FIRST AMERICAN CORP
Form DEF 14A
October 26, 2009

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 x 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))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under § 240.14a-12

THE FIRST AMERICAN CORPORATION

(Name of Registrant as Specified In Its Charter)

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

Payment of filing fee (Check the appropriate box):

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¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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(1) Amount previously paid:

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(3) Filing Party:

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(4) Date Filed:

October 26, 2009

Dear Fellow Shareholder:

You are cordially invited to attend our annual meeting of shareholders at 2:00 p.m., Pacific time, on Tuesday, December 8, 2009, at the executive offices of The First American 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. Unless you have received our 2008 annual report earlier in the year, we are also including that 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 December 8, 2009, we hope you will vote as soon as possible.

Thank you for your ongoing support of and continued interest in The First American Corporation.

Parker S. Kennedy

Chairman of the Board and

Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be Held on December 8, 2009

The annual meeting of shareholders of The First American Corporation, a California corporation (our Company), will be held at 2:00 p.m., Pacific time, on Tuesday, December 8, 2009, at the executive offices of the Company, located at 1 First American Way, Santa Ana, California 92707, for the following purposes:

1. To elect 18 persons to serve on our board of directors until the next annual meeting or as soon as their successors are duly elected and qualified.

2. To approve the reincorporation of the Company under the laws of Delaware.

3. To ratify the selection of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2009.

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

Only shareholders of record at the close of business on October 12, 2009, are entitled to notice of the meeting and an opportunity to vote.

The First American Corporation s Notice of Annual Meeting and Proxy Statement, Annual Report and other proxy materials are available at www.firstam.com/proxymaterials.

It is hoped that you will be present at 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

Senior Vice President, General Counsel

and Secretary

Santa Ana, California

October 26, 2009

PROXY STATEMENT

Solicitation of Proxies by the Board of Directors

The First American Corporation s Notice of Annual Meeting and 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 shares for use at the annual meeting of our shareholders to be held on December 8, 2009, at 2:00 p.m., Pacific time. The meeting will be held at the executive offices of The First American Corporation, a California 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.

The approximate date on which this proxy statement and the enclosed proxy card, notice of annual meeting, chairman s letter and, unless previously received, 2008 annual report, will be first mailed to our shareholders is October 28, 2009.

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 shareholders 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 shareholder 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 election of 18 persons to serve on the Board until the next annual meeting or as soon as their successors are duly elected and qualified;
- the reincorporation of the Company under the laws of Delaware;
- the ratification of the Company s selection of PricewaterhouseCoopers LLP (PwC) as its independent registered public accounting firm for the 2009 fiscal year; and
- any other business properly raised at the meeting.

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.

Who may attend the annual meeting?

All shareholders of First American.

Who is entitled to vote?

Shareholders of record as of the close of business on October 12, 2009, 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 shareholder of record?

A shareholder 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, 93,579,532 of our common shares, par value $1.00 per share, were issued, outstanding and entitled to vote at the meeting.

How many votes do I have?

Each common share is entitled to one vote on each proposal. However, if cumulative voting applies for the election of directors, you will be entitled to cast more than one vote for each nominee. See What does it mean to cumulate a vote? below on this page.

How many votes are needed to elect each director?

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

What does it mean to cumulate a vote?

In elections for directors, California law provides that a shareholder, or his or her proxy, may cumulate votes. That is, each shareholder has a number of votes equal to the number of shares owned, multiplied by the number of directors to be elected, and the shareholder may cumulate such votes for a single candidate, or distribute such votes among as many candidates as he or she deems appropriate. However, a shareholder may cumulate votes only for a candidate or candidates whose names have been properly placed in nomination prior to the voting, and only if the shareholder has given notice at the meeting, prior to the voting, of his or her intention to cumulate votes for the candidates in nomination. If one shareholder provides such notice, all shareholders may then vote cumulatively. Unless you give different instructions, your proxy gives discretionary authority to the appointees to vote your shares cumulatively. Cumulative voting does not apply to any proposal other than the election of directors.

Who are the director nominees?

The 18 nominees are:

Hon. George L. Argyros	Hon. William G. Davis	Thomas C. O Brien	Herbert B. Tasker
Bruce S. Bennett	James L. Doti	Frank E. O Bryan	Virginia M. Ueberroth
Matthew B. Botein	Lewis W. Douglas, Jr.	Roslyn B. Payne	Mary Lee Widener
J. David Chatham	Christopher V. Greetham	John W. Peace	
Glenn C. Christenson	Parker S. Kennedy	D. Van Skilling	

See pages 8 through 10 for biographical information regarding the nominees.

Why does the Board believe the Company should reincorporate in Delaware?

Our Board believes that it is in the best interests of the Company and its shareholders to change the Company s state of incorporation from California to Delaware. Our Board believes Delaware s corporate laws will better meet the business needs of the Company. Because of Delaware s prominence as the state of incorporation for many major corporations, both the legislature and courts in Delaware have demonstrated an ability and a willingness to act quickly and effectively to meet changing business needs. The Delaware courts have developed considerable expertise in dealing with corporate issues, and a substantial body of case law has developed construing Delaware law and establishing public policies relating to corporate legal matters. Thus, our Board believes that the Company would benefit from greater predictability and certainty in its legal affairs as a result of the proposed reincorporation.

How many votes are needed to approve the reincorporation?

The affirmative vote of a majority of the outstanding common shares of the Company is required to approve the reincorporation.

What will happen if the reincorporation is not approved?

If the shareholders do not approve the reincorporation, our Company will remain a California corporation; however, our Board may further consider the possibility of our Company reincorporating in Delaware and may advance a similar proposal in the future.

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

A majority of the shares present and voting 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 shareholders?

If the shareholders do not ratify PwC as the Company s independent registered public accounting firm for the 2009 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 shareholders , best interests to retain PwC as the Company s independent registered public accounting firm. Additionally, even if shareholders 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 shareholders , 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 vote your proxy by telephone, you do not have to mail in your proxy card. Some shareholders may not be able to vote their proxy by telephone.

You may vote on the Internet.

You do this by following the instructions accompanying the proxy card. If you vote your proxy on the Internet, you do not have to mail in your proxy card. Some shareholders may not be able to vote 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 some other nominee), you must request and receive a legal proxy from the record owner prior to the meeting in order to vote at the meeting.

What happens if I sign and return my proxy card, but don t mark my votes?

Parker S. Kennedy or Kenneth D. DeGiorgio, chairman of the board of directors and general counsel, respectively, will vote your shares in their discretion as proxies.

Can I revoke my proxy?

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

- signing and returning another proxy with a later date;
- submitting written notice of your revocation to our general counsel at our mailing address on the cover page of this proxy statement;

- voting your proxy by telephone or on the Internet (only your latest proxy is counted); or

- voting in person at the meeting.

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 rules to vote customers unvoted shares on certain routine matters, including the election of directors. If you do not vote your proxy, your brokerage firm may either:

- vote your shares on routine matters; or

- leave your shares unvoted.

We encourage you to provide instructions to your brokerage firm by voting 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 common shares 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 voting power of those present at the annual meeting may adjourn the annual meeting to another date, time and place. Abstentions and broker nonvotes will be counted for the purpose of determining the presence or absence of a quorum for the transaction of business.

What is a broker nonvote and how is it treated?

A broker nonvote occurs with respect to a proposal to be voted on if a broker or other nominee does not have the discretionary authority to vote shares and has not received voting instructions from the beneficial owners with respect to such proposal. Broker nonvotes are treated as present for purposes of establishing the presence or absence of a quorum. A broker nonvote on the election of directors or the ratification of the choice of PwC as our Company s independent registered public accounting firm will not affect the results of the vote on such matters, since no absolute number of affirmative votes is required for passage of such proposals. A broker nonvote on the reincorporation proposal will act like a no vote, since the affirmative vote of the majority of *all outstanding shares* is required to approve the reincorporation.

