

Simplicity Bancorp, Inc.
Form DEFM14A
January 06, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
(Rule 14a-101)
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

Simplicity Bancorp, Inc.

(Name of Registrant as Specified In Its Charter)

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 - 1) Title of each class of securities to which transaction applies:

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 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11
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 - 1) Amount Previously Paid:

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

3) Filing Party:

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January 6, 2015

Dear HomeStreet Shareholder:

It is my distinct pleasure to invite you to attend a special meeting of shareholders of HomeStreet, Inc. The meeting will be held at 10 a.m. Pacific Time on January 29, 2015 at the downtown Seattle Hilton Hotel, Winward Room, located at 1301 Sixth Avenue, Seattle Washington. A map and directions to the meeting location can be found at the back of the attached joint proxy statement. The purpose of this meeting is to consider and vote upon the issuance of up to 7,479,964 shares of HomeStreet common stock in connection with our merger with Simplicity Bancorp, Inc., and the related merger of our wholly owned subsidiary, HomeStreet Bank, with Simplicity's wholly owned subsidiary, Simplicity Bank. Simplicity is headquartered in Covina, California, and Simplicity Bank has branches serving much of the Los Angeles basin.

With this letter, we are including the notice of the HomeStreet special meeting, the joint proxy statement and a proxy card. You may also find these documents online at <http://ir.homestreet.com>.

The boards of directors of HomeStreet and HomeStreet Bank have approved the merger and the transactions related to it, including the issuance of shares of HomeStreet common stock to Simplicity stockholders upon completion of the merger. Because we are acquiring Simplicity Bancorp, and we will be the surviving company in the transaction, your approval of the merger is not required under the Washington Business Corporation Act. However, we are soliciting your approval of the issuance of shares of HomeStreet common stock upon completion of the merger. This distinction is important because the resolution we are submitting for your approval requires the affirmative vote of a majority of shares voting on the matter, rather than the approval of two-thirds of our outstanding common stock that would be required if we were required to seek shareholder approval of the merger. The Board of Directors believes the proposals are in the best interests of HomeStreet and its shareholders and accordingly, recommends that you vote FOR each of the proposals set forth in the enclosed proxy statement.

If you would like to receive electronic notification of documents filed with the Securities and Exchange Commission and the issuance of press releases, you may subscribe for e-mail delivery at <http://ir.homestreet.com>.

Your vote is important. Whether or not you plan to attend the special meeting, we hope you will vote as soon as possible so that your shares are represented. We urge you to complete, sign and date your proxy card and promptly return it in the postage-paid envelope provided. This will not prevent you from voting in person, but will ensure that your vote is counted if you cannot attend. Thank you for your ongoing support of and continued interest in HomeStreet, Inc.

David A. Ederer

Chairman of the Board

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NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To be Held on January 29, 2015

You are hereby notified of a special meeting of shareholders of HomeStreet, Inc., a Washington corporation (HomeStreet), that will be convened at 10:00 a.m., Pacific Standard Time, on January 29, 2015, in the Winward Room of the Hilton Hotel, 1301 Sixth Avenue, Seattle, Washington 98101(the HomeStreet special meeting), in order to consider and vote upon the following proposals:

1. To approve the issuance of up to 7,479,964 shares of HomeStreet common stock in connection with a proposed merger between HomeStreet and Simplicity Bancorp, Inc., a Maryland corporation whose principal place of business is in Covina, California, pursuant to an Agreement and Plan of Merger dated September 27, 2014; and
2. To transact such other business as may properly come before the HomeStreet special meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on December 31, 2014 (the record date for the HomeStreet special meeting), are entitled to notice of the meeting and an opportunity to vote.

We are asking that you provide HomeStreet's board of directors with your vote prior to the meeting by completing and returning the enclosed proxy card as soon as possible, or by submitting your proxy by telephone or Internet voting by following the instructions in the accompanying joint proxy statement and on the enclosed proxy card. Additionally, we hope that you can attend the meeting in person. If you submit your proxy and later wish to change your vote, you may do so either by submitting a new proxy or by voting in person at the meeting. If you cannot attend the meeting and vote in person, please submit a proxy as soon as possible so that your shares can be voted as you instruct. Please submit your proxy in accordance with the specific instructions set forth on the enclosed proxy card. You may vote by mail, by telephone or via the Internet. Please refer to the questions and answers section commencing on page 11 of the accompanying joint proxy statement, the section of the joint proxy statement entitled Summary of the Transaction beginning on page 4, and the instructions on the proxy card.

