

NORTHROP GRUMMAN CORP /DE/
Form 8-K
May 28, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934
Date of Report (Date of earliest event reported)
May 28, 2013

NORTHROP GRUMMAN CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

1-16411
(Commission File Number)

No. 80-0640649
(I.R.S. Employer
Identification Number)

2980 Fairview Park Drive, Falls Church, Virginia 22042

www.northropgrumman.com

(Address of principal executive offices and internet site)

(703) 280-2900

(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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EXHIBIT 99.1

Item 7.01 Regulation FD Disclosure.

On May 28, 2013, Northrop Grumman Corporation (the “Company”) issued a press release announcing that on June 27, 2013 it will redeem for cash all of its then outstanding 3.70% Senior Notes due 2014 and all of its then outstanding 1.850% Senior Notes due 2015. The Company also announced the commencement of a public offering of senior unsecured debt securities of the Company. A copy of the press release is filed as Exhibit 99.1 hereto and the press release is incorporated herein by reference.

The information in this Item 7.01, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
Exhibit 99.1	Press Release dated May 28, 2013

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

NORTHROP GRUMMAN CORPORATION
(Registrant)

By: /s/ Jennifer C. McGarey
Jennifer C. McGarey
Corporate Vice President and Secretary

Date: May 28, 2013

EXHIBIT INDEX

Exhibit No.	Description
Exhibit 99.1	Press Release dated May 28, 2013

5
dth:1.1%;">

Residential properties

\$
6,135

\$
411

\$
—

\$

—

\$

6,546

Commercial properties

1,425

74

—

—

1,499

Land and construction

37

30

—

—

67

Commercial and industrial loans

2,149

(252

)

—

—

1,897

Consumer loans

169

(28

)

—

—

141

Total

\$

9,915

\$

235

\$

—

\$

—

\$

10,150

89

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

The following table presents the balance in the allowance for loan losses and the recorded investment in loans by impairment method as of December 31:

(dollars in thousands)	Allowance for Loan Losses Evaluated for Impairment			Total	Unaccrued Credit Component Other Loans
	Individual	Collectively	Purchased Impaired		
2016:					
Allowance for loan losses:					
Real estate loans:					
Residential properties	\$—	\$ 6,669	\$ —	\$ 6,669	\$ 128
Commercial properties	—	2,983	—	2,983	136
Land	—	233	—	233	2
Commercial and industrial loans	—	5,227	—	5,227	147
Consumer loans	—	288	—	288	19
Total	\$—	\$ 15,400	\$ —	\$ 15,400	\$ 432
Loans:					
Real estate loans:					
Residential properties	\$ 6,093	\$ 1,774,796	\$ —	\$ 1,780,889	\$ 12,373
Commercial properties	2,148	474,634	177	476,959	24,796
Land	—	24,100	—	24,100	437
Commercial and industrial loans	753	233,992	3,196	237,941	20,165
Consumer loans	—	32,127	—	32,127	1,266
Total	\$ 8,994	\$ 2,539,649	\$ 3,373	\$ 2,552,016	\$ 59,037
2015:					
Allowance for loan losses:					
Real estate loans:					
Residential properties	\$—	\$ 6,799	\$ —	\$ 6,799	\$ 127
Commercial properties	30	1,783	—	1,813	363
Land	—	103	—	103	42
Commercial and industrial loans	—	1,649	—	1,649	187
Consumer loans	—	236	—	236	13
Total	\$ 30	\$ 10,570	\$ —	\$ 10,600	\$ 732
Loans:					
Real estate loans:					
Residential properties	\$—	\$ 1,160,568	\$ —	\$ 1,160,568	\$ 7,747
Commercial properties	6,275	352,162	354	358,791	43,287
Land	—	11,180	1,140	12,320	4,267
Commercial and industrial loans	5,687	185,732	5,165	196,584	28,231
Consumer loans	76	37,130	—	37,206	1,761
Total	\$ 12,038	\$ 1,746,772	\$ 6,659	\$ 1,765,469	\$ 85,293

The column labeled “Unaccreted Credit Component Other Loans” represents the amount of unaccreted credit component discount for the other loans acquired in a business combination, and the stated principal balance of the related loans. The discount is equal to 0.73% and 0.86% of the stated principal balance of these loans as of December 31, 2016 and 2015, respectively. In addition to this unaccreted credit component discount, an additional \$0.5 million and \$0.3 million of the ALLL was provided for these loans as of December 31, 2016 and 2015, respectively.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

The Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, collateral adequacy, credit documentation, and current economic trends, among other factors. The Bank analyzes loans individually by classifying the loans as to credit risk. This analysis typically includes larger, non-homogeneous loans such as loans secured by multifamily or commercial real estate and commercial and industrial loans. This analysis is performed on an ongoing basis as new information is obtained. The Bank uses the following definitions for risk ratings:

Pass: Loans classified as pass are strong credits with no existing or known potential weaknesses deserving of management's close attention.

Special Mention: Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard: Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Impaired: A loan is considered impaired, when, based on current information and events, it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Additionally, all loans classified as troubled debt restructurings ("TDRs") are considered impaired. Purchased credit impaired loans are not considered impaired loans for these purposes.

Loans listed as pass include larger non-homogeneous loans not meeting the risk rating definitions above and smaller, homogeneous loans not assessed on an individual basis.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of December 31:

(dollars in thousands)	Pass	Special Mention	Substandard	Impaired	Total
2016:					
Real estate loans:					
Residential properties	\$1,773,296	\$ 1,500	\$ —	\$ 6,093	\$1,780,889
Commercial properties	470,484	1,913	2,414	2,148	476,959
Land	24,100	—	—	—	24,100
Commercial and industrial loans	219,676	3,625	13,887	753	237,941
Consumer loans	32,127	—	—	—	32,127
Total	\$2,519,683	\$ 7,038	\$ 16,301	\$ 8,994	\$2,552,016

2015:

Real estate loans:

Residential properties	\$1,159,029	\$ 1,539	\$ —	\$—	\$1,160,568
Commercial properties	351,988	174	354	6,275	358,791
Land	11,180	—	1,140	—	12,320
Commercial and industrial loans	180,755	4,977	5,165	5,687	196,584
Consumer loans	37,130	—	—	76	37,206
Total	\$1,740,082	\$ 6,690	\$ 6,659	\$ 12,038	\$1,765,469

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

Impaired loans evaluated individually and any related allowance is as follows as of December 31:

(dollars in thousands)	With No Allowance Recorded		With an Allowance Recorded		
	Unpaid Principal Balance	Recorded Investment	Unpaid Principal Balance	Recorded Investment	Related Allowance
2016:					
Real estate loans:					
Residential properties	\$ 6,093	\$ 6,093	\$—	\$ —	\$ —
Commercial properties	2,148	2,148	—	—	—
Commercial and industrial loans	753	753	—	—	—
Consumer loans	—	—	—	—	—
Total	\$ 8,994	\$ 8,994	\$—	\$ —	\$ —
2015:					
Real estate loans:					
Residential properties	\$ —	\$ —	\$—	\$ —	\$ —
Commercial properties	5,925	5,925	590	350	30
Commercial and industrial loans	7,770	5,687	—	—	—
Consumer loans	114	76	—	—	—
Total	\$ 13,809	\$ 11,688	\$590	\$ 350	\$ 30

The weighted average annualized average balance of the recorded investment for impaired loans, beginning from when the loan became impaired, and any interest income recorded on impaired loans after they became impaired is as follows for the years ending December 31:

(dollars in thousands)	2016		2015		2014	
	Average Recorded Investment	Interest Income after Impairment	Average Recorded Investment	Interest Income after Impairment	Average Recorded Investment	Interest Income after Impairment
Real estate loans:						
Residential properties	\$1,970	\$ 14	\$27	\$ 2	\$3,000	\$ 25
Commercial properties	2,252	17	6,487	281	3,217	140
Commercial and industrial loans	1,673	20	7,850	394	1,196	241
Consumer loans	4	—	105	—	126	—
Total	\$5,899	\$ 51	\$14,469	\$ 677	\$7,539	\$ 406

There was no interest income recognized on a cash basis in either 2016 or 2015 on impaired loans.

NOTE 7: PREMISES AND EQUIPMENT

A summary of premises and equipment is as follows at December 31:

(dollars in thousands)	2016	2015
Leasehold improvements and artwork	\$4,517	\$1,473
Information technology equipment	5,709	4,358
Furniture and fixtures	3,173	2,230
Total	13,399	8,061
Accumulated depreciation and amortization	(6,669)	(5,408)
Net	\$6,730	\$2,653

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

NOTE 8: REAL ESTATE OWNED

The activity in our portfolio of REO is as follows during the periods ending December 31:

(dollars in thousands)	2016	2015
Beginning balance	\$4,036	\$334
Loans transferred to REO	2,350	—
REO acquired in merger	—	3,702
Dispositions of REO	(4,652)	—
Ending balance	\$1,734	\$4,036

NOTE 9: LOAN SALES AND MORTGAGE SERVICING RIGHTS

In 2016, FFB sold through a securitization sponsored by Freddie Mac \$265 million of multifamily loans and recognized a gain of \$7.2 million. The agreement with Freddie Mac to sell these loans provided for changes in pricing based upon changes in rates on certain treasury swap indices. In an effort to reduce the interest rate risk associated with this agreement, we entered into a swap agreement. In conjunction with the finalization of pricing under the agreement, we closed out our swap position and paid \$2.4 million, including fees, to counterparties under the swap agreement, and the pricing on the loan sale increased by \$2.2 million. In 2016, FFB sold \$41 million of multifamily loans to another financial institution and recognized a gain of \$0.6 million. In 2015, FFB sold through a securitization sponsored by Freddie Mac \$102 million of multifamily loans and recognized a gain of \$2.7 million. In the 2015 securitization, the Company obtained a beneficial interest in an interest-only strip. The \$0.9 million fair value of this beneficial interest, which was determined based on variety of factors including market prepayment speeds, discount rates and yield curve assumptions, was included in the determination of the gain on sale of loans. In addition the Company purchased the “B” pieces of these securitizations, which are structured to absorb any losses incurred on the loans in the securitization, and interest only strips.

For the sales of multifamily loans in 2016 and 2015, FFB retained the servicing rights to these loans and recognized mortgage servicing rights as part of the transactions. As of December 31, 2016, and 2015, mortgage servicing rights were \$2.2 million and \$0.2 million, respectively and the amount of loans serviced for others totaled \$412.2 million at December 31, 2016. Servicing fees collected in 2016 and 2015, were \$0.3 million and \$0, respectively.