How are abstentions treated?

Abstentions are equivalent to no votes for all proposals other than the election of directors, since they are counted as present and voting. Because directors are elected by a plurality of the votes cast, abstentions have no effect on the election of directors.

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

Together, they owned approximately 6.1% of our common shares as of the record date. See pages 23 through 26 for more details.

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

We will consider proposals submitted by shareholders for inclusion in the proxy statement for the annual meeting to be held in 2010 if they are received no later than June 30, 2010. 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 73 for more details.

Who is paying the cost of preparing, assembling and mailing the notice of the annual meeting of shareholders, 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 shares.

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.

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) reincorporation of the Company as a Delaware corporation; and (3) the ratification of PwC as our Company s independent registered public accounting firm for the 2009 fiscal year.

Who are the largest principal shareholders outside of management?

The following table lists as of the record date the persons or groups of shareholders who are known to us to be the beneficial owners of 5% or more of our common shares. The information regarding beneficial owners of 5% or more of our common shares 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 23 through 26 for that information.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Fidelity Management Trust Company	6,592,502(1)	7.0%
Highfields Capital Management LP	8,787,879(2)	9.4%

(1) The shares set forth in the table are held as of October 12, 2009 by Fidelity Management Trust Company as trustee pursuant to The First American Corporation 401(k) Savings Plan. The investment options available to participants in the plan include a Company Stock Fund, which invests in Company common shares, as

well as amounts previously held under the Company s Employee Profit Sharing and Stock Ownership Plan (ESOP), which has been merged into the 401(k) Savings Plan. Thus, the table reflects the ESOP accounts as well as accounts in the Company Stock Fund. The governing documents require the trustee to vote the shares as directed by the plan participants for whose benefit the shares are held. The transfer agent will tabulate the voting directions of all participants who wish to provide such directions to Fidelity. Neither the transfer agent nor Fidelity will provide the individual or aggregate participant voting directions to the Company, unless otherwise required by law. Shares for which no direction is received by the trustee from the participants are voted in the same proportion as are the shares for which directions are received. The trustee s address is 82 Devonshire Street, Boston, Massachusetts 02109.

(2) According to the Schedule 13D/A filed on April 14, 2008 by Highfields Capital Management LP, each of Highfields Capital Management LP, Highfields GP LLC, Highfields Associates LLC, Jonathan S. Jacobson, and Richard L. Grubman may be deemed to be the beneficial owner of 8,787,879 shares, and Highfields Capital III L.P. may be deemed the beneficial owner of 6,056,042 shares. The address of the principal business office of each of these entities and individuals is John Hancock Tower, 200 Clarendon Street, 59th Floor, Boston, Massachusetts 02116.

II. PROPOSALS

Item 1. Election of Directors

The Company s articles of incorporation and bylaws require that directors be elected annually, and currently fix the range of directors between 10 and 18. The bylaws permit the Board of Directors to specify the exact number of directors within the range provided in the articles of incorporation and bylaws. The Board has specified the exact number at 18 directors. The Board has nominated the 18 individuals below for election at the meeting. The 18 nominees receiving the highest number of votes will be elected to the Board, to serve until the next annual meeting or as soon thereafter as their successors are duly elected and qualified.

Votes by the Company s proxy holders will be cast in such a way as to effect the election of all nominees listed below or as many as possible under the rules of cumulative voting. **Unless otherwise specified by you in your proxy card, the proxies solicited by our Board will be voted FOR the election of these 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 following list provides information with respect to each person nominated and recommended to be elected by our Board. See the section entitled Security Ownership of Management, which begins on page 23, for information pertaining to stock ownership of the nominees. There are no family relationships among any of the nominees or any of the executive officers of the Company. The Company has appointed Messrs. Bruce S. Bennett, Matthew B. Botein, Glenn C. Christenson, Christopher V. Greetham and Thomas C. O Brien for election to the Board pursuant to an agreement with Highfields Capital Management LP dated April 10, 2008, as discussed in the Company s Current Report on Form 8-K dated April 10, 2008. Also, pursuant to a contract, the Company is required to recommend one nominee of Experian Information Solutions, Inc. to the nominating committee as a candidate for election to the Board. Director D. Van Skilling was appointed to the Board in 1998 as Experian s nominee. There are no other arrangements or understandings between any director and any other person pursuant to which any director was or is to be selected as a director.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE FOLLOWING NOMINEES:

Name	Age	Principal Occupation(s) Since 2003 (arranged by title, company & industry)	Director Since	Directorships Held in Other Public Companies(1)
Hon. George L. Argyros	72	Chairman and Chief Executive Officer Arnel & Affiliates diversified investment company	2005(2)	DST Systems, Inc.
Bruce S. Bennett	51	Founding Partner Hennigan, Bennett & Dorman, LLP legal services	2008	None
Matthew B. Botein	36	Chairman (2009-present) Botein & Company, LLC private investment firm	2009	PennyMac Mortgage Investment Trust
		Managing Director (2006-2009)		Aspen Insurance Holdings Limited

		Analyst (2003-2006) Highfields Capital Management LP investment management		
J. David Chatham	59	President and Chief Executive Officer Chatham Holdings Corporation real estate development and associated industries	1989	First Advantage Corporation

Name	Age	Principal Occupation(s) Since 2003 (arranged by title, company & industry)	Director Since	Directorships Held in Other Public Companies(1)
Glenn C. Christenson	60	Managing Director (2007-present) Velstand Investments, LLC Executive Vice President and Chief Financial Officer (1989-2007) Station Casinos, Inc. gaming and entertainment	2008	NV Energy, Inc.
Hon. William G. Davis	80	Counsel Torys LLP legal services	1992	None
James L. Doti	63	President and Donald Bren Distinguished Chair of Business and Economics Chapman University education	1993	Standard Pacific Corp.
Lewis W. Douglas, Jr.	85	Chairman Stanley Energy, Inc. oil exploration	1971(3)	None
Christopher V. Greetham	64	Executive Vice President and Chief Investment Officer (1996-2006) XL Capital Ltd. property and casualty reinsurance	2008	Axis Capital Holding Limited
Parker S. Kennedy	61	Chairman of the Board and Chief Executive Officer (2003-present) President (1993-2004) The First American Corporation business information and related products and services	1987	First Advantage Corporation
Thomas C. O Brien	55	Chief Executive Officer and President Insurance Auto Auctions Inc. specialized services for automobile insurance	2008	KAR Holdings, Inc.
Frank E. O Bryan	76	Private Investor (2004-present) Chairman of the Board (1997-2003) WMC Mortgage Corporation mortgage lending	1994	Ares Capital Corporation
Roslyn B. Payne	63	President Jackson Street Partners, Ltd. real estate venture capital and investments	1988	None
John W. Peace	60	Chairman (2009-present) Deputy Chairman (2007-2009) Standard Chartered PLC banking and financial services	2009	None

Chairman (2006-present)
Experian plc
information, analytical and marketing services

Chairman (2002-present)
Burberry Group plc
apparel and accessories

Chief Executive Officer (2000-2006)
GUS plc
retail and business services

Name	Age	Principal Occupation(s) Since 2003 (arranged by title, company & industry)	Director Since	Directorships Held in Other Public Companies(1)
D. Van Skilling	76	President (1999-present) Skilling Enterprises private investments	1998	First Advantage Corporation and ONVIA, Inc.
Herbert B. Tasker	73	Chairman and Chief Executive Officer (2005-present) Mason McDuffie Mortgage Corporation mortgage banking Mortgage Industry Consultant (2004-2005) Vice Chairman and Managing Director (1999-2004) Centre Capital Group, Inc. mortgage conduit	2002	None
Virginia M. Ueberroth	69	Chairman Ueberroth Family Foundation philanthropy	1988	None
Mary Lee Widener	71	President and Chief Executive Officer (1974-present) Neighborhood Housing Services of America, Inc. nonprofit housing agency	2006	The PMI Group, Inc.

