

First Financial Northwest, Inc.
Form SC 13D/A
June 26, 2015

CUSIP No. 32022K102 SCHEDULE 13D Page 1 of 28

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 13D

**Under the Securities Exchange Act of 1934
(Amendment No. 18)**

FIRST FINANCIAL NORTHWEST, INC.

(Name of Issuer)

Common Stock, par value \$0.01 per share

(Title of Class of Securities)

32022K102

(CUSIP Number)

Mr. Joseph Stilwell

111 Broadway, 12th Floor

New York, New York 10006

Telephone: (212) 269-1551

Edgar Filing: First Financial Northwest, Inc. - Form SC 13D/A

(Name, Address and Telephone Number of Person

Authorized to Receive Notices and Communications)

June 26, 2015

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition that is the subject of this Schedule 13D, and is filing this schedule because of §§240.13d-1(e), 240.13d-1(f) or 240.13d-1(g), check the following box. "

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 32022K102 SCHEDULE 13D Page 2 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Stilwell Value Partners VII, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b)

3. SEC Use Only

4. Source of Funds (See Instructions) WC, OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) "

Citizenship or Place of Organization:

6. Delaware

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) "

13. Percent of Class Represented by Amount in Row (11): 8.0%

14. Type of Reporting Person (See Instructions)
PN

CUSIP No. 32022K102 SCHEDULE 13D Page 3 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Stilwell Activist Fund, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions) WC, OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) "

Citizenship or Place of Organization:

6. Delaware

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) "

13. Percent of Class Represented by Amount in Row (11): 8.0%

Type of Reporting Person (See Instructions)

14.

PN

CUSIP No. 32022K102 SCHEDULE 13D Page 4 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Stilwell Activist Investments, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions) WC, OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) "

Citizenship or Place of Organization:

6. Delaware

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) "

13. Percent of Class Represented by Amount in Row (11): 8.0%

Type of Reporting Person (See Instructions)

14.

PN

CUSIP No. 32022K102 SCHEDULE 13D Page 5 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Stilwell Partners, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions) WC, OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) "

Citizenship or Place of Organization:

6. Delaware

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) "

13. Percent of Class Represented by Amount in Row (11): 8.0%

Type of Reporting Person (See Instructions)

14.

PN

CUSIP No. 32022K102 SCHEDULE 13D Page 6 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Stilwell Associates, L.P.

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions) WC, OO

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) "

Citizenship or Place of Organization:

6. Delaware

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) "

13. Percent of Class Represented by Amount in Row (11): 8.0%

Type of Reporting Person (See Instructions)

14.

PN

CUSIP No. 32022K102 SCHEDULE 13D Page 7 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Stilwell Value LLC

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions) n/a

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ☒ x

Citizenship or Place of Organization:

6. Delaware

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ☐ "

13. Percent of Class Represented by Amount in Row (11): 8.0%

Type of Reporting Person (See Instructions)

14.

OO

CUSIP No. 32022K102 SCHEDULE 13D Page 8 of 28

1. Names of Reporting Persons. I.R.S. Identification Nos. of above persons (entities only).

Joseph Stilwell

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a) ☒ x

(b) ☐

3. SEC Use Only

4. Source of Funds (See Instructions) n/a

5. Check if Disclosure of Legal Proceedings Is Required Pursuant to Items 2(d) or 2(e) ☒ x

Citizenship or Place of Organization:

6. United States

Number of

Shares

Beneficially

Owned by

Each

Reporting

Person With

7. Sole Voting Power: 0

8. Shared Voting Power: 1,191,901

9. Sole Dispositive Power: 0

10. Shared Dispositive Power: 1,191,901

11. Aggregate Amount Beneficially Owned by Each Reporting Person: 1,191,901

12. Check if the Aggregate Amount in Row (11) Excludes Certain Shares (See Instructions) ☐ "

13. Percent of Class Represented by Amount in Row (11): 8.0%

Type of Reporting Person (See Instructions)

14.