Godfrey B. Evans

Executive Vice President, General Counsel

and Corporate Secretary

January 6, 2015

IMPORTANT NOTE: We are soliciting your vote to approve the issuance of HomeStreet common stock in the merger as further described in the accompanying joint proxy statement. Under Nasdaq rules, we must obtain the approval of the holders of a majority of HomeStreet's common stock voting at the meeting, prior to issuing the shares that represent the merger consideration, and we cannot complete the merger in the absence of such

approval. However, the Washington Business Corporation Act does not require shareholder approval for the merger, and we are not seeking your approval of the merger or soliciting your proxy for that purpose.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR HOMESTREET S SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JANUARY 29, 2015: This joint proxy statement, as well as HomeStreet s annual and periodic reports, are available on HomeStreet s website at ir.homestreet.com. In accordance with SEC rules, our proxy materials posted on this website do not contain any cookies or other tracking features. The SEC maintains a website located at www.sec.gov that also contains this information. The information on HomeStreet s website and the SEC s website are not part of this joint proxy statement.

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January 6, 2015

Dear Stockholder:

We cordially invite you to attend a special meeting of the stockholders of Simplicity Bancorp, Inc. (Simplicity), the parent company of Simplicity Bank. The special meeting will be held at the Hilton Pasadena Hotel, located at 168 South Los Robles, Pasadena, California 91101, at 5:00 p.m., local time, on February 11, 2015.

The purpose of this meeting is to consider and vote upon a proposal to approve an Agreement and Plan of Merger pursuant to which Simplicity will merge with and into HomeStreet, Inc., a Seattle-based savings and loan holding company, and Simplicity Bank will merge with and into HomeStreet s wholly owned subsidiary, HomeStreet Bank. If the merger is completed, Simplicity stockholders will be entitled to receive one share of HomeStreet common stock for each share of Simplicity common stock they own at the effective time, subject to certain adjustments if HomeStreet s average closing price during a specified measurement period prior to the effective time is more than \$20, and subject to adjustment or termination if HomeStreet s average closing price during that period is less than \$15 per share. We believe that the merger will allow our stockholders to become a part of a rapidly growing, dynamic and service-oriented company that will continue to serve our customers and our markets, while also diversifying Simplicity s capabilities and providing a significantly more capable full-service banking and mortgage banking franchise. We are enthusiastic about this opportunity, and the accompanying proxy statement provides the reasons for this transaction and the process we employed before selecting HomeStreet as our merger partner. We also are seeking your approval on a non-binding, advisory resolution pertaining to certain payments to be made to our named executive officers upon consummation of the merger.

For the reasons set forth in the accompanying joint proxy statement, Simplicity s directors have determined that the merger agreement, the merger and the related transactions (including the payments to be made to our named executive officers in connection with the merger) are in the best interests of Simplicity and its stockholders. Our board of directors has unanimously approved the transactions and recommends that you cast your vote FOR the approval of the merger agreement, the merger and the related transactions and FOR the non-binding, advisory resolution pertaining to certain payments to be made to our named executive officers upon consummation of the merger.

You may vote your shares by Internet, telephone, regular mail or in person at the special meeting. Instructions regarding the various methods of voting are contained on the notice and on the proxy card.

On behalf of our board of directors, we urge you to vote your shares of common stock as soon as possible even if you currently plan to attend the special meeting. This will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the special meeting.

Sincerely,

Dustin Luton

President and Chief Executive Officer

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NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

To be Held on February 11, 2015

You are hereby notified of a special meeting of stockholders of Simplicity Bancorp, Inc., a Maryland corporation (Simplicity), that will be convened at 5:00 p.m., Pacific Standard Time, on February 11, 2015, at the Hilton Pasadena Hotel, 168 South Los Robles, Pasadena, California 91101 (the Simplicity special meeting), in order to consider and vote upon the following proposals:

1. To approve the Agreement and Plan of Merger dated September 27, 2014 between Simplicity and HomeStreet, Inc., a Washington corporation and a registered savings and loan holding company, and the transactions contemplated thereby.
2. To approve an advisory (non-binding) resolution approving certain payments to be made to Simplicity s named executive officers in connection with the transactions contemplated by proposal 1 above.
3. To transact such other business that may properly come before the Simplicity special meeting or any adjournment or postponement thereto.

Only stockholders of record at the close of business on December 31, 2014 (the record date for the Simplicity special meeting), are entitled to notice of the meeting and an opportunity to vote.

