

First American Financial Corp
Form DEF 14A
April 09, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

FIRST AMERICAN FINANCIAL CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount previously paid:

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

(3) Filing Party:

(4) Date Filed:

April 9, 2012

Dear Fellow Stockholder,

You are cordially invited to attend our annual meeting of stockholders at 1 p.m., Pacific time, on May 15, 2012, at the executive offices of First American Financial Corporation, located at 1 First American Way, Santa Ana, California 92707.

With this letter, we are including the notice for the annual meeting, the proxy statement and the proxy card. We are also including a copy of our 2011 annual report. A map and directions to our executive offices can be found on the inside back cover of the proxy statement.

We have made arrangements for you to vote your proxy over the Internet or by telephone, as well as by mail with the traditional proxy card. The proxy card contains instructions on these methods of voting.

Your vote is important. Whether or not you plan on attending the annual meeting on May 15, 2012, we hope you will vote as soon as possible.

Thank you for your continued support of First American Financial Corporation.

Parker S. Kennedy

Dennis J. Gilmore

Chairman of the Board

Chief Executive Officer

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To be Held on May 15, 2012

The annual meeting of stockholders of First American Financial Corporation, a Delaware corporation (our Company), will be held at 1 p.m., Pacific time, on May 15, 2012, at the executive offices of the Company, located at 1 First American Way, Santa Ana, California 92707, for the following purposes:

1. To elect the three persons named in the accompanying proxy statement to serve as Class II directors on our board of directors to serve for a three year term;
2. To approve, on an advisory basis, the Company's executive compensation;
3. To approve the performance criteria under the Company's 2010 Incentive Compensation Plan to allow for awards under that plan to continue to qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended;
4. To ratify the selection of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012; and
5. To transact such other business as may properly come before the meeting or any postponements or adjournments thereof.

Only stockholders of record at the close of business on March 23, 2012, are entitled to notice of the meeting and an opportunity to vote.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be Held on May 15: First American Financial Corporation's notice of annual meeting and proxy statement, annual report and other proxy materials are available at www.firstam.com/proxymaterials.

We hope you will attend the meeting to vote in person. However, if you are unable to attend the meeting and vote in person, please submit a proxy as soon as possible, so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy (1) over the Internet, (2) by telephone, or (3) by mail. For specific instructions, please refer to the questions and answers commencing on page 2 of the proxy statement and the instructions on the proxy card.

Kenneth D. DeGiorgio

Executive Vice President

and Secretary

Santa Ana, California

April 9, 2012

PROXY STATEMENT

Solicitation of Proxies by the Board of Directors

First American Financial Corporation's Notice of Annual Meeting, Proxy Statement,

Annual Report and other proxy materials are available at

www.firstam.com/proxymaterials

Our board of directors (our Board) is soliciting proxies from holders of our common stock for use at the annual meeting of our stockholders to be held on May 15, 2012, at 1 p.m., Pacific time. The meeting will be held at the executive offices of First American Financial Corporation, a Delaware corporation (our Company or First American), located at 1 First American Way, Santa Ana, California 92707. We have included a map and directions to our executive offices on the inside back cover of the proxy statement for your convenience.

We are mailing this proxy statement and the enclosed proxy card, notice of annual meeting, chairman's letter and 2011 annual report to our stockholders on or about April 11, 2012. In lieu of a proxy card, holders of shares held in street name through a bank, broker or other nominee are receiving a voting instruction form from their bank, broker or other nominee. As used herein, references to proxy or proxy card also refer to the voting instruction form provided to street name holders.

The remainder of this proxy statement has been divided into three sections. You should read all three sections.

- I. Questions and answers: This section provides answers to a number of frequently asked questions.
- II. Proposals to be voted on: This section provides information relating to the proposals to be voted on at the stockholders' meeting.
- III. Required information: This section contains information that is required by law to be included in this proxy statement and which has not been included in Sections I or II.

I. QUESTIONS AND ANSWERS

Why have I been sent these proxy materials?

Our Board has sent you this proxy statement and the accompanying proxy card to ask for your vote, as a stockholder of our Company, on certain matters that will be voted on at the annual meeting.

What matters will be voted on at the meeting?

The matters scheduled to be voted on at the meeting are:

- the election of three persons to serve on the Board as Class II directors until the next annual meeting at which Class II directors are elected or as soon as their successors are duly elected and qualified;
- an advisory vote to approve executive compensation, which we will refer to as a "Say on Pay" vote;
- the approval of the performance criteria under our 2010 Incentive Compensation Plan to allow for awards under that plan to continue to qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended;
- the ratification of the Company's selection of PricewaterhouseCoopers LLP ("PwC") as its independent registered public accounting firm for the 2012 fiscal year; and
- any other business properly raised at the meeting or any postponement or adjournment thereof.

