

NOTICE OF SPECIAL MEETING OF THE MEMBERS OF TESORO NORTHWEST FEDERAL CREDIT UNION

The Board of Directors of Tesoro Northwest Federal Credit Union has called Special Meeting of the Members of Tesoro Northwest Federal Credit Union at 12543 Christianson Rd., Anacortes, WA 98221, on April 21, 2021, at 5 pm.

Purpose of Special Meeting & Member Action

The purpose of the Special Meeting & Member Action is:

1. To consider and act upon a Merger Plan and proposal for merging Tesoro Northwest Federal Credit Union of Anacortes, Washington with North Coast Credit Union of Bellingham, Washington (Continuing Credit Union) whereby all assets and liabilities of Tesoro Northwest Federal Credit Union will be merged with and into the Continuing Credit Union. All members of Tesoro Northwest Federal Credit Union will become members of the Continuing Credit Union and will be entitled to and will receive shares in the Continuing Credit Union for the shares they own in Tesoro Northwest Federal Credit Union on the effective date of the Merger.
2. To ratify, confirm and approve the action of the Board of Directors in authorizing the officers of Tesoro Northwest Federal Credit Union, subject to the approval of members, to do all things and to execute all agreements, documents, and other papers necessary to carry out the proposed merger. The Board of Directors of Tesoro Northwest Federal Credit Union encourages you to attend the meeting and vote on the proposed merger. Whether or not you expect to attend the meeting, we urge you to sign, date and promptly return the enclosed mail ballot to vote on the proposed Merger. You may also cast your vote in person at the meeting.

If you wish to submit comments about the Merger to share with other members, you may submit them to the National Credit Union Administration (NCUA) at <https://www.ncua.gov/services/Pages/resources-expansion/comments-proposed-merger.aspx> or NCUA, Credit Union Resources and Expansion, 1775 Duke Street, Alexandria, VA 22314. The NCUA will post comments received from members on its website, along with the member's name, subject to the limitations and requirements of its regulations.

You have the right to vote on the proposed merger by written ballot prior to the Special Meeting.

Other Information Related to the Proposed Merger

The Board of Directors has carefully evaluated and analyzed the assets and liabilities of the Credit Unions and the value of shares in both credit unions. The financial statements of both Credit Unions, as well as the projected combined financial statement of the Continuing Credit Union, follow as separate documents. In addition, the following information applies to the proposed Merger.

Reasons for Merger. The Board of Directors has concluded that the proposed Merger is in the best interests of members. The proposed merger will benefit their respective memberships by achieving operational cost savings and improving the operational and financial strength of the Continuing Credit Union, ultimately enhancing member value.

Benefits to the TNWFCU Membership will include:

- Increased convenience and improved service resulting from the additional 5 facilities of NCCU in Bellingham, Skagit and Whatcom County Washington.
- Expanded accounts & services including: checking accounts, credit and debit cards, electronic and mobile services, mortgage loans, commercial deposit accounts and loans, to serve individual and local business members.

Benefits to NCCU Credit Union membership will include:

- Increased convenience and improved service resulting from the additional Anacortes, Washington location.
- Increased returns to member from additional capital and savings and efficiencies of the merged credit unions.

Benefits to the Combined Organization will include:

- Increased capital and financial strength ensuring long-term sustainability.
- Enhanced member value through expanded financial product and service offerings, distribution channels, and competitive rates and fees.
- Additional cost savings in operations, resulting from consolidated back office support functions, and greater market presence and bargaining power.

Banking and financial services is a competitive industry. By joining together, TNWFCU and NCCU will be better positioned to offer competitive financing and enhanced services for our members. Merging these two strong organizations will combine shared values and will provide members additional financial protection against future economic downturns.

Net Worth. NCCU's net worth as of June 30, 2020 was \$32.5 million and net worth ratio was 10.703% with TNWFCU's at \$3.2 million and 28.22%. The combined net worth projection for the Continuing Credit Union as of June 30, 2020 is \$35.8 million and 11.4% net worth ratio. Upon the merger, the net worth of TNWFCU, as merging credit union will transfer to the Continuing Credit Union. While Tesoro Northwest Federal Credit Union has a higher net worth ratio than North Coast Credit Union, the Tesoro Northwest Federal Credit Union Board believes retention of the net worth better serves the TNWFCU member's long term and no distribution of net worth to the TNWFCU members is planned.

