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FIRST AMERICAN FINANCIAL CORP
Form 11-K
June 29, 2001

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K
ANNUAL REPORT
Pursuant to Section 15(d) of the
Securities and Exchange Act of 1934

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____

Commission file number 0-3658

A. Full title of the Plan and the address of the Plan, if different from that of
the issuer named below:

The First American Corporation
401(k) Savings Plan

B. Name of issuer of the securities held pursuant to the Plan and the address of
its principal executive office:

The First American Corporation
1 First American Way
Santa Ana, California 92707

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The First American Corporation

401(k) Savings Plan

Consent of Independent Accountants

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Supplemental schedules required by the Employee Retirement Income Security Act of 1974 that are omitted are not applicable to The First American Corporation 401(k) Savings Plan.

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CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (Nos. 333-32871 and 333-80179) of The First American Corporation of our report dated June 22, 2001, relating to the financial statements of The First American Corporation 401(k) Savings Plan, which appears in this Form 11-K.

June 27, 2001

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SIGNATURE

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

The First American Corporation
401(k) Savings Plan

Date: June 28, 2001

By: /s/ Thomas A. Klemens

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The First American Corporation
401(k) Savings Plan

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Report on Audited Financial Statements
and Supplemental Schedule
As of December 31, 2000 and 1999, and for the
Years Ended December 31, 2000 and 1999

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Report of Independent Accountants

To the Participants and Administrator of
The First American Corporation 401(k) Savings Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of The First American Corporation 401(k) Savings Plan (the "Plan") at December 31, 2000 and 1999, and the changes in the net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial of statements taken as a whole. The supplemental schedule, assets held for investment purposes, is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

June 22, 2001

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The First American Corporation
401(k) Savings Plan

Statements of Net Assets Available for Benefits

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| | As of December 31, | |
|-----------------------------------|-----------------------|---------------|
| | 2000 | 1999 |
| Assets | | |
| Investments, at fair value | \$237,344,236 | \$140,800,296 |
| Cash | 3,435 | 71,521 |
| Receivables: | | |
| Interest | 129,628 | 69,605 |
| Dividends | 239,770 | 147,575 |
| Participant contributions | 157,240 | 250,538 |
| Employer contributions | 8,889,130 | 9,835,896 |
| | ----- | ----- |
| Total receivables | 9,415,768 | 10,303,614 |
| | ----- | ----- |
| Total assets | 246,763,439 | 151,175,431 |
| Liabilities | | |
| Administrative expenses payable | 169,528 | 183,037 |
| | ----- | ----- |
| Net assets available for benefits | \$246,593,911 | \$150,992,394 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

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The First American Corporation
401(k) Savings Plan

Statements of Changes in Net Assets Available for Benefits

| | Years Ended December 31, | |
|--|-----------------------------|-----------------|
| | 2000 | 1999 |
| Additions | | |
| Net appreciation (depreciation) in fair value of instruments | \$ 61,820,452 | \$ (23,051,972) |
| Interest income | 1,103,389 | 614,445 |
| Dividend income | 2,072,574 | 1,666,708 |
| | ----- | ----- |
| Total investment income (loss) | 64,996,415 | (20,770,819) |
| | ----- | ----- |
| Contributions: | | |
| Participants | 51,111,360 | 55,101,115 |
| Employer | 21,500,286 | 20,541,812 |
| | ----- | ----- |
| Total contributions | 72,611,646 | 75,642,927 |
| | ----- | ----- |
| Total additions | 137,608,061 | 54,872,108 |
| | ----- | ----- |

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| | | |
|-----------------------------------|---------------|---------------|
| Deductions | | |
| Benefits paid to participants | (39,911,503) | (34,007,732) |
| Administrative expenses | (2,095,041) | (1,399,157) |
| | ----- | ----- |
| Total deductions | (42,006,544) | (35,406,889) |
| | ----- | ----- |
| Increase in net assets | 95,601,517 | 19,465,219 |
| | ----- | ----- |
| Net Assets Available for Benefits | | |
| Beginning of year | 150,992,394 | 131,527,175 |
| | ----- | ----- |
| End of year | \$246,593,911 | \$150,992,394 |
| | ===== | ===== |

The accompanying notes are an integral part of these financial statements.

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The First American Corporation
401(k) Savings Plan

Notes to Financial Statements

1. Description of the Plan

The following description of The First American Corporation 401(k) Savings Plan (the "Plan") provides only general information. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution profit sharing plan covering all U.S. employees of The First American Corporation (the "Company"). An employee is eligible to participate in the Plan if the employee is at least 21 years of age and has been employed by the Company for at least 30 days. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA").

Upon enrollment in the Plan a participant may direct contributions in 5% increments to any of six investment options, one of which is the option to invest in shares of the Company. Participants may change their investment options as of the first day of each calendar month, depending upon the completion of an appropriate form by a specified date.

Contributions

Participants may contribute from 1% to 12% of pretax annual compensation, as defined by the Plan. Contributions are subject to certain limitations. The Company matches 50% of the first \$500 of a participant's contribution. Additional amounts may be contributed by the Company at the option of the Company's Board of Directors and are based on the pretax profitability of the Company for the year. Discretionary profit sharing contributions were \$8,882,924 and \$9,817,498 for the years ending December 31, 2000 and 1999, respectively. Participants may also contribute amounts representing distributions from other qualified defined benefit or contribution plans.