(1) For these purposes, Public Company refers to a company with a class of securities registered pursuant to Section 12 of the Exchange Act or subject to the requirements of Section 15(d) of such Act or any company registered as an investment company under the Investment Company Act of 1940.

(2) Mr. Argyros was a director of the Company from 1988 to 2001 and was the United States Ambassador to Spain and Andorra from 2001 to 2004.

(3) Mr. Douglas also was a director of the Company from 1961 to 1967.

Item 2. Reincorporation Under the laws of Delaware

OUR BOARD RECOMMENDS THAT YOU VOTE FOR THE REINCORPORATION PROPOSAL, WHICH IS DESCRIBED BELOW.

Our Board believes that the best interests of the Company and its shareholders would be served by the Company s reincorporating under the laws of the State of Delaware (the Reincorporation). For purposes of the discussion of the Reincorporation, the term First American California refers to our Company, as it is currently incorporated, and the term First American Delaware refers to First American Holding Corporation, the new Delaware corporation that will be the successor to First American California if our shareholders approve the Reincorporation, the conditions to the Reincorporation are satisfied or waived and the Reincorporation is not abandoned.

In order to change the Company s state of incorporation from California to Delaware, First American California and First American Delaware plan to enter into an Agreement and Plan of Merger, a copy of which is attached hereto as Appendix A (the Merger Agreement). The Merger Agreement was approved by the boards of directors of both First American California and First American Delaware. Pursuant to the Merger Agreement, subject to the conditions in the Merger Agreement, First American California will merge with and into First American Delaware, and First American Delaware will continue as the surviving corporation. Generally, if the Reincorporation is completed, the assets and liabilities of First American California will become the assets and

liabilities of First American Delaware. Each outstanding share of the common stock of First American California will automatically be converted into one share of common stock of First American Delaware, par value $0.00001 per share, upon the effective date of the merger.

Each certificate representing shares of First American California common stock will continue to represent the same number of shares of First American Delaware s common stock. It will not be necessary for shareholders to exchange their existing share certificates for share certificates of First American Delaware, but shareholders may exchange their certificates if they so choose. New certificates for shares of First American Delaware s common stock may be obtained by surrendering certificates representing shares of presently outstanding common stock to the Company s transfer agent, Wells Fargo Shareowner Services, a division of Wells Fargo Bank, N.A., together with any documentation required to permit the exchange. Once the merger is consummated, Wells Fargo Shareowner Services will also be the transfer agent for First American Delaware.

The Reincorporation has been unanimously approved by our Board (the board of directors of First American California). California law does not grant shareholders appraisal rights in connection with mergers where the pre-merger shareholders of the corporation retain their same ownership interest in the surviving corporation. Accordingly, shareholders of First American California will have no dissenters rights of appraisal with respect to the Reincorporation. See also Comparison Between the Corporation Laws of California and Delaware Appraisal or Dissenters Rights.

CONDITIONS TO THE REINCORPORATION

The Reincorporation will not be completed unless, among other requirements, each of the following conditions are satisfied or, if allowed by law, waived:

- *The stockholders of the Company approve the Reincorporation by the requisite vote*. Under California law, the affirmative vote of a majority of the outstanding shares of First American California is required for approval of the Reincorporation, the Merger Agreement and the other terms of the Reincorporation.

- *The Company completes its Separation into two independent, publicly traded companies*. On January 15, 2008, the Company announced that its Board had approved a plan to effect a separation (the Separation) of the Company into two independent, publicly traded companies: one comprised of the Company s financial services businesses and one comprised of its information solutions businesses. Under the terms of the Separation, the Company is expected to retain its information solutions businesses and distribute to its stockholders all of the common stock of a subsidiary that will own, directly or indirectly, the Company s financial services businesses. The Company is proceeding with preparations for the Separation and currently expects the separation to occur during the first half of 2010.

- *Consents Received*. The Company receives all necessary third-party consents to the Reincorporation.

The Company s Board may waive the preceding conditions, other than the shareholder approval condition, in whole or in part at any time and from time to time in its sole discretion. The Company s Board also may abandon the Reincorporation for any reason at any time.

EFFECTIVENESS OF THE REINCORPORATION

If all conditions to the Reincorporation are satisfied or waived and the Reincorporation is not abandoned, the Reincorporation will be effective upon the filing of Certificates of Merger with the Secretaries of State of Delaware and California on or after December 8, 2009 (the Effective Date). The Reincorporation may, however, be abandoned or delayed pursuant to the Merger Agreement at any time prior to the Reincorporation becoming effective, even though the Reincorporation may have been approved by the Company s stockholders and all conditions to the Reincorporation may have been satisfied or waived. The Merger Agreement may also be

amended by our Board and the board of directors of First American Delaware at any time before the Effective Date, provided that the principal terms of the Merger Agreement may not be amended without shareholder approval. If the Reincorporation is not approved by shareholders or is otherwise abandoned, the Company will remain a California corporation. In addition, if the Reincorporation is not completed on or before December 8, 2010, the Board will not proceed with the Reincorporation without again seeking the approval of the Company s stockholders.

The discussion below is qualified in its entirety by reference to the Merger Agreement, the restated certificate of incorporation of First American Delaware and the bylaws of First American Delaware, copies of which are attached hereto as Appendices A, B and C, respectively.

PRINCIPAL REASONS FOR THE REINCORPORATION

Our Board believes that it is in the best interests of the Company and its shareholders to change the Company s state of incorporation from California to Delaware. Our Board believes Delaware s corporate laws will meet the business needs of the Company. Because of Delaware s prominence as the state of incorporation for many major corporations, both the legislature and courts in Delaware have demonstrated the ability and a willingness to act quickly and effectively to meet changing business needs. The Delaware courts have developed considerable expertise in dealing with corporate issues, and a substantial body of case law has developed construing Delaware law and establishing public policies relating to corporate legal matters. Thus, the Board believes that the Company would benefit from greater predictability and certainty in its legal affairs as a result of the Reincorporation.

In addition, because many companies are incorporated in Delaware, many potential director candidates are familiar with Delaware law. The Board believes that greater familiarity of potential candidates with the laws of the Company s state of incorporation may help in recruiting new directors in the future.

ANTI-TAKEOVER IMPLICATIONS

In performing its fiduciary obligations to its shareholders, our Board has evaluated the Company s vulnerability to potential unsolicited bidders. In the course of such evaluation, our Board has considered, and may consider in the future, defensive strategies designed to enhance the Board s ability to negotiate with an unsolicited bidder. In consideration of the potential for a coercive bid for our Company, First American California has, over the years, entered into severance agreements with key members of its management. The Board anticipates that such severance agreements that are in effect immediately prior to the Reincorporation will remain in place, with appropriate modifications owing to the Reincorporation.

Delaware, like many other states, permits a domestic corporation to adopt various measures designed to reduce a corporation s vulnerability to unsolicited takeover attempts through provisions in the corporate charter or bylaws or otherwise, and provides default legal provisions in the Delaware General Corporation Law (the DGCL) that apply to certain publicly held corporations that have not affirmatively opted out, which further limits such vulnerability. The Reincorporation was not proposed to prevent such a change in control; nor is it a response to any attempt to acquire control known to our Board.

