

Special Message for Members

Coast-Tel Federal Credit Union Announces Intent to Merge with Bay Federal Credit Union

Coast-Tel Federal Credit Union has proudly served our community since 1959 when it started as a credit union for telephone employees. We have a long history of serving our membership's banking needs with helpful and friendly service. Our commitment to you remains at the forefront of every decision that we make, and we take that responsibility to heart. In that spirit, we want to take the opportunity to share some exciting news with you.

As you may be aware, Coast-Tel Federal Credit Union President and CEO, Judy Meyers, announced her intentions to retire after nearly 50 years of dedicated service to Coast-Tel. We began the search process for a new CEO several years ago, however, the position has been difficult to fill. This, combined with the increasingly complex and competitive financial services landscape, led the Board of Directors of Coast-Tel Federal Credit Union to conclude that it would be in the best interest of the credit union, and all of our members, to find a merger partner that could enhance the services you enjoy from Coast-Tel today.

Following significant discussions and evaluation, the Board of Directors at Coast-Tel Federal Credit Union have entered into a merger agreement with Bay Federal Credit Union, based in Capitola, California. Our friends at Bay Federal Credit Union have been a great partner over the years. This merger opportunity enables us to provide enhanced services to all our membership with your long-term best interests in mind. Bay Federal's focus on providing excellent member service, active community involvement, and collaborative culture are a natural fit for our membership. **Moreover, as part of our intended merger agreement, the team at Coast-Tel will continue to serve you at our same location in Salinas!**

We have filed an application for merger with the National Credit Union Administration. Once approved, the merger proposal will be put to vote by you, the members. All eligible members will be invited to vote. We anticipate that the voting process will occur in either November or December. Should the vote be approved, we will continue operating as Coast-Tel Federal Credit Union until approximately mid-2019, when the operational merger into Bay Federal Credit Union will be completed. And, of course, we will invite you to celebrate Judy's retirement with us, as well!

Over the course of the next several months, we will be sending you more information about how the intent to merge will affect you and your accounts. Please know that we will do everything that we can to help address your concerns. If you would like to speak with Judy, please call her at 831-758-3836 or email her at judy@coast-tel.com.

It has been both an honor and a privilege serving the membership of Coast-Tel Federal Credit Union, and we are excited about the opportunities ahead.

About Bay Federal Credit Union

Our friends at Bay Federal Credit Union have been a great partner over the years. The merger opportunity enables us to provide enhanced services to our membership, with their long-term best interests in mind. Bay Federal's focus on providing excellent member service, active community involvement, and collaborative culture are a natural fit for our members.

Bay Federal is a full-service, not-for-profit financial institution that serves more than 71,000 members and 1,200 local businesses throughout Santa Cruz, San Benito, and Monterey counties. With more than \$995 million in assets, Bay Federal Credit Union is the largest member-owned financial institution in Santa Cruz County, serving its members and the community since 1957. Since

2002, 100% of all employees have given their own money and volunteered for numerous local schools, nonprofit organizations, and community events.

Bay Federal Credit Union has created a special website page at www.bayfed.com/coast-tel just for Coast-Tel Federal Credit Union members. We encourage you to get to know the great benefits that Bay Federal offers!

Frequently Asked Questions

Merger Decision and Process

When did Coast-Tel Federal Credit Union and Bay Federal Credit Union decide to merge?

Coast-Tel Federal Credit Union (Coast-Tel) and Bay Federal Credit Union (Bay Federal) have been friends for decades. As you may be aware, Coast-Tel Federal Credit Union President and CEO, Judy Meyers, announced her intentions to retire after nearly 50 years of dedicated service. The Board of Directors considered finding a new CEO but the position is not easy to fill. This, combined with the increasingly complex and competitive financial services landscape, led the Board of Directors of Coast-Tel Federal Credit Union to conclude that it would be in the best interest of the credit union, and their members, to find a merger partner that enhance the services members enjoy today.

Sharing a common vision of service to members, and service to the community, the leadership at Coast-Tel approached the Board of Directors and the President and CEO of Bay Federal to discuss a mutually beneficial relationship. Based on these discussions and a comprehensive due diligence processes, it was determined that the Credit Unions and their respective membership, would benefit from a merger. The Boards of Directors at both institutions voted in favor of a merger at their respective meetings during the week of September 24, 2018.

Is Bay Federal taking over Coast-Tel? Is it a hostile takeover like you hear in the banking industry?