NOTE 10: DEPOSITS

The following table summarizes the outstanding balance of deposits and average rates paid thereon at December 31:

(dollars in thousands)	2016		2015		
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	
Demand deposits:					
Noninterest-bearing	\$661,781	—	\$299,794	—	
Interest-bearing	194,274	0.471	% 260,167	0.359	%
Money market and savings	941,344	0.677	% 492,015	0.531	%
Certificates of deposits	629,396	0.589	% 470,200	0.554	%
Total	\$2,426,795	0.453	% \$1,522,176	0.404	%

At December 31, 2016, of the \$189.9 million of certificates of deposits of \$250,000 or more, \$182.8 million mature within one year and \$7.1 million mature after one year. Of the \$439.5 million of certificates of deposit of less than \$250,000, \$416.3 million mature within one year and \$23.2 million mature after one year. At December 31, 2015, of the \$149.2 million of certificates of deposits of \$250,000 or more, \$137.8 million mature within one year and \$11.4 million mature after one year. Of the \$321 million of certificates of deposit of less than \$250,000, \$292.5 million mature within one year and \$28.5 million mature after one year.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

NOTE 11: BORROWINGS

Borrowings: At December 31, 2016, our borrowings consisted of \$1.3 billion of overnight FHLB advances. At December 31, 2015, our borrowings consisted of \$796.0 million of overnight FHLB advances. These FHLB advances were paid in full in the early part of January 2017 and 2016, respectively, and bore interest rates of 0.56% and 0.27%, respectively. Because the Bank utilizes overnight borrowings, the balance of outstanding borrowings fluctuates on a daily basis.

FHLB advances are collateralized by loans secured by multifamily and commercial real estate properties with a carrying value of \$2.1 billion as of December 31, 2016. As a matter of practice, the Bank provides substantially all of its qualifying loans as collateral to the FHLB. The Bank's total borrowing capacity from the FHLB at December 31, 2016 was \$1.8 million. In addition to the \$1.3 million borrowing, the Bank had in place \$129 million of letters of credit from the FHLB which are used to meet collateral requirements for borrowings from the State of California and local agencies.

The Bank also has \$115.0 million available unsecured fed funds lines, ranging in size from \$20 million to \$25 million, with four other financial institutions. None of these lines had outstanding borrowings as of December 31, 2016. Combined, the Bank's unused lines of credit as of December 31, 2016 were \$171.8 million. The average daily balance of borrowings outstanding during 2016 and 2015 was \$507.0 million and \$352.7 million, respectively.

NOTE 12: SHAREHOLDERS' EQUITY

FFI is a holding company and does not have any direct operating activities. Any future cash flow needs of FFI are expected to be met by its existing cash and cash equivalents and dividends from its subsidiaries. The Bank is subject to various laws and regulations that limit the amount of dividends that a bank can pay without obtaining prior approval from bank regulators. As of December 31, 2016, FFI's cash and cash equivalents totaled \$6.3 million.

NOTE 13: EARNINGS PER SHARE

All of the Company's share and per share computations have been adjusted to reflect the impact of the two-for-one stock split that was effective as of January 18, 2017. The following table sets forth the Company's earnings per share

calculations for the years ended December 31:

	2016		2015		2014	
(dollars in thousands, except share and per share amounts)	Basic	Diluted	Basic	Diluted	Basic	Diluted
Net income	\$23,303	\$23,303	\$13,378	\$13,378	\$8,394	\$8,394
Basic common shares outstanding	32,365,800	32,365,800	22,310,014	22,310,014	15,474,072	15,474,072
Effect of options, restricted stock and contingent shares issuable		1,106,016		841,696		858,614
Diluted common shares outstanding		33,471,816		23,151,710		16,332,686
Earnings per share	\$0.72	\$0.70	\$0.60	\$0.58	\$0.54	\$0.51

Based on a weighted average basis, options to purchase 6,588, 85,036, and 132,648 shares of common stock were excluded for 2016, 2015, and 2014 respectively, because their effect would have been anti-dilutive.

NOTE 14: STOCK BASED COMPENSATION

In 2007, the Board of Directors of FFI approved two equity incentive plans that provided for the grant of stock options, shares of restricted stock, restricted stock units (“RSUs”), stock bonus awards and performance awards (collectively, “Equity Incentive Awards”) to the Company’s executive officers, other key employees and directors up to 1,300,282 shares of the FFI’s

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

common stock. In 2010, shareholders approved an increase of 580,000 in the number of shares available for issuance under one of these plans. In 2015, shareholders approved a new equity incentive plan whereby: the Company can no longer issue Equity Incentive Awards under the previously approved plans; 750,000 shares of common stock will be available for the grant of Equity Incentive Awards to the Company's executive officers, other key employees and directors; Equity Incentive Awards that are outstanding under the prior plans will remain outstanding and unchanged and subject to the terms of those Plans; and upon termination, cancellation or forfeiture of any of the Equity Incentive Awards that are outstanding under the prior plans, those shares will be added to the pool of shares available for future grants of Equity Incentive Awards under the plan approved in 2015. The Company recognized stock-based compensation expense of \$0.9 million, \$0.6 million, and \$0.5 million in 2016, 2015, and 2014, respectively. Included in the 2016 amount is \$0.8 million of expense related to RSUs.

Stock options, when granted, have an exercise price not less than the current market value of the common stock and expire after ten years if not exercised. If applicable, vesting periods are set at the date of grant and the Plans provide for accelerated vesting should a change in control occur. The fair value of each option granted in 2016, 2015 and 2014 was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

Expected Volatility	20	%
Expected Term	6.5	years
Expected Dividends	None	
Weighted Average Risk Free Rate:		
2016 grants	—	%
2015 grants	1.714	%
2014 grants	2.269	%
Weighted-Average Grant Fair Value:		
2016 grants	\$—	
2015 grants	9.88	
2014 grants	9.04	

Since the Company has limited historical stock activity through December 31, 2015, the expected volatility is based on the historical volatility of similar companies that have a longer trading history. The expected term represents the estimated average period of time that the options remain outstanding. Since the Company does not have sufficient historical data on the exercise of stock options, the expected term is based on the "simplified" method that measures the expected term as the average of the vesting period and the contractual term. The risk free rate of return reflects the grant date interest rate offered for zero coupon U.S. Treasury bonds over the expected term of the options.

The following table summarizes the activities in the Plans during 2016:

(dollars in thousands except per share amounts)	Options Granted	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
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Balance: December 31, 2015	2,716,834	\$	6.35		
Options granted	—		—		
Options exercised	(690,592))	6.17		
Options forfeited	(53,358))	9.18		
Balance: December 31, 2016	1,972,884		6.34	2.45 Years	\$ 15,601
Options exercisable	1,945,032	\$	6.30	2.39 Years	\$ 15,457

The intrinsic value of stock options exercised in 2016 was \$3.8 million.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

The following table summarizes the activities in the Plans during 2015:

(dollars in thousands except per share amounts)	Options Granted	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance: December 31, 2014	2,769,616	\$ 6.34		
Options granted	23,000	9.88		
Options exercised	(62,614)	6.47		
Options forfeited	(13,168)	8.24		
Balance: December 31, 2015	2,716,834	6.35	3.52 Years	\$ 14,782
Options exercisable	2,599,010	\$ 6.23	3.30 Years	\$ 14,463

The intrinsic value of stock options exercised in 2015 was \$0.3 million.

The following table summarizes the activities in the Plans during 2014:

(dollars in thousands except per share amounts)	Options Granted	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance: December 31, 2013	2,861,934	\$ 6.19		
Options granted	142,750	9.04		
Options exercised	(169,732)	5.60		
Options forfeited	(65,336)	7.64		
Balance: December 31, 2014	2,769,616	6.34	4.50 Years	\$ 7,378
Options exercisable	2,558,184	\$ 6.16	4.15 Years	\$ 7,272

The intrinsic value of stock options exercised in 2014 was \$0.6 million.

The following table provides a summary of the RSUs issued by the Company under its equity incentive plans for the periods ended December 31:

	2016		2015		2014	
	Shares	Weighted	Shares	Weighted	Shares	Weighted
		Average		Average		Average
		Grant		Grant		Grant
		Date Fair		Date Fair		Date Fair
	Value	Value	Value	Value	Value	Value
Balance: January 1	134,728	\$ 9.93	8,888	\$ 9.00	15,332	\$ 8.80

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New RSUs	50,568	11.15	147,364	10.00	—	—
Shares vested and issued	(67,988)	10.39	(21,524)	10.00	(6,444)	8.53
RSUs forfeited	—	—	—	—	—	—
Balance December 31	117,308	\$ 10.19	134,728	\$ 9.93	8,888	\$ 9.00

The fair value of the shares vested and issued was \$0.8 million, \$0.2 million and \$0.1 million in 2016, 2015 and 2014, respectively. As of December 31, 2016, the Company had \$0.9 million of unrecognized compensation costs related to outstanding RSUs which will be recognized through November 2018, subject to the related vesting requirements.

NOTE 15: 401(k) PROFIT SHARING PLAN

The Company's employees participate in the Company's 401(k) profit sharing plan (the "401k Plan") that covers all employees eighteen years of age or older who have completed three months of employment. Each employee eligible to participate in the 401k Plan may contribute up to 100% of his or her compensation, subject to certain statutory limitations. In 2016, 2015 and 2014, the Company matched 50% of the participant's contribution up to 5% of employee compensation, which is subject to the plan's vesting schedule. The Company contributions of \$0.7 million, \$0.5 million and \$0.5 million were included in Compensation and

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

Benefits for 2016, 2015 and 2014, respectively. The Company may also make an additional profit sharing contribution on behalf of eligible employees. No profit sharing contributions were made in 2016, 2015 or 2014.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

NOTE 16: INCOME TAXES

The Company is subject to federal income tax and California franchise tax. Income tax expense (benefit) was as follows for the years ended December 31:

(dollars in thousands)	2016	2015	2014
Current expense:			
Federal	\$10,235	\$8,620	\$4,485
State	3,459	2,700	1,366
Deferred expense (benefit):			
Federal	(1,263)	(1,525)	263
State	(74)	(341)	313
Total	\$15,031	\$9,454	\$6,427

The following is a comparison of the federal statutory income tax rates to the Company's effective income tax rate for the years ended December 31:

(dollars in thousands)	2016		2015		2014	
	Amount	Rate	Amount	Rate	Amount	Rate
Income before taxes	\$38,334		\$22,832		\$14,821	
Federal tax statutory rate	\$13,417	35.00%	\$7,991	35.00%	5,070	34.20%
State tax, net of Federal benefit	2,510	6.55 %	1,536	6.73 %	1,009	6.81 %
Windfall benefit – exercise of stock options	(1,025)	(2.67)%	—	— %	—	— %
DCB Asset Pool payout	—	— %	—	— %	154	1.04 %
Other items, net	129	0.34 %	(73)	(0.32)%	194	1.31 %
Effective tax rate	\$15,031	39.22%	\$9,454	41.41%	\$6,427	43.36%

Deferred taxes are a result of differences between income tax accounting and generally accepted accounting principles with respect to income tax recognition. The following is a summary of the components of the net deferred tax assets recognized in the accompanying consolidated balance sheets at December 31:

(dollars in thousands)	2016	2015
Deferred tax assets (liabilities)		
Allowance for loan and REO losses	\$6,258	\$5,092
Operating loss carryforwards	3,896	4,249
Market valuation: Acquired loans and REO	988	2,056
Stock-based compensation	1,171	1,524

State taxes	1,265	937
Accumulated other comprehensive income	3,668	912
Organizational expenses	238	288
Depreciation	(1,017)	(179)
Prepaid expenses	(827)	(562)
Accrued vacation	478	542
Other	693	533
Net deferred tax assets	16,811	\$15,392

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

As part of the merger with DCB, the Company acquired operating loss carryforwards of approximately \$13.4 million. These operating loss carryforwards are subject to limitation under Section 382 of the Internal Revenue Service Code and expire in 2032. As a result, the Company will only be able to utilize operating loss carryforwards of \$8.2 million, ratably over a period of 20 years. As part of the merger with PRB, the Company acquired operating loss carryforwards of approximately \$3.9 million. These operating loss carryforwards are subject to limitation under Section 382 of the Internal Revenue Service Code and expire in 2035. As a result, the Company will only be able to utilize these operating loss carryforwards, ratably over a period of 20 years. As of December 31, 2016, the remaining operating loss carryforwards from DCB and PRB available to be utilized by the Company were \$9.6 million.

The Company has no other operating loss carryforwards. The Company is subject to federal income tax and franchise tax of the state of California. Income tax returns for the periods 2013 through 2016 are open to audit by federal authorities and for the periods 2013 through 2016 by California state authorities, and for 2016 by Hawaii state authorities.

NOTE 17: COMMITMENTS AND CONTINGENCIES

Leases

The Company leases certain facilities for its corporate offices and branch operations under non-cancelable operating leases that expire through 2025. Lease expense for 2016, 2015, and 2014 was \$4.9 million, \$3.7 million, and \$3.1 million, respectively. Future minimum lease commitments under all non-cancelable operating leases at December 31, 2016 are as follows:

(dollars in thousands)	
Year Ending December 31,	
2017	\$4,638
2018	4,420
2019	4,331
2020	4,047
2021 and after	7,957
Total	\$25,393

Financial Instruments with Off-Balance Sheet Risk

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk to meet the financing needs of customers and to reduce exposure to fluctuations in interest rates. These financial instruments may include commitments to extend credit and standby and commercial letters of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Standby and commercial letters of credit and financial guarantees are conditional commitments issued by the Bank to guaranty the performance of a customer to a third party. Commitments generally have fixed expiration dates or other

termination clauses and may require payment of a fee. The following table provides the off-balance sheet arrangements of the Bank as of December 31:

(dollars in thousands)	2016	2015
Commitments to fund new loans	\$43,006	\$51,887
Commitments to fund under existing loans, lines of credit	211,745	153,606
Commitments under standby letters of credit	4,830	8,617

Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter-party. Collateral held varies but may include deposits, marketable securities, accounts receivable, inventory, property, plant and equipment, motor vehicles and real estate.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

Litigation

From time to time, the Company may become party to various lawsuits, which have arisen in the course of business. While it is not possible to predict with certainty the outcome of such litigation, it is the opinion of management, based in part upon opinions of counsel, that the liability, if any, arising from such lawsuits would not have a material adverse effect on the Company's financial position or results of operations.

NOTE 18: RELATED-PARTY TRANSACTIONS

Loans to related parties, including directors and executive officers of the Company and their affiliates, were as follows for the periods presented:

(dollars in thousands)	2016	2015
Balance, January 1	\$5,910	\$454
New loans and advances	—	5,910
Principal payments received	—	(454)
Balance, December 31	\$5,910	\$5,910

Interest earned from loans to related parties was \$0.3 million in 2016, \$0.2 million in 2015 and \$0.1 million in 2014. In addition, the Bank has a \$0.5 million commitment to an affiliate of a director under a commercial line of credit under which no balances were outstanding as of December 31, 2016.

The Bank held \$2.9 million and \$1.9 million of deposits from related parties, including directors and executive officers of the Company and their affiliates, as of December 31, 2016 and December 31, 2015, respectively. Interest paid on deposit accounts held by related parties was \$3,000 in 2016, \$7,000 in 2015 and \$9,000 in 2014.

As of December 31, 2016, related parties, including directors and executive officers of the Company and their affiliates, held \$8.3 million in assets under management with FFA and FFB. In both 2016 and 2015, the Company received \$0.1 million in fees related to these assets under management.

The CEO of the Company was, from 2013 to 2015, a member of the board of directors of a bank that provided a term loan to the Company. Under this loan, which was originated in the first quarter of 2013, subsequently amended in 2014 and 2015, and paid off in August 2015, the Company had average borrowings of \$16.6 million and \$17.5 million 2015 and 2014 respectively, and the Company incurred interest of \$0.7 million and \$0.7 million in 2015 and 2014,

respectively. As of December 31, 2016, this Bank held \$75.5 million of deposits at FFB and the Bank paid interest of \$0.4 million on this account in 2016.

Two executive officers of FFB have minority interests in an entity which FFB uses for software services, for which FFB paid \$0.2 million in 2016. During 2014, an entity in which one of the directors of the Company had an ownership interest, provided insurance brokerage services to the Company. Broker fees earned by this entity for the services it provided to the Company were \$0.2 million in 2014.

The CEO of the Company is a director of another financial institution that has deposits with the Bank, and in the fourth quarter of 2016, purchased \$41.4 million of loans from the Bank for which the Bank will continue to provide servicing. The balance of deposits held at the Bank at December 31, 2016 was \$30.1 million and the interest paid by the Bank was \$0.1 million. The gain on sale of loans was \$0.6 million. The amount of loans serviced for this financial institution was \$41.3 million at December 31, 2016. In 2013, the Bank participated in a loan to the parent company of this financial institution. The participating balance of this loan was \$3.0 million at December 31, 2016 and \$4.0 million at December 31, 2015. The amount of interest earned on this loan was \$0.2 million in each of 2016, 2015 and 2014.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

The CEO of the Company serves a director of a real estate investment trust that is an affiliate of an investment fund company for which FFA provides subadvisory services. The amount of AUM managed by FFA under this subadvisory agreement was \$236 million and \$235 million at December 31, 2016 and December 31, 2015, respectively, and the amount of fees earned by FFA were \$0.4 million in 2016 and 2015 and \$0.1 million in 2014.

NOTE 19: REGULATORY MATTERS

FFI and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possible additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on FFI and the Bank's financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of FFI and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. In July, 2013, the federal bank regulatory agencies approved the final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. The new rules became effective on January 1, 2015, with certain of the requirements phased-in over a multi-year schedule, and fully phased in by January 1, 2019. The rules include a new common equity Tier 1 ("CET1") capital to risk-weighted assets ratio with minimums for capital adequacy and prompt corrective action purposes of 4.5% and 6.5%, respectively. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. FFI's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by the regulators to ensure capital adequacy require FFI and the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to assets (as defined). Management believes, as of December 31, 2016 that FFI and the Bank met all capital adequacy requirements.

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

The following table presents the regulatory standards for well-capitalized institutions and the capital ratios for FFI and the Bank as of:

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
FFI						
December 31, 2016						
CET1 capital ratio	\$285,754	12.80%	\$100,432	4.50 %		
Tier 1 leverage ratio	285,754	8.76 %	130,525	4.00 %		
Tier 1 risk-based capital ratio	285,754	12.80%	133,910	6.00 %		
Total risk-based capital ratio	301,664	13.52%	178,547	8.00 %		
December 31, 2015						
CET1 capital ratio	\$256,007	17.44%	\$66,072	4.50 %		
Tier 1 leverage ratio	256,007	11.81%	86,736	4.00 %		
Tier 1 risk-based capital ratio	256,007	17.44%	88,096	6.00 %		
Total risk-based capital ratio	267,027	18.19%	117,461	8.00 %		
BANK						
December 31, 2016						
CET1 capital ratio	\$272,221	12.23%	\$100,166	4.50 %	\$144,685	6.50 %
Tier 1 leverage ratio	272,221	8.36 %	130,305	4.00 %	162,881	5.00 %
Tier 1 risk-based capital ratio	272,221	12.23%	133,555	6.00 %	178,074	8.00 %
Total risk-based capital ratio	288,131	12.94%	178,074	8.00 %	222,592	10.00 %
December 31, 2015						
CET1 capital ratio	\$206,341	14.10%	\$65,872	4.50 %	\$95,148	6.50 %
Tier 1 leverage ratio	206,341	9.54 %	86,543	4.00 %	108,179	5.00 %
Tier 1 risk-based capital ratio	206,341	14.10%	87,829	6.00 %	117,106	8.00 %
Total risk-based capital ratio	217,361	14.85%	117,106	8.00 %	146,382	10.00 %

As of each of the dates set forth in the above table, the Company (on a consolidated basis) exceeded the minimum required capital ratios applicable to it and FFB (on a stand-alone basis) qualified as a well-capitalized depository institution under the capital adequacy guidelines.

As of December 31, 2016, the amount of capital at FFB in excess of amounts required to be Well Capitalized was \$127.5 million for the CET-1 capital ratio, \$109.3 million for the Tier 1 leverage ratio, \$94.1 million for the Tier 1 risk-based capital ratio and \$65.5 million for the Total risk-based capital ratio. No conditions or events have occurred since December 31, 2016 which we believe have changed FFI's or FFB's capital adequacy classifications from those set forth in the above table.

