

Item 1      Cover Page

# First Foundation Advisors

SEC File Number: 801 – 35973

**Brochure**  
**Dated 3/30/2012**

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This brochure provides information about the qualifications and business practices of First Foundation Advisors (the “Registrant”). If you have any questions about the contents of this brochure, please contact us at (949) 476-0300 or [gbruce@ff-inc.com](mailto:gbruce@ff-inc.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about First Foundation Advisors also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to First Foundation Advisors as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2           Material Changes**

There have been no material changes made to First Foundation Advisor's disclosure statement since last year's Annual Amendment filing on March 31, 2011.

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#### Item 4      **Advisory Business**

- A. First Foundation Advisors (the “Registrant”) is a corporation formed on December 12, 1985 in the State of California. The Registrant became registered as an Investment Adviser Firm in February 1990. The Registrant is owned by First Foundation Inc. John A. Hakopian is the Registrant’s President.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, and pension and profit sharing plans, etc.), directly or through one of its affiliated entities, investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services and/or financial planning services on a stand-alone basis or combined discretionary investment advisory services and financial planning services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
<u>Equity and Balanced Accounts Program</u>	
On the First \$3,000,000	1.00% Annual Fee
On the Next \$2,000,000	0.75%
On the Next \$5,000,000	0.50%
With a minimum fee of \$1,250 per quarter	
<u>Fixed Income Accounts Program</u>	
On the First \$2,000,000	0.50% Annual Fee
On the Next \$3,000,000	0.40%
On the Next \$5,000,000	0.30%
With a minimum fee of \$1,250 per quarter	
<u>Value Equity Individual Accounts Program</u>	
On the First \$3,000,000	1.00% Annual Fee
On the Next \$2,000,000	0.90%
On the Next \$5,000,000	0.80%
With a minimum fee of \$1,250 per quarter	
<u>Value Equity Institutional Accounts Program</u>	
On the First \$5,000,000	0.80% Annual Fee
On the Next \$15,000,000	0.70%
On the Next \$30,000,000	0.60%
On the Next \$50,000,000	0.50%
On the Next \$100,000,000	0.40%

## **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* provide financial planning and/or consulting services (including investment and non-investment related matters, such as estate, tax and insurance planning, etc.) on a stand-alone separate hourly rate basis. Registrant's planning and consulting fees are negotiable, but generally range from negotiable up to \$350 on an hourly rate basis, depending upon the scope and complexity of the service(s) required and the professional(s) rendering the service(s). Alternatively, the Registrant may charge a fixed rate for the project with up to 50% of the total fee due at inception and the balance due at the completion of the project depending on the scope of the project. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, an estimated fee and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of outside professionals for additional consulting and/or implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. Registrant's consulting services pursuant to this agreement do not include investment implementation, supervisory, management, or reporting services, nor the regular review or monitoring of the client's investment portfolio. In the event the client desires the Registrant **to** provide investment supervisory or management services, such engagement shall be set forth in a separate *Investment Advisory Agreement* between the Registrant and the client, for which services Registrant shall be paid a separate and additional fee.

### ***Additional Consulting Services***

To the extent requested by a client the Registrant *may* also provide personal, philanthropic, and wealth management consulting services to individuals, families, foundations, and non-profit entities on a stand-alone basis. Hourly rates range up to \$600 per hour depending upon the scope, complexity and professional rendering the service. Alternatively, the Registrant may charge a fixed rate for the project with up to 50% of the total fee due at inception and the balance due at the completion of the project depending on the scope of the project. In addition, the client will be billed for out of pocket expenses, such as delivery charges and travel expenses or other out of pocket expenses approved by client as incurred. Prior to engaging the Registrant to provide consulting services the client will generally be required to enter into a Consulting Agreement with the Registrant setting forth the terms and conditions of the engagement, describing the scope of the services to be provided and the fees and payment schedule. Registrant's consulting services pursuant to this agreement do not include investment implementation, supervisory, management, or reporting services, nor the regular review or monitoring of the investment portfolio of the client. In the event the client desires to have the Registrant provide investment supervisory or management services, such engagement shall be set forth in a separate *Investment Advisory Agreement* between Registrant and the client, for which services Registrant shall be paid a separate and additional fee.