We are requesting that you provide Simplicity s board of directors your vote prior to the meeting by completing and returning the enclosed proxy card as soon as possible, or by telephone or Internet voting by following the instructions in the accompanying joint proxy statement and on the enclosed proxy card. Additionally, we hope that you can attend the meeting in person. If you submit your proxy and later wish to change your vote you may do so, either by submitting a new proxy or by voting in person at the meeting. If you are unable to attend the meeting and vote in person, please submit a proxy as soon as possible, so that your shares can be voted at the meeting in accordance with your instructions. Please submit your proxy by mail, by telephone or via the Internet in accordance with the specific instructions set forth in the enclosed proxy card. Please refer to the questions and answers section commencing on page 11 of the accompanying joint proxy statement, the section of the joint proxy statement entitled Summary of the Transaction beginning on page 4, and the instructions on the proxy card.

Dustin Luton

President and Chief Executive Officer

January 6, 2015

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR SIMPLICITY S SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON FEBRUARY 11, 2015:

This joint proxy statement and a proxy card are available at www.proxyvote.com. The information on this website is not part of this joint proxy statement.

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**BEFORE THE
CALIFORNIA DEPARTMENT
OF
BUSINESS OVERSIGHT**

In the Matter of the Application of)
HOMESTREET, INC.) NOTICE OF HEARING PURSUANT TO
For Permit Authorizing Sale and Issuance of Securities) SECTION 25142 OF THE CALIFORNIA
Pursuant to Sections 25121 and 25142 of the Corporate) CORPORATIONS CODE
Securities Laws of 1968, as amended)
FILE NO. -
)
)
)
)

TO: All Holders of Outstanding Shares of Common Stock of

Simplicity Bancorp, Inc., a Maryland corporation (Simplicity)

THIS NOTICE DOES NOT CONSTITUTE A RECOMMENDATION ON, OR A SOLICITATION OF, A STOCKHOLDER'S VOTE ON THE MERGER. SHORTLY AFTER THE HEARING AND THE ISSUANCE OF A PERMIT, SIMPLICITY BANCORP STOCKHOLDERS WILL BE ASKED TO VOTE ON THE MERGER AGREEMENT AND THE PRINCIPAL TERMS OF THE MERGER AT A SPECIAL MEETING OF THE STOCKHOLDERS OF SIMPLICITY BANCORP, INC.

Notice is hereby given that on January , 2015 at the hour of a.m. (Los Angeles time), a public hearing will be held before , a Hearing Officer for the California Commissioner of the California Department of Business Oversight (the California Commissioner) at 320 West Fourth Street Suite 750, Los Angeles, California 90013, upon the application filed on December , 2014 by HomeStreet, Inc., a Washington corporation and a registered savings and loan holding company (HomeStreet or the Applicant) for a permit (the Permit) authorizing the issuance of its common stock pursuant to an Application for Qualification of Securities by Permit pursuant to Section 25121 of the Corporate Securities Law of 1968 (the Corporations Code).

FACTS GIVING RISE TO HEARING

The purpose of the hearing is to enable the California Commissioner to determine, pursuant to Section 25142 of the Corporations Code, whether the terms and conditions of the transaction described or incorporated by reference herein are fair, just and equitable. Accompanying this Notice is a Definitive Joint Proxy Statement on Schedule 14A filed by

HomeStreet and Simplicity with the United States Securities and Exchange Commission on January 6, 2015. Certain portions of the contents of the joint proxy statement are incorporated herein by reference as further described below, and we urge Simplicity's stockholders to read that document and any documents incorporated by reference carefully in their entirety.

A FINDING BY THE CALIFORNIA COMMISSIONER THAT THE PROPOSED TRANSACTION IS FAIR, JUST AND EQUITABLE, AND THE ISSUANCE OF A PERMIT BASED ON THOSE FINDINGS, IS NOT A RECOMMENDATION OF THE PROPOSED TRANSACTION, NOR DOES IT CONSTITUTE THE SOLICITATION OR RECOMMENDATION OF A PROXY IN CONNECTION THEREWITH.

Pursuant to an Agreement and Plan of Merger between HomeStreet and Simplicity dated September 27, 2014 (the merger agreement), a copy of which is included herewith as Annex A to the joint proxy statement, HomeStreet proposes to acquire Simplicity and Simplicity Bank by having Simplicity merge into HomeStreet (the merger) and, immediately thereafter, by having Simplicity Bank to merge into HomeStreet Bank, whereupon the separate existence of Simplicity and Simplicity Bank will cease. HomeStreet would be the

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surviving corporation in the merger and HomeStreet Bank would be the resulting bank in the bank merger. Simplicity stockholders will be entitled to receive one share of HomeStreet common stock for each share of Simplicity common stock they own at the effective time, subject to certain adjustments if HomeStreet's average closing price during a specified measurement period prior to the effective time is more than \$20, and subject to adjustment or termination as described herein if HomeStreet's average closing price during that period is less than \$15 per share.

