

Edgar Filing: First Financial Northwest, Inc. - Form DEFA14A

First Financial Northwest, Inc.
Form DEFA14A
May 02, 2012

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

Filed by the registrant
Filed by a party other than the registrant

Check the appropriate box:

Preliminary proxy statement
Confidential, for use of the Commission only (as permitted by Rule
14a-6(e)(2))
Definitive proxy statement
Definitive additional materials
Soliciting material pursuant to § 240.14a-12

FIRST FINANCIAL NORTHWEST, INC.
(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):

No fee required.
Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- | | |
|-----|--|
| (1) | Title of each class of securities to which transaction applies:
N/A |
| (2) | Aggregate number of securities to which transactions applies:
N/A |
| (3) | Per unit price or other underlying value of transaction computed pursuant to
Exchange Act Rule 0-11:
N/A |
| (4) | Proposed maximum aggregate value of transaction:
N/A |
| (5) | Total fee paid:
N/A |
| | Fee paid previously with preliminary materials:
N/A |
| | Check box if any part of the fee is offset as provided by Exchange Act Rule
0-11(a)(2) and identify the filing for which the offsetting fee was paid
previously. Identify the previous filing by registration statement number, or
the Form or Schedule and the date of its filing. |
| (1) | Amount previously paid:
N/A |
| (2) | Form, schedule or registration statement no.: |

(3)	Filing party:	N/A
(4)	Date filed:	N/A

The Company mailed the following letter to its shareholders on May 2, 2012.

May 2, 2012

Dear Shareholders:

Please vote ONLY the enclosed “WHITE” proxy and please do NOT sign or return ANY “green” proxy that you receive from Mr. Stilwell.

We are concerned that Mr. Stilwell is not being honest with you.

- He wants you to believe we are paying Mr. Karpiak, our chairman, millions of dollars annually and continually giving him raises, even though we believe he knows better. As we have showed you, this is simply not true.
- He wants you to believe we won't pay dividends. This is simply not true. We are not permitted by our regulators to pay a dividend. We intend to pay cash dividends just as soon as permitted to do so, and we are making substantial progress toward that goal.
- He would lead you to believe that we would not sell the Company. This is simply not true. But would you sell your company at a time when the company's earnings and prospects are improving and the prices being paid for similar companies are at historic lows? Mr. Stilwell promises to have “our bank sold to the highest bidder” and “to get the best price in a sale as quickly as possible” in a market where buyers simply are not willing to pay a reasonable price. Such action would be irresponsible and not in the best interests of our shareholders.
- He would lead you to believe that we are careless with your investment and waste money everywhere. This is simply not true. Mr. Stilwell is wasting money running a contest to elect Spencer Schneider to a board seat we gave him and he quit after only five weeks and after attending only one meeting.

In our first two letters to you we talked about the difficulties we've overcome and what we've done. A brief summary of what we've done is outlined below.

- Dramatically reduced nonperforming assets, and they continue to decline
- Significantly reduced the amount of the riskier loans in our portfolio
- Returned the Company to profitability in spite of difficult economic conditions
- Added directors to the Board with extensive banking experience
- Worked with the regulators to have the Bank's Order removed

- Meetings with our investment banking firm to keep us apprised of market conditions and methods to maximize shareholder value

We believe there is still work to be done but that we have made significant progress during the past year in spite of difficult market conditions. We need your support to continue this progress.

**YOUR BOARD RECOMMENDS SHAREHOLDERS VOTE
ON THE WHITE PROXY CARD.**

Your vote is very important, no matter how many or how few shares you own. Every single vote counts. Please use the enclosed WHITE proxy card to vote TODAY — by telephone, by Internet, or by signing, dating and returning your WHITE proxy card in the postage-paid envelope provided.

Thank you for your continued support.

TIME IS SHORT, AND YOUR VOTE IS IMPORTANT!

We encourage you to vote by telephone or by Internet to ensure that your shares are represented at the Annual Meeting.

We urge you NOT to sign any green proxy card sent to you by the Stilwell Group. If you have already done so, you may change your vote by using the enclosed WHITE proxy card, as only the latest-dated proxy card counts.

Sincerely,

/s/Victor Karpiak
Victor Karpiak
Chairman and CEO

/s/Daniel L. Stevens
Daniel L. Stevens
Director

/s/Gary F. Kohlwes, Ed.D.
Gary F. Kohlwes, Ed.D.
Director

/s/Robert L. Anderson
Robert L. Anderson
Director

/s/Gerald Edlund
Gerald Edlund
Director

/s/M. Scott Gaspard
M. Scott Gaspard
Director

/s/Gary F. Faull
Gary F. Faull
Director

/s/Joann E. Lee, C.P.A.
Joann E. Lee, C.P.A.
Director

Important Information

The Company, its directors, executive officers and certain of its employees are participants in the solicitation of proxies from the Company's shareholders in connection with the matters to be considered at the Company's 2012 Annual Meeting. On April 11, 2012, the Company filed a definitive proxy statement (as it may be amended, the "Proxy Statement") with the U.S. Securities and Exchange Commission (the "SEC") in connection with the solicitation of proxies from the Company's shareholders. **INVESTORS AND SHAREHOLDERS ARE STRONGLY ENCOURAGED TO READ THE PROXY STATEMENT AND ACCOMPANYING PROXY CARD AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY AS THEY CONTAIN IMPORTANT INFORMATION.** Detailed information regarding the identity of potential participants, and their direct or indirect interests, by security holdings or otherwise, is set forth in the Proxy Statement, including Annex A thereto. Shareholders can obtain the Proxy Statement, any amendments or supplements to the Proxy Statement and other documents filed by the Company with the SEC for no charge at the SEC's website at www.sec.gov. Copies will also be available at no charge at <http://www.snl.com/irweblinkx/GenPage.aspx?IID=4087275&GKP=203202>.

Forward-looking statements:

Certain matters discussed in this letter may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market, potential future credit experience, and statements regarding the Company's mission and vision. These forward-looking statements are based upon current management expectations and may, therefore, involve risks and uncertainties. The Company's actual results, performance, or achievements may differ materially from those suggested, expressed, or implied by forward-looking statements as a result of a wide variety or range of factors including, but not limited to, interest rate fluctuations; economic conditions in the Company's primary market area; demand for construction/land development, residential, commercial real estate, consumer, and other types of loans; success of new products; competitive conditions between banks and non-bank financial service providers; regulatory and accounting changes; technological factors affecting operations; pricing of products and services; and other risks detailed in the Company's reports filed with the Securities and Exchange Commission. Accordingly, these factors should be considered in evaluating forward-looking statements, and undue reliance should not be placed on such statements. The Company undertakes no responsibility to update or revise any forward-looking statement.

[X] PLEASE MARK VOTES
AS IN THIS EXAMPLE

REVOCABLE PROXY
FIRST FINANCIAL NORTHWEST, INC.
ANNUAL MEETING OF SHAREHOLDERS
MAY 24, 2012

For Withhold For All
1. All

The undersigned hereby appoints the official Proxy Committee of the Board of Directors of First Financial Northwest, Inc. ("First Financial") with full powers of substitution, as attorneys and proxies for the undersigned, to vote all shares of common stock of First Financial which the undersigned is entitled to vote at the annual meeting of shareholders, to be held at the Carco Theatre, located at 1717 SE Maple Valley Highway, Renton, Washington, on Thursday, May 24, 2012, at 9:00 a.m., local time, and at any and all adjournments or postponements thereof, as indicated.

All Except
The election as director of the nominees []
[] []
listed below, each for a three-year term:
01 - Victor Karpiak
02 - M. Scott Gaspard
03 - Daniel L. Stevens

INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark "For All Except" and write the nominee's name in the space provided below.

3. Against Abstain For

Advisory (non-binding) approval of the
[] [] []
4. compensation of our named executive officers. For

Against Abstain
The ratification of the appointment of Moss
[] [] []
Adams LLP as the independent auditor for 2012.

In their discretion, upon such other matters as may properly come before the annual meeting, or any adjournment or postponement of the annual meeting.

The Board of Directors recommends a vote "FOR" the election of each of the nominees named above and "FOR" each of the other proposals.

This proxy will be voted as directed, but if no instructions are specified, this proxy will be voted for the election of each of the nominees named above and for each of the other proposals. If any other business is presented at the annual meeting or any adjournment or postponement thereof, this proxy will be voted by those named in this proxy in their best judgment. At the present time, the Board of Directors knows of no other business to be presented at the annual meeting.

The undersigned acknowledges receipt from First Financial prior to the execution of this proxy of the Notice

Signature _____ Date _____

Co-holder
Signature (if any) _____ Date _____

of Annual Meeting of Shareholders, a Proxy Statement for the annual meeting of shareholders, and the 2011 Annual Report to Shareholders.

Please sign exactly as name appears hereon.

When signing as attorney, executor, administrator, trustee or guardian, please give full title as such.

IF YOU WISH TO PROVIDE YOUR INSTRUCTIONS TO VOTE BY TELEPHONE OR INTERNET, PLEASE FOLLOW INSTRUCTIONS BELOW

IF YOU ARE VOTING BY MAIL DETACH ABOVE CARD, SIGN, DATE AND MAIL IN POSTAGE PAID ENVELOPE PROVIDED

FIRST FINANCIAL NORTHWEST, INC. ANNUAL MEETING, MAY 24, 2012

A telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed, dated and returned this proxy. Please note telephone and Internet votes must be cast prior to 3:00 a.m., Eastern Time, May 24, 2012. It is not necessary to return this proxy if you vote by telephone or internet.

VOTE BY INTERNET
<https://www.proxyvotenow.com/ffnw>

VOTE BY TELEPHONE
1-866-860-0408

VOTE BY MAIL

Have this proxy card available when you visit the secure voting site and follow the simple instructions. You may elect to receive an e-mail confirmation of your vote.

Call toll free on a touch-tone phone, 24 hours a day, seven days a week. Mark, date and sign this proxy card and mail promptly in the postage-paid envelope. Do not return the card if you call and follow the simple instructions.

Have this proxy card available when you vote by telephone or by Internet.

Please note that the last vote received, whether by telephone, internet or by mail, will be the vote counted.

