

First Foundation Inc.
Form DEF 14A
July 26, 2017

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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- (1) Amount Previously Paid:

 - (2) Form, Schedule or Registration Statement No.:

 - (3) Filing Party:

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-

FIRST FOUNDATION INC.

July 28, 2017

Dear Fellow Stockholder:

The Board of Directors and I would like to extend you a cordial invitation to attend the Annual Meeting of Stockholders of First Foundation Inc. (the "Company"). The Annual Meeting will be held on August 29, 2017, at 8:00 A.M. Pacific Time, at 18101 Von Karman Avenue, Suite 200, Irvine, California 92612.

The attached Notice of Annual Meeting of Stockholders and Proxy Statement describe in detail the matters to be acted on at the Annual Meeting. We also will be available to 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 STOCKHOLDERS

To Be Held August 29, 2017

NOTICE TO THE STOCKHOLDERS OF FIRST FOUNDATION INC.:

The 2017 Annual Meeting of Stockholders of First Foundation Inc. (the "Company") will be held on August 29, 2017, at 8:00 A.M. Pacific Time, at 18101 Von Karman Avenue, Suite 200, Irvine, California 92612, for the following purposes:

1. To elect nine members to the Board of Directors of the Company, to serve for the ensuing year and until their successors are elected and qualify to serve; and

2. To ratify the appointment of Vavrinek, Trine, Day & Co., LLP as the Company's independent registered public accounting firm for fiscal year 2017.

Only stockholders of record at the close of business on July 14, 2017 (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

July 28, 2017

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING
OF STOCKHOLDERS TO BE HELD ON AUGUST 29, 2017

The proxy materials for this Annual Meeting, which consist of this Proxy Statement, the 2016 Annual Report to Stockholders, and form of proxy, will be available over the Internet at www.proxyvote.com beginning on July 31, 2017.

FIRST FOUNDATION INC.

18101 Von Karman Avenue, Suite 700,

Irvine, California 92612

PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

To Be Held August 29, 2017

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 Delaware corporation, for its 2017 Annual Meeting of Stockholders which will be held on August 29, 2017, at 8:00 A.M. Pacific Time, at 18101 Von Karman Avenue, Suite 200, Irvine, California 92612. This Proxy Statement will be available to our stockholders, on the Internet at www.proxyvote.com, beginning on July 31, 2017. 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 2017 Annual Meeting of Stockholders as the “Annual Meeting.”

All stockholders 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 July 14, 2017, 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 2016 Annual Report to Stockholders (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 July 28, 2017, to all stockholders 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 of the nine director nominees to be elected, one vote on the proposal to ratify the appointment of Vavrinek, Trine, Day & Co., LLP as the Company’s independent registered

public accounting firm for fiscal year 2017 and one vote on any other matter presented for a vote of the stockholders.

How Can I Vote My Shares?

If you were a stockholder of record on July 14, 2017, 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. Telephone and Internet voting are available 24 hours a day until 11:59 P.M. Pacific Time on August 28, 2017. Our telephone and Internet voting procedures are designed to authenticate each stockholder 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, stockholders 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 stockholder, whether over the Internet or by telephone or mail, and not properly revoked, will be voted at the Annual Meeting in accordance with the stockholder’s voting instructions or, if a stockholder does not provide voting instructions, then in accordance with the recommendations of the Board of Directors of the Company (the “Board”).

Voting on Other Matters. If other matters are properly presented for a vote of the stockholders 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 stockholders 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 subsection entitled “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. The election of directors is deemed to be a non-routine proposal.

Therefore, if you hold your shares in street name and want your shares to be voted on the election of directors, 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

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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 stockholders vote FOR the election of each of the director nominees named below and FOR approval of Proposal No. 2 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, in accordance with the procedures set forth under “How Can I Revoke My Proxy and Change My Vote?” below, 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 nine director nominees named below (Proposal No. 1).
2. Ratification of the appointment of Vavrinek Trine Day & Co. LLP as the Company’s independent registered public accounting firm for fiscal year 2017 (Proposal No. 2).