APPLICANT'S DESCRIPTION OF THE MATERIAL FEATURES OF THE MERGER.

The material features of the merger are described in detail in the joint proxy statement. The table below provides, for purposes of this Notice, the information required to be set forth herein, including page and section references to the joint proxy statement. The information set forth in the corresponding section of the joint proxy statement is incorporated herein by reference.

Terms	Page	Section
<u>Effect on Capital Stock.</u>	5	Summary of the Transaction The Transaction.
	111	The Merger Summary of the Merger Merger Consideration; Conversion of Shares.
<u>Fractional Shares.</u>	112	The Merger Summary of the Merger Fractional Shares.
<u>Dissenters' Rights.</u>	8	Summary of the Transaction Dissenters Rights.
	113	The Merger Summary of the Merger Dissenters' Rights.
<u>Expected Closing.</u>	6	Summary of the Transaction The Transaction Anticipated Closing.
	112	The Merger Summary of the Merger Closing and Effective Time.

The description of the merger incorporated by reference above is not complete and is qualified by its entirety by the language of the merger agreement. Readers should refer to the merger agreement and its exhibits for a complete understanding of the merger.

APPLICANT'S DESCRIPTION OF THE OTHER MATERIAL PROVISIONS OF THE MERGER AGREEMENT.

Terms	Page	Section
<u>Representations and Warranties.</u>	6	Summary of the Transaction Representations and Warranties.

	114	The Merger	Summary of the Merger	Representations and Warranties.
<u>Actions Pending Acquisition.</u>	115	The Merger	Summary of the Merger	Covenants and Agreements; Regulatory Matters; Employee Benefit Matters; Certain Additional Covenants.
<u>Conditions to Consummation of the Merger.</u>	7	Summary of the Transaction	Closing Conditions.	
	128	The Merger	Summary of the Merger	Conditions to Complete the Merger.
<u>Termination.</u>	7	Summary of the Transaction	Termination and Breakup Fees; Specific Performance.	
	129	The Merger	Summary of the Merger	Termination of the Merger Agreement; Effect of Termination; Termination Fees; Specific Performance.

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BACKGROUND OF AND REASONS FOR THE MERGER.

The information set forth in the joint proxy statement under the headings Background of and Reasons for the Merger (beginning at page 79), Background of and Reasons for the Merger Reasons of Simplicity for the Merger (beginning at page 84), and Background of and Reasons for the Merger Reasons of HomeStreet for the Merger (beginning at page 86) is incorporated herein by reference.

APPLICANT S DESCRIPTION OF THE GENERAL EFFECT UPON THE RIGHTS OF EXISTING SHAREHOLDERS.

The information set forth in the joint proxy statement under the headings Background of and Reasons for the Merger (beginning at page 79), The Merger General (beginning at page 111), The Merger Summary of the Merger Merger Consideration (beginning at page 111), and The Merger Summary of the Merger Fractional Shares (beginning at page 112) is incorporated herein by reference.

APPLICANT S DESCRIPTION OF NUMBER OF SHAREHOLDERS; VOTE REQUIRED.

***Applicant.** The issuance of the Applicant s common stock as merger consideration requires the affirmative vote of the holders of a majority of the shares of HomeStreet common stock voting at the HomeStreet special meeting. As of the record date for the HomeStreet special meeting there were 14,856,610.6 shares of HomeStreet common stock outstanding and held by approximately 132 shareholders of record.*

***Simplicity.** The approval of the principal terms of the merger agreement and the merger requires the affirmative vote of the holders of a majority of the shares of Simplicity common stock outstanding and entitled to vote. The advisory vote on certain compensation payable to named executive officers will be approved if the holders of a majority of the votes cast of Simplicity common stock vote to adopt the proposal. As of the record date for the Simplicity special meeting there were 7,392,908 shares of Simplicity common stock outstanding and held by approximately 2,616 stockholders of record.*

APPLICANT S DESCRIPTION OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS.

The information set forth in the joint proxy statement under the heading United States Federal Income Tax Consequences of the Merger (beginning at page 136) is incorporated herein by reference.