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CUSIP No. 32022K102 SCHEDULE 13D Page 9 of 28

Explanatory Note

This amendment to Schedule 13D is being filed to correct certain language in the second paragraph of Item 4 of the amendment to Schedule 13D filed by the Group (as defined below) on June 24, 2015. Since the prior amendment, there has been no change in the Group's beneficial ownership of Common Stock (as defined below).

Item 1. Security and Issuer

This is the eighteenth amendment (this "Eighteenth Amendment") to the original Schedule 13D, which was filed on September 12, 2011 (the "Original Schedule 13D"), amended on November 7, 2011 (the "First Amendment"), on January 12, 2012 (the "Second Amendment"), on February 15, 2012 (the "Third Amendment"), on February 24, 2012 (the "Fourth Amendment"), on April 5, 2012 (the "Fifth Amendment"), on May 29, 2012 (the "Sixth Amendment"), on June 8, 2012 (the "Seventh Amendment"), on June 12, 2012 (the "Eighth Amendment"), on June 25, 2012 (the "Ninth Amendment"), on August 9, 2012 (the "Tenth Amendment"), on December 20, 2012 (the "Eleventh Amendment"), on February 13, 2013 (the "Twelfth Amendment"), on March 19, 2013 (the "Thirteenth Amendment"), on May 2, 2013 (the "Fourteenth Amendment"), on November 6, 2013 (the "Fifteenth Amendment"), on May 13, 2015 (the "Sixteenth Amendment"), and on June 24, 2015 (the "Seventeenth Amendment"). This Eighteenth Amendment is being filed jointly by Stilwell Value Partners VII, L.P., a Delaware limited partnership ("Stilwell Value Partners VII"); Stilwell Activist Fund, L.P., a Delaware limited partnership ("Stilwell Activist Fund"); Stilwell Activist Investments, L.P., a Delaware limited partnership ("Stilwell Activist Investments"); Stilwell Partners, L.P., a Delaware limited partnership ("Stilwell Partners"); Stilwell Associates, L.P., a Delaware limited partnership ("Stilwell Associates"); Stilwell Value LLC, a Delaware limited liability company ("Stilwell Value LLC"), and the general partner of Stilwell Value Partners VII, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Associates and Stilwell Partners; and Joseph Stilwell, the owner of Stilwell Value LLC. All the filers of this statement are collectively referred to herein as the "Group."

This statement relates to the common stock, par value \$0.01 per share ("Common Stock"), of First Financial Northwest, Inc. (the "Company"). The address of the principal executive offices of the Company is 201 Wells Avenue South, Renton, Washington 98057. The amended joint filing agreement of the members of the Group is attached as Exhibit 12 to this Eighteenth Amendment.

Item 2. Identity and Background

(a)-(c) This statement is filed by Joseph Stilwell with respect to the shares of Common Stock beneficially owned by Joseph Stilwell, including shares of Common Stock held in the names of Stilwell Partners, Stilwell Value Partners VII, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Associates, in Joseph Stilwell's capacity as the owner of Stilwell Value LLC, which is the general partner of Stilwell Partners, Stilwell Value Partners VII, Stilwell Activist Fund, Stilwell Activist Investments and Stilwell Associates. Stilwell Value LLC is managed jointly by three co-managing members acting upon majority vote pursuant to the Limited Liability Company Agreement of Stilwell Value LLC. Such co-managing members are not deemed to be members of the Group.

CUSIP No. 32022K102 SCHEDULE 13D Page 10 of 28

The business address of Stilwell Value Partners VII, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Partners, Stilwell Associates, Stilwell Value LLC and Joseph Stilwell is 111 Broadway, 12th Floor, New York, New York 10006.

Joseph Stilwell is the owner of Stilwell Value LLC, an SEC registered investment adviser in the business of investment management. Stilwell Value Partners VII, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Partners, and Stilwell Associates are private investment partnerships engaged in the purchase and sale of securities for their own accounts. Stilwell Value LLC serves as the general partner of Stilwell Value Partners VII, Stilwell Activist Fund, Stilwell Activist Investments, Stilwell Associates, Stilwell Partners and related partnerships.

(d) During the past five years, no member of the Group has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors).

