, or reducing the exercise price of outstanding options or SARs, or cancelling in exchange for cash outstanding options or SARs when the exercise price per share exceeds the fair market value of one share is prohibited without shareholder approval under the 2015 Plan.

*Term.* The 2015 Plan will terminate 10 years from the date our board of directors approved it, unless the Board decides to terminate it sooner. The effectiveness of the 2015 Plan is subject to approval of the 2015 Plan by our shareholders within twelve (12) months following the date our board of directors approved it.

*Amendments.* Our Board of Directors may amend the 2015 Plan at any time, provided that no action may be taken by our Board of Directors (except for adjustment for stock splits and other similar changes in our capital structure described in *Adjustments* above) without the approval of our shareholders to:

permit the repricing of outstanding stock options or SARs under the 2015 Plan;

cancel in exchange for cash outstanding stock options or SARs under the 2015 Plan when the exercise price per share exceeds the fair market value of one share; or

otherwise implement any amendment to the 2015 Plan required to be approved by shareholders.

*Insider Trading Policy.* Any participant that receives an award under the 2015 Plan must comply with our insider trading policy.

*Clawback or Recoupment.* Awards received under the 2015 Plan will be subject to clawback or recoupment pursuant to any compensation clawback or recoupment policy adopted by our Board of Directors or required by law. Our Board of Directors has adopted an incentive compensation clawback policy, a copy of which can be found in the Investor Relations section of our website at [www.ff-inc.com](http://www.ff-inc.com). See also, **Corporate Governance Principles and Policies**

Incentive Compensation Clawback Policy earlier in this proxy statement.

**U.S. Federal Income Tax Consequences**

The following is a general summary as of the date of this Proxy Statement of the United States federal income tax consequences to us and participants in the 2015 Plan. The federal tax laws may change and the federal, state and local tax consequences for any participant will depend upon his or her individual circumstances. Each participant has been, and is, encouraged to seek the advice of a qualified tax advisor regarding the tax consequences of participation in the 2015 Plan.

*Non-Qualified Stock Options.* A participant in the 2015 Plan (a participant ) will realize no taxable income at the time a non-qualified stock option is granted under the 2015 Plan, but generally at the time such non-qualified stock option is exercised, the participant will realize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the stock option exercise price. Upon a disposition of such shares, the difference between the amount received and the fair market value on the date of exercise will generally be treated as a long-term or short-term capital gain or loss, depending on the holding period of the shares. We will generally be entitled to a deduction for federal income tax purposes at the same time and in the same amount as the participant is considered to have realized ordinary income in connection with the exercise of the non-qualified stock option.

*Incentive Stock Options.* A participant will realize no taxable income, and we will not be entitled to any related deduction, at the time any incentive stock option is granted. If certain employment conditions are satisfied, then no taxable income will result upon the exercise of such option, and we will not be entitled to any deduction in connection with the exercise of such stock option. Upon disposition of the shares after expiration of the statutory holding periods, any gain realized by a participant will be taxed as long-term capital gain and any loss sustained will be long-term capital loss, and we will not be entitled to a deduction in respect to such disposition. While no ordinary taxable income is recognized at exercise (unless there is a disqualifying disposition, see below), the excess of the fair market value of the shares over the stock option exercise price is a preference item that is recognized for alternative minimum tax purposes.

Except in the event of death, if shares acquired by a participant upon the exercise of an incentive stock option are disposed of by such participant before the expiration of the statutory holding periods (*i.e.*, a disqualifying disposition ), such participant will be considered to have realized as compensation taxed as ordinary income in the year of such disposition an amount, not exceeding the gain realized on such disposition, equal to the difference between the stock option exercise price and the fair market value of such shares on the date of exercise of such stock option. Generally, any gain realized on the disposition in excess of the amount treated as compensation or any loss realized on the disposition will constitute capital gain or loss, respectively. If a participant makes a disqualifying disposition, generally in the fiscal year of such disqualifying disposition we will be allowed a deduction for federal income tax purposes in an amount equal to the compensation realized by such participant.

*Restricted Stock.* A participant receiving restricted stock may be taxed in one of two ways: the participant (i) pays tax when the restrictions lapse (*i.e.*, with respect to the shares as they become vested) or (ii) makes an election under Section 83(b) of the Code to pay tax in the year the grant is made with respect to all of the shares subject to the grant. At either time the value of the award for tax purposes is the excess of the fair market value of the shares at that time over the amount (if any) paid for the shares. This value is taxed as ordinary income and if granted to an employee, is subject to income tax withholding. We receive a tax deduction at the same time and for the same amount taxable to the participant. If a participant makes an election under Section 83(b) of the Code to be taxed at grant, then, when the restrictions lapse, there will be no further tax consequences attributable to the awarded stock until the recipient disposes of the stock, at which point any gain or loss will be short-term or long-term capital gain or loss, depending on the holding period of the stock prior to such disposition.

*Stock Bonuses.* The participant will not realize income when a stock bonus (which can be settled in cash or our common stock) is granted, but will realize ordinary income when shares (or cash, if cash settled) are transferred to him or her. The amount of such income will be equal to the fair market value of such transferred shares (or cash, if cash settled) on the date of transfer. We generally will be entitled to a tax deduction at the time and in the amount that the participant recognizes ordinary income.

*Stock Appreciation Rights.* A grant of a SAR (which can be settled in cash or our common stock) has no federal income tax consequences at the time of grant. Upon the exercise of SARs, the value received is generally taxable to the recipient as ordinary income, and we generally will be entitled to a corresponding tax deduction.

*Restricted Stock Units.* In general, no taxable income is realized upon the grant of an RSU (which can be settled in cash or our common stock). The participant will generally include in ordinary income the fair market value of the award of stock (or cash, if cash settled) at the time shares of stock (or cash, if cash settled) are delivered to the participant or at the time the RSU. We generally will be entitled to a tax deduction at the time and in the amount that the participant recognizes ordinary income.

*Performance Awards.* The participant will not realize income when a performance award is granted (which can be settled in cash or our common stock), but will realize ordinary income when shares (or cash, if cash settled) are transferred to him or her. The amount of such income will be equal to the fair market value of such transferred shares (or cash, if cash settled) on the date of transfer. We generally will be entitled to a tax deduction at the time and in the amount that the participant recognizes ordinary income.

*Withholding Tax Requirements.* Whenever shares are to be issued in satisfaction of awards granted under the 2015 Plan or the applicable tax event occurs, we may require the participant to remit to us an amount sufficient to satisfy applicable withholding tax requirements. Whenever payments in satisfaction of an award are to be made in cash, such payment will be net of an amount sufficient to satisfy the applicable withholding tax requirements. The compensation committee may require or permit the participant to satisfy applicable withholding tax requirements, in whole or in part by paying cash, electing to have us withhold otherwise deliverable cash or shares having a fair market value equal to the minimum statutory amount required to be withheld (or such other amount that will not cause an adverse accounting consequence or cost), delivering to us already-owned shares having a fair market value equal to the minimum amount required to be withheld or withholding from the proceeds of the sale of otherwise deliverable shares acquired pursuant to an award either through a voluntary sale or through a mandatory sale arranged by us.

#### **ERISA Information**

The 2015 Plan is not subject to any of the provisions of the Employee Retirement Income Security Act of 1974, as amended.

#### **Required Vote**

Approval of this Proposal requires the affirmative vote of the majority of the shares present and voted on this Proposal at the Annual Meeting.

#### **BOARD RECOMMENDATION**

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR  
THIS PROPOSAL NO. 4 TO APPROVE THE 2015 STOCK INCENTIVE PLAN.**

**RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS****(Proposal No. 5)**

The Audit Committee of our Board of Directors has selected Vavrinek, Trine, Day & Co., LLP ( Vavrinek ) as our independent registered public accounting firm for our fiscal year ending December 31, 2015. Vavrinek audited our consolidated financial statements for the fiscal year ended December 31, 2014 and the effectiveness of our internal control over financial reporting at December 31, 2014. A representative of Vavrinek is expected to attend the Annual Meeting and will be afforded an opportunity to make a statement and to respond to appropriate questions from shareholders in attendance at the Annual Meeting.