The "Basel III" rules adopted by the Federal Reserve Board and the FDIC (the "New Capital Rules") introduced a capital conservation buffer which is an increment added to the minimum capital ratios. If a banking organization does not

hold a capital conservation buffer composed of common equity tier 1 capital above its minimum risk-based capital requirements, it will face constraints on dividends, equity repurchases and executive compensation based on the amount of the shortfall. The capital buffer is measured against risk weighted assets and is therefore not applicable to the tier 1 leverage ratio. The implementation of the capital conservation buffer began on January 1, 2016 at 0.625%, and will increase by 0.625% on each subsequent January 1, until it reaches 2.5% on January 1, 2019. The following table sets forth the minimum capital ratios plus the applicable increment of the capital conservation buffer as of the current year and when it is fully implemented in 2019:

	2016	2019
CET-1 to risk-weighted assets	5.125%	7.000 %
Tier 1 capital (i.e., CET-1 plus Additional Tier 1) to risk-weighted assets	6.625%	8.500 %
Total capital (i.e., Tier 1 plus Tier 2) to risk-weighted assets	8.625%	10.500%

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

NOTE 20: OTHER EXPENSES

The following items are included in the consolidated income statements as professional services and marketing costs and other expenses for the years ended December 31:

(dollars in thousands)	2016	2015	2014
Regulatory assessments	\$2,224	\$1,105	\$788
Directors' compensation expenses	543	558	522
Contingent payout related to DCB acquisition	—	—	960
Costs related to cancelled initial public offering	—	—	1,000

NOTE 21: SEGMENT REPORTING

In 2016, 2015, and 2014 the Company had two reportable business segments: Banking (FFB) and Wealth Management (FFA). The results of FFI and any elimination entries are included in the column labeled Other. The reportable segments are determined by products and services offered and the corporate structure. Business segment earnings before taxes are the primary measure of the segment's performance as evaluated by management. Business segment earnings before taxes include direct revenue and expenses of the segment as well as corporate and inter-company cost allocations. Allocations of corporate expenses, such as finance and accounting, data processing and human resources, are calculated based on estimated activity or usage levels. The management accounting process measures the performance of the operating segments based on the Company's management structure and is not necessarily comparable with similar information for other financial services companies. If the management structures and/or the allocation process changes, allocations, transfers and assignments may change. The following tables show key operating results for each of our business segments used to arrive at our consolidated totals for the years ended December 31:

(dollars in thousands)	Banking	Wealth Management	Other	Total
2016:				
Interest income	\$100,642	\$ —	\$—	\$100,642
Interest expense	11,193	—	—	11,193
Net interest income	89,449	—	—	89,449
Provision for loan losses	4,681	—	—	4,681
Noninterest income	13,832	21,348	(620)	34,560

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Noninterest expense	58,422	19,232	3,340	80,994
Income (loss) before taxes on income	\$40,178	\$ 2,116	\$(3,960)	\$38,334
2015:				
Interest income	\$64,471	\$ —	\$—	\$64,471
Interest expense	5,607	—	674	6,281
Net interest income	58,864	—	(674)	58,190
Provision for loan losses	2,673	—	—	2,673
Noninterest income	8,833	20,530	(590)	28,773
Noninterest expense	39,982	18,352	3,124	61,458
Income (loss) before taxes on income	\$25,042	\$ 2,178	\$(4,388)	\$22,832
2014:				
Interest income	\$47,398	\$ —	\$—	\$47,398
Interest expense	3,844	—	740	4,584
Net interest income	43,554	—	(740)	42,814
Provision for loan losses	235	—	—	235
Noninterest income	5,866	19,422	(539)	24,749
Noninterest expense	30,509	17,979	4,019	52,507
Income (loss) before taxes on income	\$18,676	\$ 1,443	\$(5,298)	\$14,821

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

The following tables show the financial position for each of our business segments, and of FFI which is included in the column labeled Other, and the eliminating entries used to arrive at our consolidated totals at December 31:

(dollars in thousands)	Banking	Wealth Management	Other	Eliminations	Total
2016:					
Cash and cash equivalents	\$ 597,795	\$ 2,576	\$ 6,318	\$ (8,743)	\$ 597,946
Securities AFS	509,578	—	—	—	509,578
Loans Held For Sale	250,942	—	—	—	250,942
Loans, net	2,540,309	—	—	—	2,540,309
Premises and equipment	5,603	991	136	—	6,730
FHLB Stock	33,750	—	—	—	33,750
Deferred taxes	16,602	283	(74)	—	16,811
REO	1,734	—	—	—	1,734
Goodwill and Intangibles	2,177	—	—	—	2,177
Other assets	13,270	445	274,256	(272,545)	15,426
Total assets	\$ 3,971,760	\$ 4,295	\$ 280,636	\$ (281,288)	\$ 3,975,403
Deposits	\$ 2,435,538	\$ —	\$ —	\$ (8,743)	\$ 2,426,795
Borrowings	1,250,000	—	—	—	1,250,000
Intercompany balances	3,019	539	(3,558)	—	—
Other liabilities	11,670	2,744	(70)	—	14,344
Shareholders' equity	271,533	1,012	284,264	(272,545)	284,264
Total liabilities and equity	\$ 3,971,760	\$ 4,295	\$ 280,636	\$ (281,288)	\$ 3,975,403
2015:					
Cash and cash equivalents	\$ 215,671	\$ 5,682	\$ 42,151	\$ (47,756)	\$ 215,748
Securities AFS	565,135	—	—	—	565,135
Loans, net	1,754,883	—	—	—	1,754,883
Premises and equipment	1,996	545	112	—	2,653
FHLB Stock	21,492	—	—	—	21,492
Deferred taxes	14,466	630	296	—	15,392
REO	4,036	—	—	—	4,036
Goodwill and Intangibles	2,416	—	—	—	2,416
Other assets	8,645	314	217,032	(215,167)	10,824
Total assets	\$ 2,588,740	\$ 7,171	\$ 259,591	\$ (262,923)	\$ 2,592,579
Deposits	\$ 1,569,932	\$ —	\$ —	\$ (47,756)	\$ 1,522,176
Borrowings	796,000	—	—	—	796,000
Intercompany balances	2,748	121	(2,869)	—	—
Other liabilities	9,309	2,634	2,724	—	14,667
Shareholders' equity	210,751	4,416	259,736	(215,167)	259,736
Total liabilities and equity	\$ 2,588,740	\$ 7,171	\$ 259,591	\$ (262,923)	\$ 2,592,579

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

NOTE 22: QUARTERLY FINANCIAL INFORMATION (Unaudited)

(dollars in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Year Ended December 31, 2016:					
Interest income	\$21,698	\$24,573	\$26,004	\$28,367	\$100,642
Interest expense	2,337	2,652	2,841	3,363	11,193
Net interest income	19,361	21,921	23,163	25,004	89,449
Provision for loan losses	400	1,250	1,231	1,800	4,681
Noninterest income	6,985	4,910	15,079	7,586	34,560
Noninterest expense	19,417	19,850	21,536	20,191	80,994
Income before taxes on income	6,529	5,731	15,475	10,599	38,334
Taxes on income	2,742	2,407	5,800	4,082	15,031
Net income	\$3,787	\$3,324	\$9,675	\$6,517	\$23,303
Income per share					
Basic	\$0.12	\$0.10	\$0.30	\$0.20	\$0.72
Diluted	\$0.11	\$0.10	\$0.29	\$0.19	\$0.70
Year Ended December 31, 2015:					
Interest income	\$13,158	\$14,993	\$17,108	\$19,212	\$64,471
Interest expense	1,287	1,569	1,647	1,778	6,281
Net interest income	11,871	13,424	15,461	17,434	58,190
Provision for loan losses	150	753	570	1,200	2,673
Noninterest income	6,204	6,420	6,868	9,281	28,773
Noninterest expense	13,358	13,974	16,956	17,170	61,458
Income before taxes on income	4,567	5,117	4,803	8,345	22,832
Taxes on income	1,941	2,175	2,041	3,297	9,454
Net income	\$2,626	\$2,942	\$2,762	\$5,048	\$13,378
Income per share					
Basic	\$0.17	\$0.18	\$0.11	\$0.16	\$0.60
Diluted	\$0.16	\$0.17	\$0.11	\$0.15	\$0.58
Year Ended December 31, 2014:					
Interest income	\$10,675	\$10,931	\$12,384	\$13,408	\$47,398
Interest expense	925	1,115	1,237	1,307	4,584
Net interest income	9,750	9,816	11,147	12,101	42,814
Provision for loan losses	235	—	—	—	235
Noninterest income	5,551	6,416	6,737	6,045	24,749
Noninterest expense	12,546	13,871	13,095	12,995	52,507
Income before taxes on income	2,520	2,361	4,789	5,151	14,821
Taxes on income	1,058	1,094	2,130	2,145	6,427
Net income	\$1,462	\$1,267	\$2,659	\$3,006	\$8,394
Income per share					

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Basic	\$0.09	\$0.08	\$0.17	\$0.19	\$0.54
Diluted	\$0.09	\$0.08	\$0.16	\$0.18	\$0.51

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

NOTE 23: PARENT ONLY FINANCIAL STATEMENTS

BALANCE SHEETS

(dollars in thousands)	December 31,	
	2016	2015
ASSETS		
Cash and cash equivalents	\$6,318	\$42,151
Premises and equipment, net	136	112
Deferred taxes	(74)	296
Investment in subsidiaries	272,545	215,167
Intercompany receivable	3,558	2,869
Other assets	1,711	1,865
Total Assets	\$284,194	\$262,460
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Borrowings	\$—	\$—
Accounts payable and other liabilities	(70)	2,724
Total Liabilities	(70)	2,724
Shareholders' Equity		
Common Stock	16	16
Additional paid-in-capital	232,428	227,262
Retained earnings	57,065	33,762
Accumulated other comprehensive income (loss), net of tax	(5,245)	(1,304)
Total Shareholders' Equity	284,264	259,736
Total Liabilities and Shareholders' Equity	\$284,194	\$262,460

INCOME STATEMENTS

(dollars in thousands)	For the Year Ended December 31,		
	2016	2015	2014
Interest expense—borrowings	\$—	\$674	\$740
Noninterest income—earnings from investment in subsidiaries	25,498	15,801	11,050
Noninterest expense:			
Compensation and benefits	971	1,152	1,096
Occupancy and depreciation	96	191	141
Professional services and marketing costs	1,929	1,669	2,469

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Other expenses	964	702	852
Total noninterest expense	3,960	3,714	4,558
Income before taxes on income	21,538	11,413	5,752
Taxes on income	(1,765)	(1,965)	(2,642)
Net income	\$23,303	\$13,378	\$8,394

FIRST FOUNDATION INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Years Ended December 31, 2016, 2015, and 2014

STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	For the Year Ended		
	December 31,		
	2016	2015	2014
Net income	\$23,303	\$13,378	\$8,394
Other comprehensive income (loss):			
Unrealized holding gains (losses) on securities arising during the period	(6,697)	(3,746)	4,198
Other comprehensive income (loss) before tax	(6,697)	(3,746)	4,198
Income tax (expense) benefit related to items of other comprehensive income	2,756	1,542	(1,728)
Other comprehensive income (loss)	(3,941)	(2,204)	2,470
Less: Reclassification adjustment for gains (loss) included in net earnings	1,043	(61)	(16)
Income tax (expense) benefit related to reclassification adjustment	(407)	25	—
Reclassification adjustment for gains included in net earnings, net of tax	636	(36)	(16)
Other comprehensive income (loss), net of tax	(3,305)	(2,240)	2,454
Total comprehensive income	\$19,998	\$11,138	\$10,848

STATEMENTS OF CASH FLOWS

(dollars in thousands)	For the Year Ended		
	December 31,		
	2016	2015	2014
Cash Flows from Operating Activities:			
Net income	\$23,303	\$13,378	\$8,394
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Earnings from investment in subsidiaries	(25,498)	(15,801)	(11,050)
Stock-based compensation expense	78	113	50
Deferred tax liability (benefit)	296	(345)	(190)
Increase in other assets	(1,464)	(602)	(652)
Increase (decrease) in accounts payable and other liabilities	(1,102)	1,926	829
Net cash provided by (used in) operating activities	(4,387)	(1,331)	(2,619)
Cash Flows from Investing Activities:			
Investment in subsidiaries	(40,000)	(76,453)	(10,470)
Payment to shareholders of acquired companies	—	(543)	—
Dividend from subsidiary	5,000	—	—
Purchase of premises and equipment	(24)	(12)	—
Net cash used in investing activities	(35,024)	(77,008)	(10,470)
Cash Flows from Financing Activities:			
Proceeds from borrowings	—	10,114	15,000

Paydowns of borrowings	—	(30,000)	(2,177)
Proceeds from the sale of stock, net	4,267	136,163	949
Intercompany accounts, net decrease (increase)	(689)	(1,509)	(255)
Net cash provided by financing activities	3,578	114,768	13,517
Increase (decrease) in cash and cash equivalents	(35,833)	36,429	428
Cash and cash equivalents at beginning of year	42,151	5,722	5,294
Cash and cash equivalents at end of year	\$6,318	\$42,151	\$5,722

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognized that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as ours are designed to do, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC rules, an evaluation was performed under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer of the effectiveness as of December 31, 2016, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2016, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports that we file under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Changes in Internal Controls

There was no change in the Company's internal control over financial reporting in 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting

Management of First Foundation Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Internal control over financial reporting includes those written policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America;
- provide reasonable assurance that our receipts and expenditures are being made only in accordance with authorization of our management and board of directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our consolidated financial statements.

Internal control over financial reporting includes the controls themselves, monitoring and internal auditing practices and actions taken to correct deficiencies as identified. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of the effectiveness of such controls to future periods are subject to the risks that the controls may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate.

Management's Assessment of Internal Control over Financial Reporting

Our management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2016, based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Management's assessment included an evaluation of the design and the testing of the operational effectiveness of the Company's internal control over financial reporting. Management reviewed the results of its assessment with the Audit Committee of our Board of Directors.

Based on that assessment, management determined that, as of December 31, 2016, the Company maintained effective internal control over financial reporting.

The foregoing report on internal control over financial reporting shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section.

Vavrinek, Trine, Day & Co. LLP, independent registered public accounting firm, which audited our consolidated financial statements for the fiscal year ended December 31, 2016 included in this Annual Report on Form 10-K, has audited the effectiveness of our internal control over financial reporting as of December 31, 2016, as stated in their report below.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders

First Foundation Inc. and Subsidiaries

Irvine, California

We have audited First Foundation, Inc. and Subsidiaries' (the Company) internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that (1) in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and the receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, First Foundation Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Company as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016, and our report dated March 15, 2017 expressed an unqualified opinion on those consolidated financial statements.

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for stock-based compensation in the consolidated financial statements referred to above due to the adoption of Accounting Standards Update (ASU) No. 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.

Rancho Cucamonga, California

March 15, 2017

Item 9B. Other Information.

None.

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PART III

Item 10. Directors, Executive Officers and Corporate Governance.
Executive Officers and Directors

The following table sets forth the name, age and position with the Company of each of the persons who serve as directors and executive officers of the Company. The business address for all of these individuals is 18101 Von Karman Avenue, Suite 700, Irvine, California 92612.

Name	Age	Position
Ulrich Keller, Jr., CFP	60	Executive Chairman and Director
Scott Kavanaugh	56	Director, Vice Chairman of the Board and Chief Executive Officer
John Hakopian	48	President of FFA and Director
James Brakke ⁽¹⁾	74	Director
Max Briggs, CFP ⁽²⁾⁽³⁾	51	Director
Warren Fix ⁽²⁾	78	Director
Gerald Larsen, J.D., LL.M., CFP, CPA ⁽¹⁾⁽²⁾	68	Director
Mitchell Rosenberg, Ph.D. ⁽¹⁾⁽³⁾	63	Director
Jacob Sonenshine, J.D., CFA ⁽³⁾	46	Director
David DePillo	55	President of FFB
John Michel	57	Executive Vice President and Chief Financial Officer

(1)Member of the compensation committee.

(2)Member of the audit committee.

(3)Member of the nominating and corporate governance committee.

Six of the Company's nine 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 Messrs. Brakke, Briggs, Fix, Larsen, Rosenberg and Sonenshine. Set forth below is a biographical summary of the experience of the members of our Board of Directors and our executive officers.

Directors

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 Ameriquest 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.

The business address for each director and named executive officer listed is 18101 Von Karman Avenue, Suite 700, Irvine, California 92612.

Executive Officers

David DePillo. Mr. DePillo, 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, 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.

Corporate Governance and Board Matters

We are committed to having sound corporate governance principles, which are essential to running our business efficiently and maintaining our integrity in the marketplace.

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Director Qualifications

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, government or banking. They should be committed to enhancing shareholder value and should have sufficient time to carry out their duties and to provide insight and practical wisdom based on experience. Their service on boards of other companies should be limited to a number that permits them, given their individual circumstances, to perform responsibly all director duties. Each director must represent the interests of all shareholders. When considering potential director candidates, our Board of Directors also considers the candidate's character, judgment, diversity, age, skills, including financial literacy, and experience in the context of our needs and those of the Board of Directors.

Director Independence and Diversity

Our Board of Directors has evaluated the independence of its members based on the definition of independence for purposes 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.

Family Relationships

There is no family relationship 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 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.

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 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 the Board of Directors in the performance of its responsibilities.

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 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 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 and Larsen. Mr. Fix serves as chairman. 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 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 to 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. Mr. Rosenberg serves as chairman. 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 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.

Compensation Committee Interlocks and Insider Participation

None of the members of our compensation committee have been 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.

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, Chief Financial Officer, FFB Chief Operating Officer and other key accounting and financial personnel. 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, Chief Financial Officer or other key accounting and financial personnel.

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.

Item 11. Executive Compensation

Named Executive Officers

Our “named executive officers” include our principal executive officer and our four other most highly compensated executive officers. For 2016, our named executive officers were:

• Ulrich E. Keller, Jr., who currently serves as our Executive Chairman, as well as a member of the Board of Directors.

• Scott F. Kavanaugh, who currently serves as our Chief Executive Officer, as well as Vice Chairman and a member of the Board of Directors. Mr. Kavanaugh is our Principal Executive Officer.

• John Hakopian, who currently serves as President of FFA, as well as a member of the Board of Directors.

• David DePillo, who currently serves as President and Chief Operating Officer of FFB

• John Michel, who currently serves as our Executive Vice President and Chief Financial Officer and the Executive Vice President and Chief Financial Officer of FFB and FFA.

Summary Compensation Table

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

Name and Position	Year	Salary ⁽²⁾⁽³⁾	Non-Equity Incentive Compensation (\$) ⁽⁴⁾⁽⁵⁾	Stock Awards ⁽⁴⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾	Total
Ulrich E. Keller, Jr., Executive Chairman of FFI and FFA	2016	\$ 550,000	\$ 220,000	\$ —	\$ 770,000
	2015	500,000	200,000	—	700,000
Scott F. Kavanaugh, Chief Executive Officer of FFI and FFB, Vice Chairman of FFI, Chairman of FFB	2016	606,000	487,500	162,500	1,256,000
	2015	556,000	309,400	103,100	968,500
John Hakopian, President of FFA	2016	425,000	150,000	—	575,000
	2015	425,000	170,000	—	595,000
David DePillo, President and Chief Operating Officer of FFB ⁽¹⁾	2016	500,000	375,000	125,000	1,000,000
	2015	257,700	193,300	301,300	752,300

John Michel, Chief Financial Officer	2016	356,000	187,500	62,500	606,000
Of FFI, FFB and FFA	2015	316,000	151,100	50,400	517,500

- (1) Mr. DePillo commenced his employment with us on May 11, 2015.
- (2) Although Messrs. Keller, Kavanaugh and Hakopian are also directors of the Company, they do not receive any fees or other compensation for their service as directors.
- (3) Mr. Kavanaugh's and Mr. Michel's salaries include a \$6,000 per year automobile allowance for use of his personal automobile.
- (4) For 2016 and 2015, the Board of Directors established annual target bonus awards for each of the named executive officers, the payment of which was made contingent on FFI generating earnings before taxes, of \$31.5 million in 2016 and \$18.0 million in 2015. In 2016, Messrs. Keller, Kavanaugh, DePillo and Michel each received 100% of their target bonus awards, the respective amounts of which are set forth in this table. In 2016, Mr. Hakopian, based on an evaluation of his overall performance, was awarded 88% of his target bonus award of \$170,000. In 2015, Messrs. Keller, Kavanaugh, DePillo, Michel and Hakopian each received 100% of their target bonus awards, the respective amounts of which are set forth in this table. Because Mr. DePillo started after the year started in 2015, for 2015, he was awarded his full bonus potential based upon a subjective evaluation by the Compensation Committee.
- (5) For Messrs. Kavanaugh, DePillo and Michel, 25% of their annual bonus for 2016 was paid to them in the form of restricted stock units ("RSU") and for Messrs. Kavanaugh and Michel, 25% of their annual bonus for 2015 was paid to them in the form of RSUs. Therefore, on February 28, 2017, Mr. Kavanaugh received a grant of 9,909 RSUs, Mr. DePillo received a grant of 7,623 RSUs and Mr. Michel received a grant of 3,813 RSUs, and on January 27, 2016, Mr. Kavanaugh received a grant of 9,270 RSUs and Mr. Michel received a grant of 4,530 RSUs under our 2015 Equity Incentive Plan. Each RSU, upon vesting, enables its holder to receive one of our common shares. One-third of these awards of RSUs vested immediately at grant date and one-third vests incrementally on each of the first and second anniversaries of the grant date subject to continued employment. Our closing share price on February 28, 2017 was \$16.40 and on January 27, 2016 was \$11.13.
- (6) On May 11, 2015, Mr. DePillo was granted 31,800 RSUs under our 2007 Equity Incentive Plan as part of his initial compensation in connection with his hire. These RSUs vest in three equal installments on each of the first three anniversaries of the grant date subject to continued employment. Our closing share price on the date of this grant was \$9.48.