Nevertheless, the Reincorporation may have certain anti-takeover effects by virtue of the Company being subject to Delaware law instead of California law. For example, Section 203 of the DGCL, from which First American Delaware does not intend to opt out, restricts certain business combinations with interested stockholders for three years following the date that a person becomes an interested stockholder, unless: (a) before such stockholder becomes an interested stockholder, the board of directors approves the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (b) upon consummation of the transaction which resulted in the stockholder

becoming an interested stockholder, the interested stockholder owned at least 85% of the outstanding stock of the corporation at the time of the transaction (excluding stock owned by

certain persons); or (c) at the time or after the stockholder became an interested stockholder, the board of directors and at least 66 2/3% of the disinterested outstanding voting stock of the corporation approves the transaction. See Comparison Between the Corporation Laws of California and Delaware Business Combinations below.

Our Board believes that unsolicited takeover attempts may be unfair or disadvantageous to the Company and its shareholders because a non-negotiated takeover bid may: (a) be timed to take advantage of temporarily depressed stock prices; (b) be designed to foreclose or minimize the possibility of more favorable competing bids; or (c) involve the acquisition of only a controlling interest in our Company s stock or a two-tiered bid, without affording all shareholders the opportunity to receive the same economic benefits.

By contrast, in a transaction in which an acquirer must negotiate with our Company, our Board would evaluate our Company s assets and business prospects to force the bidder to offer consideration equal to the true value of our Company, or to withdraw the bid.

Although our Board believes the advantages of the Reincorporation outweigh the disadvantages, our Board has carefully considered the detriments of the Reincorporation proposal. These include the possibility that future takeover attempts that are not approved by our Board, but which a majority of our shareholders may nonetheless deem to be in its best interests, may be discouraged. In addition, to the extent that the provisions of the DGCL would enable the board of directors of First American Delaware to resist a takeover or a change in control, it could become more difficult to remove existing directors and management.

NO CHANGE IN THE DIRECTORS, BUSINESS, MANAGEMENT, LOCATION OF PRINCIPAL FACILITIES OF THE COMPANY, EMPLOYEE PLANS, OR EXCHANGE LISTING

The Reincorporation will change the legal domicile and name of our Company but will not result in any change in the business, management, fiscal year, assets or liabilities, or location of the principal facilities of our Company. The directors of First American California immediately prior to the Reincorporation will continue as the directors of First American Delaware, and the officers who are officers of First American California immediately prior to the Reincorporation will become the officers of First American Delaware on the Effective Date of the merger. All employee benefit and incentive compensation plans of First American California immediately prior to the Reincorporation will be continued by First American Delaware and each outstanding option to purchase shares of First American California stock will be converted into an option to purchase an equivalent number of shares of First American Delaware stock on the same terms and subject to the same conditions. The name of the Company will become First American Holding Corporation. The registration statements of First American California on file with the SEC immediately prior to the Reincorporation will be assumed by First American Delaware, and the shares of First American Delaware will continue to be listed on the New York Stock Exchange.

THE CHARTER AND BYLAWS OF FIRST AMERICAN CALIFORNIA AND FIRST AMERICAN DELAWARE

The restated certificate of incorporation and bylaws of First American Delaware will be the restated certificate of incorporation and bylaws of the surviving corporation after the merger. The material changes that have been made in First American Delaware s restated certificate of incorporation and bylaws as compared with those of First American California are described below in this section or under Comparison Between the Corporation Laws of California and Delaware. The restated certificate of incorporation and bylaws of First American Delaware are attached hereto as Appendices B and C, respectively. The following summary of the applicable provisions of the restated certificate of incorporation and the bylaws of First American Delaware does not purport to be complete, and is subject to, and qualified in its entirety by reference to such documents. Shareholders are encouraged to read the restated certificate of incorporation and bylaws of First American Delaware in their entirety.

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Authorized Stock

The restated articles of incorporation of First American California authorize 180,000,000 shares of Common Stock, par value $1.00 per share, and 500,000 shares of Preferred Stock, par value $1.00 per share. The restated certificate of incorporation of First American Delaware authorizes 180,000,000 shares of Common Stock, par value $0.00001 per share, and 500,000 shares of Preferred Stock, par value $0.00001 per share. The restated articles of incorporation of First American California and the restated certificate of incorporation of First American Delaware both authorize the board of directors to issue preferred stock with such rights, designations, preferences, powers or other attributes as the board may deem in the corporation s best interest.

Monetary Liability of Directors

The restated articles of incorporation of First American California and the restated certificate of incorporation of First American Delaware both provide for the elimination or limitation of personal monetary liability of directors to the fullest extent permissible under the laws of each corporation s respective state of incorporation. Delaware law permits liability to be limited to a greater extent than does California law. See Comparison Between the Corporation Laws of California and Delaware Limitation of Liability below.

Indemnification

The indemnification provisions of First American California s restated articles of incorporation and bylaws provide that First American California has the power to indemnify any person who is or was a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was an agent of the Company, and that the Company is authorized to provide indemnification in excess of that expressly permitted by California law, subject to certain limitations with respect to actions for breach of duty to the Company and its shareholders. The Company must indemnify its officers and directors in such circumstances. The bylaws of First American California further provide that First American California must advance expenses incurred in defending any proceeding before the final disposition of such proceeding, upon receipt of an undertaking by or on behalf of the officer or director to repay such amount if it is ultimately determined that the agent is not entitled to indemnification, and it may make some advances upon the same undertaking to other agents.

First American Delaware s bylaws provide that the Company shall indemnify directors and officers in connection with any action, suit, or proceeding to the fullest extent permitted by Delaware law for acts as directors or officers of First American Delaware, or as a director, officer or trustee of another enterprise at the request of First American Delaware. They also provide that First American Delaware shall advance the expenses of directors and officers of First American Delaware or persons serving as directors, officers or trustees of another entity at the request of the board of directors before the final disposition of any action, suit, or proceeding, provided that, if Delaware law so requires, the indemnitee undertakes to repay the amount advanced if a court ultimately determines that the director or officer (or the director, officer or trustee of such other entity) is not entitled to indemnification. See Comparison Between the Corporation Laws of California and Delaware Indemnification below.

Advance Notice Provision

The bylaws of First American Delaware provide that, in order for nominations or other business to be properly brought before an annual meeting by a shareholder, the shareholder must comply with certain requirements, including giving timely advance notice thereof in writing to the Secretary of First American Delaware. To be timely, a shareholder s notice must be delivered to the Secretary at First American Delaware s principal executive offices not less than 90 or more than 120 days prior to the anniversary of the prior year s annual meeting of shareholders. If

the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 70 days after the anniversary of the prior year s annual meeting, however, notice by the shareholder must be delivered not earlier than the 120th day prior to the annual meeting date and before the close

of business on the later of (a) the 90th day prior to such annual meeting, or (b) the 10th day following the day on which public announcement of the date of such meeting is first made. Further, the shareholder s notice must set forth that information required by the bylaws, including, for director nominations, information about the nominee, and for other business, a brief description of such business, the reasons for conducting the business at the meeting, and any material interest of such shareholder in the business being presented. For either nominations of director candidates or proposals for other business, the shareholder must, among other things, disclose any agreements or arrangements that would be required to be disclosed pursuant to Schedule 13D promulgated under the Securities Exchange Act of 1934, as amended, disclose derivative contracts and voting agreements, and provide a representation that the shareholder intends to appear in person or by proxy at the meeting to propose such nomination or business.

The current bylaws of First American California do not contain a similar advance notice provision.

COMPARISON BETWEEN THE CORPORATION LAWS OF CALIFORNIA AND DELAWARE

The principal differences between the General Corporation Law of California and the Delaware General Corporation Law are discussed below.