At the time this proxy statement was mailed, our Board was not aware of any other matters to be voted on at the annual meeting.

Does our Board have any recommendations with respect to the listed proposals?

Our Board recommends you vote **FOR** : (1) all of its nominees for director; (2) the Say on Pay proposal; (3) approval of the performance criteria under our 2010 Incentive Compensation Plan; and (4) the ratification of PwC as our Company's independent registered public accounting firm for the 2012 fiscal year.

Who may attend the annual meeting?

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All stockholders of the Company.

Who is entitled to vote?

Stockholders of record as of the close of business on March 23, 2012, the record date, or those with a valid proxy from a bank, brokerage firm or similar organization that held our shares on the record date are entitled to vote on the matters to be considered at the annual meeting.

Who is a stockholder of record?

A stockholder of record is a person or entity whose name appears as an owner of one or more shares of our common stock on the records of our transfer agent as of its close of business on the record date.

How many shares are entitled to vote at the meeting?

As of the record date, 106,027,208 shares of our common stock, par value \$0.00001 per share, were issued, outstanding and entitled to vote at the meeting.

How many votes do I have?

Each share of common stock is entitled to one vote on each proposal.

How many votes are needed to elect each director?

Those candidates receiving the highest number of affirmative votes, up to the number of Class II directors to be elected, will be elected as Class II directors.

Who are the director nominees?

The three nominees for Class II directors are:

George L. Argyros
Dennis J. Gilmore

Herbert B. Tasker

See page 8 for biographical information regarding the nominees.

How many votes are needed to approve, on an advisory basis, the Company's executive compensation?

The affirmative vote of a majority of the shares present and entitled to vote at the annual meeting are needed to approve, on an advisory basis, the Company's executive compensation presented herein.

Is the Board of Directors bound by the Say on Pay vote?

No. The Say on Pay vote is advisory and non-binding.

What is the 2010 Incentive Compensation Plan?

The Company's 2010 Incentive Compensation Plan provides for the grant of certain incentive awards to non-employee directors of the Company and to eligible employees, including officers, of the Company and any subsidiaries and affiliates. Providing such awards allows us to attract and retain competent and dedicated individuals whose efforts will result in the long-term growth and profitability of the Company and to further

align the interests of such individuals with the interests of our stockholders.

How many votes are needed to approve the performance criteria under the 2010 Incentive Compensation Plan?

The affirmative vote of a majority of the shares present and entitled to vote at the annual meeting are needed to approve the performance criteria under the 2010 Incentive Compensation Plan to allow for awards under that plan to continue to qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, as amended.

How many votes are needed to ratify PwC as the Company's independent registered public accounting firm?

The affirmative vote of a majority of the shares present and entitled to vote at the annual meeting are needed to ratify PwC as the Company's independent registered public accounting firm.

What happens if the Company's choice of PwC as its independent registered public accounting firm is not ratified by the stockholders?

If the stockholders do not ratify PwC as the Company's independent registered public accounting firm for the 2012 fiscal year, the audit committee of the Board (the Audit Committee) will reconsider its choice of PwC.

as the Company's independent registered public accounting firm and may retain a different independent registered public accounting firm; however, the Audit Committee may nonetheless determine that it is in the Company's, and its stockholders', best interests to retain PwC as the Company's independent registered public accounting firm. Additionally, even if stockholders ratify the Audit Committee's selection of PwC as the Company's independent registered public accounting firm, the Audit Committee may at any time determine that it is in the Company's, and its stockholders', best interests to retain a different firm.

How do I vote?

You can vote on matters that properly come before the meeting in one of four ways:

You may vote by mail.

You do this by signing and dating the proxy card and mailing it in the enclosed, prepaid and addressed envelope within the required time. If you mark your voting instructions on the proxy card, your shares will be voted as you instruct.

You may vote by telephone.

You do this by following the instructions accompanying the proxy card. If you submit your proxy by telephone, your shares will be voted as you instruct. You do not have to separately mail in your proxy card. Some stockholders may not be able to submit their proxy by telephone.

You may vote on the Internet.

You do this by following the instructions accompanying the proxy card. If you submit your proxy on the Internet, your shares will be voted as you instruct. You do not have to separately mail in your proxy card. Some stockholders may not be able to submit their proxy on the Internet.

You may vote in person at the meeting.

You can vote in person at the meeting. However, if you hold your shares in street name (in the name of a bank, broker or other nominee), you must request and receive, prior to the meeting, a legal proxy from your bank, broker or other nominee giving you the right to vote your shares at the meeting and you must present the legal proxy at the meeting in order to vote your shares.