(e) During the past five years, no member of the Group has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and, as a result of such proceeding, was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, Federal or State securities laws or finding any violation with respect to such laws, except as indicated in Schedule A attached hereto.

(f) Joseph Stilwell is a citizen of the United States.

Item 3. Source and Amount of Funds or Other Consideration

All purchases of shares of Common Stock made by the Group using funds borrowed from Morgan Stanley, if any, were made in margin transactions on their usual terms and conditions. All or part of the shares of Common Stock owned by members of the Group may from time to time be pledged with one or more banking institutions or brokerage firms as collateral for loans made by such entities to members of the Group. Such loans generally bear interest at a rate based on the broker's call rate from time to time in effect. Such indebtedness, if any, may be refinanced with other banks or broker-dealers.

CUSIP No. 32022K102 SCHEDULE 13D Page 11 of 28

Item 4. Purpose of Transaction

We are filing this Eighteenth Amendment to revise the Item 4 language in the Seventeenth Amendment regarding the purpose for our investment in the Company.

Our purpose in acquiring shares of Common Stock of the Company is to profit from the appreciation in the market price of the shares of Common Stock through asserting shareholder rights. We do not believe the value of the Company's assets is adequately reflected in the current market price of the Company's Common Stock.

We solicited proxies for the Company's 2012 annual shareholders meeting on the basis that Mr. Karpiak (former Chairman and CEO) be removed from the board and the Company. We asked shareholders to vote for us only if they believed that Mr. Karpiak should be removed from the board and the Company should be sold. Our nominee beat Mr. Karpiak by a substantial percentage of the shareholder vote. The Company urged the inspector of elections to invalidate our votes, which he did, and we sued to enforce our rights. On December 19, 2012, we entered into a settlement agreement with the Company, pursuant to which, as subsequently amended, our nominee, Kevin Padrick, was seated as a director of the Company on March 14, 2013, and Mr. Karpiak resigned as Chairman of the Board. Subsequently, Mr. Karpiak was also replaced with a new CEO. Since then, the Company has cleaned up its non-performing assets and reached a good level of profitability, and we support the Company's continued pursuit of multiple share repurchases.

Since 2000, affiliates of the Group have filed Schedule 13Ds to report greater than 5% positions in 56 other publicly traded companies. For simplicity, these affiliates are referred to as the "Group", "we", "us", or "our." In each instance, our purpose has been to profit from the appreciation in the market price of the shares we held by asserting shareholder rights. In each situation, we believed that the values of the companies' assets were not adequately reflected in the market prices of their shares. Our actions are described below. We have categorized the descriptions of our actions with regard to the issuers based upon certain outcomes (whether or not, directly or indirectly, such outcomes resulted from the actions of the Group). Within each category the descriptions are listed in chronological order based upon the respective filing dates of the originally-filed Schedule 13Ds.

I. After we asserted shareholder rights, the following issuers were sold or merged:

Security of Pennsylvania Financial Corp. ("SPN") - We filed our original Schedule 13D to report our position on May 1, 2000. We scheduled a meeting with senior management to discuss ways to maximize the value of SPN's assets. On June 2, 2000, prior to the scheduled meeting, SPN and Northeast Pennsylvania Financial Corp. announced SPN's acquisition.

Cameron Financial Corporation ("Cameron") - We filed our original Schedule 13D to report our position on July 7, 2000. We exercised our shareholder rights by, among other things, requesting that Cameron management hire an investment banker, demanding Cameron's list of shareholders, meeting with Cameron's management, demanding that Cameron invite our representatives to join the board, writing to other shareholders to express our dismay with management's inability to maximize shareholder value and publishing that letter in the local press. On October 6, 2000, Cameron announced its sale to Dickinson Financial Corp.

Community Financial Corp. ("CFIC") - We filed our original Schedule 13D to report our position on January 4, 2001, following CFIC's announcement of the sale of two of its four subsidiary banks and its intention to sell one or more of its remaining subsidiaries. We reported that we acquired CFIC stock for investment purposes. On January 25, 2001, CFIC announced the sale of one of its remaining subsidiaries. We then announced our intention to run an alternate slate of directors at the 2001 annual meeting if CFIC did not sell the remaining subsidiary by then. On March 27, 2001, we wrote to CFIC confirming that CFIC's management had agreed to meet with one of our proposed nominees to the board. On March 30, 2001, before our meeting took place, CFIC announced its merger with First Financial Corporation.