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 subsection entitled “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. The election of director nominees requires the affirmative vote of a majority of the votes cast with respect to such director in an uncontested election (meaning the number of shares voted “for” a nominee must exceed the number of shares voted “against” such nominee). If the Corporate Secretary of the Company determines that the number of director nominees exceeds the number of director nominees to be elected as of the record date for the Annual Meeting, the director nominees will be elected by vote of a plurality of the shares, present in person or by proxy and entitled to vote on the election of directors. In such event, the nine director nominees receiving the greatest numbers of votes “for” will be elected as directors without regard to the number of shares voted against such director nominees. Votes cast shall include votes “for” and “against” a nominee and exclude “abstentions” and “broker non-votes” with respect to that nominee’s election. A director who does not receive a majority of the votes cast in an uncontested election must tender an offer of resignation to the Board of Directors. The Nominating and Corporate Governance Committee will consider the resignation offer and make a recommendation to the Board of Directors whether to accept or reject the resignation or whether other action should be taken. If any such director’s resignation offer is not accepted by the Board of Directors, the Board of Directors will publicly disclose its decision, including the reasons for not accepting the resignation offer, within four business days after reaching its decision.

Proposal No. 2. Ratification of Appointment of Vavrinek, Trine, Day & Co., LLP as the Company’s independent registered public accounting firm for fiscal year 2017. 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). 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.

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 any of the following 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.

• If you submitted your proxy by telephone or over the Internet, you may change your vote or revoke your proxy with a later telephone or Internet proxy, as the case may be.

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 July 20, 2017, 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 July 20, 2017, a total of 34,338,634 shares of our common stock were issued and outstanding.

Name and Title	As of July 20, 2017 (1)	
	Number of Shares Beneficially Owned (2)	Percent of Class
Ulrich Keller, Jr., Executive Chairman	2,672,170(3)	7.7 %
Scott Kavanaugh, Vice Chairman and CEO	1,388,417	4.0 %
James Brakke, Director	129,851	*
Max Briggs, Director	65,579 (4)	*
Warren Fix, Director	168,765 (5)	*
John Hakopian, Director and President of FFA	970,360	2.8 %
Gerald Larsen, Director	47,131	*
Mitchell M. Rosenberg, Director	56,731	*
Jacob Sonenshine, Director	70,063	*
David S. DePillo	713,311	2.1 %
John Michel	217,291	*
All Directors and executive officers as a Group (11 persons)	6,499,669	18.5 %

*Less than 1%

- (1) This table is based upon information supplied to us by our officers, directors and principal stockholders. Except as otherwise noted, we believe that each of the stockholders 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 July 20, 2017 through the exercise of stock options or pursuant to any contract or any other arrangement.
- (2) Includes shares that may be acquired within 60 days of July 20, 2017 pursuant to the exercise of stock options, as follows: Mr. Keller—191,000 shares; Mr. Kavanaugh—200,000 shares; Messrs. Brakke, Sonenshine and Dr. Rosenberg,—3,000 shares each; Mr. Hakopian—181,000 shares; Mr. Briggs—30,000 shares; Mr. Larsen—22,000 shares; Mr. Michel—154,000 shares; and all of the directors and executive officers as a group—787,000 shares.
- (3) Includes 200,000 shares beneficially owned by Mr. Keller's wife, as to which he disclaims beneficial ownership.
- (4) Includes 6,000 shares beneficially owned by Mr. Briggs' wife, as to which he disclaims beneficial ownership.
- (5) Includes 11,800 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 Board of Directors will consist of one or more members, which will be determined from time to time by resolution of the Board of Directors. The Board of Directors has set the authorized number of directors at nine effective as of the Annual Meeting.

Accordingly, a total of nine directors will be elected at the Annual Meeting to hold office until the next annual stockholders’ meeting and until their respective successors are elected and qualify to serve. The Board of Directors has nominated for election the nine 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 nine 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

The election of director nominees requires the affirmative vote of a majority of the votes cast with respect to such director in an uncontested election (meaning the number of shares voted “for” a nominee must exceed the number of shares voted “against” such nominee). If the secretary of the Company determines that the number of director nominees exceeds the number of director nominees to be elected as of the record date for the Annual Meeting, the director nominees will be elected by vote of a plurality of the shares, present in person or by proxy and entitled to vote on the election of directors. In such event, the nine director nominees receiving the greatest numbers of votes “for” will be elected as directors without regard to the number of shares voted against such director nominees. Votes cast shall include votes “for” and “against” a nominee and exclude “abstentions” and “broker non-votes” with respect to that nominee’s election. A director who does not receive a majority of the votes cast in an uncontested election must tender an offer of resignation to the Board of Directors. The Nominating and Corporate Governance Committee will consider the resignation offer and make a recommendation to the Board of Directors whether to accept or reject the resignation or whether other action should be taken. If any such director’s resignation offer is not accepted by the Board of Directors, the Board of Directors will publicly disclose its decision, including the reasons for not accepting the resignation offer, within four business days after reaching its decision.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS 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 recommended by the Nominating and Corporate Governance Committee and 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 stockholders 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	Positions with FFI
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Director
Since