**Audit and Other Fees Paid in Fiscal Year 2014 and 2013**

Aggregate fees for professional services rendered to the Company by VTD were as follows for the years ended December 31:

	<b>2014</b>	<b>2013</b>
Audit services	\$ 125,000	\$ 83,000
Audit related services		
Tax services		
All other services		
<b>Total</b>	<b>\$ 125,000</b>	<b>\$ 83,000</b>

*Audit Services.* In each of the years ended December 31, 2014 and 2013, VTD rendered audit services which consisted of the audit of the Company's consolidated financial statements for the years then ended.

*Audit Related Services.* VTD did not render any other audit related services to us during 2014 or 2013.

*Tax Services.* VTD did not render any tax services to us during 2014 or 2013.

*Other Services.* VTD did not render any other professional or any consulting services to us during 2014 or 2013.

**Audit and Non-Audit Services Pre-Approval Policy**

The Audit Committee's Charter provides that the Audit Committee must pre-approve services to be performed by the Company's independent registered public accounting firm. In accordance with that requirement, the Audit Committee pre-approved the engagement of VTD pursuant to which it provided the services described above for the fiscal years ended December 31, 2014 and 2013.

**Proposal to Ratify the Appointment of our Independent Registered Public Accountants**

A proposal will be presented at the Annual Meeting to ratify the Audit Committee's appointment of VTD as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2015. Although ratification by the shareholders is not a prerequisite to the power and authority of the Audit Committee to appoint VTD as the Company's independent registered public accountants, the Audit Committee considers such ratification to be desirable. In the event of a negative vote on such ratification, the Audit Committee will reconsider this appointment. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of

a different independent registered public accounting firm at any time during the fiscal 2015 if the Audit Committee deems such a change to be in the best interests of the Company and its shareholders.

**Vote Required and Board Recommendation**

Approval of this Proposal requires the affirmative vote of the majority of the shares present and voted on this Proposal at the Annual Meeting.

**The Board of Directors Unanimously Recommends that you Vote FOR Ratification of the Appointment of Vavrinek, Trine, Day & Co., LLP as our Independent Registered Public Accounting Firm for Fiscal 2015**

**ADJOURNMENT PROPOSAL**

**(Proposal No. 6)**

The Board of Directors believes that approval of the Share Increase Amendment (Proposal No. 2) and the Reincorporation Proposal (Proposal No. 3) are in the best interests of our shareholders and is recommending that all of the shareholders vote their shares for approval of both of those Proposals. Approval of each of those Proposals requires the affirmative vote of the holders of a majority of the Company's outstanding shares. As a result, shares that are not voted on these Proposals will have the same effect as a vote against the Proposals.

The Board of believes that it would unfair to those shareholders who have taken the time to vote to approve the Share Increase Amendment and the Reincorporation Proposal, if the votes received for approval of those Proposals were to fall short of that required vote because some of the shareholders had unintentionally failed to vote their shares.

In order to prevent just such a result, the Board of directors is asking that shareholders vote to approve the Adjournment Proposal to permit the Annual Meeting to be adjourned, on one or more occasions as the Board deems necessary or appropriate, to a later date or dates in order to enable the Board to continue soliciting proxies for approval of the Share Increase Amendment and the Reincorporation Proposal.

Approval of this Adjournment Proposal requires the affirmative vote of a majority of the shares voted, in person or by proxy, on this Proposal at the Annual Meeting.

**THE BOARD OF DIRECTORS RECOMMENDS THAT SHAREHOLDERS VOTE**

**FOR APPROVAL OF THIS ADJOURNMENT PROPOSAL**

## COMPENSATION OF EXECUTIVE OFFICERS

### Compensation Philosophy and Objectives

We believe that the success of our business and the creation of long term shareholder value depend to a large extent on our ability to retain and to attract superior management employees. Therefore, the Compensation Committee of our Board of Directors (the compensation committee) endeavors to ensure that the compensation of our executive officers is competitive and consistent with market conditions in order to enable us to attract and retain key executives critical to the Company's long-term success and the achievement of sustained increases in stock value. Therefore, when reviewing and approving both the types and amounts of compensation to be paid to our named executive officers, or NEOs, as well as other key management employees, the committee seeks to achieve the following objectives:

Ensure that each NEO's cash compensation is competitive in relation to the compensation paid by our principal competitors and other companies which, although not comparable to us, may seek to recruit our NEOs and other key management employees based on their skills and experience and their record of success.

Design compensation programs that incentivize our NEOs and other key management personnel to remain in the Company's employ and to enable us to attract additional key executives with the requisite experience, skills and record of success required for the future growth of the Company.

Align the interests of our NEOs and other key management personnel with the longer-term interests of our shareholders by tying a significant portion of each NEO's total compensation to the Company's financial performance.

Provide for at-risk compensation to make up a significant proportion of potential total compensation of our NEOs and other officers by means of cash or equity incentives, the payment of which depends on the achievement of pre-established Company financial performance goals.

### Other Compensation Practices and Policies that Benefit our Shareholders

*Anti-Hedging Policy.* Our Insider Trading Policy prohibits our directors, named executive officers and other key executives from hedging the economic interest in the Company securities that they own and from engaging in short sales or speculative transactions with respect to our stock.

*Incentive Compensation Clawback Policy.* Our Board of Directors has adopted an Incentive Compensation Clawback Policy. Under that Policy, if any of our NEOs receive incentive compensation as a result of the Company's achievement of financial results measured on the basis of Company financial statements that become the subject of an accounting restatement, the Company will become entitled to recoup from those NEOs the amount by which the incentive compensation they had received exceeds the incentive compensation they would have received had such compensation been determined on the basis of the restated financial statements.

*Related Party Transaction Policy.* Our Board of Directors has adopted a Related Party Transaction Policy, which provides that, subject to certain limited exceptions, the Company will not enter into or consummate a related party transaction that is determined by the Audit Committee to be materially less favorable from a financial standpoint to the Company than similar transactions between the Company and unaffiliated third parties. A related party transaction is a transaction between the Company or any of its subsidiaries and any executive officer, director or owner of more than 10% of the outstanding shares of the Company's common stock or persons related to them.

### **Components of Executive Compensation**

We generally allocate executive compensation among three major categories or components: (i) base salary; (ii) annual cash bonus or incentive compensation; and (iii) equity incentive compensation in the form of stock options or restricted stock unit ( RSU ) grants. Base salaries constitute the guaranteed portion of each NEO's compensation,

while cash incentives and equity incentives constitute the at-risk portion of our NEOs compensation, because the payment of those incentive generally is made contingent on the financial performance of the Company and, in the case of equity incentives, on the continued employment of the NEO with the Company. We believe that the combination of the different components of executive compensation enables us to retain existing and attract new management employees in the competitive local and national markets and to balance the motivation of our NEOs and other key management employees to execute on immediate goals while remaining conscious of our longer term strategic objectives and goals.

The allocation of the individual components of executive compensation is based on a number of factors, including competitive market conditions and the positions within our organization held by our NEOs and other key management employees, which determines their ability to influence our financial performance. Generally, the percentage of compensation at risk, either in the form of bonus or equity compensation, is higher for our NEOs than for other management employees, because the performance of our NEOs has a greater impact on whether or not we achieve our financial goals and strategic objectives. For 2014 and 2013, however, the compensation committee decided that at-risk compensation for each of our NEOs should be comprised entirely of performance-contingent cash incentives and, therefore, no equity incentives were granted to any of our NEOs in 2014 or 2013.

The compensation committee performs annual reviews of our executive compensation programs to evaluate their competitiveness and their consistency with our overall management compensation philosophy and objectives. To ensure that we are appropriately compensating our NEOs and other key management employees and that we have appropriate human resources to execute on our business plans, the members of our compensation committee review information that is available to them and use their judgment in making compensation decisions. While we consider the compensation paid by other comparable or similar companies ( peer groups ) to their senior executives, no single factor is determinative in setting compensation structure or allocating among elements of compensation.