This proxy may be revoked at any time before it is voted by: (1) notifying the Secretary of First Financial in writing before the annual meeting that this proxy has been revoked; (2) duly executing a new proxy relating to the same shares with a later date, and submitting such proxy to the Secretary of First Financial at or before the annual meeting; or (3) attending the annual meeting and voting in person (although attendance at the annual meeting will not in and of itself constitute revocation of a proxy). If this proxy is properly revoked as described above, then the power of such attorneys and proxies shall be deemed terminated and of no further force and effect.

IF YOUR ADDRESS HAS CHANGED, PLEASE CORRECT THE ADDRESS IN THE SPACE PROVIDED BELOW AND RETURN THIS PORTION WITH THE PROXY IN THE ENVELOPE PROVIDED:

Purchase Plan will continue until terminated by the Board or until all of the shares reserved for issuance under the plan have been issued. The Board may amend or terminate the Purchase Plan at any time, except that the approval of the Company's stockholders is required within 12 months of the adoption of any amendment increasing the number of shares authorized for issuance under the Purchase Plan, or changing the categories of corporations that may be designated by the Board as corporations whose employees may participate in the Purchase Plan.

Shares Purchased by Certain Persons

The aggregate numbers of shares of Common Stock purchased by certain persons under the Purchase Plan since its inception are as follows: (i) Masood Tayebi, Chairman, no shares; (ii) Eric M. DeMarco, President and Chief Executive Officer, no shares; (iii) Rochelle Bold, Sr. Vice President - Corporate Development and Investor Relations, no shares; (iv) Farzad Ghassemi, Sr. Vice President - Wireless Network Services, no shares;

(v) Daniel Stokely, Vice President – Corporate Controller, no shares; (vi) David Garrison, Associate General Counsel and Secretary, no shares; (vi) all current executive officers as a group, an aggregate of no shares; and (vii) all employees, including current officers who are not executive officers, as a group, an aggregate of 1.4 Million shares. None of our directors who are not executive officers are eligible to participate in the Purchase Plan. Since its inception, no shares have been issued under the Purchase Plan to any other nominee for election as a director, or any associate of any such director, nominee or executive officer, and no other person has been issued five percent or more of the total amount of shares issued under the Purchase Plan.

Summary of U.S. Federal Income Tax Consequences

The following summary is intended only as a general guide as to the U.S. federal income tax consequences of participation in the Purchase Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances.

Generally, there are no tax consequences to an employee of either becoming a participant in the Purchase Plan or purchasing shares under the Purchase Plan. The tax consequences of a disposition of shares vary depending on the period such stock is held before its disposition. If a participant disposes of shares within two years after the Offering Date or within one year after the Purchase Date on which the shares are acquired (such disposition being referred to as a disqualifying disposition), the participant recognizes ordinary income in the year of disposition in an amount equal to the difference between the fair market value of the shares on the Purchase Date and the purchase price. Such income may be subject to tax withholding by the employer. Any additional gain or any loss recognized by the participant resulting from the disposition of the shares is a capital gain or loss. If the participant disposes of shares at least two years after the Offering Date and at least one year after the Purchase Date on which the shares are acquired, the participant recognizes ordinary income in the year of disposition in an amount equal to the lesser of (i) the difference between the fair market value of the shares on the date of disposition and the purchase price or (ii) the difference between the fair market value of the shares on the Offering Date and the purchase price (determined as if the Purchase Right were exercised on the Offering Date). Any additional gain recognized by the participant on the disposition of the shares is a capital gain. If the fair market value of the shares on the date of disposition is less than the purchase price, there is no ordinary income, and the loss recognized is a capital loss. If the participant still owns the shares at the time of his or her death, the lesser of (i) the difference between the fair market value of the shares on the date of death and the purchase price or (ii) the difference between the fair market value of the shares on the Offering Date and the purchase price (determined as if the Purchase Right were exercised on the Offering Date) is recognized as ordinary income in the year of the participant's death.

If the participant disposes of the shares in a disqualifying disposition, we should be entitled to a deduction equal to the amount of ordinary income recognized by the participant as a result of the disposition, except to the extent such deduction is limited by applicable provisions of the Internal Revenue Code.

Vote required and Board of Director's recommendation

Approval of this proposal requires the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote on this proposal, at a meeting at which a quorum is present. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum. Abstentions will have the same effect as a vote against this proposal. Broker non-votes will have no effect on the outcome of this vote.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 2.

PROPOSAL 3

RATIFICATION OF SELECTION OF INDEPENDENT AUDITORS

The Board of Directors has selected KPMG LLP as the Company's independent auditors for the fiscal year ending December 30, 2004 and has further directed that management submit the selection of independent auditors for ratification by the stockholders at the Annual Meeting. KPMG LLP has audited the Company's financial statements since 1996. Representatives of KPMG LLP are expected to be present at the Annual Meeting, will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

Stockholder ratification of the selection of KPMG LLP as the Company's independent auditors is not required by the Company's Bylaws or otherwise. However, the Board is submitting the selection of KPMG LLP to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of different independent auditors at any time during the year if they determine that such a change would be in the best interests of the Company and its stockholders.

As part of its duties, the Audit Committee considers whether the provision of services, other than audit services, during the fiscal year ended December 26, 2003 by KPMG LLP, the Company's independent auditor for that period, is compatible with maintaining the auditor's independence. The following table sets forth the aggregate fees billed to the Company for the fiscal years ended December 27, 2002 and December 26, 2003 by KPMG LLP:

	<u>Fiscal 2002</u>	<u>Fiscal 2003</u>
<i>Audit Fees</i> (1)	\$ 478,000	\$ 715,000
<i>Audit-Related Fees</i> (2)	\$ 64,000	\$ 187,000
<i>Tax Fees</i> (3)	\$ 118,000	\$ 130,000
<i>All Other Fees</i> (4)	\$ -0-	\$ -0-

- (1) *Audit Fees* consist of fees billed for professional services rendered for the audit of the Company's consolidated annual financial statements and review of the interim consolidated financial statements included in quarterly reports and services that are normally provided by KPMG LLP in connection with statutory and regulatory filings or engagements.
- (2) *Audit-Related Fees* consist of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported under *Audit Fees*. This category includes fees related to due diligence services pertaining to potential business acquisitions/disposition; and consultation regarding accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standard or interpretation by the SEC, FASB or other regulatory or standard-setting bodies. General assistance with implementation of the requirements of SEC rules or listing standards promulgated pursuant to the Sarbanes-Oxley Act of 2002.
- (3) *Tax Fees* consist of fees billed for professional services rendered for tax compliance, tax advice and tax planning. These services include assistance regarding federal state and local tax compliance, planning and advice; international tax compliance, planning and advice; review of federal, state, local and international income franchising and other tax returns.
- (4) *All Other Fees* consist of fees for products and services other than the services reported above.

The Audit Committee's policy is to pre-approve all audit and permissible non-audit services provided by our independent auditors. These services may include audit services, audit-related services, tax services and other services. Pre-approval is generally provided for up to one year and any pre-approval is detailed as to the particular service or category of services. The Audit Committee has delegated pre-approval authority to the Audit Committee Chairperson. The independent auditor and management are required to periodically report to the Audit Committee regarding the extent of services provided by the independent auditor in accordance with this pre-approval.

Vote required and Board of Director's recommendation

Approval of this proposal requires the affirmative vote of a majority of the shares present or represented by proxy and entitled to vote on this proposal, at a meeting at which a quorum is present. Abstentions and broker non-votes will each be counted as present for purposes of determining the presence of a quorum. Abstentions will have the same effect as a vote against this proposal. Broker non-votes will have no effect on the outcome of this vote.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS

A VOTE IN FAVOR OF PROPOSAL 3.

**SECURITY OWNERSHIP OF
CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth certain information as of April 2, 2004 regarding the ownership of the Company's Common Stock, the Series A Convertible Preferred Stock and the Series B Convertible Preferred Stock by: (i) each director and nominee for director; (ii) each of the executive officers named in the Summary Compensation Table below; (iii) all executive officers and directors of the Company as a group; and (iv) all those known by the Company to be beneficial owners of more than five percent of any class of the Company's voting securities. Unless otherwise indicated in the table set forth below, each person or entity named below has an address in care of the Company's principal executive offices.

	Beneficial Ownership(1)					
	Common Stock		Series B Convertible Preferred		Common Shares On An As-Converted Basis	
	%		%		%	
	<u>Shares</u>	<u>Ownership</u>	<u>Shares</u>	<u>Ownership</u>	<u>Shares</u>	<u>Ownership</u>
Directors and Affiliated Stockholders:						
Scott Anderson c/o Cedar Grove Investments, LLC 3825 Issaquah Pine Lake Road Sammamish WA 98075	715,699(2)	1.05%			715,699	0.99%
Scot Jarvis c/o Cedar Grove Investments, LLC 3825 Issaquah Pine Lake Road Sammamish WA 98075	715,699(2)	1.05%			715,699	0.99%
Bandel Carano Oak Investment Partners 525 University Avenue Suite 1300 Palo Alto, CA 94302	3,864,354(3)	5.67%			3,864,354	5.34%
William Høglund	110,832(4)	*			110,832	*
William Owens	53,125(5)	*			53,125	*
Masood Tayebi	7,214,970(6)	10.59%			7,214,970	9.97%
5% or Greater Ownership of Voting Securities:						
Meritech Capital Partners 285 Hamilton Avenue, Suite 200 Palo Alto, CA 94301		*	32,258	76.34%	3,225,800	4.46%
Sean Tayebi c/o Merrill Lynch Century Plaza Towers 2049 Century Park East (South Tower) 11th Floor Los Angeles, CA 90067	3,187,439	4.68%	10,000	12.12%	4,187,439	5.79%
Massih Tayebi BridgeWest LLC 4350 La Jolla Village Drive Suite 450 San Diego, CA 92122	7,716,110(7)	11.33%			7,716,110	10.66%
Wasatch Advisors, Inc. 150 Social Hall Avenue Salt Lake City, UT 84111	3,839,830	5.64%			3,839,830	5.31%
Named Executive Officers:						
Terry Ashwill		*				*
Frankie Farjood	280,983(8)	*			280,983	*
Farzad Ghassemi	135,321(9)	*			135,321	*
Greg Jacobsen		*				*

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Other Executive Officers:

Daniel G. Stokely	7,125(10)	*	7,125	*
David A. Garrison	25,123(11)	*	25,123	*
Eric M. DeMarco		*		*
Rochelle Bold		*		*

All Executive Officers and Directors As A

Group (14 persons) 13,123,231 13,123,231 18.14%

Total Shares Outstanding	68,128,579	42,258	72,354,379	
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Adjusted for Preferred Shares Conversion:

Series B	4,225,800			
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If Converted Additional Shares	4,225,800			
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Adjusted Common Shares (If Converted)	72,354,379			
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* Less than one percent.