What happens if I sign and return my proxy card, but don't mark my votes?

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Dennis J. Gilmore, chief executive officer, or Kenneth D. DeGiorgio, executive vice president, will vote your shares as proxies in accordance with the recommendations of the Board reflected herein.

Can I revoke my proxy?

You have the power to change or revoke your proxy at any time before the polls close at the meeting. You may do this by:

- signing and returning another proxy card with a later date;
- if you are a stockholder of record, submitting written notice of your revocation to our secretary at our mailing address on the cover page of this proxy statement;
- submitting your proxy by telephone or on the Internet (only your latest proxy is counted); or

- voting in person at the meeting, provided that if your shares are held in street name (in the name of a bank, broker or other nominee), you have obtained a legal proxy from your bank, broker or nominee giving you the right to vote your shares at the meeting. Attendance at the meeting will not by itself constitute revocation of a proxy.

Please note that any change to your proxy that is provided by telephone or the Internet must be submitted by 12:00 p.m. Central time on May 14, 2012.

What happens if my shares are held under the name of a brokerage firm?

If your shares are held in street name, your brokerage firm, under certain circumstances, may vote your shares. Brokerage firms have authority under New York Stock Exchange, or NYSE, rules to vote customers' unvoted shares on certain routine matters. We believe that the proposal to ratify the selection of the Company's independent registered public accounting firm is a routine matter under NYSE rules. If you do not submit your proxy, your brokerage firm has discretion to either:

- vote your shares on routine matters; or
- leave your shares unvoted.

Please note that, pursuant to NYSE rules, the election to the Board of the three nominees named in this proxy statement is considered a non-routine matter. Accordingly, if you are a street name holder and do not submit your proxy to your broker, your broker will not have discretion to vote your shares with respect to that proposal. The Say on Pay and 2010 Incentive Compensation Plan proposals are similarly considered non-routine matters under NYSE rules.

We encourage you to provide instructions to your brokerage firm by submitting your proxy. This ensures that your shares will be voted at the meeting. You may have granted to your stockbroker discretionary voting authority over your account. Your stockbroker may be able to vote your shares depending on the terms of the agreement you have with your stockbroker.

Who will count the votes?

An employee of the Company's transfer agent will serve as the inspector of elections and count the votes.

What does it mean if I get more than one proxy card?

It means that you have multiple accounts at the transfer agent and/or with stockbrokers. Please sign and return all proxy cards to ensure that all your shares are voted.

What constitutes a quorum?

A quorum refers to the number of shares that must be represented at a meeting in order to lawfully conduct business. A majority of the outstanding shares of common stock entitled to vote at the annual meeting, present in person or represented by proxy, will constitute a quorum at the meeting. Without a quorum, no business may be transacted at the annual meeting. However, whether or not a quorum exists, a majority of the shares represented at the annual meeting, either in person or by proxy, may adjourn the annual meeting to another date, time and place. Abstentions and broker non-votes (defined below) will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business.

What is a broker non-vote and how is it treated?

A broker non-vote occurs with respect to a proposal if the proposal is considered non-routine under applicable NYSE rules (as described above) and the broker has not received voting instructions from a beneficial

owner and therefore does not have the discretionary authority to vote shares held by the beneficial owner with respect to such proposal. Broker non-votes are treated as present for purposes of establishing the presence or absence of a quorum. A broker non-vote on the election of directors will not affect the outcome of the election, since no absolute number of affirmative votes is required. Broker non-votes will not count as votes cast for or against the Say on Pay proposal or the 2010 Incentive Compensation Plan proposal and will have no effect on the results of those proposals. We do not anticipate broker non-votes occurring with respect to the ratification of auditor proposal since that matter is routine under applicable NYSE rules.

How are abstentions treated?

Abstentions are treated as present and entitled to vote, but are not treated as votes cast for or against a proposal. Because the election of directors proposal is determined by a plurality of the votes cast, abstentions have no effect on that proposal. However, since the proposal to ratify the selection of the Company's independent public registered accounting firm, the proposal to approve the performance criteria under the 2010 Incentive Compensation Plan and the Say on Pay proposal require the affirmative vote of a majority of the shares present and entitled to vote, abstentions will have the same effect as a vote against those proposals.

What percentage of stock do the directors and executive officers own?

Together, they owned approximately 5.3% of our common stock as of the record date. See pages 21 through 22 for more details.

When are stockholder proposals for our next annual meeting due in order to be included in the proxy statement?