## **MISCELLANEOUS**

### **Please Note: Limitations of Non-Investment Consulting/Implementation Services.**

As indicated above, to the extent specifically requested by a client, the Registrant may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives,

serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including the Registrant's insurance affiliate (**See** disclosure at Item 10.C.2). **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Independent Managers.** The Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which the Registrant shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Fortigent, LLC.** The Registrant has retained Fortigent, LLC, an SEC registered Investment Advisor, to provide research on asset allocation (both strategic and tactical), research on capital markets, strategic investment solutions and to assist in the evaluation and monitoring of *Independent Manager[s]*. There is no separate fee charged by Registrant to the client for the services provided.

**Affiliated Private Fund.** Registrant may offer non-discretionary advice on private investment funds, including the fund affiliated with Registrant. The Registrant is affiliated with and acts as investment advisor to a private investment fund, The Keller Late Stage VC Fund, LP (the "*affiliated private fund*"), (the complete description of the terms, conditions, risks and fees [including incentive compensation] is set forth in the *affiliated private fund's* offering documents). The Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated private fund*. The terms and conditions for participation in the *affiliated private fund*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Conflict Of Interest.** Because the Registrant and/or its affiliates can earn compensation from the *affiliated private fund* (both management fees and incentive compensation) that may exceed the fee that the Registrant would earn under its standard asset based fee schedule referenced in Item 5 below, the recommendation that a client become an *affiliated private fund* investor presents a **conflict of interest**. No client is under any obligation to become an *affiliated private fund* investor. **The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions regarding this conflict of interest.**

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

**Manager on Unaffiliated Wrap Programs.** In the event that the Registrant is engaged to provide investment management services as part of an unaffiliated wrap-fee program, the Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that the Registrant is engaged to provide investment management services as part of an unaffiliated managed account program, the Registrant will likewise be unable to negotiate commissions and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts. Registrant does not currently offer any wrap-fee programs to clients.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning and Consulting Agreement*. Any client who has not received a copy of Registrant's written Brochure at least 48 hours prior to executing the *Investment Advisory Agreement or Financial Planning and Consulting Agreement* shall have five business days subsequent to executing the agreement to terminate the Registrant's services without penalty.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will

ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.

- D. Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap and managed account fee programs. There is no significant difference between how the Registrant manages wrap fee accounts and non-wrap fee accounts. **Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of December 31, 2011, the Registrant had \$1,759,628,795 in assets under management on a discretionary basis and \$54,167,276 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary investment advisory services and/or financial planning services on a stand-alone basis or combined discretionary investment advisory services and financial planning services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary investment advisory services and financial planning services on a *fee-only* basis. The Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
<u>Equity and Balanced Accounts Program</u>	
On the First \$3,000,000	1.00% Annual Fee
On the Next \$2,000,000	0.75%
On the Next \$5,000,000	0.50%
With a minimum fee of \$1,250 per quarter	
<u>Fixed Income Accounts Program</u>	
On the First \$2,000,000	0.50% Annual Fee
On the Next \$3,000,000	0.40%
On the Next \$5,000,000	0.30%
With a minimum fee of \$1,250 per quarter	
<u>Value Equity Individual Accounts Program</u>	
On the First \$3,000,000	1.00% Annual Fee
On the Next \$2,000,000	0.90%
On the Next \$5,000,000	0.80%
With a minimum fee of \$1,250 per quarter	
<u>Value Equity Institutional Accounts Program</u>	
On the First \$5,000,000	0.80% Annual Fee



On the Next \$15,000,000	0.70%
On the Next \$30,000,000	0.60%
On the Next \$50,000,000	0.50%
On the Next \$100,000,000	0.40%

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* provide financial planning and/or consulting services (including investment and non-investment related matters, such as estate, tax and insurance planning, etc.) on a stand-alone separate hourly rate basis. Registrant's planning and consulting fees are negotiable, but generally range from negotiable up to \$350 on an hourly rate basis, depending upon the scope and complexity of the service(s) required and the professional(s) rendering the service(s).