(7) This column reflects the dollar amount of the grant date fair value of an RSU award, computed in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 718, Stock Compensation. Generally, the grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule.

In addition to the compensation set forth in the table above, each named executive officer receives group health and life insurance benefits. Incidental job related benefits, including employer contributions under the Company's 401k plan, totaled less than \$10,000 for each of the named executive officers in 2016 and 2015.

Employment Agreements

Each of our named executive officers is employed under an employment agreement for a term ending on December 31, 2018. The employment agreements with each named executive officer are substantially the same.

Mr. Kavanaugh originally entered into an employment agreement with FFI and FFB on September 17, 2007 and this agreement was subsequently amended on December 31, 2009, December 28, 2012, August 31, 2013, and January 26, 2016. Mr. Keller and Mr. Hakopian originally entered into employment agreements with FFA on September 17, 2007 and these agreements were subsequently amended on December 31, 2009, December 31, 2012, August 31, 2013, and January 26, 2016. Mr. Michel originally entered into an employment agreement with FFI, FFB and FFA on September 17, 2007 and this agreement was subsequently amended on December 31, 2009, December 28, 2012, August 31, 2013, and January 26, 2016. Mr. DePillo entered into an employment agreement with FFB on May 11, 2015.

Set forth below are summaries of the material 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.

Material Terms of the Employment Agreements

Salaries. The employment agreements currently provide for the payment of base annual salaries as follows: Mr. Keller: \$575,000; Mr. Kavanaugh: \$700,000; Mr. Hakopian: \$425,000, Mr. DePillo: \$600,000 and Mr. Michel: \$375,000. 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. Mr. DePillo's agreement provides that he will have an annual target bonus of at least 75% of his then current base annual salary.

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. The severance benefits will be reduced by severance benefits received under other severance or similar plans. Payments of the foregoing severance benefits amounts will be paid over the Termination Benefits Period in pro rata installments in accordance with our payroll practices.

The foregoing severance benefits are subject to the named executive officer executing an agreement that releases us and our affiliates from all legal claims. The named executive officer is also required to abide by customary confidentiality provisions and for eighteen months after his termination, the named executive officer may not solicit our employees or use trade secrets or confidential information to solicit current or prospective customers or to encourage customers, suppliers, vendors or service providers to terminate or modify their business relationship with us.

If the named executive officer's employment is terminated due to his death then his estate shall receive a lump sum payment equal to his then annual base salary with payment occurring as soon as practicable after his death. If, during his employment, a named executive officer experiences a disability such that he cannot perform his essential job functions then we can only terminate his

employment after the expiration of the lesser of six months or the remaining term in the employment agreement. During such period of time, the named executive officer shall continue to receive his annual base salary less any disability or sick pay that he is receiving along with continued participation in our employee benefits plans.

Cause/Good Reason Definitions. The employment agreements contain the following definitions with respect to determining whether/when a named executive officer is eligible for severance benefits.

“Cause” generally means the occurrence of any of the following by the named executive officer:

- (i) acts of gross negligence, willful misconduct or insubordination and which involve us or our affiliates, or acts of fraud;
- (ii) violation of laws or government regulations which could subject us or our affiliates to disciplinary or enforcement action by a governmental agency, or which could adversely affect our or our affiliates’ reputation or goodwill;
- (iii) acts which would constitute a felony or any misdemeanor involving moral turpitude, deceit, dishonesty or fraud;
- (iv) failure to perform a substantial portion of the duties and responsibilities assigned or delegated to the named executive officer under this Agreement,
- (v) breach of the material obligations under the employment agreement;
- (vi) violation by Executive of any conflict of interest policy, ethical conduct policy or employment policy or a breach of his fiduciary duties;
- (vii) the issuance of an order or directive by any government agency which requires the named executive officer to disassociate himself from us or an affiliates or which suspends his employment or requires him to terminate his employment; or
- (viii) for Mr. Keller and Mr. Hakopian, the suspension or loss of, or a failure to maintain in full force and effect, any professional license or certification needed by the named executive officer which is needed to enable him to perform his responsibilities or duties; or
- (ix) for Messrs. Kavanaugh, Michel and DePillo, the issuance of an order under Section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act requiring the named executive officer to be removed or permanently prohibited from participating in the conduct of our business.

“Good Reason” generally means the occurrence of any of the following actions taken by us with respect to the named executive officer and without his consent:

- (i) a material reduction in authority, duties or responsibilities;
- (ii) a material reduction in base salary or base compensation, unless such reduction is made as part of an across-the-board cost-cutting measure that is applied equally or proportionately to all senior executives;
- (iii) a relocation of the named executive officer’s principal place of employment to an office (other than our headquarters offices) located more than thirty (30) miles from his then principal place of employment; or
- (iv) a breach of our material obligations to the named executive officer under the employment agreement which breach continues uncured for a period of thirty (30) days following written notice from the named executive officer.

The following conditions must be satisfied in order for the named executive officer to terminate his employment for Good Reason: (1) the named executive officer shall have given us a written notice of termination for Good Reason (a “Good Reason Termination Notice”) prior to the expiration of a period of fifteen (15) consecutive calendar days commencing on the date that the named executive officer is first notified in writing that we have taken a Good Reason action, (2) we have failed to rescind or cure the Good Reason action within thirty (30) consecutive calendar days following our receipt of the Good Reason Termination Notice, and (3) the Good Reason Termination Notice must expressly state that the named executive officer is terminating his employment for Good Reason and must describe in reasonable detail the Good Reason action that entitles him to terminate his employment for Good Reason.

Change of Control Agreements

The Company has entered into Change of Control Severance Agreements with each of its named executive officers (the “CC Agreements”). Messrs. Kavanaugh, Keller, Hakopian and Michel each entered into their respective CC Agreements on September 17, 2007 and Mr. DePillo entered into his CC Agreement on May 11, 2015.

The CC Agreements with each named executive officer are substantially the same and can be terminated by the Company upon three years advance written notice to the named executive officer. A CC Agreement will also terminate (without payment of severance benefits) in the event the named executive officer's employment is terminated by the Company for Cause (as defined in the named executive officer's employment agreement) or due to his death or disability or retirement, or by the named executive officer without Good Reason.

Each of the CC Agreements provides that if the Company undergoes a Change of Control while the named executive officer is still in the employ of the Company or one of its subsidiaries and, within the succeeding 12 months, the named executive officer terminates his employment due to the occurrence of a "Good Reason Event" then the named executive officer will become eligible to receive the following severance compensation (in lieu of severance benefits that could be provided under the named executive officer's employment agreement):

- (i) two times the sum of (1) his annual base salary as then in effect and (2) 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;
- (ii) acceleration of the vesting of any then unvested stock options or restricted stock held by the named executive officer, and
- (iii) continued participation for the named executive officer and his family members in medical, dental, vision, disability, and life insurance plans and programs through the end of the second calendar year following the calendar year of the termination.

The foregoing severance benefits are conditioned upon the named executive officer executing documentation that releases us and our affiliates from all legal claims. Payment of the cash amount under clause (i) above shall be paid on the first business day after the end of the sixth calendar month after the named executive officer's termination of employment if the Company is subject to the reporting requirements of the Securities Exchange Act of 1934 on the date of the named executive officer's termination of employment. In all other cases, the payment will be due on the fifth business day after the named executive officer's termination of employment. The severance benefits will be reduced to avoid the imposition of excise taxes under Internal Revenue Code Sections 280G and 4999 if the named executive officer would be better off an after-tax basis.

Change of Control/Good Reason Definitions. The CC Agreements contain the following definitions with respect to determining whether/when a named executive officer is eligible for severance benefits under the CC Agreements.

"Change of Control" generally means the occurrence of any of the following subject to certain exceptions:

- (i) a person who becomes the beneficial owner, directly or indirectly, of more than twenty-five percent (25%) of the Company's voting securities subject to certain conditions;
- (ii) a consolidation, merger, or reorganization of the Company with or into another person, or of another person with or into the Company, in which the holders of the Company's outstanding voting securities immediately prior to the consummation of such consolidation, merger or reorganization would not, immediately after such consummation, own beneficially, directly or indirectly, (in the aggregate) at least sixty percent (60%) of the voting securities of (1) the continuing or surviving person in such merger, consolidation or reorganization (whether or not that is the Company) or (2) the ultimate parent, if any, of that continuing or surviving person;
- (iii) a consolidation, merger or reorganization of the Company's subsidiary with or into another person, or of another person with or into the subsidiary, unless the persons that were the holders of the Company's voting securities immediately prior to such consummation would have, immediately after such consolidation, merger or reorganization, substantially the same proportionate direct or indirect beneficial ownership of at least sixty (60%) of the voting securities of (1) the continuing or surviving person in such consolidation, merger or reorganization (whether or not that is the Subsidiary) or, (2) the ultimate parent, if any, of that continuing or surviving person;
- (iv)

a sale, lease, exchange or other transfer (in one transaction or a series of transactions contemplated or arranged by any party as a single plan) of all or substantially all of the assets of the Company or of its subsidiary;

(v) the holders of the voting securities of the Company approve any plan or proposal for the liquidation or dissolution of the Company, unless the plan of liquidation provides for all or substantially all of the assets of the Company to be transferred to a person in which the holders of the Company's voting securities immediately prior to such liquidation have or will have, immediately after such liquidation, substantially the same proportionate direct or indirect beneficial ownership of at least sixty percent (60%) of the voting securities of such person; or

(vi) during any period of two (2) consecutive years during the term of the CC Agreement, individuals who at the beginning of that two year period constituted the entire Board of Directors do not, for any reason, constitute a majority thereof, unless the election (or the nomination for election) by the holders of the Company's voting securities, of each director who was not a member of the Board of Directors at the beginning of that two year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of the two year period.