Limitation of Liability

California law does not permit the elimination of monetary liability for breaches of a director s duties to the corporation or its shareholders where such liability is based on: (a) intentional misconduct or knowing and culpable violation of law; (b) acts or omissions that a director believes to be contrary to the best interests of the corporation or its shareholders, or that involve the absence of good faith on the part of the director; (c) receipt of an improper personal benefit; (d) acts or omissions that show reckless disregard for the duty to the corporation or its shareholders in circumstances in which the individual was aware, or should have been aware, in the ordinary course of performing his or her duties, of a risk of serious injury to the corporation or its shareholders; (e) acts or omissions that constitute an unexcused pattern of inattention that amounts to an abdication of the individual s duty to the corporation or its shareholders; (f) contracts or transactions between the corporation and another corporation of which the director is a director or in which the director has a financial interest; or (g) liability for improper distributions, loans or guarantees.

In contrast, the DGCL permits limitation of liability where California law would forbid it. Under Delaware law, a corporation may not eliminate or limit director monetary liability for: (a) breaches of the director s duty of loyalty to the corporation or its shareholders; (b) acts or omissions not in good faith or involving intentional misconduct or a knowing violation of law; (c) unlawful dividends, stock repurchases or redemptions; or (d) transactions from which the director received an improper personal benefit.

Indemnification of Officers and Directors

California law generally permits indemnification of expenses incurred in derivative or third-party actions, except that, with respect to derivative actions: (a) no indemnification may be made when a person is adjudged liable to the corporation in the performance of that person s duty to the corporation and its shareholders, unless a court determines such person is entitled to indemnity for expenses, and then such indemnification may be made only to the extent that such court shall determine; and (b) no indemnification may be made without court approval in respect of amounts paid in settling or otherwise disposing of a pending action, or expenses incurred in defending a pending action that is settled or otherwise disposed of without court approval. Indemnification is permitted by California law only for acts taken in good faith, and which the director or officer believed to be in the best interests of the corporation and its shareholders, as determined by a majority vote of a disinterested quorum of the directors, independent legal counsel (if a quorum of independent directors is not obtainable), a majority vote of a quorum of the shareholders

(excluding shares owned by the indemnified party), or the court handling the action. California law requires indemnification of expenses when the director or officer has successfully defended an action on the merits.

Delaware law generally permits indemnification of expenses incurred in the defense or settlement of derivative or third-party actions, provided that a determination is made that the person seeking indemnification acted in good faith and in a manner the director or officer reasonably believed to be in or not opposed to the best interests of the corporation. In contrast, as noted above, California law requires belief that the act is in the corporation s interests, not merely neutral to its interests. Delaware law further permits indemnification for judgments, fines and amounts paid in settlement (other than in a derivative action) if the person is not successful in the defense of such action, provided there is a determination that the person acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation. The determinations referred to above (unless ordered by a court) must be made by: (a) a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum; (b) a committee of such directors designated by majority vote of such directors, even though less than a quorum; (c) if there are no such directors, or if such directors so direct, independent legal counsel in a written opinion; or (d) the stockholders. Without court approval, however, no indemnification may be made in respect of any derivative action in which such person is adjudged liable for negligence or misconduct in the performance of his or her duties to the corporation. Delaware law requires indemnification of expenses when the individual being indemnified has successfully defended any action, claim, issue, or matter therein, whether on the merits *or otherwise*. In contrast, California law requires indemnification only when the individual has successfully defended the action on the merits. Delaware law contains no prohibition similar to California law s ban on indemnification when directors or officers acted, or failed to act, with reckless disregard.

Both California and Delaware permit a corporation to pay in advance expenses incurred by an officer, director, employee or agent in defending an action, provided such person undertakes to repay the advanced amounts if he or she is ultimately determined not to be entitled to indemnification. The restated certificate of incorporation and the bylaws of First American Delaware provide that First American Delaware shall indemnify directors and officers to the fullest extent permitted under Delaware law, and that First American Delaware shall pay all expenses incurred in defending an action in advance of the final disposition upon receipt of an undertaking to repay such amounts if it is determined by a court that such person was not entitled to indemnification.

Delaware law provides that the statutory indemnification shall not be exclusive of any other rights under the restated certificate of incorporation, any bylaw, agreement, vote of shareholders or disinterested directors, or otherwise. California law similarly permits indemnification in excess of the statutory minimum. The current bylaws of First American California provide that it may enter into indemnification agreements with its directors, officers and agents as are deemed to be in the best interests of the corporation by its board of directors. The bylaws of First American Delaware similarly provide that the rights to indemnification conferred thereby are not exclusive of any other rights that the indemnitee may have or acquire under any statute, bylaw, agreement, vote of shareholders or otherwise.

Both California and Delaware law permit corporations to purchase and maintain insurance on behalf of any director, officer, employee, or agent of the corporation (or person who is serving in such capacity with another enterprise at the request of the corporation), whether or not the corporation has the authority to indemnify such person against the liability covered by the insurance policy. First American California maintains directors and officers insurance, and such policies will be transferred in the Reincorporation.

Cumulative Voting

California law provides that if any shareholder has given notice of his or her intention to cumulate votes for the election of directors, all other shareholders of the corporation are also entitled to cumulate their votes at such election. California law permits a corporation that is listed on a national securities exchange to amend its articles or bylaws to eliminate cumulative voting by approval of the board of directors and of the outstanding shares voting together as a single class. First American California s current restated articles of incorporation and bylaws have not eliminated cumulative voting.

Under Delaware law, cumulative voting is not mandatory, and cumulative voting rights must be specifically provided for in a corporation s certificate of incorporation if shareholders are to be entitled to cumulative voting rights. The restated certificate of incorporation of First American Delaware does not provide for cumulative voting. In the absence of cumulative voting, and in the absence of any other specification in the restated certificate of incorporation or bylaws, directors are elected by a plurality of the votes cast at the meeting and entitled to vote on the election of directors. The absence of cumulative voting could make it more difficult for a minority shareholder adverse to a majority of the shareholders to obtain representation on the board of directors of First American Delaware.

Business Combinations

A number of states, including Delaware, have adopted special laws designed to make unsolicited (or not-negotiated) corporate takeovers, or other transactions involving a corporation and one or more of its significant shareholders, more difficult. The purpose of these laws is to ensure that current management and shareholders of a Delaware corporation are involved in any potential and material changes to the corporate ownership structure.

Under Section 203 of the DGCL, a Delaware corporation is prohibited from engaging in a business combination with an Interested Stockholder for three years following the date that such person or entity becomes an interested shareholder. With certain exceptions, an Interested Stockholder is a person or entity who or which owns, individually or with or through certain other persons or entities, 15% or more of the corporation s outstanding voting shares (including any rights to acquire shares pursuant to an option, warrant, agreement, arrangement, or understanding, or upon the exercise of conversion or exchange rights, and shares with respect to which the person or entity has voting rights only), the affiliates and associates of such person and any affiliate or associate of the corporation who was the owner of 15% or more of the corporation s voting stock within the preceding three-year period.

The three-year moratorium on business combinations imposed by Section 203 does not apply if: (a) prior to the date on which such shareholder becomes an Interested Stockholder the board of directors of the subject corporation approves either the business combination or the transaction that resulted in the person or entity becoming an Interested Stockholder; (b) upon consummation of the transaction that made the person or entity an Interested Stockholder, the Interested Stockholder owns at least 85% of the corporation s voting shares outstanding at the time the transaction commenced (excluding from the 85% calculation shares owned by directors who are also officers of the subject corporation and shares held by employee stock plans that do not give employee participants the right to decide confidentially whether to accept a tender or exchange offer); or (c) on or after the date such person or entity becomes an Interested Stockholder, the board approves the business combination and it is also approved at a shareholders meeting by 66 2/3% of the outstanding voting shares not owned by the Interested Stockholder. For purposes of Section 203 of the DGCL, the term business combination includes mergers, consolidations and sales, leases, mortgages, transfers and other dispositions of the corporation s assets having a market value equal to 10% or more of either the aggregate market value of all the assets of the corporation determined on a consolidated basis or the aggregate market value of all the outstanding stock of the corporation. Although a Delaware corporation may elect not to be governed by Section 203, the restated certificate of incorporation of First American Delaware does not exempt First American Delaware from Section 203.