- (1) This table is based upon information supplied by officers, directors and principal stockholders and Schedule 13G filed with the Securities and Exchange Commission (the "SEC"), and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power and any shares as to which the individual or entity has the right to acquire beneficial ownership within 60 days of April 2, 2004 through the exercise of any stock option or other right. The inclusion of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of, or receives the economic benefit from, such shares. Applicable percentages are based on 68,128,579 shares of Common Stock, and 42,258 shares of Series B Convertible Preferred Stock outstanding on April 2, 2004.
- (2) Includes 66,458 shares subject to options exercisable within 60 days of April 2, 2003 held by each of Mr. Anderson and Mr. Jarvis.
- (3) Includes 49,166 shares subject to options exercisable within 60 days of April 2, 2004. Includes 14,828 shares of Common Stock held by Oak Investment Partners VI, Limited Partnership; 346 shares of Common Stock held by Oak VI Affiliates Fund, Limited Partnership; 1,159,800 shares of Common Stock held by Oak Investment Partners IX, Limited Partnership; 12,360 shares of Common Stock held by Oak IX Affiliates Fund, Limited Partnership; 27,840 shares of Common Stock held by Oak IX Affiliates Fund-A, Limited Partnership; 2,558,944 shares of Common Stock held by Oak Investment Partners X, Limited Partnership and 41,070 shares of Common Stock held by Oak X Affiliates Fund, Limited Partnership. Bandel Carano is a general partner of Oak Investment Partners VI, L.P., Oak VI Affiliates Fund, L.P., Oak Investment Partners IX, L.P., Oak IX Affiliates Fund, L.P., Oak IX Affiliates Fund-A, L.P., Oak Investment Partners X, L.P. and Oak X Affiliates Fund, L.P. Mr. Carano has indirect ownership of these shares and has shared power to vote and dispose of these shares. Mr. Carano disclaims beneficial ownership of the shares held by Oak Investment Partners VI, L.P., Oak VI Affiliates Fund, L.P., Oak Investment Partners IX, L.P., Oak IX Affiliates Fund, L.P., Oak IX Affiliates Fund-A, L.P., Oak Investment Partners X, L.P. and Oak X Affiliates Fund, L.P.
- (4) Includes 110,832 shares subject to options exercisable within 60 days from April 2, 2004.
- (5) Includes 53,125 shares subject to options exercisable within 60 days from April 2, 2004.
- (6) Includes 7,214,970 shares held directly by Masood K. Tayebi. Excludes 404,693 shares held by the spouse of Masood K. Tayebi, and 2,000,000 shares held by the spouse as a trustee of a revocable living trust. Excludes 646,137 shares held by the spouse of Masood K. Tayebi as trustee of a grantor retained annuity trust. Masood K. Tayebi disclaims beneficial ownership of such shares.
- (7) Does not include 52,762 shares held by spouse of Massih Tayebi. Massih Tayebi disclaims beneficial ownership of such shares.
- (8) Includes 280,983 shares subject to options exercisable within 60 days from April 2, 2004.
- (9) Includes 135,321 shares subject to options exercisable within 60 days from April 2, 2004.
- (10) Includes 7,125 shares subject to options exercisable within 60 days from April 2, 2004.
- (11) Includes 25,123 shares subject to options exercisable within 60 days from April 2, 2004.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 (the "1934 Act") requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge and based solely on our review of such reports furnished to the Company and written representations from certain reporting persons, the Company believes that all filing requirements applicable to its executive officers, directors and greater-than-10% stockholders were complied with, except that Eric M. DeMarco and Rochelle Bold filed one late report each.

EXECUTIVE OFFICERS OF THE COMPANY

The following individuals are the executive officers of the Company as of the end of the last fiscal year.

<u>Name</u>	<u>Age</u>	<u>Positions and Offices With the Company</u>
Masood K. Tayebi	42	Chairman and Director
Eric M. DeMarco	40	Chief Executive Officer and President
Rochelle Bold	35	Senior Vice President Corporate Development, Strategic Planning and Investor Relations
Farzad Ghassemi	37	Senior Vice President, Wireless Network Services
Daniel G. Stokely	40	Vice President and Corporate Controller
David A. Garrison	47	Associate General Counsel and Secretary

For the biographical summary of Masood K. Tayebi and Eric M. DeMarco, see the section hereto entitled Election of Directors.

Rochelle Bold joined the Company in November 2003 as Senior Vice President Corporate Development, Strategic Planning and Investor Relations. Prior to joining the Company, Ms. Bold most recently served as Vice President, Investor Relations for The Titan Corporation. In this capacity Ms. Bold served as the primary spokesperson for Titan with all members of the financial community. Additional responsibilities in the areas of corporate development and strategic planning included serving as a key member of the major financings team, analyzing and making recommendations on acquisition targets and strategic investment opportunities, and recruiting and hiring senior managers of corporate subsidiaries. Prior to joining Titan, Ms. Bold headed investor relations for a wireless communications carrier. Prior to that, Ms. Bold served in a variety of public policy positions on Capitol Hill and in the private sector. Ms. Bold received her J.D. from the University of San Diego School of Law and earned her B. A. in Political Science from the University of California, Los Angeles. She is a member of the State Bar of California.

Farzad Ghassemi joined the Company in February 1999 as Vice President of Radio Frequency Engineering and has served as our Senior Vice President of Engineering since October 2000. In July, 2002, Mr. Ghassemi was designated the head of the Company's Wireless Network Services business unit. From 1998 to 1999, he was the Vice President of Engineering at BCI Wireless. Prior to working for BCI Wireless, Mr. Ghassemi was an Engineering Director at LCC International. Mr. Ghassemi received his B.S. in Electrical Engineering from George Mason University and an M.B.A. in Management from Strayer University.

Daniel G. Stokely joined the Company as Corporate Controller in August, 2001. Mr. Stokely most recently assumed the role as the Company's Interim CFO upon the retirement of Mr. Ashwill. In his capacity of Corporate Controller, Mr. Stokely has been responsible for the preparation, review and issuance of the monthly, quarterly and annual financial statements. Immediately prior to joining the Company, Mr. Stokely served as Corporate Controller/Senior Director of Accounting for Dura Pharmaceuticals, Inc. (now Elan Pharmaceuticals) from 1994 through 2001. Dura is a pharmaceutical company engaged primarily in specialty drug distribution and bio pharmaceutical research and development. Mr. Stokely received his B.S. in Accounting from San Diego State University and is a Certified Public Accountant.

David A. Garrison joined the Company in June 2000 as Associate General Counsel. Mr. Garrison was Senior Counsel to Fluor Corporation, the largest public engineering and construction firm in the U.S., from August 1990 to May 2000. Mr. Garrison was appointed Secretary of the Company in December, 2002. Mr. Garrison holds a B. A. in Political Science from Purdue University and earned his J.D. from the Valparaiso University School of Law. He is a member of the California and Indiana Bar.

EXECUTIVE COMPENSATION

COMPENSATION OF DIRECTORS

Except as provided below, the directors of the Company do not currently receive cash compensation in exchange for their services on behalf of the Company, but directors may be reimbursed for certain expenses in connection with attendance at board of directors and committee meetings. All directors are eligible to participate in the Company's 1999 Equity Incentive Plan.

During the 2003 fiscal year, each of our non-employee directors received an option to purchase 20,000 shares of our Common Stock under our 1999 Equity Incentive Plan, which vests and becomes exercisable at the rate of 1/48 of the shares at the end of each month of continuous service as a director following the date of grant. William Owens is signatory to a Director Services Agreement, made effective January 27, 2003. Pursuant to this agreement, Mr. Owens is to receive \$2,000 for each board meeting he attends, and was granted an option to purchase 150,000 shares of the Company's stock. Twenty-five percent of these options vest at the anniversary date of the agreement and the balance of the options become exercisable at the rate of 1/48 of the shares at the end of each month of continuous service as a director thereafter. Directors who are also employees of the Company did not receive any compensation for their services as members of the Board of Directors.

COMPENSATION OF EXECUTIVE OFFICERS

SUMMARY COMPENSATION TABLE

The following table sets forth, for the fiscal year(s) ended December 28, 2001, December 27, 2002 and December 26, 2003, all compensation earned for services rendered in all capacities by the Chief Executive Officer and each of the other top four executive officers whose salary and bonus exceeded \$100,000 in 2001, 2002 and 2003. These five officers are referred to as the named executive officers. The compensation table excludes other compensation in the form of perquisites and other personal benefits that constitute the lesser of \$50,000 or 10% of the total annual salary and bonus earned by each of the named executive officers in 2001, 2002 and 2003. In addition, the compensation described in this table does not include medical, group life insurance or other benefits which are available generally to all of our salaried employees.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
Masood K. Tayebi, Ph.D. Chief Executive Officer	2003	\$ 267,684			
	2002	\$ 3,250(1)			
	2001	\$ 54,168(1)			
Terry Ashwill	2003	\$ 237,838		60,000	\$ 2,020,519(2)

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Executive VP and Chief Financial Officer	2002	\$ 200,942		191,944	\$ 349,411(4)
	2001	\$ 202,692	\$ 54,486(5)	310,000	\$ 470,805(6)
Frankie Farjood	2003	\$ 222,442		80,000	\$ 872,949(3)
Executive VP and President of Enterprise Network Services	2002	\$ 143,653		112,000	
	2001	\$ 159,231	\$ 7,686	145,000	
Farzad Ghassemi	2003	\$ 221,558		80,000	\$ 1,182,233(3)
Executive VP and President of Wireless Network Solutions	2002	\$ 110,192		104,000	
	2001	\$ 132,302	\$ 61,633(7)	130,591	
Gregory Jacobsen	2003	\$ 214,596		60,000	\$ 478,200(3)
Executive VP, Operations & Maintenance, Business Development and Sales	2002	\$ 120,000		200,000	
	2001				

- (1) Represents salary for work performed from 1/1/01 3/31/01. Masood Tayebi voluntarily declined to be paid any salary from 4/1/01 through 12/27/02. Payment in 2002 relates to group term life insurance premiums paid by the Company.
- (2) Represents forgiveness of remaining balance on relocation loan (\$201,230) and NQ option and ISO DQ option exercise in 2003 (\$1,819,289).
- (3) Represents NQ option and ISO DQ option exercise in 2003.
- (4) Represents forgiveness of remaining balance on relocation loan (\$163,077), related income taxes (\$158,891) and loan interest gross up (\$27,443).
- (5) Represents 2000 Annual Bonus (\$46,800) paid in 2001 and 2001 Annual Bonus (\$7,686).
- (6) Represents payment of expenses related to relocation of principal residence (\$444,953) and loan interest gross up (\$25,852).
- (7) Represents 2000 Annual Bonus (\$54,000) paid in 2001 and 2001 Annual Bonus (\$7,634).