In addition, the compensation committee reviews the Company s executive and employee compensation practices to assess whether or not they create improper incentives that would result in material risks to the Company. Based on this review and analysis, the compensation committee has determined that none of the Company s compensation practices for its NEOs or other employees is reasonably likely to have a material adverse effect on the Company.

#### **Compensation Committee Interlocks and Insider Participation**

No member of the Board s compensation committee is an officer or employee of the Company or any of our subsidiaries. In addition, none of our executive officers serves or has served as a member of the board of directors or compensation committee (or other board committee performing equivalent functions) of any entity that has one or more executive officers serving as one of our directors or as one of the members of our Compensation Committee.

## Summary Compensation Table

The following table sets forth, for our named executive officers, or NEOs, the compensation earned in the years ended December 31:

Name and Position	Year	Salary	Non-Equity Incentive Plan Compensation <sup>(3)</sup>	Option and Stock Awards(\$) <sup>(4)</sup>	Total
Ulrich E. Keller, Jr., Executive Chairman of FFI and FFA <sup>(1)</sup>	2014	\$ 500,000	\$ 200,000		\$ 700,000
	2013	450,000	180,000		630,000
Scott F. Kavanaugh, Chief Executive Officer of FFI and FFB, Vice Chairman of FFI, and Chairman of FFB <sup>(1)</sup>	2014	\$ 556,000 <sup>(2)</sup>	\$ 412,500		\$ 968,500
	2013	456,000	337,500		793,500
John Hakopian, President of FFA <sup>(1)</sup>	2014	\$ 425,000	\$ 170,000		\$ 595,000
	2013	365,000	146,000		511,000

- (1) Although Messrs. Keller, Kavanaugh and Hakopian are directors of the Company, they do not receive any fees or other compensation for their service as directors.
- (2) Mr. Kavanaugh's salary includes a \$6,000 per year automobile allowance for use of his personal automobile on Company business.
- (3) In 2014, the Board of Directors established cash incentive awards for each of the named executive officers, the amounts and payment of which were made contingent on FFI generating predetermined financial goals. See **Narrative to Summary Compensation Table Incentive Compensation Fiscal 2014 Performance Based Cash Incentive Plan** below. In 2014, the financial goals were achieved and, as a result, Messrs. Keller, Kavanaugh and Hakopian received 100% of their respective incentive cash compensation awards, the amounts of which are set forth in this column.
- (4) No stock option or stock awards were granted to our NEOs in either 2014 or 2013.

### Narrative to Summary Compensation Table

#### Annual Base Salaries

Mr. Kavanaugh's annual salary in 2014 was increased by \$100,000 to \$556,000, from \$456,000 in 2013. Factors considered by the compensation committee in setting Mr. Kavanaugh's 2014 salary included the salaries being paid to CEOs by comparable companies in our market areas, the substantial growth and increased complexity of the Company's operations over the prior two years, the management of that growth which enabled the Company to achieve increases in the Company's earnings in 2014 and 2013 and the importance, in the view of the committee, to the Company's future success of retaining Mr. Kavanaugh as the Company's CEO.

The annual salaries of Messrs. Keller and Hakopian in 2014 were increased by \$50,000 and \$60,000, respectively, as compared to their respective salaries in 2013. Factors considered by the compensation committee in setting their respective 2014 salaries included the salaries being paid to executive officers by comparable companies in our market areas, the growth of and improved operating results achieved by First Foundation Advisors, our asset management and wealth planning subsidiary, and their experience and track record of success in providing asset management advisory

services which has enabled FFA not only to retain its long-time clients, but to attract and add a substantial numbers of new clients.

***Incentive Compensation***

*Fiscal 2014 Performance Based Cash Incentive Plan.* The compensation committee adopted an annual cash incentive plan for 2014, to provide our NEOs and other key management employees with the opportunity to earn cash incentive awards based on the Company's financial performance for the year, measured by the Company's pretax income before incentive compensation expense ( Adjusted Pretax Income ). The primary purposes of this cash bonus plan were to (i) provide meaningful incentives to our executive officers and other key management employees to focus on and devote their utmost efforts to the achievement of pre-determined corporate financial goals, ( achieve for making significant contributions to the Company's achievement of an annual financial goals, (ii) to reward them for the Company's achievement of those goals, (iii) to make the a substantial portion of the each NEO's total potential cash compensation in 2014 contingent on the Company's financial performance and, thereby, promote the interests of the Company and its shareholders.

The following table sets forth the respective Adjusted Pretax Income Goals established for each of our NEOs for 2014:

NEOs	Performance Goals
Ulrich E. Keller, Jr.	\$ 14,080,000
Scott F. Kavanaugh	\$ 14,080,000
John Hakopian	\$ 14,080,000

*Equity Incentive Compensation.* One of the primary purposes of grants to NEOs of equity incentive awards, such as stock options and restricted stock units, is to more closely align their financial interests with those of our shareholders, because such grants reward NEOs for performance that results in increases in the price of our common stock. The compensation committee decided not to grant any equity incentive awards to our NEOs in 2014 or 2013, because equity incentive awards granted to our NEOs in prior years were still outstanding. See **Fiscal Year-End Option Information** below.

### Employment Agreements

Each of our named executive officers is employed under an employment agreement for a term ending on December 31, 2016. Set forth below are summaries of the terms of those employment agreements. These summaries are not intended to be complete and are qualified in their entirety by reference to the employment agreements themselves, copies of which are publicly available as exhibits to reports we have filed with the SEC under the Exchange Act.

#### *Material Terms of the Employment Agreements*

*Salaries.* Each employment agreement provides for the payment of a base annual salary as follows: Mr. Keller: \$500,000; Mr. Kavanaugh: \$550,000; and Mr. Hakopian: \$425,000. Those salaries are subject to review and may be increased, but not reduced, by the Board of Directors in its discretion.

*Participation in Incentive Compensation and Employee Benefit Plans.* Each of the employment agreements provides that the named executive officer will be entitled to participate in any management bonus or incentive compensation plans adopted by the Board or its compensation committee and in any qualified or any other retirement plans, stock option or equity incentive plans, life, medical and disability insurance plans and other benefit plans which FFI and its subsidiaries may have in effect, from time to time, for all or most of its senior executives.

*Termination and Severance Provisions.* Each employment agreement provides that the named executive officer's employment may be terminated by the Company with or without cause or due to his death or disability or by the named executive officer with or without good reason. In the event of a termination of the named executive officer's employment by the Company without cause or by the named executive officer for good reason, the Company will become obligated to pay severance compensation to the named executive officer in an amount equal to 12 months of his annual base salary or the aggregate annual base salary that would have been paid to the named executive officer for the remainder of the term of his employment agreement if such remaining term is shorter than 12 months (the Termination Benefits Period). In addition, during the Termination Benefits Period or until the named executive officer obtains employment with another employer that offers comparable health insurance benefits, whichever period is shorter, the Company will be obligated to continue to provide any group health plan benefits to the extent authorized by and consistent with 29 U.S.C. § 1161 et seq. (commonly known as COBRA), subject to payment of premiums by the named executive officer at the active employee's rate then in effect.

***Change of Control Agreements***

The Company has entered into Change of Control Severance Agreements ( Change of Control Agreements ) with each of its NEOs. Those Agreements are intended to preserve morale and productivity and encourage retention in the face of the disruptive impact that a change of control of the Company is likely to have. The compensation payable under those Agreements also is intended to incentivize the NEOs to remain focused on the business and interests of our shareholders when considering strategic alternatives that may be beneficial to our shareholders.