Montgomery Financial Corporation ("Montgomery") - We filed our original Schedule 13D to report our position on February 23, 2001. On April 20, 2001, we met with Montgomery's management and suggested that they maximize shareholder value by selling the institution. We also informed management that we would run an alternate slate of directors at the 2001 annual meeting unless Montgomery was sold. Eleven days after we filed our Schedule 13D, however, Montgomery's board amended its bylaws to limit the pool of potential nominees to local persons with a banking relation and to shorten the deadline to nominate an alternate slate. We located qualified nominees under the restrictive bylaw provisions and noticed our slate within the deadline. On June 5, 2001, Montgomery announced that it had hired an investment banker to explore a sale. On July 24, 2001, Montgomery announced its merger with Union Community Bancorp.

CUSIP No. 32022K102 SCHEDULE 13D Page 12 of 28

Community Bancshares, Inc. ("COMB") - We filed our original Schedule 13D reporting our position on March 29, 2004. We disclosed that we intended to meet with COMB's management and evaluate management's progress in resolving its regulatory issues, lawsuits, problem loans, and non-performing assets, and that we would likely support management if it effectively addressed COMB's challenges. On November 21, 2005, we amended our Schedule 13D and stated that although we believed that COMB's management had made progress, COMB's return on equity would likely remain below average for the foreseeable future, and it should therefore be sold. We also stated that if COMB did not announce a sale before our deadline to solicit proxies for the next annual meeting, we would solicit proxies to elect our own slate. On January 6, 2006, we disclosed the names of our three board nominees. On May 1, 2006, COMB announced its sale to The Banc Corporation.

FedFirst Financial Corporation ("FFCO") - We filed our original Schedule 13D reporting our position on September 24, 2010. After several meetings with management, FFCO completed a meaningful number of share repurchases, and on April 14, 2014, FFCO announced its sale to CB Financial Services, Inc.

SP Bancorp, Inc. ("SPBC") - We filed our original Schedule 13D reporting our position on February 28, 2011. On August 9, 2013, we met with management and the chairman to assess the best way to maximize shareholder value. SPBC completed a meaningful number of share repurchases, and on May 5, 2014, SPBC announced its sale to Green Bancorp Inc.

TF Financial Corporation ("THRD") - We filed our original Schedule 13D reporting our position on November 29, 2012. We met with the CEO and the chairman, encouraging them to focus only on accretive acquisitions and to repurchase shares up to book value. They subsequently did both. On June 4, 2014, THRD announced its sale to National Penn Bancshares, Inc.

Jefferson Bancshares, Inc. ("JFBI") - We filed our original Schedule 13D reporting our position on April 8, 2013. Our shareholder proposal requesting the board seek outside assistance to maximize shareholder value through actions such as a sale or merger was defeated at JFBI's 2013 annual meeting. We met with management and the board of directors and told them that we would seek board representation at JFBI's 2014 annual meeting if JFBI did not announce its sale. JFBI announced its sale on January 23, 2014.

Fairmount Bancorp, Inc. ("FMTB") - We filed our original Schedule 13D reporting our position on September 21, 2012. On February 25, 2014, we reported our intention to seek board representation at FMTB's 2015 annual meeting if FMTB did not announce its sale. However, due to the appointment of our representative to another board in the local

area, we were unable to nominate our representative at the 2015 election of FMTB directors. We reiterated our intent to seek board representation at the earliest possible time if FMTB was not sold. FMTB's sale was announced on April 16, 2015.