Ulrich E. Keller, Jr., CFP	60	2007	Executive Chairman and Director
Scott F. Kavanaugh	56	2007	Chief Executive Officer, Vice Chairman and Director
James Brakke	75	2007	Director
Max Briggs, CFP	51	2012	Director
Warren D. Fix, CPA	79	2007	Director
John Hakopian	49	2007	Director, President of FFA
Gerald Larsen	68	2013	Director
Mitchell M. Rosenberg, Ph.D	63	2007	Director
Jacob Sonenshine, J.D., CFA	46	2007	Director

Six of the Company’s nine directors have been determined by the Board to be independent within the meaning of the listing rules of the NASDAQ Stock Market, 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 committees of the Board. Those directors are 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 served as a member of the University of California, Irvine (“UCI”) Foundation’s Finance & Investment Committee and served 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. Since March 2015, Mr. Kavanaugh has served as director for Nexpoint Residential Trust Inc., a publicly traded real estate investment trust that is advised by NexPoint Real Estate Advisors, L.P. an affiliate of Highland Capital Management, L.P.. Mr. Kavanaugh also served as a member of the boards of directors of NexBank SSB and its parent holding company, NexBank Capital, Inc. from December 2013 until December 2015. 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, L.P.. 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 CEO, we believe 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, as a director of Debt Resolve, Inc 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 Desert Commercial Bank (“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 \$385 million of assets under administration. From 1992 to 1997, Mr. Briggs served as CEO of Franklin Loan Center, a mortgage banking company. 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.

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 a member of the executive committee of the board of directors. Mr. Fix currently serves as a director of Healthcare Trust of America, a publicly traded real estate investment trust and Clark Investment Group. Mr. Fix earned a Bachelor of Administration degree from Claremont McKenna College. We believe Mr. Fix brings to the Board his knowledge of accounting, real estate and financial matters 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 public and private companies in the fields of financial services, health care and technology. 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 President 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 Professionals 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 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 President of a retirement planning firm is valuable to the Board in overseeing FFA's wealth management and investment advisory business.

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 of Directors at the Annual Meeting, set forth below are the names and biographical information of our other executive officers:

David S. DePillo. Mr. DePillo, age 56, 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 58, 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 CFO 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.

There are no family relationships between any director, executive officer or person nominated to become a director or executive officer.

The Board of Directors

Election of Directors

Our bylaws provide that our directors shall be elected at each annual meeting of stockholders but, if any such annual meeting is not held or the directors are not elected thereat, the directors may be elected at any special meeting of stockholders held for such purpose. All directors shall hold office until their respective successors are elected, subject to the Delaware General Corporation Law (the "DGCL") and our bylaws with respect to vacancies on the Board of Directors. A vacancy on the Board of Directors shall be deemed to exist in case of the death, resignation, retirement, disqualification, or removal from office. Vacancies on the Board of Directors, unless otherwise required by law or by resolution of the Board of Directors, may be filled only by a majority vote of the directors then in office, though less than a quorum or, if there is only one director

then in office, by such director (and in neither case by the stockholders). No decrease in the number of authorized directors shall shorten the term of any incumbent director.

Subject to the DGCL and our bylaws, each director shall be elected by the vote of the majority of the votes cast with respect to the director at any meeting for the election of directors at which a quorum is present, provided, however, that at any meeting of stockholders for which the Corporate Secretary of the Company determines that the number of nominees exceeds the number to be elected as of the record date for such meeting, the directors shall be elected by vote of the plurality of the shares, present in person or represented by proxy and entitled to vote on the election of directors.

Role of the Board of Directors

In accordance with Delaware law, the Board of Directors oversees the management of the business and affairs of the Company. The members of the Board of Directors 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..