STOCK OPTION GRANTS AND EXERCISES

The Company grants options to its executive officers under its 1999 Equity Incentive Plan (the Incentive Plan). As of April 2, 2004, options to purchase a total of 7,900,402 shares (net of cancelled and expired awards) were outstanding under the Incentive Plan and options to purchase 1,976,208 shares remained available for grant thereunder.

The following tables show for the fiscal year ended December 26, 2003 certain information regarding options granted to, exercised by, and held at year end by, the Named Executive Officers:

OPTION GRANTS IN LAST FISCAL YEAR

Name	Individual Grants (1)				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term (3)	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in Fiscal Yr (2)	Exercise Price (\$/sh)	Expiration Date	5%	10%
Masood K. Tayebi, Ph.D.						
Terry Ashwill	60,000(4)	1.12%	\$ 5.76	03/31/13	\$ 217,346	\$ 550,797
Frankie Farjood	80,000(4)	1.49%	\$ 5.76	03/31/13	\$ 289,795	\$ 734,397
Farzad Ghassemi	80,000(4)	1.49%	\$ 5.76	03/31/13	\$ 289,795	\$ 734,397
Gregory Jacobsen	60,000(4)	1.12%	\$ 5.76	03/31/13	\$ 217,346	\$ 550,797

- (1) The options have several terms depending on the specific grant. The exercise price equals the fair market value on the day prior to the date of grant based on the closing price of the Common Stock as quoted on the NASDAQ National Market.
- (2) In 2003, the Company granted, 4,848,085 options under its 1999 Equity Incentive Plan, and 523,015 options under its 2000 Non-statutory Stock Option Plan.
- (3) Assumes all options are exercised at the end of their respective 10-year terms. The dollar amounts under these columns are the result of calculations at the 5% and 10% rates required by applicable regulations of the Securities and Exchange Commissions and, therefore, are not intended to forecast possible future appreciation, if any, of the Common Stock price. Actual gains, if any, on stock option exercises depend on the future performance of the Common Stock and overall stock market conditions, as well as the option holders continued employment through the vesting period. The results in this table may not necessarily be achieved.
- (4)

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Terms of 10 years from the date of grant and become exercisable in equal annual installments monthly over a period of four years, commencing one month after the date of grant.

AGGREGATED OPTION EXERCISES IN 2003, AND FISCAL YEAR -END OPTION VALUES

The following table provides the specified information concerning exercises of options to purchase our Common Stock in the fiscal year ended December 26, 2003, and unexercised options held as of December 26, 2003, by the Named Executive Officers.

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options at Fiscal Year-End #(1)		Value of Unexercised In-the Money Options at Fiscal Year-End \$(2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Masood K. Tayebi, Ph.D.		\$			\$	\$
Terry Ashwill	56,000	\$ 1,386,118	144,334	146,962	\$ 1,462,608	\$ 1,560,100
Frankie Farjood		\$ 872,949	268,391	69,352	\$ 1,840,344	\$ 597,336
Farzad Ghassemi		\$ 1,182,233	114,380	95,211	\$ 1,189,627	\$ 889,912
Gregory Jacobsen		\$ 478,200	38,159	183,333	\$ 540,300	\$ 1,839,997

- (1) These numbers include both in-the-money and out-of-the-money options. In-the-money options are options with exercise prices below the market price of the Company's Common Stock.
- (2) These amounts represent the aggregate number of in-the-money options, multiplied by the difference between \$14.72, the closing price of the Common Stock on the NASDAQ National Market on December 26, 2003, and the exercise price of each option.

Securities Authorized for Issuance Under Equity Compensation Plans

We currently maintain four compensation plans that provide for the issuance of our Common Stock to officers and other employees, directors and consultants. These consist of the 1997 Stock Option Plan, 1999 Equity Incentive Plan and 1999 Employee Stock Purchase Plan (the Purchase Plan), which have been approved by stockholders, and the 2000 Nonstatutory Stock Option Plan (the 2000 Plan), which has not been approved by stockholders. The following table sets forth information regarding outstanding options and shares reserved for future issuance under the foregoing plans as of December 26, 2003:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Shares Reflected in
			Column (a) (c)
Equity compensation plans approved by stockholders	9,029,797	\$ 9.81	2,970,877(1)
Equity compensation plans not approved by stockholders(2)	2,511,056	\$ 6.99	1,689,795
Total	11,540,853		4,660,672

-
- (1) Includes 922,811 shares that are reserved for issuance under the Purchase Plan.
 - (2) Consists of options that are outstanding, and shares available for future issuance, under the 2000 Plan.

Material Features of the 2000 Nonstatutory Stock Option Plan

As of December 26, 2003, we had reserved 6,500,000 shares of Common Stock for issuance under the 2000 Plan. The 2000 Plan provides for the granting of nonstatutory stock options to employees with exercise prices equal to not less than 85% of the fair market value of our Common Stock on the date of grant. Options granted under the 2000 Plan generally have a 10-year term and vest at the rate set by the Board. Historically, however,

options granted under the 2000 Plan have vested at a rate of $\frac{1}{4}$ of the shares on the first anniversary of the date of grant and $\frac{1}{48}$ of the shares monthly thereafter. Some of the options that have been granted under the 2000 Plan are subject to full acceleration of vesting in the event of a change of control of the Company.

Employment Contracts and Termination of Employment and Change of Control Arrangements

In May, 2001 the Company entered into Executive Change of Control Agreements with Terry Ashwill and Frankie Farjood. These Change of Control Agreements are identical, except as to the parties thereto, and in case of a change of control, provide for acceleration of the vesting and exercisability of fifty percent of the unvested securities held by the said executive officers, with balance of such unvested securities vesting quarterly over the following eighteen months, and lapse of any reacquisition or repurchase rights held by the Company with respect to such securities. Change of Control Agreements identical to those described above were entered into in 2002 with Farzad Ghassemi and Greg Jacobsen.

The Company has a severance agreement with Greg Jacobsen in the amount of \$100,000.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Compensation Committee are, or have ever been, employees of the Company.

PERFORMANCE MEASUREMENT COMPARISON

Set forth below is a graph comparing cumulative total return on \$100 invested, alternatively, in our Common Stock, the CRSP Total Return Index for the Nasdaq Stock Market and the Nasdaq Telecommunications Index, on an annual basis for the period commencing on November 5, 1999, the date of our initial public offering and ending on December 26, 2003.⁽¹⁾

	<u>11/5/99</u>	<u>12/99</u>	<u>12/00</u>	<u>12/01</u>	<u>12/02</u>	<u>12/03</u>
WIRELESS FACILITIES, INC.	\$ 100.00	\$ 290.83	\$ 241.67	\$ 44.87	\$ 40.07	\$ 99.07
NASDAQ STOCK MARKET (U.S.)	100.00	130.75	78.71	62.45	43.17	64.70
NASDAQ TELECOMMUNICATIONS	100.00	120.37	51.31	34.34	15.81	26.28

- (1) Assumes that \$100 was invested on November 5, 1999 at the closing price on the date of our initial public offering, in our Common Stock and each index, and that all dividends have been reinvested. No cash dividends have been declared on our Common Stock. Stockholder returns over the indicated period should not be considered indicative of future stockholder returns.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During 2001 and 2002, the Company's Latin American subsidiaries, WFI de Mexico and Wireless Facilities Latin America Ltda., entered into certain transactions with JFR Business Corporation International S. de R.L. de C.V. (JFR) and its related affiliates (collectively, JFR and affiliates). Jalil Tayebi, a brother of Masood K. Tayebi, the Chairman and former Chief Executive Officer of the Company, holds a majority ownership interest in each of these entities. The primary business purpose for transacting business with JFR and affiliates relates to obtaining improved service and response compared to independent businesses providing such services, at market or less than market rates. WFI de Mexico contracted with JFR and affiliates during 2001 and 2002 for various services including automobile leasing, computer leasing, corporate and project related personnel services and construction services. Additionally, during 2001 JFR contracted with Wireless Facilities Latin America Ltda. for subcontractor engineering services for certain of its customer contracts. The total net amount owed to JFR as of December 31, 2002 was \$0.5 million for services under these related party contracts. There were no material transactions during the year ended December 26, 2003 and all payable and receivable balances with JFR were fully settled resulting in a zero balance as of December 26, 2003. Finally, there are no current guarantees or other commitments between JFR and the affiliates of the Company.

In August 2001, WFI and GlobTel executed a Master Service Agreement (MSA) whereby WFI or its designated affiliates would perform telecommunications outsourcing services. GlobTel is significantly owned by Massih Tayebi, a brother of Masood K. Tayebi the Chairman and former Chief Executive Officer of the Company. In August 2002, Wireless Facilities International Ltd., a wholly-owned subsidiary of the Company, commenced an engagement for GlobTel pursuant to the MSA entered into in August 2001. During 2003, the Company recorded approximately \$0.9 million in total net revenues and received approximately \$0.7 million from GlobTel for services provided under the MSA. Such revenues are a component of total revenues in the Company's consolidated statements of operations. As of December 26, 2003, the Company had an outstanding accounts receivable balance of approximately \$0.2 million with GlobTel. Such accounts receivables are reflected as accounts receivable related party in the Company's consolidated balance sheet. At December 26, 2003, no future commitments or guarantees exist between GlobTel and the Company.