We will consider proposals submitted by stockholders for inclusion in the proxy statement for the annual meeting to be held in 2013 if they are received no later than December 12, 2012. This date assumes that the date of our next annual meeting will not be advanced or delayed by more than 30 calendar days from the one year anniversary of the date of the current annual meeting. See page 70 for more details.

Who is paying the cost of preparing, assembling and mailing the notice of the annual meeting of stockholders, proxy statement and form of proxy, and the solicitation of the proxies?

The Company. We will also pay brokers and other nominees for the reasonable expenses of forwarding solicitation materials to their customers who own our common stock.

Who may solicit proxies?

In addition to this proxy statement, our directors, officers and other regular administrative employees may solicit proxies. None of them will receive any additional compensation for such solicitation. MacKenzie Partners, Inc., 105 Madison Avenue, New York, NY 10016, has been engaged by the Company to solicit proxies at an estimated cost of \$12,500 plus reimbursement of reasonable expenses.

How will solicitors contact me?

People soliciting proxies may contact you in person, by mail, by telephone, by e-mail or by facsimile.

Who are the largest principal stockholders outside of management?

The following table lists as of the record date the persons or groups of stockholders who are known to us to be the beneficial owners of 5% or more of our common stock. The information regarding beneficial owners of 5% or more of our common stock was gathered by us from the filings made by such owners with the Securities

and Exchange Commission (the SEC) or from informal sources. Shares that may be acquired within 60 days are treated as outstanding for purposes of determining the amount and percentage beneficially owned. This table does not include shares beneficially owned by our directors and officers and entities controlled by them. See the table headed Security Ownership of Management on pages 21 through 22 for that information.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Ariel Investments, LLC(1)	8,932,309	8.4%
T. Rowe Price Associates, Inc.(2)	8,130,039	7.7%
BlackRock Inc.(3)	7,832,459	7.4%
Capital Research Global Investors(4)	5,687,875	5.4%

- (1) According to a Schedule 13G filed on February 14, 2012, as of December 31, 2011, Ariel Investments, LLC beneficially owned 8,932,309 shares of our common stock and had sole voting power over 8,706,144 shares and sole dispositive power over 8,922,184 shares. The address for Ariel Investments is 200 E. Randolph Drive, Suite 2900, Chicago, Illinois 60601.
- (2) According to a Schedule 13G filed on February 8, 2012, as of December 31, 2011, T. Rowe Price Associates, Inc. had sole voting power over 1,076,400 share and sole dispositive power over 8,130,039 shares of our common stock. T. Rowe Price Associates sponsors and serves as investment advisor for various registered investment companies, including T. Rowe Price Mid-Cap Value Fund, Inc., which had sole voting power over 6,988,324 shares but no dispositive powers. T. Rowe Price Associates disclaims beneficial ownership of such securities. The address of T. Rowe Price Associates and T. Rowe Price Mid-Cap Value Fund is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (3) According to a Schedule 13G filed on February 13, 2012, as of December 31, 2011, BlackRock Inc. beneficially owned 7,832,459 shares of our common stock and had sole voting and dispositive power over all 7,832,459 shares. The address for BlackRock is 40 East 52nd Street, New York, NY 10022.
- (4) According to a Schedule 13G filed on February 14, 2012, as of December 31, 2011, Capital Research Global Investors, a division of Capital Research and Management Company, was deemed to be the beneficial owner of 5,687,875 shares of our common stock as a result of Capital Research and Management Company acting as investment advisor to various registered investment companies and had sole voting and dispositive power over all 5,687,875 shares. Capital Research Global Investors disclaims beneficial ownership of such securities. The address of Capital Research Global Investors is 333 South Hope Street, Los Angeles, California 90071.

II. PROPOSALS

Information Regarding the Nominees for Election

The following list provides information with respect to each person nominated and recommended to be elected as a Class II director by our Board, to serve for a three-year term expiring on the date of the 2015 annual meeting of stockholders. Each of the nominees is currently serving as a director of the Company.