Members of our Board of Directors 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 stockholders. During the fiscal year ended December 31, 2016, 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 served during 2016. All of our directors also attended the 2016 Annual Meeting of Stockholders. Although we have no formal policy requiring director attendance at annual meetings of stockholders, 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, if the Board deems necessary, reports from the 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 and lease losses ("ALLL") 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 ALLL;
 - 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 Corporate Governance Committee. The Board of Directors has adopted a written charter for each of those committees, and copies of those charters are available on the Investor Relations section of our website at www.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 of Directors has established a standing Audit Committee, the members of which are Mr. Fix, its chairman, and Messrs. Briggs, Larsen and Sonenshine. The Board of Directors has determined that all of the members of the Audit Committee are

independent within the meaning of the listing rules of the NASDAQ Stock Market and 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 meet the definition of "audit committee financial expert" adopted by the Securities and Exchange Commission ("SEC").

The Audit Committee's responsibilities include:

- overseeing the integrity of the financial statements of the Company and its subsidiaries, including the financial reporting processes and systems of internal controls regarding finance, accounting, legal and regulatory compliance;
- overseeing the independence, qualifications and performance of the Company's independent auditors and internal audit function;
- monitoring the open communication among the independent auditor, management, the internal audit function and the Board of Directors;
- reviewing and assessing the adequacy of its formal written charter on an annual basis; and
- overseeing such other matters that may be specifically delegated to the Audit Committee by the Board of Directors.

The Audit Committee met six times during 2016.

The Compensation Committee. The Board of Directors 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's responsibilities include:

- reviewing and approving the compensation plans, policies and programs for the Company's CEO and other senior officers;
- developing, reviewing and making recommendations to the Board of Directors with respect to the adoption or revision of cash and equity incentive plans, approving individual grants or awards thereunder and reporting to the Board of Directors regarding the terms of such individual grants or awards;
- reviewing and discussing with the Company's management the narrative discussion and tables regarding executive officer and director compensation to be included in the Company's annual proxy statement, in accordance with applicable laws, rules and regulations;
- producing and approving an annual report on executive compensation for inclusion in the Company's annual proxy statement, in accordance with applicable laws, rules and regulations;
- making recommendations to the Board of Directors regarding the type and amount of compensation be paid or awarded to members of the Board of Directors;
- reviewing and assessing the adequacy of its formal written charter on an annual basis; and
- overseeing any other matters that may be specifically delegated to the Compensation Committee by the Board of Directors.

The Compensation Committee met two times during 2016.

The Nominating and Corporate Governance Committee. The Board of Directors has established a standing Nominating and Corporate 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 Corporate Governance Committee are independent within the meaning of the NASDAQ rules applicable to such committees.

The Nominating and Corporate Governance Committee's responsibilities include:

- developing and recommending policies to the Board of Directors regarding the director nomination process, including establishing a policy with regard to consideration of director candidates recommended by directors, employees, stockholders and others or to fill director vacancies, in accordance with the Company's bylaws;
- identifying and making recommendations to the Board of Directors regarding specific candidates for election as directors;
- recommending to the Board of Directors specific selection qualifications and criteria for Board membership;
- evaluating the independence of the directors and making recommendations to the Board of Directors with respect to the directors to be appointed to serve on each committee of the Board of Directors;
- developing and recommending, for the Board of Director's approval, corporate governance principles and policies, and codes of conduct for the Company's executive officers, employees and directors as the Committee determines from time to time to be appropriate, in accordance with applicable laws, rules and regulations;
- leading the Board of Directors in its annual review of the performance of the Board of Directors and its committees, as applicable;
- reviewing and assessing the adequacy of its formal written charter on an annual basis; and
- overseeing any other matters that may be specifically delegated to the Nominating and Corporate Governance Committee by the Board of Directors.

The Nominating and Corporate Governance Committee met once during 2016.

Corporate Governance Principles and Policies

Our Board believes that sound governance policies and practices provide an important framework to assist them in fulfilling their duties to the Company's stockholders. Our Board 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. We have adopted a Code of Business and Ethical Conduct for our directors, officers and employees and a Code of Conduct which contains specific ethical policies and principles that apply to our Chief Executive Officer and other senior financial officers. A copy of our Code of Conduct is accessible at the Investor Relations section of our website at www.ff-inc.com. We intend to disclose, at that same location on our website, any amendments and any waivers of the requirements of the Code of Conduct that may be granted to our Chief Executive Officer or other senior financial officers.

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 Ulrich E. Keller, Jr., 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 of Directors 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 our Board in the performance of its responsibilities.