In June 2001, WFI received a payment for \$0.5 million from BridgeWest LLC, a privately-held investment group, representing a prepayment for future engineering services to be provided by WFI to BridgeWest LLC. BridgeWest LLC is significantly owned by Masood K. Tayebi, the Chairman and former Chief Executive Officer of the Company, Massih Tayebi, a brother of Masood K. Tayebi, and Sean Tayebi, also a brother of Masood K. Tayebi. The Company has recorded approximately \$0.2 million total revenues for services provided under this agreement during the year ended December 31, 2003. Such revenues are a component of total revenues in the Company's consolidated statements of operations and the design and deployment operating segment. During the second quarter of 2003, approximately \$0.2 million of the payment received from BridgeWest LLC was applied towards billings for cumulative engineering services provided by WFI and the residual balance of \$0.3 million was refunded to BridgeWest LLC. At December 31, 2003, no commitments or guarantees exist between BridgeWest LLC and the Company.

On October 29, 2001, the Company issued an aggregate of 63,637 shares of Series A Convertible Preferred Stock, at an aggregate purchase price of \$35.0 million, for a common stock conversion price of \$5.50 per share (which was the fair market value of the Common Stock at the closing) in a private placement to entities affiliated with a director of the Company. The Company received \$34.9 million of proceeds, net of \$0.1 million of issuance costs paid by the Company. As of April 22, 2004 all of the Series A Preferred Stock has been converted into common shares. Additionally, on May 30, 2002, the Company issued an aggregate of 90,000 shares of Series B Convertible Preferred Stock, at an aggregate purchase price of \$45.0 million, in a private placement to entities affiliated with one of the directors of the Company (40,000 shares), to a brother of the Chairman and former Chief Executive Officer of the Company (10,000 shares) and to an unrelated third-party

investor (40,000 shares). The Company received \$44.9 million of proceeds, net of \$0.1 million of issuance costs

paid by the Company. As of April 22, 2004, 40,000 of the Series B Convertible Preferred Stock has been converted into common shares.

Pursuant to the Series A Convertible Preferred Stock agreement, the Company has agreed to exert best efforts to retain Mr. Carano as a member of the Company's Board of Directors so long as the Series A Convertible Preferred Stock is outstanding and has not been converted. All of the Series A Convertible Preferred Stock converted in fiscal 2003.

Pursuant to the Series B Convertible Preferred Stock agreement, Meritech Capital Partners' Paul S. Madera, Managing Partner, has observation rights at the Company's Board of Director meetings.

Based upon a review by disinterested members of management and the Company's Board of Directors regarding the terms of comparable transactions available from or involving third parties, the Company believes that all transactions with related parties described above were made on terms no less favorable to the Company than could have been obtained from unaffiliated third parties.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The Audit Committee of the Board of Directors of the Company (the "Audit Committee") is composed of three independent directors and operates under a written charter adopted by the Board of Directors. The members of the Audit Committee are Scott Anderson, Scot Jarvis and William Hoglund. A copy of the Audit Committee Charter is attached to this proxy statement as Appendix A.

The Audit Committee has met and held discussions with management. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Committee has reviewed and discussed the consolidated financial statements with management and the Company's independent public accountants, KPMG LLP. The Audit Committee has discussed with KPMG LLP, the matters required to be discussed by Statement on Auditing Standards No. 61, Communication with Audit Committees, as amended.

The Audit Committee has received and reviewed the written disclosures and the letter from KPMG LLP required by Independence Standard No. 1, Independence Discussions with Audit Committees, as amended, and has discussed with KPMG LLP their independence.

The Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 26, 2003 filed with the Securities and Exchange Commission on March 8, 2004.

Audit Committee:

Scott Anderson (Chair)

William Hoglund

Scot Jarvis

REPORT OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

ON EXECUTIVE COMPENSATION

During 2003, the Compensation Committee of the Board of Directors (the Committee) was composed of Bandel Carano and Scot Jarvis. All committee members are non-employee directors of the Company and have never served as officers of the Company. The Committee is responsible for administering the Company's compensation and employee benefit plans, which include primarily the 1997 Stock Option Plan, the 1999 Equity Incentive Plan, the 2000 Nonstatutory Stock Option Plan, and the 1999 Employee Stock Purchase Plan (collectively, the Option Plans). In addition to setting policies regarding compensation of all employees, the Committee reviews and approves base salaries and bonuses for all executive officers. Decisions made by the Committee relating to compensation of executive officers are reviewed by the full Board of Directors.

Executive Compensation Policies and Performance Measures

The Company's executive compensation policies have been developed to meet the following objectives:

Attract and retain key executives critical to the Company's long-term success;

Reward key executives for their contributions to the development and successful execution of strategies relevant to their functional responsibilities; and

Motivate key executives to make decisions and take actions that further the Company's ability to achieve its strategic performance goals and increase the long-term value of the Common Stock.

The Committee uses a combination of cash and equity-based programs to compensate key executives.

Compensation payments in excess of \$1 million to each of the Chief Executive Officer or four other most highly compensated executive officers are subject to a limitation on deductibility by the Company under Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code). Certain performance-based compensation is not subject to the limitation on deductibility. The Option Plans are designed to qualify stock option awards for the performance-based exception to the \$1 million limitation on deductibility of compensation payments.

Cash-based Compensation

Base salaries for all executive officers are reviewed annually. In evaluating executive salaries, the Committee considers the compensation paid at companies of similar size and/or in its industry, as well as the Company's own recent recruiting experience, if applicable. The companies surveyed include some, but not all, of the companies in the Center for Research and Security Prices Index of NASDAQ Business Services Stocks used in the Stock Price Performance graph. The Committee also considers the officer's individual performance during the prior year. Factors that affect an individual officer's performance rating focus on the executive's success in contributing to the Company's short and long-term objectives. Short-term objectives include gross profit and gross margin, operating income and operating income margin, and net earnings and net earnings margin. Long-term objectives include the timely development of new service offerings, enhancements and improvements to existing service offerings, identification of new markets for the Company's services, development and execution of plans to address identified market

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opportunities, adequate control over and efficient use of the Company's assets, and share price appreciation. The Company does not assign relative weights to the factors it considers in establishing base salaries.

In addition to base salary, the Company provides executive officers and other key managers incentive compensation in the form of annual discretionary basis bonuses of cash or options to purchase Common Stock in the Company.

Equity-based Compensation

The Company provides its executive officers with long-term incentives through its option plans. The Option Plans' primary objective is to provide an incentive for the executive officers to make decisions and take actions that maximize long-term stockholder value. Each plan promotes this long-term focus using vesting periods. Most initial options currently vest over a four year period from the date of grant, 25% on the first anniversary of the date of grant and the balance vesting monthly over the remaining three years. Subsequent option grants to employees with over one year of service vest on a monthly basis over a four year period. The Committee reviews and approves all grants made to officers of the Company under the Option Plans and in connection with initial hiring, promotions, extraordinary achievements or compensation adjustments. In addition to these factors, the size and timing of grants are generally subject to policies established by the Committee regarding the position of the grantee within the Company, the overall number of options actually granted to such optionee in the past, and the extent of vesting of such grants.

Chief Executive Officer Compensation

In establishing the Chief Executive Officer's compensation package, the Committee pursues the same objectives and policies that apply for the Company's other executive officers. However, it is not the Company's practice to pay cash or non-cash bonuses to its Chief Executive Officer, who is a founder and significant stockholder of the Company. As such, no cash or bonus options have been given to the Company's Chief Executive Officer.

Compensation Committee

Bandel Carano

Scot Jarvis

HOUSEHOLDING OF PROXY MATERIALS

The SEC has adopted rules that permit companies and intermediaries (e.g., brokers) to satisfy the delivery requirements for proxy statements and annual reports with respect to two or more stockholders sharing the same address by delivering a single proxy statement addressed to those stockholders. This process, which is commonly referred to as householding, potentially means extra convenience for stockholders and cost savings for companies.

This year, a number of brokers with account holders who are the Company's stockholders will be householding our proxy materials. A single proxy statement will be delivered to multiple stockholders sharing an address unless contrary instructions have been received from the affected stockholders. Once you have received notice from your broker that they will be householding communications to your address, householding will continue until you are notified otherwise or until you revoke your consent. If, at any time, you no longer wish to participate in householding and would prefer to receive a separate proxy statement and annual report, please notify your broker, direct your written request to Wireless Facilities, Inc., c/o Corporate Secretary, 4810 Eastgate Mall, San Diego, California 92121 or call James R. Edwards at (858) 228-2000. Stockholders who currently receive multiple copies of the proxy statement at their address and would like to request householding of their communications should contact their broker.

OTHER MATTERS

The Board of Directors knows of no other matters that will be presented for consideration at the Annual Meeting. If any other matters are properly brought before the meeting, it is the intention of the persons named in the accompanying proxy to vote on such matters in accordance with their best judgment.

By Order of the Board of Directors

Eric M. DeMarco

Chief Executive Officer and President

WIRELESS FACILITIES, INC.

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Effective as of April 20, 2004

I. STATEMENT OF POLICY

This Charter specifies the scope of the responsibilities of the Audit Committee (the "Committee") of the Board of Directors (the "Board") of Wireless Facilities, Inc. (the "Company") and the manner in which those responsibilities shall be performed, including its structure, processes and membership requirements.

The primary purpose of the Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the Company's financial statements, assist the Board in fulfilling its oversight responsibilities by reviewing and reporting to the Board on the integrity of the financial reports and other financial information provided by the Company to any governmental body or to the public, and on the Company's compliance with legal and regulatory requirements as they may relate to the Company's external direct and indirect financial reporting requirements. The Committee shall also review the qualifications, independence and performance, and approve the terms of engagement of the Company's independent auditor, review the performance of the Company's internal audit controls and prepare any reports required of the Committee under rules of the Securities and Exchange Commission ("SEC").

The Company shall provide appropriate funding, as determined by the Committee, to permit the Committee to perform its duties under this Charter, to compensate its advisors and to compensate any registered public accounting firm engaged for the purpose of rendering or issuing an audit report or related work or performing other audit, review or attest services or non-audit services for the Company. The Committee, at its discretion, has the authority to initiate investigations, and hire legal, accounting or other outside advisors or experts to assist the Committee, as it deems necessary to fulfill its duties under this Charter. The Committee may also perform such other activities consistent with this Charter, the Company's Bylaws and governing law, as the Committee or the Board deems necessary or appropriate.