Our Board believes that Section 203 will encourage any potential acquirer to negotiate with First American Delaware s board of directors, which we would generally expect to have the effect of increasing the purchase price. Section 203 might also limit the ability of a potential acquirer to make a two-tiered bid for First American Delaware in which all shareholders would not be treated equally. Shareholders should note, however, that the application of Section 203 to First American Delaware will confer upon its board of directors the power to reject a proposed business combination in certain circumstances, even though a potential acquirer may be offering a substantial premium for the Company s shares over the market price. Section 203 would also discourage certain potential acquirers unwilling to comply with its provisions.

California law does not have a provision analogous to DGCL Section 203; however, it does provide that, in the case of a cash and certain other mergers of a California corporation with another corporation, where the latter corporation or certain of its affiliates own shares having more than 50% but less than 90% of the voting power of that first corporation, the merger must be approved by all of the first corporation s shareholders. This provision of California law may have the effect of making a cash-out merger by a majority shareholder (if there were a majority shareholder) more difficult to accomplish. Although Delaware law does not parallel California law in this respect, under some circumstances Delaware Section 203 does provide protection to shareholders against coercive two-tiered bids for a corporation in which the shareholders are not treated equally.

Size of the Board of Directors

Under California law, changes in the number of directors or, if a range in the number of directors is set forth in the articles of incorporation or bylaws, that range, must in general be approved by a majority of the outstanding shares. The board of directors, however, may fix the exact number of directors within a stated range if authorized in the articles or bylaws. Delaware law allows the number of directors to be fixed by, or in the manner provided in, the corporation s bylaws, unless the number is fixed in the certificate of incorporation (in which case an amendment to the certificate of incorporation would be required to change the number of directors).

The restated certificate of incorporation of First American Delaware provides that the number of directors shall be determined from time to time exclusively by the board of directors, by a resolution adopted by a majority of the directors then in office. The ability of the board of directors under Delaware law and under First American Delaware s restated certificate of incorporation to alter the size of the board of directors without shareholder approval would enable First American Delaware to respond quickly to a potential opportunity to attract the services of a qualified director or to eliminate a vacancy for which a suitable candidate is not available. Upon the Effective Date of the Reincorporation, the directors of First American California then in office will continue as directors of First American Delaware.

Power to Call Special Shareholders Meetings

Under California law, a special meeting of shareholders may be called by: (a) the board of directors, (b) the chairman, (c) the president, (d) the holders of shares entitled to cast not less than 10% of the votes at such meeting, or (e) such additional persons as are authorized by the articles of incorporation or the bylaws. In contrast, the DGCL provides that special meetings of the shareholders may be called by the board of directors or such other person or persons as may be authorized in the corporation s restated certificate of incorporation or bylaws.

The bylaws of First American Delaware provide that special meetings of the shareholders may be called at any time only by: (a) holders of shares entitled to cast not less than 10% of the votes at that meeting, (b) the board of directors, or (c) the chairman of the board of directors or the chief executive officer with the concurrence of a majority of the board of directors. Thus, shareholders ability to call special meetings will not be affected by the Reincorporation.

Removal of Directors

Under California law, any or all directors may be removed, with or without cause, by the affirmative vote of a majority of the outstanding shares entitled to vote; however, no individual director may be removed (unless the entire board is removed) if the number of votes cast against such removal, or not consenting in writing to removal, would be sufficient to elect the director under cumulative voting. Under Delaware law, any director of a corporation that does not have a classified board may be removed from office by the vote of shareholders representing at least a majority of the voting power of the corporation or the class or series of stock entitled to elect such director, unless the certificate of incorporation

provides for cumulative voting. If a Delaware corporation has a classified board of

directors, then directors may be removed only for cause, unless the certificate of incorporation provides otherwise. Further, if the certificate of incorporation provides for cumulative voting, a director may not be removed without cause if the votes cast against such director s removal would be sufficient to elect such director if cumulatively voted at an election of the entire board of directors or, if there are classes of directors, at an election of the class of directors of which such director is part.

The restated certificate of incorporation of First American Delaware currently does not provide for cumulative voting or a classified board of directors; therefore, directors may be removed, with or without cause, by shareholders holding a majority of the shares entitled to vote at an election of directors.

Filling Vacancies on the Board of Directors

Under California law, unless a corporation s articles of incorporation or bylaws provide otherwise, any vacancy on the board of directors not created by removal of a director may be filled by the board of directors. If the number of directors remaining is less than a quorum, such vacancy may be filled by the unanimous written consent of the directors then in office, by the affirmative vote of a majority of the directors at a meeting held pursuant to notice or waivers of notice, or by a sole remaining director. Unless the articles of incorporation or bylaws otherwise provide, a vacancy created by removal of a director may be filled only by approval of the shareholders. First American California s bylaws permit a majority of the remaining directors to fill any vacancies not created by removal of a director through shareholder action or court order and allow shareholders to fill any vacancy on the board of directors not filled by the directors.

Under Delaware law, unless a corporation s certificate of incorporation provides otherwise, any vacancy on the board of directors, including one created by removal of a director or an increase in the number of authorized directors, may be filled by the majority of the remaining directors, even if such number constitutes less than a quorum. The restated certificate of incorporation of First American Delaware provides, in accordance with Delaware law, that any vacancy in the board of directors may be filled by the majority of the remaining directors, though less than a quorum, and shall not be filled by the shareholders. Delaware law would thus enable the board of directors of First American Delaware to respond quickly to opportunities to attract the services of qualified directors; but it would also diminish control over the board of directors by the shareholders between annual meetings, as shareholders do not have the right to fill vacancies.

Dividends and Repurchases of Shares

Under California law, a corporation may not make any distributions (including dividends, whether in cash or other property, and repurchases of its shares) unless, immediately prior to the proposed distribution, the corporation s retained earnings equal or exceed the amount of the proposed distribution or, immediately after giving effect to such distribution, the corporation s assets (exclusive of goodwill, capitalized research and development expenses, and deferred charges) would be at least equal to 125% of its liabilities (not including deferred taxes, deferred income, and other deferred credits) and the corporation s current assets would be at least equal to its current liabilities (or 125% of its current liabilities if the average pre-tax and pre-interest expense earnings for the preceding two fiscal years were less than the average interest expense for such years). California also prohibits any distribution if the corporation or subsidiary making the distribution is or would be likely to be unable to meet its liabilities.

Delaware law permits a corporation to declare and pay dividends out of surplus or, if there is no surplus, out of net profits for the fiscal year in which the dividend is declared or for the preceding fiscal year as long as the amount of capital of the corporation following the declaration and payment of the dividend is not less than the aggregate amount of the capital represented by the issued and outstanding shares of all classes having a preference upon the distribution of assets. In addition, Delaware law generally permits a corporation to redeem or repurchase its shares only if (a) the capital of the corporation is not impaired and (b) such redemption or repurchase would not cause an impairment.

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Inspection of Shareholder List, Books and Records

California law allows any shareholder to inspect the shareholder list, the accounting books and records, and the minutes of board and shareholder proceedings for a purpose reasonably related to such person s interest as a shareholder. In addition, California law provides for an absolute right to inspect and copy the corporation s shareholder list by persons who hold an aggregate of five percent or more of a corporation s voting shares or who hold one percent or more of such shares and have filed a Schedule 14A with the SEC.

Like California law, Delaware law permits any shareholder of record to inspect a list of shareholders and the corporation s other books and records for any proper purpose reasonably related to such person s interest as a shareholder, upon written demand under oath stating the purpose of such inspection and completion of certain other procedures. Delaware law, however, contains no provision comparable to the absolute right of inspection provided by California law to certain shareholders, as described above.