### **ADDITIONAL CONSULTING SERVICES**

The Registrant may provide personal, philanthropic, and wealth management consulting services to individuals, families, foundations, and non-profit entities on a stand-alone basis. Hourly rates range up to \$600 per hour depending upon the scope, complexity and professional rendering the service. Alternatively, the Registrant may charge a fixed rate for the project with up 50% of the total fee due at inception and the balance due at the completion of the project depending on the scope of the project.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") and/or Fidelity Investments ("*Fidelity*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and *Fidelity* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed-income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services. This includes effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by *Schwab* or *Fidelity*).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter.



The Registrant generally requires a minimum asset base of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lower investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Relative to its discretionary investment management services, when beneficial to the client, individual equity and/or fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a “tradeaway” fee charged by the account custodian.
- F. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

#### **Item 6            Performance-Based Fees and Side-by-Side Management**

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

#### **Item 7            Types of Clients**

The Registrant’s clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations. The Registrant generally requires a minimum asset base of \$500,000.00 for investment advisory services. The Registrant, in its sole discretion, may charge a lower investment management fee and/or waive or reduce its minimum asset requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

#### **Item 8            Methods of Analysis, Investment Strategies and Risk of Loss**

- A. The Registrant may utilize, but are not limited to, the following methods of security analysis:
  - Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts of potential market valuation)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also implement and/or recommend options transactions, a strategy that has a high level of inherent risk. (*See* discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase/sell or the recommendation to purchase/sell an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks) and fixed income securities, mutual funds and/or exchange traded funds, on a discretionary basis, and *Independent Manager[s]* and private investment funds, on a non-discretionary basis, in accordance with the client's designated investment objective(s). (*See Independent Manager[s]* above).

## Item 9            Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

## Item 10           Other Financial Industry Activities and Affiliations

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
1. **Affiliated Private Investment Fund.** The Registrant is affiliated with and acts as investment advisor to a private investment fund: The Keller Late Stage VC Fund, LP ("*affiliated private fund*"), (the complete description of the terms, conditions, risks and fees [including incentive compensation] associated with the *affiliated private fund* is set forth in the *affiliated private fund's* offering documents). The Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated private fund*. The terms and conditions for participation in the *affiliated private fund*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike other liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Conflict Of Interest.** Because the Registrant and/or its affiliates can earn compensation from the *affiliated private fund* (both management fees and incentive compensation) that may exceed the fee that the Registrant would earn under its standard asset based fee schedule referenced in Item 5 below, the

recommendation that a client become an *affiliated private fund* investor presents a **conflict of interest**. No client is under any obligation to become an *affiliated private fund* investor. **The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions regarding this conflict of interest.**

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all such private investment funds shall reflect either the initial purchase and/or the most recent valuation provided by the fund sponsor. If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price.

2. **Affiliated Bank.** The Registrant is a wholly owned subsidiary of First Foundation Inc. ("FFI"), which is a holding company that also owns First Foundation Bank ("FFB"). FFI and/or its Principals and representatives provide two separate and distinct services: (1) investment advisory services as an SEC registered investment adviser through the Registrant, and (2) banking and trust services through FFB. Clients may engage the Registrant or its representatives for either or both services. Clients seeking banking or trust services will be referred to an FFB associate. **However, no investment advisory client is required to engage the Registrant or its representatives for banking services, and no banking client is required to engage the Registrant or its representatives for investment advisory services.**