No Share Adjustment. Tesoro Northwest Federal Credit Union will not distribute a portion of its net worth to its members in the Merger. The Board of Directors has determined a share adjustment, or other distribution of Tesoro Northwest Federal Credit Union's net worth is unnecessary. The Directors of TNWFCU and NCCU have carefully analyzed the assets and liabilities of the Credit Unions and have appraised each Credit Union's share values. It is the opinion of the Board of Directors of TNWFCU and NCCU that the merger should be completed without any adjustment in shares of the members of TNWFCU upon completion of the merger. Based on the current financial and statistical reports, the Credit Unions have made a joint appraisal of assets and liabilities to determine the value of shares in each Credit Union. An analysis of the share values of TNWFCU, NCCU, and the combined probable asset/share ratio value of the Continuing Credit Union are as follows: TNWFCU 1.39 %; NCCU 1.12 %; and Continuing Credit Union 1.13% The Credit Unions have determined that the shares in each Credit Union are substantially equal in value and no share adjustments are warranted.

Locations of Merging and Continuing Credit Union. Tesoro Northwest Federal Credit Union's main office at: 12543 Christianson Rd, Anacortes, WA 98221 will remain open. All branch offices of Tesoro Northwest Federal Credit Union will remain open following the Merger.

Changes to Services and Member Benefits. The Credit Unions have made no post-merger plans to reduce branch facilities, ATM network access, or existing accounts and services offerings currently offered or available to Tesoro Northwest Federal Credit Union members. The Continuing Credit Union may analyze the future branching and ATM network offering to members.

Merger-related Financial Arrangements. NCUA Regulations require merging credit unions to disclose certain increases in compensation that any of the Merging Credit Union's officials, CEO or the four most highly compensated employees have received or will receive in anticipation of or upon completion of the Merger. No merger related financial arrangement or other financial incentive has been offered or provided to any official (Board or Supervisory Committee Member) management staff or employee of TNWFCU in connection with the approval or consummation of the Merger.

Summary of Merger Plan. In addition enclosed is a Summary of the Merger Plan which provides important Merger information including: the organization of the Board of Directors and Supervisory Committee; information on Senior Management and existing contracts and benefit plans; information on products and services anticipated after the Merger; and an itemized estimate of the direct costs of the merger.

Effective Date. Subject to approval by the Washington DFI, NCUA and members of TNWFCU, the Credit Unions have planned an effective date for the merger of June 1, 2021.

Merger Approval and Ballot. In order to accomplish the merger, it is necessary to obtain approval of a simple majority of the members of TNWFCU who vote on the proposal. In accordance with its Bylaws, TNWFCU is conducting the member vote on the merger proposal through a mail and in person ballot to the TNWFCU members. The ballot distribution, collection, custody and tabulation will be conducted by an independent third party company. Enclosed with this Notice of Special Meeting is a Ballot for Merger Proposal. Please complete the Ballot and return by U.S. Mail to the Special Meeting. Your mail ballot must be received by no later than midnight of the business day prior to the Special Meeting, April 21, 2021. Mail Ballots received after this date and time will not be counted. You may also cast your vote in person at the meeting.

BY THE ORDER OF THE BOARD OF DIRECTORS:



Brian E. Olson, Board Chair
Date: February 18, 2021

Summary Plan of Merger of Tesoro Northwest Federal Credit Union and North Coast Credit Union

Introduction

The Board of Directors of Tesoro Northwest Federal Credit Union ("TNWFCU"), as Merging Credit Union, and North Coast Credit Union ("NCCU"), as Continuing Credit Union, approved the Merger of the two Credit Unions and have entered an agreement to merge, subject to the approval of the members of TNWFCU and final approval by the Washington Department of Financial Institutions ("DFI") and the National Credit Union Administration ("NCUA"). In connection with the Merger, the following information is provided in addition to the Merger and financial information set forth in the Notice of Special Meeting.

Board of Directors

On the effective date of the merger, the Board of Directors will consist of the current nine (9) current members of NCCU. One (1) current Board member of TNWFCU will join as a non-voting advisory Board position.

Supervisory Committee

The Continuing Credit Union plans to retain the current size of its Supervisory Committee of five (5) members. On the effective date of the merger, the Supervisory Committee of the Continuing Credit Union shall be comprised of the five (5) current members of the NCCU Supervisory Committee. One (1) current Supervisory Committee member of TNWFCU will join as a non-voting advisory Supervisory Committee position.

Management and Employees

The Credit Unions intend to offer employment to all employees of TNWFCU as of the merger date, subject to NCCU's current employment policies and procedures and the future business needs of the Continuing Credit Union. TNWFCU employees will be offered a compensation and benefit package that is consistent in value and benefit, to the extent reasonably possible, as offered by NCCU to its employees. Marilyn Brink, currently the President/CEO of NCCU, will continue as President/CEO of the Continuing Credit. Jeannie Potter, the current President/CEO of TNWFCU will continue to be employed by NCCU.