Hon. George L. Argyros	Mr. Argyros, 75, has been a director since June 2010, when we separated from The First American Corporation. He serves as chairman and chief executive officer of Arnel & Affiliates, a private diversified investment company. He served as a director of The First American Corporation from 1988 to 2001, was the U.S. Ambassador to Spain and Andorra from 2001 to 2004, and again served on The First American Corporation's board of directors from 2005 until the separation. He currently serves as a director of DST Systems, Inc. and Pacific Mercantile Bancorp. Through his experience as a real estate investor, Mr. Argyros provides the Company with insight into the importance of our services to our customers as well as an important perspective on how we can improve those services.
Dennis J. Gilmore	Mr. Gilmore, 53, is our chief executive officer and has been a director since June 2010, when we separated from The First American Corporation. From 2008 until the separation, he served as chief executive officer of The First American Corporation's financial services group. He also served as chief operating officer of The First American Corporation from 2004 to 2008. As the Company's chief executive officer, Mr. Gilmore provides our Board of Directors in-depth insight into the Company's businesses, challenges and opportunities, as well as significant experience in the real estate settlement services industry.
Herbert B. Tasker	Mr. Tasker, 75, has been a director since June 2010, when we separated from The First American Corporation. He has served as chairman and chief executive officer of Mason McDuffie Mortgage Corporation since 2005. He was a mortgage industry consultant from 2004 to 2005 and was vice chairman and managing director of Center Capital Group, Inc., a mortgage conduit, from 1999 to 2004. He served as a director of The First American Corporation from 2002 until the separation and has also previously served on the board of AmNet Mortgage, Inc. The Company avails itself of Mr. Tasker's experience as an executive at various mortgage companies and prior service as president of the National Mortgage Bankers Association of America to better understand and anticipate trends in the mortgage industry.

Information Regarding the Other Incumbent Directors

The following list provides information with respect to the individuals currently serving as Class III directors, whose current term expires at the 2013 annual meeting of stockholders, followed by similar information with respect to the Class I directors, whose term expires in 2014.

Class III Directors Term Expiring 2013

Hon. William G. Davis	Mr. Davis, 82, has been a director since June 2010, when we separated from The First American Corporation. He is counsel to the law firm Davis Webb LLP. Previously, he was counsel to Torys LLP until 2010. He served as a director of The First American Corporation from 1992 until the separation. Other positions held by Mr.
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Davis include directorships with various foreign companies. As the former premier of Ontario, Canada, Mr. Davis provides advice and direction with respect to our relationship with governmental entities and with respect to our extensive business in Canada and our other international operations.

Lewis W. Douglas, Jr. Mr. Douglas, 87, has been a director since June 2010, when we separated from The First American Corporation. He is chairman of Stanley Energy, Inc., an oil exploration company. He served as a director of The First American Corporation from 1971 until the separation and also from 1961 to 1967. With a background in oil and gas exploration, Mr. Douglas brings to the Company, particularly in his role as chairman of our Compensation Committee, an awareness of the relationship between risk and reward, which has manifested itself through increased rigor in our compensation programs.

Parker S. Kennedy Mr. Kennedy, 64, serves as chairman of the board and has been a director of the Company since June 2010, when we separated from The First American Corporation. Mr. Kennedy served as executive chairman of the Company from the separation until his retirement as an employee in February of 2012. From 2003 until the separation, he served as The First American Corporation's chairman and chief executive officer. Previously he also served as The First American Corporation's president from 1993 to 2004. He served as a director of The First American Corporation and its successor entity, CoreLogic, Inc., from 1987 to 2011, and was CoreLogic, Inc.'s executive chairman from the separation to May 2011. Mr. Kennedy also served on the First Advantage Corporation board until 2009. We believe that Mr. Kennedy, who has worked with us in various capacities for over 30 years, has unparalleled executive experience in our industry. He also brings to the Company an incomparable understanding of our history and culture.

Class I Directors Term Expiring 2014

James L. Doti Mr. Doti, 65, has been a director since June 2010, when we separated from The First American Corporation. He is the president and Donald Bren Distinguished Chair of Business and Economics at Chapman University. He served as a director of The First American Corporation from 1993 until the separation. He is also a director of Standard Pacific Corp. and served on the board of Fleetwood Enterprises, Inc. until 2009. As president of Chapman University and with a doctorate in economics from the University of Chicago, Dr. Doti gives our Company insight into the organizational challenges that large companies face and the impact of the economic environment on the Company.

Michael D. McKee Michael D. McKee, 66, has been a director since March 2011. He is currently chief executive officer of Bentall Kennedy U.S., L.P., one of the largest privately-owned real estate investment advisory firms in the United States. Mr. McKee also served as the chief executive officer of The Irvine Company, a privately-held real estate development and investment company, from 2007 to 2008, as vice chairman of its board of directors from 1999 to 2008 and as an executive officer of that company since 1994. Prior to that, he was a partner with the law firm of Latham & Watkins LLP from 1986 to 1994. Mr. McKee is currently a director of HCP, Inc. (NYSE: HCP), Realty Income Corporation (NYSE:O) and the Tiger Woods Foundation. He also previously served as a director of Mandalay Resort Group, Irvine Apartment Communities, Inc. and Oasis Residential Inc. Mr. McKee brings to the Board significant operating and executive management experience. This experience, combined with Mr. McKee's extensive background in the real estate industry, facilitates the Board's oversight of the Company's operations and enhances its ability to assess strategic opportunities.