If the Registrant or its representatives are engaged by a client for banking services, the banking service shall not include any investment advisory services. Clients that receive cash proceeds as a result of any banking transaction are not obligated in any manner to engage the Registrant or its representative in its separate role as an investment adviser to invest those proceeds on their behalf. If the Registrant is engaged for investment advisory services, a copy of the Registrant's Brochure shall be provided discussing the scope of its investment advisory services and fees charged, and stating that any corresponding investment advisory engagement of the Registrant shall be subject to the terms and conditions of a separate written agreement. The Principals and/or representatives of the Registrant may be shareholders of FFI thereby creating a **conflict of interest** if banking, loan or trust services through FFB incur less favorable banking or loan costs/terms than the account would have otherwise incurred had banking, loan, or trust services been engaged through alternative service providers.

As indicated above, the Registrant is affiliated with FFB. Financial instruments such as Money Market Funds or Certificates of Deposit offered by FFB may be recommended and utilized by the Registrant in the management of advisory accounts. **Please Note:** This arrangement creates a **conflict of interest**. In light of the conflict of interest, a client may direct the Registrant, in writing, not to purchase FFB investments/products for his/her/its accounts.

In the event that a client requires a banking relationship (i.e., a bank account, loan, trust services, etc.), the Registrant's employees may refer the client to FFB, in return for

which referral the employee may be compensated (generally, employee referrals will be considered when determining the employee's quarterly and/or annual bonus). This referral arrangement creates a **conflict of interest**. In light of the conflict of interest, no client is under any obligation to use FFB's services, and the Registrant shall work with any bank of the client's choosing.

In the event that a client of the Registrant and/or customer of FFB requires insurance-related services, FFB may refer the client to a licensed insurance agency owned by FFB or licensed insurance agency owned by a Board Member of both FFB and FFI (the "*Affiliated Agency*"). In the event that the client engages the services of the *Affiliated Agency*, FFB may receive a portion of the *Affiliated Agency's* insurance commission. In addition, the referring Registrant employee may indirectly be compensated (generally, such employee referrals will be considered when determining the employee's quarterly and/or annual bonus). In light of the **conflict of interest**, no client is under any obligation to use FFB's insurance agency's or *Affiliated Agency's* insurance services, and the Registrant shall work with any insurance agent of the client's choosing.

**FFB Referrals:** In addition to referrals from the Registrant's employees to FFB, FFB employees may refer prospective clients to the Registrant, in return for which referral the FFB employee may be compensated either directly by the Registrant and/or such referrals will be considered by FFB when determining the employee's quarterly and/or annual bonus. Given the commonality of ownership and control of the Registrant and FFB, FFB is an affiliated solicitor as defined under Rule 206(4)-3 of the Investment Advisers Act of 1940, and, as such the FFB employee is not required to present a copy of the Registrant's Brochure, nor a separate disclosure statement indicating that he/she may receive referral compensation, at the time of the introduction to the Registrant. See disclosure at Item 14.B below.

**The Registrant's Chief Compliance Officer, Greg Bruce, shall remain available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment managers that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. As disclosed above, the Registrant's Principals and/or their affiliates have a financial interest

in the *affiliated private fund*. The Registrant, on a non-discretionary basis, may recommend that qualified clients consider allocating a portion of their investment assets to the *affiliated private fund*. The terms and conditions for participation in the *affiliated private fund*, including management and incentive fees, conflicts of interest, and risk factors, are set forth in the fund's offering documents. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions regarding this conflict of interest.**

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab* and/or *Fidelity*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.



Factors that the Registrant considers in recommending *Schwab* and/or *Fidelity* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Other Additional Benefits

Factors that the Registrant considers in recommending a particular broker-dealer/custodian to clients include historical relationship with the Registrant, financial strength, reputation, execution, pricing, research, and service.