Each of the Change of Control Agreements provides that the Company, or its successor in the change of control transaction, will become obligated to pay severance compensation and benefits to an NEO only upon a *double trigger* event. This means that no severance compensation will become payable under an NEO's Change of Control Agreement solely because of the occurrence of a change of control of the Company. Instead, the change of control severance compensation will become payable only if, on the date of or within 12 months following the consummation of the change of control transaction, there is either a termination of the NEO's employment without cause by the Company or its successor or a termination of employment by the NEO due to the occurrence of a Good Reason Event. The severance compensation that an NEO will become entitled to receive in such an event will consist of: (a) two times the sum of (i) the NEO's annual base salary as then in effect, and (ii) the maximum bonus compensation that the named executive officer could have earned under any bonus or incentive compensation plan in which he was then participating, if any; (b) acceleration of the vesting of any then unvested stock options or restricted stock held by the named executive officer, and (c) continuation of health insurance benefits for a period that is the shorter of two years or until the named executive officer obtains employment with another employer that offers comparable health insurance benefits. However, each Change of Control Agreement provides that the severance compensation to which any named executive officer would otherwise receive under his agreement may not, in the aggregate, equal or exceed the amount which would result in the imposition of an excise tax pursuant to Section 280G of the Internal Revenue Code of 1986, as amended (the Code). Each of these Change of Control Agreements also provides that the payment of severance compensation to a named executive officer under such agreement will be in lieu of any severance compensation that the named executive officer would otherwise have been entitled to receive under his employment agreement. Each Agreement also provides that the payment of severance compensation must comply with the applicable requirements of Section 409A of the Code.

The Good Reason Events consist of the following: (i) a reduction or adverse change of the named executive officer's authority; (ii) a material reduction in the named executive officer's salary; (iii) a relocation of the named executive officer's principal place of employment of more than 30 miles; or (iv) a material breach by the Company of its obligations under the named executive officer's employment agreement. However, each Change of Control Agreement provides that in order for a named executive officer to become entitled to receive his severance compensation, he must give the Company written notice of his election to terminate his employment for Good Reason within 15 days of the date he is notified of the occurrence of the Good Reason Event. If the named executive officer fails to provide such a notice within that 15-day period or if the Company rescinds the action taken that constituted the Good Reason Event following receipt of that notice, the named executive officer will not become entitled and the Company will not be obligated to pay any severance compensation by reason of the occurrence of the Good Reason Event.

A Change of Control Agreement will terminate in the event the named executive officer's employment is terminated by the Company for cause or due to his death or disability, or by the named executive officer without Good Reason, irrespective of whether such termination occurs prior to or after the consummation of a Change of Control of the Company.

### ***Effect of a Change of Control on Outstanding Equity Incentives***

The Company's shareholder-approved equity incentive plans under which equity incentives have been granted to our NEOs and other key management employees provide that, in the event of a change of control of the Company, the compensation committee will have the authority to accelerate the vesting of the then unvested equity incentives that had been granted to the Company's officers, employees and directors, if the successor or acquiring corporation in the change of control does not agree either to assume the equity incentives outstanding under our equity incentive plans (appropriately adjusted based on the consideration payable to the Company's shareholders in the transaction) or to exchange new equity incentives of equivalent value for the Company's then outstanding equity incentives.

### ***Other Compensation Matters***

*Perquisites and Benefits.* The personal benefits provided to our NEOs are designed to establish a competitive benefits structure necessary to attract and retain key management employees. Except for supplemental life insurance benefits, the annual premiums for which are less than \$400 per year for each NEO, these personal benefits are the same as those provided to all of our full time employees generally. Personal benefits also include Company contributions to the Company's 401k retirement savings plan, even though participation in that plan is available to all full time employees.

*Nonqualified Deferred Compensation Plans.* We have not established any nonqualified deferred compensation plans or programs for our NEOs or any other of our employees.

### Option and other Equity Incentive Grants to Executive Officers

No stock options or other equity incentives were granted to any of the Named Executive Officers in 2014.

### Fiscal Year-End Option Information

The following table sets forth information regarding options that have been granted to the Named Executive Officers and that were outstanding as of December 31, 2014:

#### Outstanding Equity Awards at 2014 Fiscal Year End

Name / Grant Date	Option Awards <sup>(1)</sup>		
	Number of Securities		Expiration Date <sup>(3)</sup>
	Underlying Options	Exercise Price <sup>(2)</sup>	
	Exercisable	Unexercisable	
<b>Ulrich E. Keller, Jr.</b>			
9/17/2007	40,500	\$ 11.00	9/16/2017
1/27/2009	15,000	16.50	1/26/2019
10/25/2011	40,000	16.50	10/24/2021
<b>Scott F. Kavanaugh</b>			
9/17/2007	160,000	\$ 10.00	9/16/2017
1/27/2009	20,000	15.00	1/26/2019
10/25/2011	80,000	15.00	10/24/2021
<b>John Hakopian</b>			
9/17/2007	40,500	\$ 10.00	9/16/2017
1/27/2009	10,000	15.00	1/26/2019
10/25/2011	40,000	15.00	10/24/2021

- (1) Stock options granted to named executive officers generally vest over three years at the rate of 33 1/3% of the options as of each anniversary of the date of grant, provided that the executive is still employed by the Company on that anniversary date.
- (2) In accordance with the Company's Equity Plans, the exercise prices were equal to or greater than 100% of the fair market values of the Company's shares as of the respective grant dates. The exercise prices of incentive options granted to Mr. Keller were equal to 110% of the fair market value of a share of common stock on the date of grant because Mr. Keller owns more than 10% of the outstanding common stock of the Company. Since no active market existed for the Company's shares at each grant date above, in each instance the fair market value was determined by the Board of Directors based primarily on the prices at which the Company had most recently sold shares to investors who were not affiliated with any of the Company's directors or executive officers.
- (3) The expiration date of each option award is 10 years from the date of its grant, subject to earlier termination on a cessation of service with the Company.

Although the Company's equity incentive plans also permit restricted shares and SARs to be granted to the Company's officers and other participants in those plans, the equity incentive awards that have been granted to our NEOs have been stock options.



## Director Compensation

Only non-employee directors are entitled to receive compensation for service on the Board and its Committees. The following table sets forth the compensation received by each of our non-employee directors for their service, during 2014, as members of our Board of Directors and its committees and as members of the Board of Directors of FFB:

	Fees Earned or Paid in Cash	Stock Option Awards	All Other Compensation	Total
James Brakke	\$ 60,000	\$	\$	\$ 60,000
Max Briggs	60,000			60,000
Victoria Collins	60,000			60,000
Warren D. Fix	60,000			60,000
Gerald Larsen	60,000			60,000
Mitchell M. Rosenberg	60,000			60,000
Jacob Sonenshine	60,000			60,000
Michael Criste <sup>(1)</sup>	15,000 <sup>(1)</sup>			15,000
Henri Tchen <sup>(1)</sup>	15,000 <sup>(1)</sup>			15,000

(1) Mr. Criste and Mr. Tchen resigned from the Board of Directors effective as of March 31, 2014. Each of them received a total of \$15,000 in Board fees for service on the Board from January 1, 2014 to March 31, 2014.

### *Outstanding Equity Awards held by Directors*

Our non-employee directors also are eligible to receive stock options and restricted stock grants under our shareholder-approved equity incentive plans. No stock options or shares of restricted stock were granted to non-employee directors in 2014. Stock options and shares of restricted stock granted to our non-employee directors generally vest over three years at the rate of 33 1/3% of the options or of the restricted shares as of each anniversary of the date of grant, provided that the director is still in the service of the Company or any of its subsidiaries on the vesting date. The following table sets forth information regarding outstanding stock options held by each non-employee director as of December 31, 2014, including the number of unexercised vested and unvested stock options. The vesting schedule for each option is shown following this table.