Harvard Illinois Bancorp, Inc. ("HARI") - We filed our original Schedule 13D reporting our position on April 1, 2011. In 2012, we nominated a director for election at HARI's 2012 annual meeting and communicated our belief that HARI should merge with a stronger community bank. Our nominee was not elected, so we nominated a director at HARI's 2013 annual meeting and stated our position that HARI should be sold. We communicated to stockholders our intent to run a nominee every year until elected, and we nominated a director at HARI's 2014 annual meeting. Our nominee was not elected, so in April 2015, we began soliciting shareholder votes for our nominee for HARI's 2015 annual meeting. On May 21, 2015, HARI announced its sale to State Bank in Wonder Lake, IL. We subsequently withdrew our solicitation of proxies for the election of our nominee at HARI's 2015 annual meeting.

II. After we seated directors on the boards of the following issuers, the issuers were sold or merged:

HCB Bancshares, Inc. ("HCB") - We filed our original Schedule 13D reporting our position on June 14, 2001. On September 4, 2001, we reported that we had entered into a standstill agreement with HCB, under which HCB agreed to: (a) add a director selected by us, (b) consider conducting a Dutch tender auction, (c) institute annual financial targets, and (d) retain an investment banker to explore alternatives if it did not achieve its financial targets. On October 22, 2001, our nominee, John G. Rich, Esq., was named to the board. On January 31, 2002, HCB announced a modified Dutch tender auction to repurchase 20% of its shares. Although HCB's outstanding share count decreased by 33% between the filing of our original Schedule 13D and August 2003, HCB did not achieve the financial target. On August 12, 2003, HCB announced it had hired an investment banker to assist in exploring alternatives for maximizing shareholder value, including a sale. On January 14, 2004, HCB announced its sale to Rock Bancshares Inc.

CUSIP No. 32022K102 SCHEDULE 13D Page 13 of 28

Oregon Trail Financial Corp. (“OTFC”) - We filed our original Schedule 13D reporting our position on December 15, 2000. In January 2001, we met with the management of OTFC to discuss our concerns that management was not maximizing shareholder value, and we proposed that OTFC voluntarily place our representative on the board. OTFC rejected our proposal, and we announced our intention to solicit proxies to elect a board nominee. We demanded OTFC’s shareholder list, but OTFC refused to give it to us. We sued OTFC in Baker County, Oregon, and the court ruled in our favor and sanctioned OTFC. We also sued two OTFC directors alleging that one had violated OTFC’s residency requirement and that the other had committed perjury. Both suits were dismissed pre-trial but we filed an appeal in one suit and were permitted to re-file the other suit in state court. On August 16, 2001, we started soliciting proxies to elect Kevin D. Padrick, Esq. to the board. We argued in our proxy materials that OTFC should have repurchased its shares at prices below book value. OTFC announced the hiring of an investment banker. Then, the day after the 9/11 attacks, OTFC sued us in Portland, Oregon and moved to invalidate our proxies; the court denied the motion and the election proceeded.

On October 12, 2001, OTFC’s shareholders elected our candidate by a two-to-one margin. In the five months after the filing of our first proxy statement (i.e., from August 1 through December 31, 2001), OTFC repurchased approximately 15% of its shares. On March 12, 2002, we entered into a standstill agreement with OTFC. OTFC agreed to: (a) achieve annual targets for return on equity, (b) reduce its current capital ratio, (c) obtain advice from an investment banker regarding annual 10% stock repurchases, (d) re-elect our director to the board, (e) reimburse a portion of our expenses, and (f) withdraw its lawsuit. On February 24, 2003, OTFC and FirstBank NW Corp. announced their merger.

American Physicians Capital, Inc. (“ACAP”) - We filed our original Schedule 13D reporting our position on November 25, 2002. The Schedule 13D disclosed that on January 18, 2002, Michigan’s Insurance Department had approved our request to solicit proxies to elect two directors to ACAP’s board. On January 29, 2002, we noticed our intention to nominate two directors at the 2002 annual meeting. On February 20, 2002, we entered into a three-year standstill agreement with ACAP, providing for ACAP to add our nominee to its board. ACAP also agreed to consider using a portion of its excess capital to repurchase ACAP’s shares in each of the fiscal years 2002 and 2003 so that its outstanding share count would decrease by 15% for each of those years. In its 2002 fiscal year, ACAP repurchased 15% of its outstanding shares; these repurchases w