Director Independence and Diversity. Our Board of Directors has evaluated the independence of its members based on the definition of independence for purpose of Board membership and membership on the Board's standing committees that are applicable to the Company because its shares are listed on the NASDAQ Stock Market. Based on that evaluation, our Board of Directors has concluded that (i) six members of the Board are independent: Messrs. Brakke, Briggs, Fix, Larsen, Rosenberg and Sonenshine, and (ii) all of the members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are independent. The Board of Directors believes that differences in experience, knowledge, skills and viewpoints enhance the Board of Directors' performance. Accordingly, the Nominating and Corporate 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 stockholders; 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 of Directors and each of its committees to retain independent advisors as the Board of Directors, or such committees acting independently of the full Board of Directors, 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. Stockholders 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 stockholder value and must represent the interests of all stockholders as opposed to any particular constituency within our stockholders. 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 Corporate 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 of Directors. That committee will consider director candidates recommended by stockholders, other members of the Board of Directors, officers and employees of the Company and other sources that the committee deems appropriate. Under its charter, the Nominating and Corporate Governance 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 Corporate 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 Nominating and Corporate Governance 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 Corporate Governance Committee

evaluates all director candidates in the same manner regardless of the source of the recommendation. The Nominating and Corporate Governance Committee will interview and, when deemed appropriate, will conduct background inquiries about, Board candidates. Some of the criteria used by the Nominating and Corporate Governance Committee to evaluate the candidates, including those selected for nomination at the 2017 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.

Stockholder Recommendation of Board Candidates. Any stockholder desiring to submit a recommendation for consideration by the Nominating and Corporate 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 stockholders. 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 stockholder and the person that the nominating stockholder 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 stockholder, his or her recommended candidate and any other stockholders known by the nominating stockholder 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 stockholder, or any person that (directly or indirectly through one or more intermediaries) controls, or is controlled by, or is under common control with, such stockholder, on the one hand, and the person that the nominating stockholder 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 Corporate Governance Committee make no distinction between whether a candidate is recommended by a stockholder or by management and the Board and the Nominating and Corporate Governance Committee apply the same process and criteria in evaluating a candidate recommended by a stockholder as it would for a candidate recommended by management.

Stockholder Nominations. Our bylaws provide that any record stockholder may nominate, at any annual meeting of stockholders, one or more candidates for election to the Board of Directors, by giving the Company written notice (addressed to the Corporate Secretary of the Company at the Company's principal offices) of such stockholder's intention to do so not less than 90 days nor more than 120 days prior to the first anniversary of the date on which the Company's proxy statement for the prior year's annual meeting was first released to stockholders, provided however, that in the event that no annual meeting was held in that prior year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the prior year's proxy statement, to be timely, the stockholder notice must be received by the close of business on the later of (i) the 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 annual meeting is first mailed or is first publicly announces. Such notice must be accompanied by statements and other information described in the Company's Bylaws, including the following items:

- The nominating stockholder's name, address, and beneficial ownership of shares of the Company (and the same information with respect to any beneficial owner for which the nominating stockholder is acting on behalf of);
- The name, age, business address, residential address, and principal occupation or employment of the person to be nominated;
- The nominee's signed consent to serve as a director of the Company, if elected;
- The number of shares of the Company's stock beneficially owned by the nominee;
- A description of all arrangements and understandings between the stockholder and the nominee pursuant to which the nomination is to be made; and
- Such other information concerning the director nominee as would be required in a proxy statement soliciting proxies for the election of the director nominee under the rules of the SEC.

Stockholders are advised to carefully 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 stockholders of candidates for election to the Board. Any stockholder nomination at any annual meeting that does not comply with the requirements set forth in our bylaws will be ineffective and disregarded.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Exchange Act and the related rules and regulations, our directors and executive officers and any beneficial owners of more than 10% of any registered class of our equity securities, are required to

file reports of their ownership, and any changes in the ownership, of our common stock 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 2016, all of those persons complied with the Section 16(a) filing requirements.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

(Proposal No. 2)

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, 2017. Vavrinek audited our consolidated financial statements for the fiscal year ended December 31, 2016 and the effectiveness of our internal control over financial reporting at December 31, 2016. A representative of Vavrinek is expected to attend the Annual Meeting and will be afforded an opportunity to respond to appropriate questions from stockholders in attendance at the Annual Meeting.

Audit and Other Fees Paid in Fiscal Year 2016 and 2015

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

	2016	2015
Audit services	\$225,000	\$160,000
Audit related services	—	—
Tax services	—	—