DESCRIPTION OF BUSINESS OF APPLICANT AND SIMPLICITY.

HomeStreet.

The information set forth in the joint proxy statement under the headings Information about HomeStreet Business (beginning at page 139) is incorporated herein by reference.

Simplicity.

The information set forth in the joint proxy statement under the headings Information about Simplicity (beginning at page 277) is incorporated herein by reference.

FURTHER INFORMATION.

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Further information concerning the merger can be found in the Applicant's permit application file and the documents filed in connection therewith at the California Department of Business Oversight, 320 West 4th Street, Suite 750, Los Angeles, California 90013. Copies of the joint proxy statement are available from the SEC's website at <http://www.sec.gov>, or from the Applicant by writing to Godfrey B. Evans, Executive Vice President, General Counsel and Corporate Secretary, HomeStreet, Inc., 601 Union Street Suite 2000, Seattle, Washington 98101.

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HEARING.

Any interested persons may attend the hearing, may (but need not) be represented by legal counsel, and will be given an opportunity to be heard. Any interested person will be entitled to the issuance of subpoenas to compel the attendance of witnesses and the production of books, documents and other items by applying for such subpoenas to the California Department of Business Oversight, 320 West 4th Street, Suite 750, Los Angeles, California 90013. If you are interested in this matter, you may appear at the hearing in favor of or in opposition to the granting of the Permit. Whether or not you plan to attend, you are invited to make your views known by sending correspondence for receipt prior to the date of the hearing to Theresa Leets, Senior Corporations Counsel for the California Commissioner of the California Department of Business Oversight, 320 West 4th Street, Suite 750, Los Angeles, California 90013.

The hearing will be held for the purpose of enabling the California Commissioner to determine the fairness of the terms and conditions of the issuance of the securities of the Applicant pursuant to the merger agreement and the merger and will be based upon the application and all papers and documents filed in connection therewith. Section 25142 of the California Securities Law authorizes the California Commissioner to hold such hearing when securities will be issued in exchange for other outstanding securities (whether or not the security of transaction is exempt from qualification), to approve the terms and conditions of such issuance and exchange, and to determine whether such terms and conditions are fair, just and equitable.

A FINDING BY THE CALIFORNIA COMMISSIONER THAT THE PROPOSED TRANSACTION IS FAIR, JUST AND EQUITABLE, AND THE ISSUANCE OF A PERMIT THEREAFTER, IS NOT A RECOMMENDATION OF THE PROPOSED TRANSACTION, NOR IS IT A SOLICITATION OF A PROXY OR A RECOMMENDATION AS TO HOW A STOCKHOLDER SHOULD VOTE.

Los Angeles, California

Jan Lynn Owen
Commissioner of Business Oversight

By:
Title:

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JOINT PROXY STATEMENT

This joint proxy statement is being furnished to the shareholders of HomeStreet, Inc., a Washington corporation and a registered savings and loan holding company whose principal place of business is in Seattle, Washington (HomeStreet), and the stockholders of Simplicity Bancorp, Inc., a Maryland corporation and a registered savings and loan holding company whose principal place of business is in Covina, California (Simplicity) in connection with special meetings of HomeStreet s shareholders and Simplicity s stockholders, respectively, pursuant to an Agreement and Plan of Merger between HomeStreet and Simplicity dated September 27, 2014 (the merger agreement). Upon the approval of HomeStreet s shareholders and Simplicity s stockholders at the respective special meetings called for such purpose, and the satisfaction of certain other conditions set forth in the merger agreement, Simplicity will merge with and into HomeStreet with HomeStreet as the surviving corporation (the merger). Simplicity stockholders will receive, as merger consideration, one share of HomeStreet common stock for each share of Simplicity common stock, subject to adjustment as described herein. Immediately after the merger, the parties wholly owned subsidiary banks will merge: Simplicity Bank into HomeStreet Bank, with HomeStreet Bank as the resulting bank. The parties to the Merger Agreement are:

HomeStreet, Inc.

Two Union Square Suite 2000

601 Union Street

Seattle, Washington 98101

Each of the parties to the merger agreement is convening a special meeting of its shareholders to consider and vote upon proposals relating to the merger. HomeStreet is seeking the approval of the holders of a majority of the shares of its common stock voting at the HomeStreet special meeting on a proposal to approve the issuance of up to 7,479,964 shares of common stock as consideration to the Simplicity stockholders upon consummation of the Merger (such shares, the merger consideration). Simplicity is seeking the approval of a proposal approving the merger agreement, the merger and certain related transactions as further described herein, by the holders of shares representing a majority of its common stock outstanding and entitled to vote. Simplicity is also seeking the vote of its stockholders on an advisory proposal pertaining to the approval of certain compensation payable to its named executive officers in connection with the merger. Approval of this proposal will require the affirmative vote of a majority of the votes cast

Profit sharing contributions continue to vest over the five year vesting schedule.