II. ORGANIZATION AND MEMBERSHIP REQUIREMENTS

The Committee shall comprise three or more directors selected by the Board, each of whom shall satisfy the independence and experience requirements of the Nasdaq Stock Market, or any applicable listing exchange, provided that one director who does not meet the independence criteria of Nasdaq may be appointed to the Committee, subject to the approval of the Board pursuant to, and subject to the limitations under, the exceptional and limited circumstances exceptions as provided under the rules of Nasdaq. In addition, at least one member will satisfy the Financial Expert requirements as established by Nasdaq or the applicable listing exchange.

The members of the Committee shall be appointed by the Board and shall serve until their successors are duly elected and qualified or their earlier resignation or removal. Any member of the Committee may be replaced by the Board. Unless a chairman is elected by the full Board, the

members of the Committee may designate a chairman by majority vote of the full Committee membership.

III. MEETINGS

The Committee shall meet as often as it determines, but not less frequently than quarterly. A majority of the members shall represent a quorum of the Committee, and, if a quorum is present, any action approved by at least a majority of the members present shall represent the valid action of the Committee. The Committee may form and delegate authority to subcommittees, or to one or more members of the Committee, when appropriate. The Committee shall meet with management and the independent auditor in separate executive sessions as appropriate. The Committee shall meet with the independent auditor and management on a quarterly basis to review the Company's financial statements and financial reports. The Committee shall maintain written minutes

of its meetings, which minutes will be filed with the minutes of the meetings of the Board. The Committee will also record summaries of its recommendations to the Board in written form, which will be incorporated as part of the minutes of the Board meeting at which those recommendations are presented.

IV. COMMITTEE AUTHORITY AND RESPONSIBILITIES

To fulfill its responsibilities and duties, the Committee shall:

A. *Oversight of the Company's Independent Auditor*

1. Be directly and solely responsible for the appointment, compensation, retention and oversight of any independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) engaged by the Company for the purpose of preparing or issuing an audit report or related work, with each such auditor reporting directly to the Committee.

2. Periodically review and discuss with the independent auditor (i) the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, and (ii) any formal written statements received from the independent auditor consistent with and in satisfaction of Independence Standards Board Standard No. 1, as amended, including without limitation, descriptions of (x) all relationships between the independent auditor and the Company, (y) any disclosed relationships or services that may impact the independent auditor's objectivity and independence and (z) whether any of the Company's senior finance personnel were recently employed by the independent auditor.

3. Consult with the independent auditor to assure the rotation of the lead audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit every five years, consider issues related to the timing of such rotation and the transition to new lead and reviewing partners, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the audit firm, and report to the Board on its conclusions.

4. Approve in advance the engagement of the independent auditor for all audit services and non-audit services, based on independence, qualifications and, if applicable, performance, and approve the fees and other terms of any such engagement; provided, however, that (i) the Committee may establish pre-approval policies and procedures for any engagement to render such services, provided that such policies and procedures (x) are detailed as to particular services, (y) do not involve delegation to management of the Committee's responsibilities hereunder and (z) provide that, at its next scheduled meeting, the Committee is informed as to each such service for which the independent auditor is engaged pursuant to such policies and procedures, and (ii) the Committee may delegate to one or more members of the Committee the authority to grant pre-approvals for such services, provided that (a) the decisions of such member(s) to grant any such pre-approval shall be presented to the Committee at its next scheduled meeting and (b) the Committee has established policies and procedures for such pre-approval of services consistent with the requirements of clauses (i)(x) and (y) above.

5. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

6. Approve as necessary the termination of the engagement of the independent auditor.

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7. Establish policies for the hiring of employees or former employees of the independent auditor who participated in any capacity in the audit of the Company, taking into account the impact of such policies on auditor independence.

8. Regularly review with the independent auditor any significant difficulties encountered during the course of the audit, any restrictions on the scope of work or access to required information and any significant disagreement among management and the independent auditor in connection with the preparation of the financial statements. Review with the independent auditor any accounting adjustments that were noted or proposed by the independent auditor but that were passed (as immaterial or otherwise), any communications between the audit team and the independent auditor's national office respecting auditing or accounting issues presented by the

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engagement, any management or internal control letter or schedule of unadjusted differences issued, or proposed to be issued, by the independent auditor to the Company, or any other material written communication provided by the independent auditor to the Company's management.

9. Review with the independent auditor the critical accounting policies and practices used by the Company, alternative treatments of financial information within generally accepted accounting principles (GAAP) that the independent auditor has discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the independent auditor.

B. Review of Financial Reporting, Policies and Processes

1. Review and discuss with management and the independent auditor the Company's annual audited financial statements and any certification, report, opinion or review rendered by the independent auditor, and recommend to the Board whether the audited financial statements should be included in the Company's annual report on Form 10-K.

2. Review and discuss with management and the independent auditor the Company's quarterly financial statements.

3. Review and discuss with management and the independent auditor the Company's disclosure under Management's Discussion and Analysis of Financial Condition and Results of Operations appearing in the Company's periodic reports.

4. Review and discuss earnings press releases and other information provided to securities analysts and rating agencies, including any pro forma or adjusted financial information.

5. Periodically meet separately with management and with the independent auditor.

6. Review with management and the independent auditor any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.

7. Review with management its assessment of the effectiveness and adequacy of the Company's internal control structure and procedures for financial reporting (Internal Controls), review with the independent auditor the attestation to and report on the assessment made by management, and consider with management and the independent auditor whether any changes to the Internal Controls are appropriate in light of management's assessment or the independent auditor's attestation.

8. To the extent that it deems appropriate, review with management its evaluation of the Company's procedures and controls designed to assure that information required to be disclosed in its periodic public reports is recorded, processed, summarized and reported in such reports within the time periods specified by the SEC for the filing of such reports (Disclosure Controls), and consider whether any changes are appropriate in light of management's evaluation of the effectiveness of such Disclosure Controls.

9. Review and discuss with management and the independent auditor any off-balance sheet transactions or structures and their effect on the Company's financial results and operations, as well as the disclosure regarding such transactions and structures in the Company's public filings.

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10. Review with management and the independent auditor the effect of regulatory and accounting initiatives on the financial statements. Review any major issues regarding accounting principles and financial statement presentations, including any significant changes in selection of an application of accounting principles. Consider and approve, if appropriate, changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor or management.

11. Review any special audit steps adopted in light of material control deficiencies. Review with the independent auditor and management the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.

C. Risk Management, Related Party Transactions, Legal Compliance and Ethics

1. Review with the chief executive and chief financial officer of the Company any report on significant deficiencies in the design or operation of the Internal Controls that could adversely affect the Company's ability to record, process, summarize or report financial data, any material weaknesses in Internal Controls identified by the auditors, and any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's Internal Controls.

2. Review and approve any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties.

3. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters. Adopt, as necessary, appropriate remedial measures or actions with respect to such complaints or concerns.

4. Adopt a Code of Conduct for all employees and directors which meets the requirements of Item 406 of the SEC's Regulation S-K, and provide for the review and prompt disclosure to the public of any change in, or waiver of, such Code of Conduct by any executive officer or director. Review such Code of Conduct periodically and recommend such changes to such Code of Conduct as the Committee shall deem appropriate, and adopt procedures for monitoring and enforcing compliance with such Code of Conduct.

5. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies that raise material issues regarding the Company's financial statements or accounting policies.

6. Discuss guidelines and policies to govern the process by which risk assessment and management is undertaken and handled. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures.

7. Prepare the report required by the rules of the SEC to be included in the Company's annual proxy statement.

8. Develop and implement an annual performance evaluation of the Committee.

9. Regularly report to the Board on the Committee's activities, recommendations and conclusions.

10. Review and reassess the Charter's adequacy at least annually.

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WIRELESS FACILITIES, INC.

EMPLOYEE STOCK PURCHASE PLAN

Adopted by the Board of Directors on August 16, 1999

Approved by the Stockholders on November 2, 1999

Effective Date November 4, 1999

1. PURPOSE.

(a) The purpose of this Employee Stock Purchase Plan (the **Plan**) is to provide a means by which employees of Wireless Facilities, Inc., a Delaware corporation (the **Company**), and its Affiliates, as defined in subparagraph 1(b), which are designated as provided in subparagraph 2(b), may be given an opportunity to purchase stock of the Company.

(b) The word **Affiliate** as used in the Plan means any parent corporation or subsidiary corporation of the Company, as those terms are defined in Sections 424(e) and (f), respectively, of the Internal Revenue Code of 1986, as amended (the **Code**).

(c) The Company, by means of the Plan, seeks to retain the services of its employees, to secure and retain the services of new employees, and to provide incentives for such persons to exert maximum efforts for the success of the Company.

(d) The Company intends that the rights to purchase stock of the Company granted under the Plan be considered options issued under an employee stock purchase plan as that term is defined in Section 423(b) of the Code.

2. ADMINISTRATION.

(a) The Plan shall be administered by the Board of Directors (the **Board**) of the Company unless and until the Board delegates administration to a Committee, as provided in subparagraph 2(c). Whether or not the Board has delegated administration, the Board shall have the final power to determine all questions of policy and expediency that may arise in the administration of the Plan.

(b) The Board shall have the power, subject to, and within the limitations of, the express provisions of the Plan:

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- (i) To determine when and how rights to purchase stock of the Company shall be granted and the provisions of each offering of such rights (which need not be identical).

- (ii) To designate from time to time which Affiliates of the Company shall be eligible to participate in the Plan.

- (iii) To construe and interpret the Plan and rights granted under it, and to establish, amend and revoke rules and regulations for its administration. The Board, in the exercise of this power, may correct any defect, omission or inconsistency in the Plan, in a manner and to the extent it shall deem necessary or expedient to make the Plan fully effective.

- (iv) To amend the Plan as provided in paragraph 13.

- (v) Generally, to exercise such powers and to perform such acts as the Board deems necessary or expedient to promote the best interests of the Company and its Affiliates and to carry out the intent that the Plan be treated as an employee stock purchase plan within the meaning of Section 423 of the Code.