### Outstanding Equity Awards at 2014 Fiscal Year End

Name / Grant Date	Option Awards <sup>(1)</sup>			
	Number of Securities		Exercise Price <sup>(2)</sup>	Expiration Date <sup>(3)</sup>
	Underlying Options Exercisable	Unexercisable		
James Brakke				
9/17/2007	15,000		\$ 10.00	9/16/2017
1/27/2009	1,500		15.00	1/26/2019
Max Briggs				
8/28/2013	10,000	5,000	\$ 15.00	8/27/2022
Victoria Collins				
9/17/2007	40,500		\$ 10.00	9/16/2017

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1/27/2009	5,000	15.00	1/26/2019
Warren D. Fix			
9/17/2007	15,000	\$ 10.00	9/16/2017
1/27/2009	1,500	15.00	1/26/2019
Gerald L. Larsen			
7/22/2008	10,000	\$ 15.00	7/21/2018
1/27/2009	1,000	15.00	1/26/2019
Mitchell M. Rosenberg			
9/17/2007	15,000	\$ 10.00	9/16/2017
1/27/2009	1,500	15.00	1/26/2019
Jacob Sonenshine			
9/17/2007	15,000	\$ 10.00	9/16/2017
	1,500	15.00	1/26/2019

- (1) Stock options granted to the directors generally vest over three years at the rate of 33 1/3% of the options as of each anniversary of the date of grant, provided that the Director is still serving the Company on that anniversary date.
- (2) In accordance with the Company's Equity Plans, the exercise prices of these options were equal to 100% of the fair market values of the Company's shares as of the respective grant dates. Since no active market existed for the Company's shares at each grant date above, in each instance the fair market value was determined by the Board of Directors based primarily on the prices at which the Company had most recently sold shares to investors who were not affiliated with any of the Company's directors or executive officers.
- (3) The expiration date of each option award is 10 years from the date of its grant, subject to earlier termination on a cessation of service with the Company.

#### **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

In addition to the compensation arrangements with directors and executive officers described in Executive Compensation above, the following is a description of each transaction since January 1, 2013, and each proposed transaction in which:

we have been or are to be a participant;

the amount involved exceeded or exceeds \$120,000; and

any of our directors, executive officers or beneficial holders of more than 5% of our capital stock, or any immediate family member of or person sharing the household with any of these individuals (other than tenants or employees), had or will have a direct or indirect material interest.

#### **Private Placement Transaction**

In December 2013 we sold a total of 318,987 shares of our common stock, at a price of \$18.00 per share, in a private placement to a total of 32 investors, (the Private Placement). Mr. Kavanaugh, our Chief Executive Officer, purchased 19,500 shares in the Private Placement, for which he paid \$18.00 per share, for a total purchase price of \$351,000.

#### **Ordinary Banking Relationships**

FFB has had, and in the future may have, banking transactions in the ordinary course of its business with directors, principal shareholders and their associates, including the making of loans to directors and their associates. Such loans and other banking transactions were, and in the future will be, made on the same terms, including interest rates and collateral securing the loans, as those prevailing at the time for comparable transactions with persons of comparable creditworthiness who have no affiliation with the Company, FFB or any other subsidiaries of the Company and will be made only if they do not involve more than the normal risk of collectability and do not present any other unfavorable features at the times the loans are made.

#### **Indemnification Agreements with our Directors and Officers**

We are incorporated under the laws of the State of California. Section 317 of the CGCL provides that a California corporation may indemnify any persons who are, or are threatened to be made, parties to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by

or in the right of such corporation), by reason of the fact that such person was an officer, director, employee or agent of such corporation, or is or was serving at the request of such corporation as an officer, director, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided that such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was illegal. Section 317 of the CGCL further authorizes a corporation to purchase and maintain insurance on behalf of any indemnified person against any liability asserted

against and incurred by such person in any indemnified capacity, or arising out of such person's status as such, regardless of whether the corporation would otherwise have the power to indemnify such person under the CGCL.

Section 204(a)(10) of the CGCL permits a corporation to provide in its articles of incorporation that a director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of fiduciary duties as a director, except for certain liabilities including liability for any:

breach of a director's duty of loyalty to the corporation or its shareholders;

act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;

unlawful payment of dividends or redemption of shares; or

transaction from which the director derives an improper personal benefit.

Our articles of incorporation authorize us to, and our amended and restated bylaws provide that we must, indemnify our directors and officers to the fullest extent authorized by the CGCL and also pay expenses incurred in defending any such proceeding in advance of its final disposition upon delivery of an undertaking, by or on behalf of an indemnified person, to repay all amounts so advanced if it should be determined ultimately that such person is not entitled to be indemnified under this section or otherwise.

As permitted by the CGCL, we have entered into indemnification agreements with each of our directors and certain of our officers. These agreements require us to indemnify these individuals to the fullest extent permitted under California law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

We have an insurance policy covering our officers and directors with respect to certain liabilities, including liabilities arising under the Securities Act of 1933, as amended, or otherwise.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the registrant pursuant to the foregoing provisions, the registrant has been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable

### **Procedures for Approval of Related Party Transactions**

Transactions by FFI or FFB with related parties are subject to regulatory requirements and restrictions. These requirements and restrictions include Sections 23A and 23B of the Federal Reserve Act (which govern certain transactions by a bank with its affiliates) and the Federal Reserve Board's Regulation O (which governs certain loans by FFB to its executive officers, directors, and principal shareholders). We have adopted policies to comply with these regulatory requirements and restrictions.

In addition, our Board has adopted written policy governing the approval of related party transactions that complies with all applicable SEC requirements and NASDAQ Listing Rules. FFI's related parties include directors (including any nominee for election as a director), executive officers, 5% shareholders and the immediate family members of these persons. Our Chief Financial Officer, in consultation with other members of management and outside counsel,

as appropriate, will review potential related party transactions to determine if they are subject to the policy. If so, the transaction will be referred to the Board of Directors for approval. In determining whether to approve a related party transaction, the Board of Directors will consider, among other factors, the fairness of the proposed transaction, the direct or indirect nature of the related party's interest in the transaction, the appearance of an improper conflict of interests for any director or executive officer, taking into account the size of the transaction and the financial position of the related party, whether the transaction would impair an outside director's independence, the acceptability of the transaction to our regulators and any possible violations of other of our corporate policies.

## REPORT OF THE AUDIT COMMITTEE

### *Role and Responsibilities of Audit Committee*

Management is responsible for the preparation, presentation and integrity of the Company's financial statements, internal controls and financial reporting process and the procedures designed to assure compliance with accounting standards and applicable laws and regulations. The Company's independent registered public accounting firm, Vavrinek, Trine, Day & Co., LLP, Certified Public Accountants ( Vavrinek ), is responsible for auditing the Company's consolidated financial statements and for expressing an opinion as to whether those financial statements present fairly the consolidated financial position, results of operations, and cash flows of the Company in conformity with generally accepted accounting principles in the United States.

By contrast the Audit Committee's duty is one of oversight. It is not the duty of the Audit Committee to prepare the financial statements, to plan or conduct audits, or to determine that the financial statements are complete and accurate and were prepared in accordance with generally accepted accounting principles. The members of the Audit Committee are not professionally engaged in the practice of accounting and none of the Audit Committee members is, and none of them represents himself to be, performing the functions of auditors or accountants for the Company. Accordingly, the members of the Audit Committee may rely, and have relied, without independent verification, on the information provided to them and on the representations made by management and Vavrinek. Additionally, the Audit Committee's oversight does not provide an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or appropriate internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Furthermore, the Audit Committee's considerations and discussions referred to above do not assure that the audit of the Company's 2014 consolidated financial statements was carried out in accordance with generally accepted auditing standards, that such financial statements are presented in accordance with generally accepted accounting principles or that the Company's auditors are in fact independent.

### *Report of the Audit Committee.*

The Audit Committee has reviewed and discussed the Company's 2014 audited consolidated financial statements with management and Vavrinek. The Audit Committee also has discussed with Vavrinek the matters required to be discussed pursuant to Statement on Auditing Standards No. 61 (Communications with Audit Committees). The Audit Committee also has reviewed and discussed with Vavrinek its written disclosures and letter provided to the Audit Committee pursuant to the applicable requirements of the Public Company Accounting Oversight Board regarding communications by Vavrinek with the Audit Committee concerning independence and has considered the compatibility of any non-audit services performed for the Company by Vavrinek on its independence.