AZZ incorporated Employee Benefit Plan and Trust

Notes to Financial Statements (continued)

Participants will vest 100% upon attainment of age 65, or in the event of death or disability while employed by the Company.

Notes Receivable from Participants

Participants may borrow from their account a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their vested account balance. Loan terms range from one to fifteen (15) years. The loans are secured by the balance in the participant's account and bear interest at prime. Interest rates for 2011 ranged from 3.25% to 9.25%. Principal and interest are paid ratably through payroll deductions.

Participant Withdrawals

On termination of service, if a participant's vested benefits are less than \$1,000, the benefit is payable in a lump sum. If the vested benefit is greater than \$1,000, the participant may elect to receive either a lump-sum amount or annual installments over a period not to exceed the life expectancy of the participant and the participant's beneficiary. Prior to termination of service, a participant may elect to receive all or any portion of their accrued benefit if the participant has participated in the Plan at least five years and is 100% vested.

B. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Accordingly, actual results may differ from these estimates.

Investment Valuation

The investments of the Plan are stated at fair value as of the end of the Plan year.

Purchases and sales of securities are recorded on the trade dates. Gains or losses on sales of securities are calculated using the average cost of the securities sold. Interest income is recorded on the accrual basis.

All investments and uninvested cash were held by Mass Mutual under a trust agreement. The Plan's investments are generally subject to market or credit risks customarily associated with debt and equity investments.

AZZ incorporated Employee Benefit Plan and Trust

Notes to Financial Statements (continued)

Recently Adopted Accounting Guidance

In March 2010, the Plan adopted the guidance issued by the Financial Accounting Standards Board (FASB) on the classification of participant loans on the statement of net assets available for benefits. The guidance requires that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. Adoption of this new guidance did not have a material impact on the Plan's financial statements.

On March 1, 2010, the Plan adopted guidance issued by the FASB to amend the disclosure requirements related to recurring and nonrecurring fair value measurements. The guidance required new disclosures on the transfers of assets and liabilities between Level 1 (quoted prices in an active market for identical assets or liabilities) and Level 2 (significant other observable inputs) of the fair value measurement hierarchy, including the reasons and the timing of the transfers. Additionally, the guidance required disclosing the gross values in a roll forward of activities on purchases, sales, issuance, and settlements of the assets and liabilities measured using significant unobservable inputs (Level 3 fair value measurements). The guidance became effective for the Plan on March 1, 2010, except for the disclosure on the roll forward activities for Level 3 fair value measurements, which will become effective for the Plan for the reporting period ending December 31, 2011. Other than requiring additional disclosures, the adoption of this new guidance did not have a material impact on the Plan's financial statements.

Recently Accounting Pronouncements Not Yet Adopted

In May 2011, FASB issued guidance to amend the accounting and disclosure requirements on fair value measurements. The new guidance limits the highest-and-best-use measure only to nonfinancial assets, permits the fair value measurement of certain financial assets and liabilities with offsetting positions in market risks or counterparty credit risks to be measured at a net basis, and provides guidance on whether the applicability of premiums and discounts can be applied in fair value measurement. The new guidance will be effective for the Plan beginning January 1, 2012. Other than requiring additional disclosures, we do not anticipate material impacts on the Plan's financial statements upon adoption.

Notes Receivable from Participants

Notes receivable from participants are recorded at their unpaid principal balance plus any accrued but unpaid interest.

Contributions

Participant and employer contributions are accrued in the period in which they are deducted in accordance with salary deferral agreements and as they become obligations of the Company, as determined by the Plan's administrator.

Payment of Benefits

Benefits are recorded when paid.

AZZ incorporated Employee Benefit Plan and Trust

Notes to Financial Statements (continued)

Plan Expenses

Employees of the company perform certain administrative functions with no compensation from the Plan. The Company or the Plan pays administrative expenses of the Plan. Administrative expenses paid by the Plan are properly reflected in the accompanying statements of changes in net assets available for benefits.

Subsequent Events

The Plan evaluated all events or transactions that occurred after February 28, 2011 through the date these financial statements were issued.

Effective June 3, 2011, the trustee of the plan was changed from State Street Trust to Reliance Trust Company.