- (c) The Board may delegate administration of the Plan to a Committee composed of one (1) or more members of the Board (the Committee). If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, subject,

however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. The Board may abolish the Committee at any time and re-vest in the Board the administration of the Plan.

(d) Any interpretation of the Plan by the Board of any decision made by it under the Plan shall be final and binding on all persons.

3. SHARES SUBJECT TO THE PLAN.

(a) Subject to the provisions of paragraph 12 relating to adjustments upon changes in stock, the stock that may be sold pursuant to rights granted under the Plan shall not exceed in the aggregate seven hundred thousand (700,000) shares of the Company's common stock (the Common Stock). If any right granted under the Plan shall for any reason terminate without having been exercised, the Common Stock not purchased under such right shall again become available for the Plan.

(b) The stock subject to the Plan may be unissued shares or reacquired shares, bought on the market or otherwise.

4. GRANT OF RIGHTS; OFFERING.

(a) The Board or the Committee may from time to time grant or provide for the grant of rights to purchase Common Stock of the Company under the Plan to eligible employees (an Offering) on a date or dates (the Offering Date(s)) selected by the Board or the Committee. Each Offering shall be in such form and shall contain such terms and conditions as the Board or the Committee shall deem appropriate, which shall comply with the requirements of Section 423(b)(5) of the Code that all employees granted rights to purchase stock under the Plan shall have the same rights and privileges. The terms and conditions of an Offering shall be incorporated by reference into the Plan and treated as part of the Plan. The provisions of separate Offerings need not be identical, but each Offering shall include (through incorporation of the provisions of this Plan by reference in the document comprising the Offering or otherwise) the period during which the Offering shall be effective, which period shall not exceed twenty-seven (27) months beginning with the Offering Date, and the substance of the provisions contained in paragraphs 5 through 8, inclusive.

(b) If an employee has more than one (1) right outstanding under the Plan, unless he or she otherwise indicates in agreements or notices delivered hereunder, a right with a lower exercise price (or an earlier-granted right if two (2) rights have identical exercise prices), will be exercised to the fullest possible extent before a right with a higher exercise price (or a later-granted right if two (2) rights have identical exercise prices) will be exercised.

5. ELIGIBILITY.

(a) Rights may be granted only to employees of the Company or, as the Board or the Committee may designate as provided in subparagraph 2(b), to employees of any Affiliate of the Company. Except as provided in subparagraph 5(b), an employee of the Company or any Affiliate shall not be eligible to be granted rights under the Plan unless, on the Offering Date, such employee has been in the employ of the Company or any Affiliate for such continuous period preceding such grant as the Board or the Committee may require, but in no event shall the required period of continuous employment be greater than two (2) years. In addition, unless otherwise determined by the Board or the Committee and set forth in the terms of the applicable Offering, no employee of the Company or any Affiliate shall be eligible to be granted rights under the Plan unless, on the Offering Date, such employee's customary employment with the Company or such Affiliate is for at least twenty (20) hours per

week and at least five (5) months per calendar year.

(b) The Board or the Committee may provide that each person who, during the course of an Offering, first becomes an eligible employee of the Company or designated Affiliate will, on a date or dates specified in the

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Offering which coincides with the day on which such person becomes an eligible employee or occurs thereafter, receive a right under that Offering, which right shall thereafter be deemed to be a part of that Offering. Such right shall have the same characteristics as any rights originally granted under that Offering, as described herein, except that:

(i) the date on which such right is granted shall be the Offering Date of such right for all purposes, including determination of the exercise price of such right;

(ii) the period of the Offering with respect to such right shall begin on its Offering Date and end coincident with the end of such Offering; and

(iii) the Board or the Committee may provide that if such person first becomes an eligible employee within a specified period of time before the end of the Offering, he or she will not receive any right under that Offering.

(c) No employee shall be eligible for the grant of any rights under the Plan if, immediately after any such rights are granted, such employee owns stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Affiliate. For purposes of this subparagraph 5(c), the rules of Section 424(d) of the Code shall apply in determining the stock ownership of any employee, and stock which such employee may purchase under all outstanding rights and options shall be treated as stock owned by such employee.

(d) An eligible employee may be granted rights under the Plan only if such rights, together with any other rights granted under employee stock purchase plans of the Company and any Affiliates, as specified by Section 423(b)(8) of the Code, do not permit such employee's rights to purchase stock of the Company or any Affiliate to accrue at a rate which exceeds twenty five thousand dollars (\$25,000) of fair market value of such stock (determined at the time such rights are granted) for each calendar year in which such rights are outstanding at any time.

(e) Officers of the Company and any designated Affiliate shall be eligible to participate in Offerings under the Plan; provided, however, that the Board may provide in an Offering that certain employees who are highly compensated employees within the meaning of Section 423(b)(4)(D) of the Code shall not be eligible to participate.

6. RIGHTS; PURCHASE PRICE.

(a) On each Offering Date, each eligible employee, pursuant to an Offering made under the Plan, shall be granted the right to purchase up to the number of shares of Common Stock of the Company purchasable with a percentage designated by the Board or the Committee not exceeding fifteen percent (15%) of such employee's Earnings (as defined in subparagraph 7(a)) during the period which begins on the Offering Date (or such later date as the Board or the Committee determines for a particular Offering) and ends on the date stated in the Offering, which date shall be no later than the end of the Offering. The Board or the Committee shall establish one (1) or more dates during an Offering (the Purchase Date(s)) on which rights granted under the Plan shall be exercised and purchases of Common Stock carried out in accordance with such Offering.

(b) In connection with each Offering made under the Plan, the Board or the Committee may specify a maximum number of shares that may be purchased by any employee as well as a maximum aggregate number of shares that may be purchased by all eligible employees pursuant to such Offering. In addition, in connection with each Offering that contains more than one (1) Purchase Date, the Board or the Committee may specify

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a maximum aggregate number of shares which may be purchased by all eligible employees on any given Purchase Date under the Offering. If the aggregate purchase of shares upon exercise of rights granted under the Offering would exceed any such maximum aggregate number, the Board or the Committee shall make a pro rata allocation of the shares available in as nearly a uniform manner as shall be practicable and as it shall deem to be equitable.

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(c) The purchase price of stock acquired pursuant to rights granted under the Plan shall be not less than the lesser of:

(i) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Offering Date; or

(ii) an amount equal to eighty-five percent (85%) of the fair market value of the stock on the Purchase Date.

7. PARTICIPATION; WITHDRAWAL; TERMINATION.

(a) An eligible employee may become a participant in the Plan pursuant to an Offering by delivering an enrollment agreement to the Company within the time specified in the Offering, in such form as the Company provides. Each such agreement shall authorize payroll deductions of up to the maximum percentage specified by the Board or the Committee of such employee's Earnings during the Offering. Earnings is defined as an employee's regular salary or wages (including amounts thereof elected to be deferred by the employee, that would otherwise have been paid, under any arrangement established by the Company that is intended to comply with Section 125, Section 401(k), Section 402(e)(3), Section 402(h) or section 403(b) of the Code, and also including any deferrals under a non-qualified deferred compensation plan or arrangement established by the Company), and also, if determined by the Board or the Committee and set forth in the terms of the Offering, may include any or all of the following: (i) overtime pay, (ii) commissions, (iii) bonuses, incentive pay, profit sharing and other remuneration paid directly to the employee, and/or (iv) other items of remuneration not specifically excluded pursuant to the Plan. Earnings shall not include the cost of employee benefits paid for by the Company or an Affiliate, education or tuition reimbursements, imputed income arising under any group insurance or benefit program, traveling expenses, business and moving expense reimbursements, income received in connection with stock options, contributions made by the Company or an Affiliate under any employee benefit plan, and similar items of compensation, as determined by the Board or the Committee. Notwithstanding the foregoing, the Board or Committee may modify the definition of Earnings with respect to one or more Offerings as the Board or Committee determines appropriate. The payroll deductions made for each participant shall be credited to an account for such participant under the Plan and shall be deposited with the general funds of the Company. A participant may reduce (including to zero) or increase such payroll deductions, and an eligible employee may begin such payroll deductions, after the beginning of any Offering only as provided for in the Offering. A participant may make additional payments into his or her account only if specifically provided for in the Offering and only if the participant has not had the maximum amount withheld during the Offering.

(b) At any time during an Offering, a participant may terminate his or her payroll deductions under the Plan and withdraw from the Offering by delivering to the Company a notice of withdrawal in such form as the Company provides. Such withdrawal may be elected at any time prior to the end of the Offering except as provided by the Board or the Committee in the Offering. Upon such withdrawal from the Offering by a participant, the Company shall distribute to such participant all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the participant) under the Offering, without interest, and such participant's interest in that Offering shall be automatically terminated. A participant's withdrawal from an Offering will have no effect upon such participant's eligibility to participate in any other Offerings under the Plan but such participant will be required to deliver a new enrollment agreement in order to participate in subsequent Offerings under the Plan.

(c) Rights granted pursuant to any Offering under the Plan shall terminate immediately upon cessation of any participating employee's employment with the Company and any designated Affiliate, for any reason, and the Company shall distribute to such terminated employee all of his or her accumulated payroll deductions (reduced to the extent, if any, such deductions have been used to acquire stock for the terminated employee), under the Offering, without interest.

(d) Rights granted under the Plan shall not be transferable by a participant other than by will or the laws of descent and distribution, or by a beneficiary designation as provided in paragraph 14, and during a participant's lifetime, shall be exercisable only by such participant.

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8. EXERCISE.

(a) On each Purchase Date specified therefor in the relevant Offering, each participant's accumulated payroll deductions and other additional payments specifically provided for in the Offering (without any increase for interest) will be applied to the purchase of whole shares of stock of the Company, up to the maximum number of shares permitted pursuant to the terms of the Plan and the applicable Offering, at the purchase price specified in the Offering. No fractional shares shall be issued upon the exercise of rights granted under the Plan. The amount, if any, of accumulated payroll deductions remaining in each participant's account after the purchase of shares which is less than the amount required to purchase one share of Common Stock on the final Purchase Date of an Offering shall be held in each such participant's account for the purchase of shares under the next Offering under the Plan, unless such participant withdraws from such next Offering, as provided in subparagraph 7(b), or is no longer eligible to be granted rights under the Plan, as provided in paragraph 5, in which case such amount shall be distributed to the participant after such final Purchase Date, without interest. The amount, if any, of accumulated payroll deductions remaining in any participant's account after the purchase of shares which is equal to the amount required to purchase one or more whole shares of Common Stock on the final Purchase Date of an Offering shall be distributed in full to the participant after such Purchase Date, without interest.