No, this is not a hostile takeover. In fact, Credit Union mergers are generally very positive! Coast-Tel intends to merge into Bay Federal to expand services to its membership. All Coast-Tel members will become members of Bay Federal when the merger is complete. Coast-Tel's long history of service, dating back to 1959, will become part of Bay Federal's history.

Why does Coast-Tel want to merge into Bay Federal?

Coast-Tel is based in Salinas, California, and is comprised of \$20 million in assets and over 3,200 members. As the regulatory environment has changed drastically, and costs of business continue to increase, it becomes difficult for smaller Credit Unions compete in a dynamic financial environment. Merging with Bay Federal (\$995 million in assets and 71,000 members) presents the benefits of a broader scale: enhanced services and lending options for members, expanded access through Bay Federal's branch locations and large local ATM network, enhanced electronic banking services, and expertise in marketing, compliance and human resources. This is also an exciting opportunity for Bay Federal to expand its branch and ATM network into Salinas and Monterey County.

How do Credit Union mergers take place?

Credit Union mergers may take place when the volunteer Board of Directors for both entities reach a mutual agreement. From there, the Credit Unions announce their intent to merge through an application process with the National Credit Union Administration (NCUA).

Once the NCUA approves the merger application and all conditions have been met, Coast-Tel will conduct a vote of their membership. If approved by the membership, the two organizations will merge their businesses.

What happens next?

We are waiting for the NCUA to approve the merger application. After we receive the approval, Coast-Tel members will vote on the merger. Then, the two organizations will prepare to work on a comprehensive operational merger plan.

When will the Coast-Tel membership get to vote?

At this time, we expect that Coast-Tel members will be asked to vote in November or December. Results from the membership vote will be shared with both organizations.

How likely will the NCUA be to approve the application to merge?

Both Coast-Tel and Bay Federal are in strong financial positions, and the merger presents a positive arrangement for the memberships involved. It is likely the NCUA will approve the application for the merger.

What happens if the NCUA declines the merger? If Coast-Tel members decline the merger?

In the event that either the NCUA or the Coast-Tel membership declines the merger, the merger will not take place.

Provided the NCUA and Coast-Tel members approve, when will the merger become effective?

The legal merger is scheduled to be complete on or around the first of the year. The operational merger, which is specific to the migration of member loans and accounts, will be completed by approximately mid-year 2019.

Member Service Questions***Why is a merger with Bay Federal good for Coast-Tel members?***

Bay Federal is the largest, member-owned financial institution in Santa Cruz County, with a charter that extends into Monterey and San Benito Counties. With six branch locations and 21 ATMs, as well as a local call center, access to service is greatly expanded. Bay Federal also offers more options for deposit accounts, consumer loans and credit cards, investment services, mortgage loans, and much more. The merger with Coast-Tel expands the ability to serve Bay Federal's 3,000 existing members in Monterey County as well.

What information do Coast-Tel members need in order to vote on the merger?

Coast-Tel members will be given the opportunity to vote on the merger. They will be equipped with knowledge of how the merger may benefit them so they may make an educational decision on the future of Coast-Tel Federal Credit Union. Bay Federal Credit Union will be providing information about their account offerings, the account migration process, and other important details when the merger is approved.

Will Bay Federal add the current Coast-Tel branch and ATM to its branch network?

YES! We are excited that the current Coast-Tel branch will be a welcome addition to Bay Federal's branch network. The Coast-Tel branch with an ATM in Salinas is in a desirable location. Bay Federal will evaluate our current membership in the Salinas area, and determine what/if any additional positions will be offered to support our membership in the additional branch location.

Can Coast-Tel members still contact their local branch?

Yes, Coast-Tel members may still contact their local branch directly at 831-758-3836. Any change to this will be communicated to members well in advance.

How will Coast-Tel members be notified of how the merger will impact their accounts and loans?

Once the merger is approved by the NCUA and the Coast-Tel membership, Bay Federal will be reaching out to Coast-Tel members via mail, email and personal phone calls, if needed, to help with the transition process. The operational merger, including the migration of deposit accounts, loans and other services will not take place until mid-year 2019.

What if a Coast-Tel member does not want to move accounts to Bay Federal? What options are going to be provided?

Bay Federal would welcome the opportunity to discuss how we can assist each and every Coast-Tel member. However, we understand that some members may wish to take their deposit or loan accounts to another organization. We can help make the process to move easy. Just ask!

What if I am already a Bay Federal and Coast-Tel member?

We will be working to identify those members who have been enjoying services from both Credit Unions. We will work with these members on an individual basis to ensure that their accounts are migrated in a way that is in line with the member's wishes.