Respectfully Submitted,

Warren Fix (Chairperson)

Max Briggs

Gerald Larsen

## **SHAREHOLDER PROPOSALS**

Under Rule 14a-8 promulgated by the SEC under the Exchange Act, any stockholder desiring to submit a proposal for inclusion in our proxy materials for our 2016 Annual Meeting of Shareholders must provide us with a written copy of that proposal, addressed to our Corporate Secretary at the principal executive offices of the Company at 18101 Von Karman Avenue, Suite 700, Irvine, California 92612, by no later than the tenth day after the first public announcement of the date of the 2016 Annual Meeting. Any proposal received after the date or time within which such proposal is required to be submitted to us will not be considered or submitted to a vote of the shareholders. Matters pertaining to such proposals, including the number and length thereof, eligibility of persons entitled to have such proposals included and other aspects are governed by the Exchange Act, and the rules of the SEC thereunder and other laws and regulations to which interested shareholders should refer.

A stockholder seeking to submit a proposal that is not to be included in our proxy materials for our 2016 annual meeting of shareholders must provide specified information in writing to our Corporate Secretary, First Foundation Inc., 18101 Von Karman Avenue, Suite 700, Irvine, California 92612, by the tenth day following the day on which notice of the date of the meeting was mailed or public announcement of the date of such meeting was made, whichever comes first. You are also advised to review our Bylaws, which contain a description of the information required to be submitted as well as additional requirements about advance notice of stockholder proposals and director nominations.

Additionally, under Rule 14a-4, as promulgated under the Exchange Act, if a shareholder fails to notify the Company of a proposal which the shareholder plans to present for a vote at the next annual meeting of shareholders at least 45 days before the first anniversary of the mailing date of the prior year's proxy statement or, in the case of the Company's 2016 annual meeting, within ten days following the date on which notice of the date of that meeting is mailed or publicly announced, whichever is earlier, then the Board of Directors will be permitted to exercise its discretionary authority in voting proxies received from shareholders on that proposal at the meeting.

## **SOLICITATION OF PROXIES**

We will pay the costs of soliciting proxies from our shareholders, and plan on soliciting proxies by mail. In order to ensure adequate representation at the Annual Meeting, our directors, officers and employees and those of the Bank may, without additional compensation therefor, communicate with shareholders, brokerage houses and others by telephone, email, facsimile or in person, to request that proxies be furnished. We will reimburse brokerage houses, banks, custodians, nominees and fiduciaries for their reasonable expenses in forwarding proxy materials to the beneficial owners of the Company's shares. We also may choose to retain the services of a proxy solicitation firm to assist us in soliciting proxies from shareholders for the 2015 Annual Meeting, the fees of which we expect will not exceed \$20,000.

## **OTHER MATTERS**

We are 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, the proxy holders named in the enclosed proxy card will have discretionary authority to vote all proxies with respect thereto in accordance with their judgment.

## **ANNUAL REPORT**

The Company's 2014 Annual Report to Shareholders is being mailed together with this Proxy Statement to each shareholder of record as of September 22, 2015. The Annual Report is not to be regarded as proxy solicitation material.

By Order of the Board of Directors:

Ulrich E. Keller, Jr.

Chairman of the Board

September 30, 2015

**AGREEMENT AND PLAN OF MERGER**

**OF**

**FIRST FOUNDATION INC.,**

**A DELAWARE CORPORATION,**

**AND**

**FIRST FOUNDATION INC.,**

**A CALIFORNIA CORPORATION**

This AGREEMENT AND PLAN OF MERGER, dated as of , 2015 (the **Merger Agreement** ), is made by and between First Foundation Inc., a Delaware corporation ( **FFI-Delaware** ), and First Foundation Inc., a California corporation ( **FFI-California** ). FFI- Delaware and FFI- California are sometimes referred to herein as the **Constituent Corporations**. FFI- Delaware is a wholly-owned subsidiary of FFI- California.

**RECITALS**

A. FFI-Delaware is a corporation duly incorporated and existing under the laws of the State of Delaware and has a total authorized capital stock of 75,000,000 shares, of which 70,000,000 are designated common stock, par value \$0.001 per share (the **FFI-Delaware Common Stock** ), and 5,000,000 are designated Preferred Stock, par value \$0.001 per share (the **FFI-Delaware Preferred Stock** ). The FFI-Delaware Preferred Stock is undesignated as to series, rights, preferences, privileges or restrictions. As of the date hereof, and before giving effect to the transactions contemplated hereby, 1,000 shares of FFI-Delaware Common Stock are issued and outstanding, all of which are held by FFI-California, and no shares of FFI-Delaware Preferred Stock are issued and outstanding.

B. FFI-California is a corporation duly incorporated and existing under the laws of the State of California and has a total authorized capital stock of 25,000,000 shares, of which 20,000,000 are designated common stock, par value \$0.001 per share (the **FFI-California Common Stock** ), and 5,000,000 are designated Preferred Stock, par value \$0.001 per share (the **FFI-California Preferred Stock** ). The FFI-California Preferred Stock is undesignated as to series, rights, preferences, privileges or restrictions. As of the date hereof, and before giving effect to the transactions contemplated hereby, 15,957,986 shares of FFI-California Common Stock, and no shares of FFI- California Preferred Stock are issued and outstanding.

C. The Board of Directors of FFI-California has determined that, for the purpose of effecting the reincorporation of FFI-California in the State of Delaware, it is advisable and in the best interests of FFI-California and its shareholders that FFI-California merge with and into FFI-Delaware upon the terms and conditions herein provided.

D. The respective Boards of Directors of the Constituent Corporations, the shareholders of FFI-California and the stockholder of FFI-Delaware have approved this Merger Agreement and have directed that this Merger Agreement be executed by the undersigned officers.

NOW, THEREFORE, in consideration of the mutual agreements and covenants set forth herein, FFI-Delaware and FFI-California hereby agree, subject to the terms and conditions hereinafter set forth, as follows:

1. MERGER

1.1 Merger. In accordance with the provisions of this Merger Agreement, the General Corporation Law of the State of Delaware (the "DGCL") and the California Corporations Code, FFI-California shall be merged with and into FFI-Delaware (the "Merger"), the separate existence of FFI-California shall cease and FFI-Delaware shall be, and is herein sometimes referred to as, the "Surviving Corporation," and the name of the Surviving Corporation shall be First Foundation Inc.

1.2 Filing and Effectiveness. The Merger shall become effective in accordance with Section 1108 of the California Corporations Code and Section 252 of the DGCL. The date and time when the Merger shall become effective, as aforesaid, is herein called the "Effective Date."

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1.3 Effect of the Merger. Upon the Effective Date, the separate existence of FFI-California shall cease, and FFI-Delaware, as the Surviving Corporation, shall: (i) continue to possess all of its assets, rights, powers and property as constituted immediately prior to the Effective Date, (ii) be subject to all actions previously taken by its and FFI-California's Boards of Directors, (iii) succeed, without other transfer, to all of the assets, rights, powers and property of FFI-California in the manner as more fully set forth in Section 259 of the DGCL, (iv) continue to be subject to all of its debts, liabilities and obligations as constituted immediately prior to the Effective Date, and (v) succeed, without other transfer, to all of the debts, liabilities and obligations of FFI-California in the same manner as if FFI-Delaware had itself incurred them, all as more fully provided under the applicable provisions of the DGCL and the California Corporations Code.

## 2. CHARTER DOCUMENTS, DIRECTORS AND OFFICERS

2.1 Certificate of Incorporation. The Amended and Restated Certificate of Incorporation of FFI-Delaware as in effect immediately prior to the Effective Date (the Certificate of Incorporation) shall continue in full force and effect as the Certificate of Incorporation of the Surviving Corporation until duly amended in accordance with the provisions thereof and applicable law.

2.2 Bylaws. The Amended and Restated Bylaws of FFI-Delaware as in effect immediately prior to the Effective Date shall continue in full force and effect as the Bylaws of the Surviving Corporation until duly amended in accordance with the provisions thereof and applicable law.

2.3 Directors and Officers. The directors and officers of FFI-California immediately prior to the Effective Date shall be the directors and officers of the Surviving Corporation until their successors shall have been duly elected and qualified or until as otherwise provided by law, the Certificate of Incorporation of the Surviving Corporation or the Bylaws of the Surviving Corporation.