In return for effecting securities transactions through a designated broker-dealer/custodian, Registrant may receive through its relationship with Investment Technology Group, Inc. certain investment research products or services which assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by Registrant will generally be used to service all of Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research



products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective may have regarding the above conflict of interest.**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* and/or *Fidelity* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Fidelity* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. Schwab Referrals

Registrant receives client referrals from *Schwab* through Registrant's participation in Schwab Advisor Network™ ("the Service"), designed to help investors find an independent investment advisor. *Schwab* is a broker-dealer independent and unaffiliated with Registrant. *Schwab* does not supervise Registrant and has no responsibility for Registrant's management of clients' portfolios or Registrant's other advice or services.

Registrant pays *Schwab* fees to receive client referrals through the Service. Registrant's participation in the Service may raise potential conflicts of interest described below.

Registrant pays *Schwab* a Participation Fee on all referred clients' accounts that are maintained in custody at *Schwab* and a Non-*Schwab* Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Registrant is a percentage of the fees owed by the client to Registrant or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Registrant pays *Schwab* the Participation Fee for so long as the referred client's account remains in custody at *Schwab*. The Participation Fee is billed to Registrant quarterly and may be increased, decreased or waived by *Schwab* from time to time. The Participation Fee is paid by Registrant and not by the client. Registrant has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Registrant charges clients with similar portfolios (pursuant to Registrant's standard fee schedule as in effect from time to time) who were not referred through the Service.

Registrant generally pays *Schwab* a Non-*Schwab* Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from *Schwab*, unless the client was solely responsible for the decision not to maintain custody at *Schwab*. The Non-*Schwab* Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at *Schwab*. The Non-*Schwab* Custody Fee is higher than the Participation Fees Registrant generally would pay in a single year. Thus, Registrant will have an incentive to recommend that client accounts be held in custody at *Schwab*.

The Participation and Non-*Schwab* Custody Fees will be based on assets in accounts of Registrant's clients who were referred by *Schwab* and those referred clients' family members living in the same household. Thus, Registrant will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at *Schwab* and to instruct *Schwab* to debit Registrant's fees directly from the accounts.

For accounts of Registrant's clients maintained in custody at *Schwab*, *Schwab* will not charge the client separately for custody but will receive compensation from Registrant's clients in the form of commissions or other transaction-related compensation on securities trades executed through *Schwab*. *Schwab* also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through *Schwab* rather than another broker-dealer. Registrant nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at *Schwab* may be executed through a different broker-dealer than trades for Registrant's other clients. Thus, trades for accounts custodied at *Schwab* may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

#### Fidelity Wealth Advisor Solutions

Registrant may receive client referrals from *Fidelity* through its participation in the *Fidelity Wealth Advisor Solutions* program (the "Program"). The Registrant does not currently pay a

fee to *Fidelity* for any referrals. Registrant's participation in the Program raises potential conflicts of interest. *Fidelity* will most likely refer clients through the Program to investment advisors that encourage their clients to custody their assets at *Fidelity* and whose client accounts are profitable to *Fidelity*. Consequently, in order to obtain client referrals from *Fidelity*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *Fidelity* and to place transactions for client accounts with *Fidelity*. Registrant's participation in *Program* does not diminish its duty to seek best execution of trades for client accounts. Registrant does not charge clients referred through the *Program* fees or costs greater than the fees or costs Registrant charges clients with similar portfolios (pursuant to Registrant's standard fee schedule as in effect from time to time) who were not referred through the *Program*.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not be able to seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### Item 13      Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on a minimum of an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

### Item 14      Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab* and/or *Fidelity*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or *Fidelity*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Fidelity* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## Item 15      Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

The Registrant engages in certain practices and/or services on behalf of its clients that require disclosure at the Custody section of Part 1 of Form ADV, which practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding custody-related issues.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## Item 16      Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## Item 17      Voting Client Securities

- A. Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (**However**, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not be limited to, include the following a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on

employees and executive and director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Greg Bruce.

- B. As set forth in Section 17A, the Registrant votes client proxies.

## **Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Greg Bruce, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**