Thomas V. McKernan Thomas V. McKernan, 67, has been a director since March 2011. He has served as chief executive officer of the Automobile Club of Southern California (the Auto Club) since 1991. In connection with his position at the Auto Club, Mr. McKernan is also

president and chief executive officer of AAA Texas, AAA New Mexico, AAA Hawaii and the Automobile Club of Southern California Life Insurance Company. Mr. McKernan also serves as a director of Payden & Rygel Investment Group and as a trustee of certain funds associated therewith. Other positions held by Mr. McKernan include directorships with various companies and membership on various advisory councils. In addition, he served as vice chairman of the board of California Physicians Service, Inc., which operates as Blue Shield of California, and its subsidiary, Blue Shield of California Life & Health Insurance Company, until September 2009. Through his operating and executive management experience, much of it gained in the process of transforming the Auto Club into a leader in the California insurance industry, Mr. McKernan brings to the Company valuable insight into the challenges facing an insurance company that is executing on a strategic growth plan. His extensive experience participating in the management of insurance company investment portfolios also has been of significant value to the Company.

Virginia M. Ueberroth

Ms. Ueberroth, 72, has been a director since June 2010, when we separated from The First American Corporation. She is chairman of the Ueberroth Family Foundation, a philanthropic organization, and a director of Hoag Memorial Hospital Presbyterian. She served as a director of The First American Corporation from 1988 until the separation. Through Ms. Ueberroth's experience in philanthropic causes, the Company derives an appreciation for its stakeholders in the community.

Directors Serving through May 15, 2012

Frank E. O Bryan

Mr. O Bryan, 78, has been a director since June 2010, when we separated from The First American Corporation. He is a private investor. From 1997 to 2003 he served as chairman of the board of WMC Mortgage Corporation. He served as a director of The First American Corporation from 1994 until the separation. Mr. O Bryan is also a director of Ares Capital Corporation and previously served on the board of Standard Pacific Corp. With decades of experience in the mortgage industry, Mr. O Bryan enhances the Company's understanding of the needs of its customers and how those needs change in response to the economic environment. In connection with the Company's mandatory retirement policy, Mr. O Bryan is not standing for reelection and, accordingly, it is anticipated that his service on the Board will be completed on May 15, 2012.

See the section entitled Security Ownership of Management, which begins on page 21, for information pertaining to stock ownership of our directors. There are no family relationships among any of the directors or nominees or any of the executive officers of the Company. There are no arrangements or understandings between any director and any other person pursuant to which any director was or is to be selected as a director.

Item 1. Election of Class II Directors

Our certificate of incorporation provides for a classified board of directors. Each person elected as a Class II director at the annual meeting of stockholders will serve for a three-year term expiring on the date of the 2015 annual meeting. Our Board has nominated the following individuals for election as Class II directors.

George L. Argyros
Dennis J. Gilmore
Herbert B. Tasker

In connection with the Company's mandatory retirement policy discussed in greater detail on page 24, Frank O. Bryan, a Class II director, is not standing for reelection. To avoid an imbalance in the number of directors serving in each class, the Board changed Dennis J. Gilmore from a Class III director to a Class II director and Mr. Gilmore is standing for reelection at this time.

Unless otherwise specified by you in your proxy card, the proxies solicited by our Board will be voted FOR the election of the Class II director nominees. If any nominee should become unable or unwilling to serve as a director, the proxies will be voted for such substitute nominee(s) as shall be designated by our Board. Our Board presently has no knowledge that any of the nominees will be unable or unwilling to serve.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THESE CLASS II DIRECTOR NOMINEES.

Item 2. Advisory Vote to Approve Executive Compensation

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 we are seeking the advice of our stockholders on the compensation of our named executive officers as presented in the Executive Compensation section of this proxy statement commencing on page 28. Specifically, we are seeking stockholder approval of the following resolution:

RESOLVED, that the stockholders of First American Financial Corporation approve, on an advisory basis, the compensation of the company's named executive officers, as disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables, notes and narrative in the Proxy Statement for the company's 2012 annual meeting of stockholders.