"Good Reason" generally means the occurrence of any of the following actions taken by us with respect to the named executive officer and without his consent:

- (i) The scope of named executive officer's authority or responsibilities is significantly reduced or diminished or there is an change in his position or title as an officer of the Company or subsidiary, or both, that constitutes or would generally be considered to constitute a demotion;
- (ii) a reduction in base salary, unless such reduction is made as part of an across-the-board cost-cutting measure that is applied equally or proportionately to all senior executives;
- (iii) a significant reduction or discontinuation in the named executive officer's bonus and/or incentive compensation award opportunity unless it is applied equally or proportionately to all senior executives participating in the incentive plan or program;
- (iv) a significant reduction or discontinuation in the named executive officer's participation in any other benefit plan subject to certain exceptions;
- (v) a relocation of the named executive officer's principal place of employment to an office (other than our headquarters offices) located more than thirty (30) miles from his then principal place of employment; or
- (vi) a breach of our material obligations to the named executive officer under either the employment agreement or CC Agreement which breach continues uncured for a period of thirty (30) days following written notice from the named executive officer.

In order to resign his employment for Good Reason under the CC Agreement, the named executive officer must provide the Company with written notice of termination for Good Reason within 45 days of the occurrence of the applicable Good Reason event.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information regarding outstanding stock options and unvested RSUs held by each of our named executive officers as of December 31, 2016.

Name / Grant Date	Option Awards ⁽¹⁾		Option Exercise Price(\$) ⁽²⁾	Option Expiration Date ⁽³⁾
	Number of securities underlying unexercised options(#) Exercisable	Number of securities underlying unexercised options (#) Unexercisable		
Ulrich E. Keller, Jr.				
9/17/2007	81,000	—	5.50	9/16/2017
1/27/2009	30,000	—	8.25	1/26/2019
10/25/2011	80,000	—	8.25	10/24/2021
Scott F. Kavanaugh				
9/17/2007	320,000	—	5.00	9/16/2017
1/27/2009	40,000	—	7.50	1/26/2019
10/25/2011	160,000	—	7.50	10/24/2021
John Hakopian				
9/17/2007	81,000	—	5.00	9/16/2017
1/27/2009	20,000	—	7.50	1/26/2019
10/25/2011	80,000	—	7.50	10/24/2021
John Michel				
9/17/2007	120,000	—	5.00	9/16/2017
1/27/2009	14,000	—	7.50	1/26/2019
10/25/2011	80,000	—	7.50	10/24/2021

Name / Grant Date	Stock Awards	
	Number of shares or units of stock that have not vested(#)	Market value of shares or units of stock that have not vested(\$) ⁽⁴⁾
Scott F. Kavanaugh		
1/27/2016	3,090	44,000
2/28/2017	6,606	94,100
David DePillo		
5/11/2015	21,200	302,100
2/28/2017	5,082	72,400
John Michel		
1/27/2016	1,510	21,500
2/28/2017	2,542	36,200

- (1) Stock options granted to the named executive officers generally incrementally vested over three years at the rate of one-third of the total number of shares subject to the option as of each of the first three anniversaries of the date of grant, provided that the executive was still employed by the Company on that anniversary date.
- (2) In accordance with the Company's equity compensation plans, the per share exercise prices was equal to or greater than 100% of the fair market value of a Company share as of the respective grant dates. In accordance with Internal Revenue Code Section 422, the per share exercise price of incentive stock options granted to Mr. Keller was equal to 110% of the fair market value of a share of our common stock on the date of grant because Mr. Keller owned more than 10% of the outstanding common stock of the Company at the date of the grant.
- (3) The expiration date of each option award is ten years from the date of its grant, subject to earlier termination on a cessation of service with the Company.
- (4) The remaining RSUs for Messrs. Kavanaugh, DePillo (for the 2017 grant) and Michel vest in equal installments on each of the first and second anniversaries of the grant date subject to continued employment. The RSUs for Mr. DePillo granted on May 11, 2015 vest in three equal installments on each of the first three anniversaries of the grant date subject to continued employment. Market value is based on the closing share price of \$14.25 for our common stock as of December 31, 2016 which was the last day of our fiscal year 2016.

Option Exercises and Stock Vested

The following table sets forth information regarding stock options exercised and RSUs vested during 2016 for each of our named executive officers.

	Option Awards Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) ⁽¹⁾	Stock Awards Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) ⁽²⁾
Scott F. Kavanaugh	—	—	3,090	34,400
David DePillo	—	—	10,600	118,200
John Michel	40,000	355,200	1,510	16,800

(1) Represents the difference between the market price of the underlying securities at exercise and the exercise price of the options.

(2) Determined by multiplying the number of shares vested by the market price of the securities at the vesting date.

Compensation Risk Assessment

We believe that, although a portion of the compensation provided to our executives and other employees is subject to the achievement of specified financial performance criteria, our executive compensation program does not encourage excessive or unnecessary risk-taking. We do not believe that our compensation programs are reasonably likely to have a material adverse effect on us.

Director Compensation

Only non-employee directors are entitled to receive compensation for service on the Board and committees of the Board. Each director receives an annual retainer of \$52,000 plus annual equity grants with a grant date value of \$28,000. The compensation each non-employee director received for their service on the Board and Board committees is set forth in the following table for the year ended December 31, 2016:

Director Compensation			
	Fees Earned or Paid in Cash (\$)	Stock Awards (\$) ⁽¹⁾	Total (\$)
James Brakke	52,000	28,000	80,000
Max Briggs	52,000	28,000	80,000
Victoria Collins ⁽²⁾	34,700	14,000	48,700
Warren D. Fix	52,000	28,000	80,000
Gerald Larsen	52,000	28,000	80,000
Mitchell M. Rosenberg	52,000	28,000	80,000
Jacob Sonenshine	52,000	28,000	80,000

(1) On January 27, 2016, when our closing share price was \$11.13 per share, each non-employee director received a grant of 1,260 RSUs. These vested on April 27, 2016. On August 30, 2016, when our closing share price was \$12.58, each non-employee director received a grant of 1,116 RSUs. These shares vested on November 30, 2016. This column reflects the aggregate dollar amount of the grant date fair value of these RSU awards, computed in accordance with FASB ASC Topic 718, Stock Compensation. Generally, the grant date fair value is the amount that we would expense in our financial statements over the award's vesting schedule.

(2) Victoria Collins' service as a director ended in August 2016.

Outstanding Equity Awards.

The following table sets forth information regarding outstanding stock options held by each non-employee director as of December 31, 2016.

Name / Grant Date	Option Awards ⁽¹⁾ Number of securities underlying unexercised options (#)		Exercise Price (\$) ⁽²⁾	Expiration Date ⁽³⁾
	Exercisable	Unexercisable		
James Brakke				
9/17/2007	30,000	—	5.00	9/16/2017
1/27/2009	3,000	—	7.50	1/26/2019
Max Briggs				
8/28/2012	30,000	—	7.50	8/27/2022
Warren D. Fix				
9/17/2007	30,000	—	5.00	9/16/2017

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1/27/2009	3,000	—	7.50	1/26/2019
Gerald L. Larsen				
7/22/2008	20,000	—	7.50	7/21/2018
1/27/2009	2,000	—	7.50	1/26/2019
Mitchell M. Rosenberg				
9/17/2007	15,000	—	5.00	9/16/2017
1/27/2009	3,000	—	7.50	1/26/2019
Jacob Sonenshine				
9/17/2007	30,000	—	5.00	9/16/2017
1/27/2009	3,000	—	7.50	1/26/2019

- (1) Stock options granted to the non-employee directors generally incrementally vested over three years at the rate of one-third of the total number of shares subject to the option as of each of the first three anniversaries 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 compensation plans, the per share exercise price of these options were equal to or greater than 100% of the fair market value of a Company share as of the respective grant dates.

(3) The expiration date of each option award is ten years from the date of its grant, subject to earlier termination on a cessation of service with the Company.

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Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.
Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information with respect to the beneficial ownership of our common stock, as of March 10, 2017 for:

- each of our named executive officers;
- each of our directors;
- all our executive officers and directors as a group; and
- each person, or group of affiliated persons, known by us to be the beneficial owner of more than 5% of our outstanding shares of our common stock.

For purposes of the table below, the percentage ownership calculations for purposes of determining the beneficial ownership of our directors and executive officers are based on 32,893,491 shares of our common stock outstanding as of March 10, 2017.

Under the rules and regulations of the SEC, a person is deemed to be the beneficial owner of (i) shares with respect to which that person has, either alone or with others, the power to vote or dispose of those shares; and (ii) shares which that person may acquire on exercise of options or other rights to purchase shares of our common stock at any time during a 60 day period which, for purposes of this table, will end on May 10, 2017. The number of shares subject to options that are exercisable or may become exercisable during that 60 day period are deemed outstanding for purposes of computing the number of shares beneficially owned by, and the percentage ownership of, the person holding such options, but not for computing the percentage ownership of any other shareholder named in this table. Except as otherwise noted below, we believe that the persons named in the table have sole voting and dispositive power with respect to all shares shown as beneficially owned by them, subject to community property laws where applicable.

Name and Title	As of March 10, 2017 ⁽¹⁾		
	Number of Shares Beneficially Owned ⁽²⁾	Percent of Class	
Ulrich Keller, Jr., Executive Chairman	2,712,170 ⁽³⁾	8.2	%
Scott Kavanaugh, Vice Chairman and CEO	1,388,417	4.2	%
James Brakke, Director	128,936	*	
Max Briggs, Director	64,664	⁽⁴⁾	*
Warren Fix, Director	167,850	⁽⁵⁾	*
John Hakopian, Director and President of FFA	970,360	2.9	%
Gerald Larsen, Director	46,216	*	
Mitchell M. Rosenberg, Director	55,816	*	
Jacob Sonenshine, Director	69,148	*	
David DePillo, President and Chief Operating Officer of FFB	702,711	2.1	%
John M. Michel, EVP and Chief Financial Officer	267,291	*	
All Directors and Executive Officers as a Group (11 persons)	6,573,579	19.3	%

*Represents less than one (1%) percent of the shares outstanding as of March 10, 2017.

(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 March 10, 2017 through the exercise of stock options.

- (2) Includes shares that may be acquired within 60 days of March 10, 2017 pursuant to the exercise of stock options. Shares subject to options are as follows: Mr. Keller - 191,000 shares; Mr. Kavanaugh - 520,000 shares; Mr. Brakke - 33,000 shares; Mr. Briggs - 30,000 shares; Mr. Hakopian - 181,000 shares; Mr. Larsen - 22,000 shares; Dr. Rosenberg - 18,000 shares; Mr. Sonenshine - 3,000 shares; Mr. Michel - 214,000 shares; and Directors and Executive Officers as a Group - 1,212,000 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.