## 3. MANNER OF CONVERSION OF STOCK

3.1 FFI-California Common Stock. Upon the Effective Date, each share of FFI-California Common Stock issued and outstanding immediately prior thereto shall, by virtue of the Merger and without any action by the Constituent Corporations, the holder of such shares or any other person, be converted into and exchanged for one (1) fully paid and nonassessable share of FFI-Delaware Common Stock.

3.2 FFI-Delaware Common Stock. Upon the Effective Date, each share of FFI-Delaware Common Stock issued and outstanding immediately prior thereto shall, by virtue of the Merger and without any action by FFI-Delaware, or the holder of such shares or any other person, be cancelled and returned to the status of authorized and unissued shares of FFI-Delaware Common Stock, without any consideration being delivered in respect thereof.

3.3 Exchange of Certificates. After the Effective Date, each holder of an outstanding certificate representing shares of FFI-California Common Stock may, at such shareholder's option, surrender the same for cancellation to an exchange agent designated by the Surviving Corporation (the Exchange Agent), and each such holder shall be entitled to receive, in exchange therefor, a certificate or certificates representing the number of shares of FFI-Delaware Common Stock into which the shares formerly representing by the surrendered certificate were converted as herein provided. Until so surrendered, each certificate representing shares of FFI-California Common Stock outstanding immediately prior to the Effective Date shall be deemed for all purposes, from and after the Effective Date, to represent the number of shares of FFI-Delaware Common Stock into which such shares of FFI-California Common Stock were converted in the Merger. In addition:

(a) The registered owner on the books and records of the Surviving Corporation or the Exchange Agent of any shares of stock represented by such certificate shall, until such certificate shall have been surrendered for transfer or conversion or otherwise accounted for to the Surviving Corporation or the Exchange Agent, have and be entitled to exercise any voting and other rights with respect to and to receive dividends and other distributions upon the shares of FFI-Delaware Common Stock represented by such certificate as provided above.

(b) Each certificate representing shares of FFI-Delaware Common Stock so issued in the Merger shall bear the same legends, if any, with respect to the restrictions on transferability as the certificate of FFI-California

so converted and given in exchange therefor, unless otherwise determined by the Board of Directors of the Surviving Corporation in compliance with applicable laws.

### 3.4 FFI-California Equity Incentive Plans.

(a) Upon the Effective Date, the Surviving Corporation shall assume and continue any and all stock option, stock incentive, employee benefit and other equity-based award plans heretofore adopted by FFI-California (collectively, the Plans ). Each outstanding and unexercised option, warrant or right to purchase or receive, or security convertible into, FFI-California Common Stock shall become an option, warrant or right to purchase or receive, or security convertible into, FFI-Delaware Common Stock on the basis of one (1) share of FFI-Delaware Common Stock for each share of FFI-California Common Stock issuable pursuant to any such option, warrant or right to purchase or receive, or convertible security, on the same terms and conditions and at an exercise price per share equal to the exercise price per share applicable to any such option, warrant or right to purchase or receive, or security convertible into, FFI-California Common Stock at the Effective Date. No other changes in the terms and conditions of such options will occur.

(b) A number of shares of FFI-Delaware Common Stock shall be reserved for issuance under the Plans equal to the number of shares of FFI-California Common Stock so reserved immediately prior to the Effective Date.

## 4. CONDITIONS

4.1 Conditions to FFI-California's Obligations. The obligations of FFI-California under this Merger Agreement shall be conditioned upon the occurrence of the following events:

(a) The principal terms of this Merger Agreement shall have been duly approved by the shareholders of FFI-California;

(b) Any consents, approvals or authorizations that FFI-California deems necessary or appropriate to be obtained in connection with the consummation of the Merger shall have been obtained, including, but not limited to, approvals with respect to federal and state securities laws; and

(c) The FFI-Delaware Common Stock to be issued and reserved for issuance in connection with the Merger shall have been approved for listing by the NASDAQ Stock Market.

## 5. GENERAL

5.1 Covenants of FFI-Delaware. FFI-Delaware covenants and agrees that it will, on or before the Effective Date:

(a) Qualify to do business as a foreign corporation in the State of California and, in connection therewith, appoint an agent for service of process as required under the provisions of Section 2105 of the California Corporations Code;

(b) File this Merger Agreement with the Secretary of State of the State of California; and

(c) Take such other actions as may be required by the California Corporations Code.

5.2 Further Assurances. From time to time, as and when required by FFI-Delaware or by its successors or assigns, there shall be executed and delivered on behalf of FFI-California such deeds and other instruments, and there shall be taken or caused to be taken by FFI-Delaware and FFI-California such further and other actions, as shall be appropriate

or necessary in order to vest or perfect in or conform of record or otherwise by FFI-Delaware the title to and possession of all the property, interests, assets, rights, privileges, immunities, powers, franchises and authority of FFI-California and otherwise to carry out the purposes of this Merger Agreement, and the officers and directors of FFI-Delaware are fully authorized in the name and on behalf of FFI-California or otherwise to take any and all such action and to execute and deliver any and all such deeds and other instruments.

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5.3 Abandonment. At any time before the Effective Date, this Merger Agreement may be terminated and the Merger may be abandoned for any reason whatsoever by the Board of Directors of either or both of the Constituent Corporations, notwithstanding the approval of this Merger Agreement by the shareholders of FFI-California or by the sole stockholder of FFI-Delaware, or by both. In the event of the termination of this Merger Agreement, this Merger Agreement shall become void and of no effect and there shall be no obligations on either Constituent Corporation or their respective Board of Directors, shareholders or shareholders with respect thereto.

5.4 Amendment. The Boards of Directors of the Constituent Corporations may amend this Merger Agreement at any time prior to the filing of this Merger Agreement with the Secretaries of State of the States of California and Delaware, provided that an amendment made subsequent to the adoption of this Merger Agreement by the shareholders or shareholders of either Constituent Corporation shall not, unless approved by such shareholders or shareholders as required by law:

- (a) Alter or change the amount or kind of shares, securities, cash, property and/or rights to be received in exchange for or on conversion of all or any of the shares of any class or series thereof of such Constituent Corporation;
- (b) Alter or change any term of the Certificate of Incorporation of the Surviving Corporation to be effected by the Merger; or
- (c) Alter or change any of the terms and conditions of this Merger Agreement if such alteration or change would adversely affect the holders of any class or series of capital stock of any Constituent Corporation.

5.5 Registered Office. The address of the registered office of the Surviving Corporation in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle 19808. The name of the Surviving Corporation's registered agent at such address is Corporation Service Company.

5.6 Governing Law. This Merger Agreement shall in all respects be construed, interpreted and enforced in accordance with and governed by the laws of the State of Delaware and, so far as applicable, the merger provisions of the California Corporations Code.

5.7 Counterparts. In order to facilitate the filing and recording of this Merger Agreement, the same may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same instrument.

*(Remainder of this page intentionally left blank.*

*Signatures of the parties follow on the next page.)*

IN WITNESS WHEREOF, this Merger Agreement, having first been approved by resolutions of the Boards of Directors of First Foundation Inc., a Delaware corporation, and First Foundation Inc., a California corporation, and is hereby executed on behalf of each of such two corporations and attested by their respective officers thereunto duly authorized.

FIRST FOUNDATION INC.

a Delaware corporation

By:  
Scott Kavanaugh, President and  
Chief Executive Officer

By:  
John Michel, Executive President and  
Chief Financial Officer

FIRST FOUNDATION INC.

a California corporation

By:  
Scott Kavanaugh, President and  
Chief Executive Officer

By:  
John Michel, Executive President and  
Chief Financial Officer

**FIRST FOUNDATION, INC.**

**CERTIFICATE OF INCORPORATION**

**ARTICLE I**

The name of the corporation is First Foundation Inc.

**ARTICLE II**

The address of the corporation's registered office in the State of Delaware is 2711 Centerville Road, Suite 400, in the City of Wilmington, County of New Castle, 19808. The name of its registered agent at such address is Corporation Service Company.

**ARTICLE III**

The purpose of the corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of the State of Delaware (the "DGCL").