We refer to this proposal as a Say on Pay proposal. As part of its process in determining executive compensation levels for 2011, the Compensation Committee has reviewed the results of last year's Say on Pay proposal, in which more than 95% of the Company's shares present and entitled to vote approved 2010 executive compensation. The stockholder support for the first Say on Pay proposal reinforced the Compensation Committee's belief that it should continue its practice of implementing and overseeing executive compensation programs that provide for a substantial portion of the executive officer's total compensation to be related to the Company's consolidated financial performance. It also reinforced the Compensation Committee's sense that, for executive officers, the mix of compensation should be weighted heavily toward at-risk pay, in particular, the annual incentive bonus (a portion of which consists of equity vesting over four years) and should include a substantial portion of equity. This is consistent with the overall philosophy of maintaining a pay mix that results fundamentally in a pay-for-performance orientation and a strong alignment between the interests of executive officers and long-term stockholders.

The Compensation Committee's determination to pay for performance is demonstrated by the reduction in the named executive officers' bonuses and equity awards for 2011 service compared to those awarded for 2010 service. For example, the chief executive officer's annual incentive bonus was down approximately 40% year over year and he received approximately 15% fewer long term incentive restricted stock units than the prior year. The Compensation Committee believes that compensation for 2011 appropriately reflects the decline in the Company's performance relative to the prior year, while also recognizing executive management's significant achievements during the period.

In furtherance of our continuing objective of aligning executive officer incentives with those of the Company's long-term stockholders, the Company recently adopted an anti-hedging policy, as well as a mandatory clawback policy to provide for recoupment of compensation awarded to responsible executive officers in the event of a subsequent restatement of financial information upon which such compensation was based.

The full results of the 2011 executive compensation program are included in the section entitled Compensation Discussion and Analysis below commencing on page 28. Stockholders are urged to read the Compensation Discussion and Analysis as well as the Summary Compensation Table and related compensation tables and narrative, appearing on pages 47 through 67, in their entirety.

While this vote to approve executive compensation is not binding, the Compensation Committee intends to review the results of the vote in connection with its ongoing analysis of the Company's compensation programs. The Company includes a Say on Pay proposal in its proxy materials on an annual basis.

OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE RESOLUTION SET FORTH ABOVE.

Item 3. Approval of the Performance Criteria under our 2010 Incentive Compensation Plan

Overview

The Company's 2010 Incentive Compensation Plan (the "Plan") provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance units, performance shares and other stock-based awards to non-employee directors of the Company and officers and eligible employees of the Company and any subsidiaries and affiliates. The Plan became effective on May 28, 2010 upon its adoption by the Board of Directors and approval by the Company's sole stockholder, The First American Corporation. In order to allow for awards under the Plan to qualify as tax-deductible performance-based compensation under Section 162(m) of the Internal Revenue Code (the "Code"), the Company is asking stockholders to approve the material terms of the performance criteria under the Plan. Stockholders are not being asked to approve any amendment to the Plan or to approve the Plan itself.

Why You Should Vote to Approve the Performance Criteria Under the Plan

The Board recommends that the Company's stockholders approve the performance criteria under the Plan to facilitate the tax deductibility of awards under the plan as performance-based compensation under Section 162(m) of the Code.

Section 162(m) of the Code

The Board believes that it is in the best interests of the Company and its stockholders to continue to provide for an equity incentive plan under which compensation awards made to the Company's executive officers are eligible to qualify for deductibility by the Company for federal income tax purposes. Accordingly, the Plan is designed to permit the grant of awards that are intended to qualify as performance-based compensation not subject to Section 162(m)'s \$1,000,000 deductibility cap, however, there can be no guarantee that amounts payable under the Plan will be treated as qualified performance-based compensation under Section 162(m). In general, under Section 162(m), in order for the Company to be able to deduct compensation in excess of \$1,000,000 paid in any one year to the Company's chief executive officer, chief financial officer or any of the Company's three other most highly compensated executive officers, such compensation must qualify as performance-based. One of the requirements of performance-based compensation for purposes of Section 162(m) is that the material terms of the performance criteria under which compensation may be paid be disclosed to and approved by the Company's stockholders at least once every five years (and, in connection with a spin-off such as the Company's spin-off on June 1, 2010, such approval must be obtained at the first annual meeting that is more than 12 months after such spin-off). For purposes of Section 162(m), the material terms include (i) the employees eligible to receive compensation, (ii) a description of the business criteria on which the performance criteria is based and (iii) the maximum amount of compensation that can be paid to an employee under the performance criteria. With respect to the various types of awards under the Plan, each of these aspects is discussed below, and, as noted above, stockholders are being asked under this proposal to approve each of these aspects of the Plan for purposes of the approval requirements of Section 162(m).

Plan Summary

The following summary of the material terms of the Plan is qualified in its entirety by reference to the full text of the Plan, which is set forth in [Appendix A](#) to this Proxy Statement.