Participant Accounts

Each participant's account is credited with the participant's contributions and allocations of (a) the Company's contributions and (b) the earnings or

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losses, and charged with an allocation of administrative expenses. Allocations are based on participant earnings or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Vesting

Participants are immediately vested in their contributions, the Company's contributions plus actual earnings thereon.

Payment of Benefits

The plan allows for participant withdrawals in lump sum upon retirement, death, disability, termination or attainment of the eligible age as defined by the Plan. Participants may also withdraw up to 70% of their account balances, as defined by the Plan, in the event of financial hardship, which is determined pursuant to the provisions of the Internal Revenue Code ("IRC").

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The First American Corporation
401(k) Savings Plan

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Investment Valuation and Income Recognition

Investments in mutual funds and common stock are stated at quoted market prices (except for the Money Market Fund, which is recorded at amortized cost which approximates market value). Security transactions are accounted for on the date securities are purchased or sold (trade date). Dividend income is recorded on the ex-dividend date. Interest income is recognized on an accrual basis as earned. Gains or losses from securities' transactions are computed based on average cost. The Plan presents in the statement of changes in net assets available for benefits the net appreciation (depreciation) in the fair value of its investments which consists of the realized gains (losses) and the unrealized appreciation (depreciation) on those investments.

Payment of Benefits

Benefits are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts in the statement of changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

The Plan provides for various investment options in any combination of stocks, mutual funds and other investment securities. Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the

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level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risk in the near term would materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

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The First American Corporation
401(k) Savings Plan

Notes to Financial Statements

Investments

The following presents investments that represent 5% or more of the Plan's net assets available for benefits:

| | December 31, 2000 | 1999 |
|--|----------------------|---------------|
| Mutual funds: | | |
| Templeton Foreign Fund | \$ 22,055,292 | \$ 18,398,383 |
| Schroder U.S. Smaller Companies Fund | 32,849,970 | 21,474,883 |
| Performance Equity Fund Institutional Class | 47,029,878 | 45,000,929 |
| T. Rowe Price U.S. Treasury Intermediate Fund | 13,263,602 | 9,661,493 |
| First Choice Cash Reserve Fund Institutional Class | 23,273,471 | 15,670,175 |
| Common stock: | | |
| The First American Corporation | 98,872,023 | 30,594,433 |
| | ----- | ----- |
| | \$237,344,236 | \$140,800,296 |
| | ===== | ===== |

During 2000 and 1999, the Plan's investments (including gains and losses on investments sold as held during the year) appreciated (depreciated) in value by \$61,820,452 and \$(23,051,972), respectively, as follows:

| | 2000 | 1999 |
|----------------------|--------------|----------------|
| Mutual funds | \$ 441,094 | \$ 11,399,035 |
| Company common stock | 61,379,358 | (34,451,007) |
| | ----- | ----- |
| | \$61,820,452 | \$(23,051,972) |
| | ===== | ===== |

3. Related Party Transactions

Certain plan investments are shares of mutual funds managed by First American Trust Company, a wholly owned subsidiary of the Company. First American Trust Company is the trustee of the Plan and, therefore, these transactions qualify as party-in-interest transactions for which a statutory exemption exists. Fees paid by the Plan for the investment management services were \$2,095,041 and \$1,399,157 for the years ended December 31, 2000 and 1999,

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respectively.

The Company, which also qualifies as a party-in-interest, absorbs certain administrative expenses of the Plan. Such transactions qualify for a statutory exemption. Total expenses paid by the Company were \$733,373 and \$620,385 for the years ended December 31, 2000 and 1999, respectively.

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The First American Corporation
401(k) Savings Plan

Notes to Financial Statements

4. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, the net assets of the Plan will be distributed to the participants in accordance with the provisions of ERISA.

5. Federal Income Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated February 11, 1997, that the Plan is designated in accordance with applicable sections of the IRC and is, therefore, exempt from federal income taxes. The Plan has been amended since receiving the determination letter. However, the Plan administrator believes that the Plan is designed and is currently being operated in compliance with the applicable requirements of the IRC.

6. Subsequent Event

On January 1, 2001, the assets of the Plan were transferred to Fidelity Investments Institutional Operations Company, Inc. Per the new Plan agreement, Fidelity Management Trust Company became the new Plan trustee.

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Supplemental Schedule

The First American Corporation
401(k) Savings Plan

Schedule of Assets (Held At End of Year)
As of December 31, 2000

| Identity of Issue | Current Value |
|---|---------------|
| The First American Corporation Common Stock | \$ 98,872,023 |

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| | |
|--|---------------|
| Templeton Foreign Fund | 22,055,292 |
| Schroder U.S. Small Companies Fund | 32,849,970 |
| Performance Equity Fund Institutional Class | 47,029,878 |
| T. Rowe Price U.S. Treasury Intermediate Bond Fund | 13,263,602 |
| First Choice Cash Reserve Fund Institutional Class | 23,273,471 |
| | ----- |
| | \$237,344,236 |
| | ===== |