C. Investments

At February 28, 2011 and 2010, individual investments that represent 5% or more of net assets available for benefits are as follows:

	2011
MFS Value Fund	\$ 5,723,692
Premier Money Market Fund	6,328,758
American Funds Growth Fund of America	7,293,902
American Funds EuroPacific Growth Fund	5,703,443
PIMCO Total Return Fund	8,543,460
Columbia Mid-Cap Growth Fund	3,741,401
	2010
MFS Value Fund	\$ 4,328,748
Premier Money Market Fund	4,086,438
American Funds Growth Fund of America	5,424,359
American Funds EuroPacific Growth Fund	4,723,994
PIMCO Total Return Fund	6,389,949

During the years ended February 28, 2011 and 2010, net realized and unrealized gains were comprised of the following:

	2011	2010
Mutual funds	\$ 5,198,324	\$ 8,507,886
AZZ incorporated common stock	189,870	217,115

Net realized and unrealized gains	\$	5,388,194	\$	8,725,001
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AZZ incorporated Employee Benefit Plan and Trust

Notes to Financial Statements (continued)

D. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy has been established that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used. The three levels are defined as follows:

- Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the reporting date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs that are not corroborated by market data.

A description of the methodologies used to measure the fair value of assets and liabilities follows. These methodologies were consistently applied to all assets carried as of February 28, 2011. The methodology used to measure each major category of assets and liabilities is as follows:

- Mutual funds: Valued based on quoted market prices of the underlying assets provided by the trustee and are classified within Level 1 of the valuation hierarchy.
- Common stock: Valued at the closing price reported on the active market on which the individual securities are traded and classified within Level 1 of the valuation hierarchy.
- Money market fund: Valued based on the short-term cash component as of the measurement date and classified within Level 1 of the valuation hierarchy.

Fair Value Measurements at February 28, 2011 Using				
	Total Carrying Value as of February 28, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 676,519	\$ 676,519		
Bond Fund	2,209	2,209		
Growth Funds	16,738,746	16,738,746		
Income Funds	67,743	67,743		
Indexed Equity Funds				
	2,283,562	2,283,562		
Total Return Funds	8,751,073	8,751,073		
Target Date Funds	14,693,712	14,693,712		
	6,347,398	6,347,398		

Money Market
Funds

Value Fund	5,723,692	5,723,692
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Total Investment at

Fair Value	\$ 55,284,654	\$ 55,284,654
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AZZ incorporated Employee Benefit Plan and Trust

Notes to Financial Statements (continued)

Fair Value Measurements at February 28, 2010 Using				
	Total Carrying Value as of February 28, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common Stock	\$ 497,975	\$ 497,975		
Bond Fund	18,489	18,489		
Growth Funds	12,136,574	12,136,574		
Income Funds	21,733	21,733		
Indexed Equity Funds				
	1,176,364	1,176,364		
Total Return Funds	6,415,008	6,415,008		
Target Date Funds	8,002,065	8,002,065		
Money Market Funds				
	4,149,319	4,149,319		
Value Fund	4,328,748	4,328,748		
Total Investment at Fair Value	\$ 36,746,275	\$ 36,746,275		

E. Forfeited Accounts

At February 28, 2011, net assets available for benefits include approximately \$224,524 of unallocated forfeitures. Unallocated forfeiture amounts will be appropriately allocated during the 2012 Plan year.

F. Plan Termination

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

G. Income Tax Status

In March 2005, the Plan received a determination letter from the IRS stating that the Plan as adopted is qualified under Section 401(a) of the Code, and, therefore, the related trust is exempt from taxation.

Effective March 1, 2008, the Plan was amended to become a safe-harbor Qualified Automatic Contribution Arrangement ("QACA"), pursuant to Section 401(k)(13) of the Code, as added by the Pension Protection Act of 2006. As required by section 401(k) of the Code, the Plan provides that employees may not receive a distribution of their

employee deferral contributions while actively employed by AZZ, unless they have attained age 59½, or have experienced a financial hardship. Despite these restrictions, the Plan Administrator and Record-keeper inadvertently distributed elective deferral contributions and QACA matching contributions inconsistent with the withdrawal restrictions applicable to such contributions under Section 401(k)(13)(D)(iii)(II) of the Code to certain employees who requested in-service distributions from their Plan accounts.