Insurance

There will be no changes in the \$250,000 of federal share insurance coverage of members' accounts through the National Credit Union Share Insurance Fund unless a member has accounts at both TNWFCU and NCCU in excess of the share insurance limit. In this case, affected members will receive a separate notice explaining the federal share insurance coverage related to their account(s). Credit Union staff will encourage the affected members to meet with appropriate Credit Union staff who will attempt to work with the members in an effort to maximize their deposit insurance coverage. TNWFCU and NCCU are reviewing options to extend the current TNWFCU excess share insurance coverage for accounts exceeding \$250,000.

Branch Offices

After the merger, the Continuing Credit Union will continue all current full service branches and loan offices of TNWFCU and NCCU. The following is a list of the locations of all current and planned branches of TNWFCU and NCCU:

Current Tesoro Northwest Federal Credit Union Branch	
Headquarters & Branch	12543 Christianson Rd, Anacortes, WA 98221

Current North Coast Credit Union Branches	
Headquarters & Bellingham-Dupont Branch	1100 Dupont Street, Bellingham, WA 98225
Bellingham-Northwest Branch	3250 Northwest Avenue, Bellingham, WA 98225
Ferndale Branch	5657 Riverside Drive, Ferndale, WA 98248
Mount Vernon Branch	1410 Riverside Drive, Mt. Vernon, WA 98273
Sedro-Wooley & Branch	108 N. Township St., Sedro-Wooley, WA 98284

Merger Expenses

The estimated expenses paid or to be incurred by the Credit Unions in connection with conducting the Merger including the special meeting costs and postage, printing, marketing and printing and postage, accounting fees, environmental assessments, consulting fees, legal fees and regulatory filing fees is \$23,000.

Financial Information of TNWFCU and NCCU

Regulatory Call Report (5300) Information

The following is key financial information from the Call Reports (5300) of TNWFCU and NCCU as of June 30, 2020:

Key Information	TNWFCU	NCCU
Total Loans	\$ 7,709,696	\$206,523,657
Total Assets	\$11,505,555	\$300,145,829
Total Deposits	\$ 8,239,092	\$261,915,121
Total Equity	\$ 3,249,214	\$ 32,516,193
Average Shares per Member	\$ 6,099	\$ 13,667
Average Loan per Member	\$ 5,707	\$ 10,777
Ratios		
Net Worth/Total Assets	28.22%	10.70%
Delinquent Loans/Total Loans	0.76%	0.05%
Loan/Shares	93.57%	78.85%

The following is an overview of the combined year to date income statement for June 30, 2020:

Key Information	TNWFCU	NCCU
Total Interest Income	\$208,662	\$5,330,843
Total Interest Expense (COF)	(\$9,144)	(\$523,142)
Fee and Other Operating Income	\$10,283	\$958,006
Operating Expense	(\$223,290)	(\$4,344,928)
Provisions for Loan Losses	(\$47,854)	(\$782,095)
Net Income	(\$61,343)	\$638,684
Ratios		
Net Charge Offs	0.98%	.19%
ROA YTD	-1.07%	.43%
Net Operating Expense	3.88%	3.06%

The complete 5300 Regulatory Reports for Tesoro Northwest Federal Credit Union and North Coast Credit Union are available at www.ncua.gov.

Combined Financial Information

The following is an overview of the individual balance sheets of TNWFCU and NCCU as of June 30, 2020, and a combined balance sheet showing what the Continuing Credit Union would have held at June 30, 2020.

Assets	TNWFCU	NCCU	Combined
Total Cash	\$ 1,132,645	\$ 49,100,778	\$ 50,233,423
Total Investments	\$ 2,127,017	\$ 35,229,278	\$ 37,356,295
Total Loans	\$ 7,706,498	\$206,591,353	\$214,297,851
Other Assets	\$ 78,860	\$ 1,519,374	\$ 1,598,234
Total Assets	\$11,514,576	\$300,213,524	\$311,728,100
Liabilities and Equity			
Borrowings	\$0	\$ 3,650,000	\$ 3,650,000
Accounts Payable and Other Liabilities	\$ 26,271	\$ 2,034,513	\$ 2,060,784
Total Deposits	\$ 8,265,363	\$261,982,817	\$270,248,180
Total Equity	\$ 3,249,213	\$ 32,546,194	\$ 35,795,407
Total Liabilities and Equity	\$11,514,576	\$300,213,524	\$311,728,100