(b) No rights granted under the Plan may be exercised to any extent unless the shares to be issued upon such exercise under the Plan (including rights granted thereunder) are covered by an effective registration statement pursuant to the Securities Act of 1933, as amended (the Securities Act) and the Plan is in material compliance with all applicable state, foreign and other securities and other laws applicable to the Plan. If on a Purchase Date in any Offering hereunder the Plan is not so registered or in such compliance, no rights granted under the Plan or any Offering shall be exercised on such Purchase Date, and the Purchase Date shall be delayed until the Plan is subject to such an effective registration statement and such compliance, except that the Purchase Date shall not be delayed more than twelve (12) months and the Purchase Date shall in no event be more than twenty-seven (27) months from the Offering Date. If on the Purchase Date of any Offering hereunder, as delayed to the maximum extent permissible, the Plan is not registered and in such compliance, no rights granted under the Plan or any Offering shall be exercised and all payroll deductions accumulated during the Offering (reduced to the extent, if any, such deductions have been used to acquire stock) shall be distributed to the participants, without interest.

9. COVENANTS OF THE COMPANY.

(a) During the terms of the rights granted under the Plan, the Company shall keep available at all times the number of shares of Common Stock required to satisfy such rights.

(b) The Company shall seek to obtain from each federal, state, foreign or other regulatory commission or agency having jurisdiction over the Plan such authority as may be required to issue and sell shares of stock upon exercise of the rights granted under the Plan. If, after reasonable efforts, the Company is unable to obtain from any such regulatory commission or agency the authority which counsel for the Company deems necessary for the lawful issuance and sale of stock under the Plan, the Company shall be relieved from any liability for failure to issue and sell stock upon exercise of such rights unless and until such authority is obtained.

10. USE OF PROCEEDS FROM STOCK

Proceeds from the sale of stock pursuant to rights granted under the Plan shall constitute general funds of the Company.

11. RIGHTS AS A STOCKHOLDER.

A participant shall not be deemed to be the holder of, or to have any of the rights of a holder with respect to, any shares subject to rights granted under the Plan unless and until the participant's shareholdings acquired upon exercise of rights under the Plan are recorded in the books of the Company (or its transfer agent).

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12. ADJUSTMENTS UPON CHANGES IN STOCK.

(a) If any change is made in the stock subject to the Plan, or subject to any rights granted under the Plan (through merger, consolidation, reorganization, recapitalization, stock dividend, dividend in property other than cash, stock split, liquidating dividend, combination of shares, exchange of shares, change in corporate structure or other transaction not involving the receipt of consideration by the Company), the Plan and outstanding rights will be appropriately adjusted in the class(es) and maximum number of shares subject to the Plan and the class(es) and number of shares and price per share of stock subject to outstanding rights. Such adjustments shall be made by the Board or the Committee, the determination of which shall be final, binding and conclusive. (The conversion of any convertible securities of the Company shall not be treated as a transaction not involving the receipt of consideration by the Company.)

(b) In the event of: (1) a dissolution or liquidation of the Company; (2) a sale of all or substantially all of the assets of the Company; (3) a merger or consolidation in which the Company is not the surviving corporation; (4) a reverse merger in which the Company is the surviving corporation but the shares of the Company's Common Stock outstanding immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise; (5) the acquisition by any person, entity or group within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), or any comparable successor provisions (excluding any employee benefit plan, or related trust, sponsored or maintained by the Company or any Affiliate of the Company) of the beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act, or comparable successor rule) of securities of the Company representing at least fifty percent (50%) of the combined voting power entitled to vote in the election of directors; or (6) the individuals who, as of the date of the adoption of this Plan, are members of the Board (the Incumbent Board); (if the election, or nomination for election by the Company's stockholders, of a new director was approved by a vote of at least fifty percent (50%) of the members of the Board then comprising the Incumbent Board, such new director shall upon his or her election be considered a member of the Incumbent Board) cease for any reason to constitute at least fifty percent (50%) of the Board; then the Board in its sole discretion may take any action or arrange for the taking of any action among the following: (i) any surviving or acquiring corporation may assume outstanding rights or substitute similar rights for those under the Plan, (ii) such rights may continue in full force and effect, or (iii) all participants' accumulated payroll deductions may be used to purchase Common Stock immediately prior to or within a reasonable period of time following the transaction described above and the participants' rights under the ongoing Offering terminated.

13. AMENDMENT OF THE PLAN OR OFFERINGS.

(a) The Board at any time, and from time to time, may amend the Plan or the terms of one or more Offerings. However, except as provided in paragraph 12 relating to adjustments upon changes in stock, no amendment shall be effective unless approved by the stockholders of the Company within twelve (12) months before or after the adoption of the amendment, where the amendment will:

(i) Increase the number of shares reserved for rights under the Plan;

(ii) Modify the provisions as to eligibility for participation in the Plan or an Offering (to the extent such modification requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3 promulgated under the Exchange Act, or any comparable successor rule (Rule 16b-3); or

(iii) Modify the Plan or an Offering in any other way if such modification requires stockholder approval in order for the Plan to obtain employee stock purchase plan treatment under Section 423 of the Code or to comply with the requirements of Rule 16b-3.

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It is expressly contemplated that the Board may amend the Plan or an Offering in any respect the Board deems necessary or advisable to provide eligible employees with the maximum benefits provided or to be provided under the provisions of the Code and the regulations promulgated thereunder relating to employee stock purchase plans and/or to bring the Plan and/or rights granted under an Offering into compliance therewith.

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(b) The Board may, in its sole discretion, submit any amendment to the Plan or an Offering for stockholder approval.

(c) Rights and obligations under any rights granted before amendment of the Plan or Offering shall not be impaired by any amendment of the Plan, except with the consent of the person to whom such rights were granted, or except as necessary to comply with any laws or governmental regulations, or except as necessary to ensure that the Plan and/or rights granted under an Offering comply with the requirements of Section 423 of the Code.

14. DESIGNATION OF BENEFICIARY.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if applicable, from the participant's account under the Plan in the event of such participant's death subsequent to the end of an Offering but prior to delivery to the participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death during an Offering.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice in the form prescribed by the Company. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living (or if an entity, is otherwise in existence) at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its sole discretion, may deliver such shares and/or cash to the spouse or to any one (1) or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may determine.

15. TERMINATION OR SUSPENSION OF THE PLAN.

(a) The Board in its discretion, may suspend or terminate the Plan at any time. The Plan shall automatically terminate if all the shares subject to the Plan pursuant to subparagraph 3(a) are issued. No rights may be granted under the Plan while the Plan is suspended or after it is terminated.

(b) Rights and obligations under any rights granted while the Plan is in effect shall not be impaired by suspension or termination of the Plan, except as expressly provided in the Plan or with the consent of the person to whom such rights were granted, or except as necessary to comply with any laws or governmental regulation, or except as necessary to ensure that the Plan and/or rights granted under an Offering comply with the requirements of Section 423 of the Code.

16. EFFECTIVE DATE OF PLAN.

The Plan shall become effective on the same day on which the Company's registration statement under the Securities Act with respect to the initial public offering of shares of the Company's Common Stock becomes effective (the Effective Date), but no rights granted under the Plan shall be exercised unless and until the Plan had been approved by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted by the Board or the Committee, which date may be prior to the Effective Date.

17. CHOICE OF LAW.

All questions concerning the construction, validity and interpretation of this Plan shall be governed by the law of the State of California, without regard to such state's conflict of laws rules.

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WIRELESS FACILITIES, INC.

PROXY SOLICITED BY THE BOARD OF DIRECTORS

FOR THE ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON JUNE 15, 2004

The undersigned hereby appoints Masood K. Tayebi and Eric M. DeMarco, and each of them, as attorneys and proxies of the undersigned, with full power of substitution, to vote all of the shares of stock of Wireless Facilities, Inc. (the Company) which the undersigned may be entitled to vote at the Annual Meeting of Stockholders of the Company to be held at the Company's principal executive offices located at 4810 Eastgate Mall, San Diego, California on Tuesday, June 15, 2004 at 10:00 a.m. (local time), and at any and all postponements, continuations and adjournments thereof, with all powers that the undersigned would possess if personally present, upon and in respect of the following matters and in accordance with the following instructions, with discretionary authority as to any and all other matters that may properly come before the meeting.

Unless a contrary direction is indicated, this Proxy will be voted for the nominees listed in Proposal 1, for Proposal 2 and for Proposal 3 as more specifically described in the Proxy Statement. If specific instructions are indicated, this Proxy will be voted in accordance therewith.

(continued and to be signed on other side)

Please detach here

Management recommends a vote for the nominees for director listed below.
Proposal 1: To elect directors to hold office until the next Annual Meeting of Stockholders and until their successors are elected.

FOR all nominees listed below. (except as marked to the contrary below).

WITHHOLD AUTHORITY to vote for all nominees

listed below.

Nominees for Directors:01-Masood K. Tayebi, Ph.D., 02-Scott Anderson, 03-Bandel Carano, 04-Eric M. DeMarco, 05-William Hoglund, 06-Scot Jarvis, 07-William Owens.

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.

Management recommends a vote for Proposal 2
Proposal 2: To increase the maximum aggregate number of shares that may be issued under the Employee Stock Purchase Plan by 1,000,000 shares

For Against Abstain

Dated: _____, 2004.

Management recommends a vote for Proposal 3

Proposal 3: To ratify the selection of KPMG LLP as independent auditors of the Company for its fiscal year ending December 31, 2004.

Signature(s) in Box
Please sign exactly as your name appears hereon. If the stock is registered in the names of two or more persons, each should sign. Executors, administrators, trustees, guardians and attorneys-in-fact should add their titles. If signer is a corporation, please give full corporate name and have a duly authorized officer sign, stating title. If signer is a partnership, please sign in partnership name by authorized person.

Please vote, date and promptly return this proxy in the enclosed return envelope which is postage prepaid if mailed in the United States.