AZZ incorporated Employee Benefit Plan and Trust

Notes to Financial Statements (continued)

The improper distributions occurred from October 2007 through June 2008 to 74 Plan participants, and the aggregate amount of all the improper distributions was \$199,725. This error was operational failure and not a Plan document failure and, thus, is eligible for the self-correction program. In order to correct the distribution errors consistent with Revenue Procedure 2008-50, AZZ made a contribution to the Plan during fiscal year 2010 in an amount equal to the gross amount of the improper distributions, plus earnings at a rate of 6% which was placed in an unallocated suspense account and reported the distribution as taxable to the participants thereby making the Plan whole.

GAAP requires Plan management to evaluate tax positions taken by the plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of February 28, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) and believes that with the correction of the operational issue in accordance with Internal Revenue Service guidance, the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes that the Plan is qualified and the related trust continues to be tax exempt. Therefore, no provision for income taxes has been included in the Plan's financial statements.

H. Plan Amendments

Effective March 1, 2008, the Plan was amended to become a safe-harbor Qualified Automatic Contribution Arrangement ("QACA"), pursuant to Section 401(k)(13) of the Code, as added by the Pension Protection Act of 2006.

Effective May 1, 2010, Adoption Agreement section 10-1 of the Plan was amended to restrict in-service distributions of employer discretionary funds only after the employee has been employed by the employer for five (5) years.

Effective June 1, 2010, Loan Policy section B-8 of the Plan was amended to permit participant loan refinancing.

Effective January 1, 2011, Adoption Agreement section A-15 of the Plan was amended to merge the North American Galvanizing Savings-Investment-Retirement Plan and the NAGLV-Ohio, Inc. Hourly Employees 401(k) Plan into the Plan.

Effective March 1, 2010, Section IA2-6(d)(1)(ii) of the Plan was amended to change the period for determining the QACA matching contribution from Plan Year to payroll period.

Effective March 1, 2011, the plan was amended to change to a calendar year end reporting period from a February 28 fiscal year end with a short plan year running from March 1, 2011 to December 31, 2011. It also amended forfeiture use to reduce plan expenses. Any remaining forfeitures will be available for allocation.

Effective March 1, 2011, the Administrative Services Agreement was amended to allow the Plan Administrator to provide the Transfer Agent with a listing of the name, address and equivalent shares attributable to each Participant on the record date. The Transfer Agent will provide participants with the Proxy materials and collect and tabulate the votes and report the tabulation to the Trustee/Custodian.

SUPPLEMENTAL SCHEDULE

AZZ incorporated Employee Benefit Plan and Trust
Form 5500, Schedule H, Line 4i - Schedule of Assets (Held at End of Year)
February 28, 2011

Plan: 001

EIN: 75-0948250

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par or maturity value	(d) Cost	(e) Current Value
*	Mass Mutual Premier	Holding Account	**	\$ 18,640
*	Columbia Acorn Fund	Mid Cap Growth Fund	**	3,741,401
*	MFS Investment Management	Value Fund	**	5,723,692
*	MFS Investment Management	Bond Fund	**	2,209
*	T. Rowe Price	Income Fund	**	67,743
*	T. Rowe Price	Retirement 2005 Fund	**	59,889
*	T. Rowe Price	Retirement 2015 Fund	**	2,065,064
*	T. Rowe Price	Retirement 2025 Fund	**	1,920,077
*	T. Rowe Price	Retirement 2035 Fund	**	1,065,071
*	T. Rowe Price	Retirement 2010 Fund	**	1,379,845
*	Babson Capital	Premier Money Market Fund	**	6,328,758
*	T. Rowe Price	Retirement 2045 Fund	**	931,958
*	American Funds	Growth Fund of America	**	7,293,902
*	T. Rowe Price	Retirement 2055 Fund	**	95,443
*	American Funds	EuroPacific Growth Fund	**	5,703,443
*	T. Rowe Price	Retirement 2020 Fund	**	1,731,511
*	T. Rowe Price	Retirement 2050 Fund	**	887,276
*	T. Rowe Price	Retirement 2030 Fund	**	2,800,871
*	T. Rowe Price	Retirement 2040 Fund	**	1,756,707
*	MFS Investment Management	Total Return Fund	**	207,613
*	PIMCO	Total Return Fund	**	8,543,460
*	MassMutual Select	Indexed Equity Fund	**	2,283,562
*	AZZ incorporated	AZZ incorporated common stock	**	676,519
	Participant Loans	Interest rates ranging from 3.25% to 9.25%	-0-	2,521,088

\$ 57,805,742

- * Represents a party-in-interest to the Plan.
- ** Cost omitted for participant directed investments.