**ARTICLE IV**

The total number of shares of stock that the Corporation shall have authority to issue is 75,000,000, consisting of the following:

A. 70,000,000 shares of Common Stock, par value \$0.001 per share.

B. 5,000,000 shares of Preferred Stock, par value \$0.001 per share, which may be issued from time to time in one or more series pursuant to a resolution or resolutions providing for such issue duly adopted by the Board of Directors of the Corporation (the "Board of Directors"), with the authority to do so being hereby expressly vested in the Board of Directors. The Board of Directors is further authorized, subject to any limitations prescribed by law, but to the fullest extent permitted by law, to fix by resolution or resolutions the designations, powers, preferences and rights of, and the qualifications, limitations or restrictions on, any wholly unissued series of Preferred Stock including, without limitation, authority to fix by resolution or resolutions the dividend rights, dividend preferences, dividend rate, conversion rights, voting rights, rights and terms of redemption (including sinking fund provisions), redemption price or prices, liquidation preferences and relative, participating, optional or other rights of the shares of each such series and any qualifications, limitations or restrictions thereof, and the number of shares constituting any such series and the designation thereof, or any of the foregoing.

The Board of Directors is further authorized, subsequent to the issuance of shares of any series of Preferred Stock then outstanding, to increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares of any such series then outstanding) the number of shares of such series, the number of which was fixed by it, subject to the powers, preferences and rights, and the qualifications, limitations and restrictions thereof stated in the Certificate of Incorporation or in the resolution of the Board of Directors originally fixing the number of shares of such series. If the number of shares of any series is so decreased, then the shares constituting such decrease shall resume the status which they had prior to the adoption of the resolution originally fixing the number of shares of such series.

C. Except as may otherwise be provided in this Certificate of Incorporation (including any certificate filed with the Secretary of State of the State of Delaware establishing the terms of a series of Preferred Stock in accordance with Section B of this ARTICLE IV) or by applicable law, each holder of Common Stock, as such, shall be entitled to one vote for each share of Common Stock held of record by such holder on all matters on which stockholders generally are entitled to vote, and no holder of any series of Preferred Stock, as such, shall be entitled to any voting powers in respect thereof.

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D. Subject to applicable law and the rights, if any, of the holders of any outstanding series of Preferred Stock, dividends may be declared and paid on the Common Stock at such times and in such amounts as the Board of Directors in its discretion shall determine.

E. Upon the dissolution, liquidation or winding up of the corporation, subject to the rights, if any, of the holders of any outstanding series of Preferred Stock, the holders of the Common Stock shall be entitled to receive the assets of the corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them.

#### **ARTICLE V**

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors.

B. Subject to the rights of holders of any series of Preferred Stock with respect to the election of directors, (i) the number of directors that constitutes the entire Board of Directors shall be fixed solely by resolution of the Board of Directors, and (ii) at each annual meeting of stockholders, directors of the corporation shall be elected to hold office until the expiration of the term for which he or she is elected and until his or her successor has been duly elected and qualified or until his or her earlier resignation, death or removal; except that if any such election shall not be so held, such election shall take place at a stockholders meeting called and held in accordance with the DGCL.

C. Vacancies occurring on the Board of Directors for any reason and newly created directorships resulting from an increase in the authorized number of directors may be filled only by vote of a majority of the remaining members of the Board of Directors, although less than a quorum, or by a sole remaining director, at any meeting of the Board of Directors. A person so elected by the Board of Directors to fill a vacancy or newly created directorship shall hold office until the next succeeding annual meeting of stockholders and until his or her successor shall be duly elected and qualified or until his or her earlier resignation or removal.

D. Subject to any rights of holders of any outstanding series of Preferred Stock, in elections of directors each holder of shares of any class or series of capital stock of the Corporation shall be entitled to one vote for each share held. No stockholder will be permitted to cumulate votes in any election of directors.

E. Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

#### **ARTICLE VI**

Except as otherwise provided in the Bylaws, the Bylaws may be amended or repealed or new Bylaws adopted by the vote or written consent of holders of a majority of the outstanding shares entitled to vote generally in the election of directors. In furtherance and not in limitation of the powers conferred by statute, the Board of Directors of the Corporation is expressly authorized to adopt, amend or repeal the Bylaws of the Corporation without a vote or the written consent of the stockholders of the Corporation.

#### **ARTICLE VII**

A. To the fullest extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended.

B. Neither any amendment nor repeal of this ARTICLE VII, nor the adoption of any provision of this Certificate of Incorporation inconsistent with this ARTICLE VII, shall eliminate or reduce the effect of this ARTICLE VII in

respect of any matter occurring, or any cause of action, suit or proceeding accruing or arising or that, but for this ARTICLE VII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

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### **ARTICLE VIII**

A. The Corporation shall have the power to indemnify, to the extent permitted by the DGCL, as it presently exists or may hereafter be amended from time to time, any employee or agent of the Corporation who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (a Proceeding ) by reason of the fact that such employee or agent is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

B. Subject to any provisions in the Bylaws of the Corporation relating to the indemnification of directors or officers of the Corporation, the Corporation shall indemnify, to the fullest extent permitted by applicable law, any director or officer of the Corporation who was or is a party or is threatened to be made a party to any Proceeding (as hereinabove defined) by reason of the fact that he or she is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, against expenses (including attorneys fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with any such Proceeding.

C. Neither any amendment nor repeal of this ARTICLE VIII or of any provisions of the Corporation s Bylaws, nor the adoption of any provision of this Certificate of Incorporation or any provision of this Corporation s Bylaws inconsistent with this ARTICLE VIII, shall eliminate or reduce the effect of this ARTICLE VIII in respect of any matter occurring or Proceeding accruing or arising or that, but for this ARTICLE VIII, would accrue or arise, prior to such amendment, repeal or adoption of an inconsistent provision.

### **ARTICLE IX**

Except as provided in Article VII and Article VIII above, the Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation, in the manner now or hereafter prescribed by statute, and all rights conferred upon stockholders herein are granted subject to this reservation.

### **ARTICLE X**

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state or federal court located within the State of Delaware) shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action or other Proceeding asserting a claim of breach of a fiduciary duty owed by any director or officer or other employee of the Corporation to the Corporation or the Corporation s stockholders, (iii) any action or other Proceeding asserting a claim against the Corporation arising pursuant to any provision of the DGCL or this Certificate of Incorporation or the Corporation s Bylaws, (iv) any action or other Proceeding asserting a claim against the Corporation governed by the internal affairs doctrine, or (v) any action or other Proceeding to interpret, apply, enforce or determine the validity of, or otherwise asserting a claim arising pursuant to, any provision of this Certificate of Incorporation or the Corporation s Bylaws (as either may be amended from time to time). Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this ARTICLE X.



**ARTICLE XI**

If any provision of this Certificate of Incorporation becomes or is declared on any ground by a court of competent jurisdiction to be illegal, unenforceable or void, portions of such provision, or such provision in its entirety, to the extent necessary, shall be severed from this Certificate of Incorporation, and the court will replace such illegal, void or unenforceable provision of this Certificate of Incorporation with a valid and enforceable provision that most accurately reflects the Corporation's intent, in order to achieve, to the maximum extent possible, the same economic, business and other purposes of the illegal, void or unenforceable provision. The balance of this Certificate of Incorporation shall be enforceable in accordance with its terms.

**ARTICLE XII**

Pursuant to Section 203(b)(1) of the DGCL, the Corporation shall not be governed by the provisions of Section 203 of the DGCL.

\* \* \* \*

The name and mailing address of the Sole Incorporator is as follows:

John Michel

c/o First Foundation Inc.

18101 Von Karman Avenue, Suite 750

Irvine, California 92612

*[Remainder of Page Intentionally Left Blank]*

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I, THE UNDERSIGNED, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate, and do certify that the facts herein are true, and I have accordingly hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 2015.

By:  
John Michel, Sole Incorporator

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**BYLAWS OF  
FIRST FOUNDATION INC.**

(Effective                      , 2015)

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