Lack of access to shareholder records may impair shareholder s ability to coordinate opposition to management proposals, including proposals with respect to a change in control of the Company. California law, however, provides that California provisions concerning the inspection of shareholder lists apply not only to California corporations but also to corporations organized under the laws of other states that have their principal executive offices in California or customarily hold meetings of the board of directors in California, and that the California provisions concerning accounting books and records and the minutes of board and shareholder proceedings apply to any such foreign corporation that has its principal executive offices in California. Therefore, for so long as First American Delaware continues to have its principal executive offices in California and to hold board of directors meetings in California, and *to the extent such provisions applicable to foreign corporations are enforceable*, First American Delaware will need to comply with California law concerning shareholder inspections.

Appraisal or Dissenters Rights

Under both California and Delaware law, a shareholder of a corporation participating in certain major corporate transactions may, under varying circumstances, be entitled to appraisal or dissenters rights pursuant to which such shareholder may receive cash in the amount of the fair market value (in California) or the fair value (in Delaware) of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction.

Under California law, appraisal rights are generally not available to shareholders of a corporation whose shares are listed on a national securities exchange, unless holders of at least 5% of the class of outstanding shares claim the right, or the corporation or any law restricts the transfer of such shares. Appraisal rights are also unavailable to shareholders of a California corporation if the shareholders, the corporation, or both, as constituted immediately prior to the transaction, will own immediately after the transaction equity securities consisting of more than 83.33% of the voting power of the surviving or acquiring corporation or its parent entity. (Accordingly, appraisal rights are not available with respect to the Reincorporation.) Subject to the foregoing exception for more than 83.33% continuing ownership, California generally affords appraisal rights in sales of substantially all of a corporation s assets in a non-cash transaction. Under California law, fair market value is measured as of the day before the first announcement of the terms of a merger, excluding any appreciation or depreciation in stock value resulting from the proposed transaction.

Under Delaware law, appraisal rights are generally not available to shareholders: (a) with respect to a merger or consolidation by a corporation with shares either listed on a national securities exchange (such as the New York Stock Exchange) or held of record by more than 2,000 holders, if such shareholders receive only shares of the surviving corporation or shares that are either listed on a national securities exchange or held of record by more than 2,000 holders, plus cash in lieu of fractional shares; or (b) of a corporation surviving a merger if no vote of the shareholders of the surviving corporation is required to approve the merger under

Delaware law. Delaware law also does not provide appraisal rights in connection with the sale of assets. Delaware law provides that fair value is determined exclusive of any element of value arising from the accomplishment or expectation of the merger or consolidation.

Dissolution

Under California law, shareholders holding 50% or more of the total voting power may authorize a corporation s dissolution, with or without the approval of the corporation s board of directors, and this right may not be modified or eliminated by the articles of incorporation. Under Delaware law, dissolution must be approved by the board of directors and shareholders holding a majority of the voting power or, if not approved by the board of directors, the dissolution must be unanimously approved by the shareholders entitled to vote. Thus, dissolution of the Company may be more difficult after the Reincorporation.

Application of the General Corporation Law of California to Delaware Corporations

Under Section 2115 of the California General Corporation Law, foreign corporations (*i.e.*, corporations not organized under California law) are placed in a special category if they have characteristics of ownership and operation indicating that they have certain significant business contacts with California and more than one half of their voting securities are held of record by persons having addresses in California. So long as a Delaware or other foreign corporation is in this category, and it does not qualify for one of the statutory exemptions, it is subject to a number of key provisions of the California General Corporation Law applicable to corporations incorporated in California. Among the more important provisions are those relating to the election and removal of directors, cumulative voting, prohibition of classified boards of directors in privately held corporations, standards of liability and indemnification of directors, distributions, dividends and repurchases of shares, shareholder meetings, approval of certain corporate transactions, dissenters and appraisal rights, and inspection of corporate records. See Comparison Between the Corporation Laws of California and Delaware above. An exemption from Section 2115 is provided for corporations whose shares are listed on a major national securities exchange. As First American Delaware will have its shares listed and publicly traded on the New York Stock Exchange, and as long as its shares remain traded on the New York Stock Exchange, it will be exempt from the provisions of Section 2115 described above.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The following is a discussion of the material federal income tax consequences to holders of First American California capital stock who receive First American Delaware capital stock in exchange for their First American California capital stock as a result of the Reincorporation. This discussion is based on existing provisions of the Internal Revenue Code of 1986, as amended (the IRC), existing Treasury regulations and current administrative rulings and court decisions, all of which are subject to change. Any such change, which may or may not be retroactive, could alter the tax consequences as described herein. This summary only applies to holders of the Company s common stock who are U.S. persons, defined to include any beneficial owners of the Company s common stock that is, for United States federal income tax purposes: (a) an individual a citizen or resident of the United States; (b) a corporation, or other entity treated as a corporation, created or organized in or under the laws of the United States, or any political subdivision thereof (including the District of Columbia); (c) an estate the income of which is subject to United States federal income taxation regardless of its source; and (d) a trust if either: (i) a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons have the authority to control all substantial decisions of such trust, or (ii) the trust has a valid election in effect to be treated as a United States person for United States federal income tax purposes. A holder of Company common stock other than a U.S. person as defined above is, for purposes of this discussion a non-U.S. person. If a partnership holds Company common stock, the tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership that holds Company stock, you should consult your tax advisor.

Not all U.S. federal income tax considerations that may be relevant to you in light of your particular circumstances are discussed herein. Factors that could alter the tax consequences of the Reincorporation to you include: if you are a dealer in securities, a financial institution, mutual fund, regulated investment company, real estate investment trust, insurance company, or tax-exempt entity; if you are subject to the alternative minimum tax; if you hold your Company common stock as part of an integrated investment such as a hedge or as part of a hedging, straddle or other risk reduction strategy; if you are a non-U.S. person; if you do not hold your shares of the Delaware Company s common stock as capital assets within the meaning of Section 1221 of the IRC (generally, property held for investment); or if you acquired your shares of the Company s common stock in connection with stock option plans or in other compensatory transactions. In addition, no state, local, or foreign tax consequences are addressed herein. IN VIEW OF THE VARYING NATURE OF SUCH TAX CONSEQUENCES, SHAREHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE REINCORPORATION, INCLUDING THE APPLICABILITY OF FEDERAL, STATE, LOCAL, OR FOREIGN TAX LAWS.

The Company has not requested a ruling from the Internal Revenue Service or an opinion of counsel with respect to the federal income tax consequences of the Reincorporation under the Internal Revenue Code of 1986, as amended (the Code). The Company believes, however, that: (a) the Reincorporation will constitute a tax-free reorganization under Section 368(a) of the Code; (b) no gain or loss will be recognized by holders of capital stock of First American California upon receipt of capital stock of First American Delaware pursuant to the Reincorporation; (c) the aggregate tax basis of the capital stock of First American Delaware received by each shareholder will be the same as the aggregate tax basis of the capital stock of First American California held by such shareholder as a capital asset at the time of the Reincorporation; and (d) the holding period of the capital stock of First American Delaware received by each shareholder of First American California will include the period for which such shareholder held the capital stock of First American California surrendered in exchange therefor.

Item 3. Ratification of Selection of Independent Auditor

The Audit Committee has selected PricewaterhouseCoopers LLP (PwC) to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2009. Representatives of PwC are expected to be present at the annual meeting, and, if they do attend the annual meeting, will have an opportunity to make a statement and be available to respond to appropriate questions.

Selection of our independent registered public accounting firm is not required to be submitted for shareholder approval, but the Audit Committee is seeking ratification of its selection of PwC from our shareholders as a matter of good corporate governance. If the shareholders do not ratify this selection, the Audit Committee will reconsider its selection of PwC and will either continue to retain this firm or appoint a new independent registered public accounting firm. Even if the selection is ratified, the Audit Committee may, in its discretion, appoint a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our Company s best interests and those of its shareholders.

The affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote at the annual meeting will be required to ratify the selection of PwC as our Company s independent registered public accounting firm for the 2009 fiscal year.

OUR BOARD RECOMMENDS THAT SHAREHOLDERS VOTE FOR THE FOREGOING PROPOSAL TO RATIFY THE SELECTION OF PwC AS OUR COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

III. REQUIRED INFORMATION

Security Ownership of Management

The First American Corporation

The following table sets forth the total number of our common shares beneficially owned and the percentage of the outstanding shares so owned as of the record date by:

- each director (and each nominee for director);
- each named executive officer; and
- all directors and executive officers as a group.

Unless otherwise indicated in the notes following the table, the shareholders listed in the table are the beneficial owners of the listed shares with sole voting and investment power (or, in the case of individual shareholders, shared power with such individual s spouse) over the shares listed. Shares subject to rights exercisable within 60 days after the record date are treated as outstanding when determining the amount and percentage beneficially owned by a person or entity.

Shareholders	Number of Common shares	Percent if greater than 1%
Directors		
George L. Argyros(1)	1,107,021	1.2%
Bruce S. Bennett	6,187	
Matthew B. Botein		
J. David Chatham	33,951	
Glenn C. Christenson	54,587	
Hon. William G. Davis	6,758	
James L. Doti	19,790	
Lewis W. Douglas, Jr.	39,168	
Christopher V. Greetham	14,587	
Parker S. Kennedy(2)	3,333,113	3.6%
Thomas C. O Brien	3,087	
Frank E. O Bryan(3)	43,528	
Roslyn B. Payne(4)	82,353	
John W. Peace		
D. Van Skilling(5)	34,695	
Herbert B. Tasker	19,587	
Virginia M. Ueberroth(6)	111,308	
Mary Lee Widener	1,508	
Named executive officers who are not directors		
Dennis J. Gilmore	255,933	

Frank V. McMahon	221,092	
Barry M. Sando	189,313	
Max O. Valdes	22,640	
All directors, named executive officers and other executive officers as a group (26 persons)	5,768,423	6.1%

The shares set forth in the table above include shares that the following individuals have the right to acquire within 60 days of the record date in the amounts set forth below:

Individuals	Shares
George L. Argyros	5,000
J. David Chatham	5,000
Hon. William G. Davis	5,000
James L. Doti	5,000
Lewis W. Douglas, Jr.	5,000
Parker S. Kennedy	408,000
Frank E. O Bryan	5,000
Roslyn B. Payne	5,000
D. Van Skilling	5,000
Herbert B. Tasker	5,000
Virginia M. Ueberroth	5,000
Dennis J. Gilmore	230,000
Frank V. McMahon	180,000
Barry M. Sando	184,000
Max O. Valdes	16,000

(1) Includes 235,534 shares held in the Argyros Family Trust, for the benefit of Mr. Argyros and his family members and over which Mr. Argyros has voting and dispositive power; 3,400 shares held by Mr. Argyros as trustee, with investment power over such securities, of a trust for the benefit of a family member; 125 shares held in a Uniform Transfers to Minors Act custodial account for which Mr. Argyros serves as the custodian; 7,513 shares held by a trust for which Mr. Argyros is not a trustee, over which Mr. Argyros may be deemed to have investment power; 720,041 shares are held by a nonprofit corporation whose six-member board of directors includes Mr. Argyros and his wife, which board directs the voting and disposition of such shares; 18,800 shares held by another nonprofit corporation with a five-member board, including Mr. Argyros, having similar voting and dispositive power; and an aggregate of 114,700 shares held by two companies of which Mr. Argyros is the sole shareholder, chief executive officer and a director. Mr. Argyros disclaims beneficial ownership of all shares included in the table which are held by a nonprofit corporation or by a trust for which Mr. Argyros is not the beneficiary.

(2) Of the shares credited to Parker S. Kennedy, chairman of the board and chief executive officer of the Company, 17,317 shares are held directly and 2,896,086 shares are held by Kennedy Enterprises, L.P., a California limited partnership of which Mr. Kennedy is the sole general partner. The limited partnership agreement pursuant to which the partnership was formed provides that the general partner has all powers of a general partner as provided in the California Uniform Limited Partnership Act, including the power to vote securities held by the partnership, provided that the general partner is not permitted to cause the partnership to sell, exchange or hypothecate any of its shares of stock of the Company without the prior written consent of all of the limited partners. Of the shares held by the partnership, 463,799 are allocated to the capital accounts of Mr. Kennedy. The balance of the shares held by the partnership is allocated to the capital accounts of the other limited partners, who are relatives of Mr. Kennedy. Except to the extent of his voting power over the shares allocated to the capital accounts of the limited partners, Mr. Kennedy disclaims beneficial ownership of all shares held by the partnership other than those allocated to his own capital accounts.

(3) Of the shares held by Mr. O Bryan, 37,941 are pledged as security.

(4) Includes 7,500 shares held by a nonprofit corporation for which Ms. Payne and her spouse serve as officers and directors. In her capacity as an officer of that corporation, Ms. Payne has the power, as do certain other officers, to direct the voting and disposition of the shares.

(5) Includes 2,365 shares held by a nonprofit corporation for which Mr. Skilling serves as a director and officer. In his capacity as an officer, Mr. Skilling has the power, acting alone, to direct the voting and

disposition of the shares. Also includes 2,698 shares held in three trusts for which Mr. Skilling serves as the trustee. In this position, Mr. Skilling has the power to direct the voting and disposition of the shares.

(6) Includes 5,000 shares held by a nonprofit corporation of which Ms. Ueberroth is an officer and whose six-member board of directors is composed of Ms. Ueberroth and her husband and children. In her capacity as an officer of that corporation, Ms. Ueberroth has the power, as do certain other officers, to direct the voting and disposition of the shares. Ms. Ueberroth disclaims beneficial ownership of these shares.

First Advantage Corporation

The following table sets forth the total number of shares of Class A common stock of the Company s subsidiary, First Advantage Corporation, beneficially owned and the percentage of the outstanding shares so owned as of the record date by:

- each director of the Company (and each nominee for director);
- each named executive officer of the Company; and
- all directors and executive officers of the Company as a group.

Unless otherwise indicated in the notes following the table, the shareholders listed in the table are the beneficial owners of the listed shares with sole voting and investment power (or, in the case of individual shareholders, shared power with such individual s spouse) over the shares listed. Shares subject to rights exercisable within 60 days after the record date are treated as outstanding when determining the amount and percentage beneficially owned by a person or entity.

Shareholders	Number of shares of Class A common stock	Percent if greater than 1%
Current Directors		
George L. Argyros		
Bruce S. Bennett		
Matthew B. Botein		
J. David Chatham	16,944	
Glenn C. Christenson		
Hon. William G. Davis		
James L. Doti		
Lewis W. Douglas, Jr.		
Christopher V. Greetham		
Parker S. Kennedy(1)	39,346	
Thomas C. O Brien		
Frank E. O Bryan		
Roslyn B. Payne		
John W. Peace		
D. Van Skilling	15,444	
Herbert B. Tasker	50	
Virginia M. Ueberroth		
Mary Lee Widener		

Named executive officers who are not directors		
Dennis J. Gilmore		
Frank V. McMahon(1)	11,248	
Barry M. Sando	1,000	
Max O. Valdes		
All directors, named executive officers and other executive officers as a group (26 persons)	576,411	4.6%

The shares set forth in the table above include shares that the following individuals have the right to acquire within 60 days of the record date in the amounts set forth below:

Individuals	Shares
J. David Chatham	12,500
Parker S. Kennedy	12,500
D. Van Skilling	7,500
Frank V. McMahon	7,500