

# BLUE LION CAPITAL

June 27, 2024

To the independent directors of the board of HomeStreet Bank,

Based on the 8k released last week, shareholders voted AGAINST the Change in Control (CIC) payments to be made to Mark Mason and other named executive officers. Candidly, this outcome was not surprising with the poor performance of the stock and the Board over the past twelve years. Shareholders have been fleeced by this management team and Board. However, there is more to this story and shareholders have a right to know.

At the time of the original merger announcement on January 16th of this year, I have been told by many of the involved parties that FSUN management strongly encouraged Mark Mason to hedge the interest rate risk imbedded in the fixed rate loan and securities portfolios that caused HMST all the problems to begin with. Much to shareholders chagrin, Mark Mason refused. Over the ensuing months, interest rates increased and the value of the two portfolios declined.

So, on April 30th of this year, HMST and FSUN amended their merger agreement. The price that HMST shareholders would receive is now 11% less (\$30.5 million) than what was previously announced in January. The primary reason given for the lower consideration to HMST shareholders was the higher for longer interest rate outlook and the impact it would have on HMST's profitability. Hence, virtually all the blame for the \$30.5 million reduction in the consideration for shareholders can be laid at the feet of Mark Mason and the Board.

Given such, The Board needs to do the right thing and remove the CIC payments as part of the merger. These payments which total \$19.6 million were already egregious. Why should executives still receive millions when their negligence directly resulted in the \$30.5 million reduction in the merger consideration to shareholders? If shareholders are receiving less because of poor management decisions, management should not receive the payments.

Regardless of whether the outcome of the vote was "advisory and non-binding", shareholders own the company. Shareholders have spoken and the Board needs to do its fiduciary duty and follow the wishes of shareholders. Speaking for shareholders, we once again look forward to your response.

Sincerely,



Chuck Griega  
Managing Partner  
Blue Lion Capital