The following table provides information as of December 31, 2016 regarding the Company's Equity Plans:

Plan Category	Column (a) Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights ⁽²⁾	Column (b) Weighted- Average Exercise Price of Outstanding Options, Warrants and Rights ⁽¹⁾	Column (c) Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) ⁽²⁾
Equity compensation plans approved by shareholders	1,972,884	\$ 6.34	1,473,332
Equity compensation plans not approved by shareholders	—	—	—
Total	1,972,884	\$ 6.34	1,473,332

(1) Options are granted at an exercise price equal to or greater than the fair market value per share of our common stock on their respective dates of grant.

(2) Does not include of 117,308 of RSUs issued and not vested as of December 31, 2016.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

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, 2016, 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.

David DePillo, President and Chief Operating Officer of FFB, owns a 10% interest in LendingLink LLC, an entity that provides software services to FFB. During 2016, FFB paid LendingLink LLC \$0.2 million for services it provided to FFB.

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

In connection with the reincorporation, and as permitted by the Delaware corporate law and as provided for by the Company's bylaws, effective October 30, 2015, the Company entered into indemnification agreements with its directors and executive officers. Those indemnification agreements require the Company, among other things, (i) to indemnify its directors and officers against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from actions not taken in good faith or in a manner the indemnitee believed to be opposed to the best interests of the Company), (ii) to advance the expenses such directors or executive officers may incur as a result of or in connection with the defense of any proceeding brought against them as to which they could be indemnified, subject to an undertaking by the indemnified party to repay such advances if it is ultimately determined that he or she is not entitled to indemnification, and (iii) to obtain officers' & directors' liability insurance if available on reasonable terms.

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'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 a written policy governing the approval of related party transactions that complies with all applicable SEC requirements. 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 to the Company, the direct or indirect nature of the related party's interest in the transaction, the appearance of any 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.

Director Independence

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 has concluded that (i) six of the ten 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 Committee are independent.

Item 14. Principal Accounting Fees and Services

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 Vavrinek, Trine Day and Co. LLP, ("VTD") pursuant to which it provided the services described below for the fiscal years ended December 31, 2016 and 2015.

Audit and Other Fees Paid in Fiscal Year 2016 and 2015

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

	2016	2015
Audit services	\$225,000	\$160,000
Audit related services	—	—
Tax compliance services	—	—
All other services	8,200	30,000

Total	\$233,200	\$190,000
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Audit Services

In each of the years ended December 31, 2016 and 2015, 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 2016 or 2015.

Tax Compliance Services

VTD did not render any tax compliance services to us during 2016 or 2015.

Other Services

In 2016 and 2015, VTD provided comfort letters, consents, and assistance with and review of documents filed with the SEC in conjunction our public offerings. No other services were provided in 2016 and 2015.

PART IV

Item 15. Exhibits and Financial Statement Schedules.

(a) Financial Statements, Financial Statement Schedules

See page 66 for an index of the financial statements filed as part of this Annual Report on Form 10-K. No financial statement schedules are provided because the information called for is not required or is shown either in the financial statements or the notes thereto.

(b) Exhibits

See the Index of Exhibits on page E-1 for a list of exhibits filed as part of this Annual Report on Form 10-K, which Index of Exhibits is incorporated herein by reference.

Item 16. Form 10-K Summary.

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized in Irvine California on March 15, 2017.

FIRST FOUNDATION INC.

By: /S/ SCOTT F. KAVANAUGH
 Scott F. Kavanaugh, President and
 Chief Executive Officer

POWER OF ATTORNEY

Each individual whose signature appears below constitutes and appoints Scott F. Kavanaugh, Ulrich E. Keller, Jr. and John M. Michel, and each of them, acting severally, his or her true and lawful attorneys-in-fact and agents with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign and file on his or her behalf and in each capacity stated below, all amendments and/or supplements to this Annual Report on Form 10-K, which amendments or supplements may make changes and additions to this Report as such attorneys-in-fact, or any of them, acting severally, may deem necessary or appropriate.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report on Form 10-K has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
 /s/ SCOTT F. KAVANAUGH	 Chief Executive Officer and Director	
Scott F. Kavanaugh	(Principal Executive Officer)	March 15, 2017
 /s/ JOHN M. MICHEL	 Chief Financial Officer	
John M. Michel	(Principal Financial and Accounting Officer) Chairman and Director	March 15, 2017 March 15, 2017
 /s/ ULRICH E. KELLER, JR.		

Ulrich E. Keller, Jr.

/s/ JAMES BRAKKE

James Brakke	Director	March 15, 2017
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/s/ MAX BRIGGS

Max Briggs	Director	March 15, 2017
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/s/ WARREN D. FIX

Warren D. Fix	Director	March 15, 2017
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/s/ JOHN HAKOPIAN

John Hakopian	Director	March 15, 2017
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/s/ GERALD L. LARSEN

Gerald L. Larsen	Director	March 15, 2017
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/s/ MITCHELL M. ROSENBERG

Mitchell M. Rosenberg	Director	March 15, 2017
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/s/ JACOB SONENSHINE

Jacob Sonenshine	Director	March 15, 2017
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INDEX OF EXHIBITS

Exhibit No. Description

- 2.1 Agreement and Plan of Merger, dated October 29, 2015, entered into by First Foundation Inc., a California corporation, and First Foundation Inc., a Delaware corporation, to effectuate the Delaware reincorporation (incorporated by reference to Exhibit 2.99 to the Company's Current Report on Form 8-K, filed on October 29, 2015).
- 2.2 Agreement and Plan of Merger, dated November 25, 2014, by and among the Company, First Foundation Bank and Pacific Rim Bank (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K, filed on December 1, 2014).
- 2.3 Agreement and Plan of Merger, as amended, by and among the Company, First Foundation Bank and Desert Commercial Bank, dated June 29, 2011, together with First, Second and Third Amendments thereto (incorporated by reference to Exhibit 10.10 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
- 3.1 Certificate of Incorporation of the Company (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on October 29, 2015).
- 3.2 Bylaws of the Company (incorporated by reference to Exhibit 3.2 to the Company's Current Report on Form 8-K, filed on October 29, 2015).
- 4.1 Specimen Certificate for Common Stock (incorporated by reference to Exhibit 4.1 to the Company's Annual Report on Form 10-K/A, filed on August 3, 2015).
- 10.1⁽¹⁾ First Foundation Inc. 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
- 10.2⁽¹⁾ First Foundation Inc. 2007 Management Stock Incentive Plan (incorporated by reference to Exhibit 10.2 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
- 10.3⁽¹⁾ First Foundation Inc. 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.99 to the Company's Registration Statement on Form S-8, filed on October 28, 2015).
- 10.4⁽¹⁾ First Foundation Inc. Form of Restricted Stock Unit Agreement for 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K, filed on March 15, 2016).

- 10.5⁽¹⁾ First Foundation Inc. Form of Stock Option Agreement for 2015 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 to the Company's Annual Report on Form 10-K, filed on March 15, 2016).
- 10.6⁽¹⁾ Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.99 to the Company's Current Report on Form 8-K, filed on October 30, 2015).
- 10.7⁽¹⁾ Amended and Restated Employment Agreement, dated December 31, 2009, by and between the Company, First Foundation Advisors and Ulrich E. Keller, Jr., together with First, Second and Third Amendments thereto (incorporated by reference to Exhibit 10.4 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
- 10.8⁽¹⁾ Amended and Restated Employment Agreement, dated December 31, 2009, by and between the Company, First Foundation Bank and Scott F. Kavanaugh, together with First, Second and Third Amendments thereto (incorporated by reference to Exhibit 10.5 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
- 10.9⁽¹⁾ Amended and Restated Employment Agreement, dated December 31, 2009, by and between First Foundation Advisors and John Hakopian, together with First, Second and Third Amendments thereto (incorporated by reference to Exhibit 10.6 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
- 10.10⁽¹⁾ Amended and Restated Employment Agreement, dated December 31, 2009, by and between the Company, First Foundation Bank, First Foundation Advisors and John Michel, together with First, Second and Third Amendments thereto (incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on March 25, 2014).

Exhibit No.	Description
10.11 ⁽¹⁾	Employment Agreement, dated May 11, 2015, by and between First Foundation Bank and David DePillo (incorporated by reference to Exhibit 10.21 to the Company's Quarterly Report on Form 10-Q, filed on May 11, 2015).
10.12 ⁽¹⁾	Change of Control Agreement, dated September 17, 2007, by and between the Company and Ulrich E. Keller, Jr. (incorporated by reference to Exhibit 10.7 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
10.13 ⁽¹⁾	Change of Control Agreement, dated September 17, 2007, by and between the Company and Scott F. Kavanaugh (incorporated by reference to Exhibit 10.8 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
10.14 ⁽¹⁾	Change of Control Agreement, dated September 17, 2007, by and between the Company and John Hakopian (incorporated by reference to Exhibit 10.9 to the Company's Registration Statement on Form 10, filed on October 17, 2013).
10.15 ⁽¹⁾	Change of Control Agreement, dated September 17, 2007, by and between the Company and John Michel (incorporated by reference to the Exhibit 10.16 to the Company's Annual Report on Form 10-K, filed on March 25, 2014).
10.16 ⁽¹⁾	Change of Control Agreement, dated May 11, 2015, by and between the Company and David DePillo (incorporated by reference to Exhibit 10.22 to the Company's Quarterly Report on Form 10-Q, filed on May 11, 2015).
10.17	Loan Agreement, dated February 8, 2017, by and between First Foundation Bank, as borrower, and NexBank SSB, as lender (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed February 9, 2017).
10.18	Pledge and Security Agreement issued by the Company to NexBank SSB pursuant to the Loan Agreement (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed February 9, 2017).
14.1	Code of Conduct for the Chief Executive Officer and Other Senior Financial Officers (incorporated by reference to Exhibit 14.1 to the Company's Annual Report on Form 10-K, filed on March 25, 2014).
21.1 ⁽²⁾	Subsidiaries of the Registrant.
23.1 ⁽²⁾	Consent of Vavrinek, Trine, Day & Co., LLP, independent registered public accounting firm.

- 24.1 Power of Attorney (included on signature page of this Annual Report on Form 10-K).
- 31.1⁽²⁾ Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2⁽²⁾ Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1⁽²⁾ Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2⁽²⁾ Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101⁽²⁾ XBRL (eXtensive Business Reporting Language). The following financial materials from the Company's Quarterly Report on Form 10-K for the period ended December 31, 2016, formatted in XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Cash Flows, and (v) Notes to Condensed Consolidated Financial Statements.

(1) Management contract or compensatory plan.

(2) Filed herewith.