Administration

The Plan is administered by the Compensation Committee of the Board. Subject to the express provisions of the Plan, the administrator is authorized and empowered to do all things that it determines to be necessary or appropriate in connection with the administration of the Plan. In addition, the Compensation Committee may

delegate any or all aspects of its responsibilities and powers under the Plan to any persons; provided, however, that the Compensation Committee may not delegate its authority to correct defects, omissions or inconsistencies in the Plan.

Participants

Any person who is designated as an employee of the Company or of any subsidiary or affiliate and any non-employee director of the Company is eligible for selection by the administrator for the grant of awards under the Plan. Options intending to qualify as incentive stock options within the meaning of Section 422 of the Code may only be granted to employees of the Company or any subsidiary. Approximately 16,000 employees and 10 non-employee directors currently qualify to participate in the Plan.

Shares Subject to the Plan and to Awards

The total number of shares of the Company's common stock that may be delivered pursuant to awards under the Plan is 16,000,000. Such shares may be either authorized and unissued shares or previously issued shares acquired by the Company or any subsidiary. Shares subject to awards that have expired or been terminated, cancelled, forfeited or otherwise not issued under an award and shares subject to awards settled in cash are available for delivery in connection with future awards under the Plan; provided, however, that (i) all shares covered by a stock appreciation right, to the extent that it is exercised, and whether or not shares are actually issued to the participant upon the exercise of the stock appreciation right and (ii) all shares withheld by the Company to pay the exercise price of an option and/or the withholding taxes related to an award reduce the total number of shares available for delivery under the Plan. Any shares delivered under the Plan upon exercise or satisfaction of a substitute award in connection with any acquisition, merger, consolidation or otherwise do not reduce the shares available for delivery under the Plan.

The aggregate number of shares available for grant under the Plan and the number of shares subject to outstanding awards is subject to adjustment upon a change in the Company's capitalization. As of the March 23, 2012 record date, 7,964,225 of the 16,000,000 shares remained available for issuance under the Plan. As of that date, there were outstanding under the Plan, options to acquire 2,517,964 shares, with a weighted average exercise price of \$15.02 and an average remaining term of 2.42 years. In addition, as of March 23, 2012, there were 3,238,407 shares subject to outstanding unvested restricted stock unit awards granted under the Plan.

The aggregate number of shares subject to options granted during any calendar year to any one participant may not exceed 500,000. The aggregate number of shares subject to stock appreciation rights during any calendar year to any one participant may not exceed 500,000. The aggregate number of shares subject to awards of restricted stock or restricted stock units granted during any calendar year to any one participant may not exceed 125,000. The aggregate number of shares subject to performance shares or performance units during any calendar year to any one participant may not exceed 125,000. The aggregate number of shares subject to other stock-based awards during any calendar year to any one participant may not exceed 125,000 shares.

Option Awards

The administrator establishes the exercise price per share under each option, which, other than in the event of options granted in connection with a merger or other acquisition, may not be less than the fair market value of a share on the date the option is granted. The administrator establishes the term of each option, which in no case may exceed a period of ten (10) years from the date of grant. Options granted under the Plan may either be Incentive Stock Options (ISOs) or options which are not intended to qualify as ISOs, called nonqualified stock options (NQSOs). ISOs may only be granted to employees. An option granted under the Plan will not be considered an ISO to the extent that it, together with any other ISOs under the Plan and any other incentive stock option plans, are exercisable for the first time by any participant during any

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calendar year with respect to shares having an aggregate fair market value in excess of \$100,000 as of the time the option with respect to such shares is granted. Other than in connection with a change in the Company's capitalization, at any time when the exercise

price of an option is above the fair market value of a share, the Company may not, without stockholder approval, reduce the exercise price of such option and may not exchange such option for cash or a new award with a lower (or no) exercise price.

Stock Appreciation Rights

A stock appreciation right provides the right to the monetary equivalent of the increase in value of a specified number of shares over a specified period of time after the right is granted. Stock appreciation rights may be granted to participants either in tandem with or as a component of other awards granted under the Plan (tandem SARs) or not in conjunction with other awards (freestanding SARs). All freestanding SARs are to be granted subject to the same terms and conditions applicable to options as set forth above and in the Plan and all tandem SARs are to have the same exercise price, vesting, exercisability, forfeiture and termination provisions as the award to which they relate. Other than in connection with a change in the Company s capitalization, at any time when the exercise price of a stock appreciation right is above the fair market value of a share, the Company may not, without stockholder approval, reduce the exercise price of such stock appreciation right and may not exchange such stock appreciation right for cash or a new award with a lower (or no) exercise price.

Restricted Stock and Restricted Stock Units

Restricted stock is an award or issuance of shares the grant, issuance, retention, vesting and/or transferability of which is subject during specified periods of time to conditions (includin