SUPERIOR COURT OF CALIFORNIA,
COUNTY OF SAN DIEGO
CENTRAL

MINUTE ORDER

DATE: 04/30/2026 TIME: 5:00 PM DEPT: C-70

JUDICIAL OFFICER: CAROLYN M. CAIETTI
CLERK: Albert Zarzoso
REPORTER/ERM: Not Reported
BAILIFF/COURT ATTENDANT:

CASE NO: **25CU063843C** CASE INIT.DATE: 11/25/2025
CASE TITLE: **California Coast Credit Union vs San Diego County Credit Union**
CASE CATEGORY: Civil CASE TYPE: (U)Breach of Contract/Warranty:Specific Performance

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HEARING TYPE: Non Scheduled Hearing
MOVING PARTY:

APPEARANCES

Upon hearing oral arguments and taking this matter under submission, the Court rules as follows:

Plaintiff California Coast Credit Union's Motion for a Preliminary Injunction is **DENIED**.

Preliminary Matters

California Coast Credit Union (Cal Coast) objects to the Court considering San Diego County Credit Union's (SDCCU) Condensed Supplemental Compendium of Evidence (ROA 215) Exhibit Nos. 41-43, 55-57 as untimely and not part of David Abshier's deposition record. (ROA 220.) In its Response, SDCCU calls the objections a delay tactic, but does not address why the objections should be overruled. For these reasons, the court declines to consider the supplement exhibits identified above. Cal Coast's objections are **SUSTAINED**.

In a footnote on page 3 of their moving papers, Cal Coast also objects on the grounds that it was improper for SDCCU to rely on expert testimony in its Opposition. (ROA 220.) To the extent Cal Coast is attempting to object to Mr. Grice's opinions, the request is **OVERRULED**. Neither party was precluded from offering evidence by way of expert or lay testimony to support their position.

In their briefing, the parties cite to non-California cases as well as unpublished cases. Such cases are not binding on this Court. (See Cal. Rule of Court, rule 8.1115(a); *Ammerman v. Callender* (2016) 245 Cal. App. 4th 1058, 1086.) The Court is also not required to follow federal case law, with some exceptions. (*Etcheverry v. Tri-Ag Service, Inc.* (2000) 22 Cal.4th 316, 320.)

Background

Cal Coast and SDCCU are both federally insured California chartered credit unions with a San Diego presence. As of 2025, Cal Coast had $3.4 billion in assets with over 200,000 members. SDCCU had $9.2 billion in assets and approximately 413,000 members. (ROA 169, pg. 7, ln. 5 – 15.) Both are subject to regulatory examinations. Given SDCCU's assets, it is considered National Credit Union Administration (NCUA) Tier 1 status which involves certain increased oversight which Cal Coast is not required to maintain. (Ibid.)

Cal Coast filed this action for breach of contract seeking specific performance and damages against SDCCU arising from the attempt to merge the two financial institutions.

On July 23, 2024, the parties executed a confidentiality agreement to facilitate the exploration of a possible merger. The agreement included a specific performance clause, which is not present in any subsequent agreements, including the letter of intent and the Supplemental Merger Agreement. (ROA 184, Exh. 4.)

On November 25, 2024, Cal Coast and SDCCU executed a nonbinding letter of intent to negotiate a merger between the two credit unions. (Plaintiff's Exh. 7.) Thereafter, SDCCU engaged two outside firms to conduct due diligence on Cal Coast's business operations: CliftonLarsonAllen ("CLA") for enterprise risk and compliance matters; and Crowe, LLP (Crowe) for credit portfolio review. (Plaintiff's Exh. 8 and 9; ROA 178 - Declaration of Teresa Campbell ("Campbell Decl.") at ¶ 13.)

SDCCU's CEO Teresa ("Terry") Campell noted during the due diligence process, "[n]either firm was tasked with, nor did they conduct, any kind of detailed operational and compliance review to examine how policies were actually applied in practice, whether the written policies matched operational reality, or whether the culture of the organization supported robust compliance oversight." SDCCU relied on Cal Coast's representations and warranties in the Supplemental Merger Agreement ("SMA"). (ROA 178 - Campbell Decl. at ¶ 15.)

As part of the review process, Cal Coast uploaded documents to a shared virtual data room ("VDR") for CLA and Crowe to access. (Plaintiff's Exh. 9.) On March 21, 2025, Ms. Campbell presented the results of the due diligence to SDCCU's Board in a memorandum and recommended the Board accept the due diligence results, approve the SMA, and proceed with the Cal Coast merger. (Ibid.) In that memorandum, Ms. Campbell reported CLA's due diligence report found no material findings that would have a negative impact upon the merger. (Ibid.) To the extent that any non-compliance resulted from Cal Coast's resource constraints, Ms. Campbell theorized such constraints could be remedied upon system integration and the adoption of SDCCU's robust internal controls and elevated audit and compliance review processes and procedures. (Ibid., at ¶ 13.)

On March 27, 2025, Cal Coast and SDCCU executed the SMA with an anticipated merger completion date of May 1, 2026. (Plaintiff's Exh. 11 (SMA).)

Relevant Provisions under the SMA

The SMA requires the parties to perform a number of activities, including (but not limited to) executing documents to consummate the Merger, work cooperatively to prepare, complete and submit regulatory paperwork (including the merger application) and to equally share the costs and expenses involving the Merger. (See SMA at Sections 4.4, 4.15, 10.1.)

Under the SMA, the Board of Directors of the Combined Credit Union would remain eleven (11) members and, as of the Merger Date, shall initially consist of eleven (11) Board positions. The Board members will be comprised as follows: Five (5) seats will be filled from the current Board of Directors of SDCCU; Five (5) seats will be filled from the current Board of Directors of Cal Coast; and one (1) seat will be filled by Cal Coast's President/CEO Todd Lane, future President/CEO of the Combined Credit Union. (See SMA at Section 4.7.1.)

Additionally, the SMA states Ms. Campbell, current CEO/President of SDCCU, will serve as CEO/President of SDCCU until the Merger Date, after which Ms. Campbell will retire from full-time employment and move into a Strategic Advisor to the CEO role, as set forth in a separate mutually agreeable consulting agreement/arrangement which shall be entered into prior to regulatory submission. (See SMA at Section 4.8.2.) Mr. Lane would be the President/CEO of the Combined Credit Union as of the Merger Date. (See SMA at Section 4.8.1.)

In the SMA, Cal Coast affirmed, to the best of its knowledge, that: "Cal Coast conducts its business in compliance with all applicable laws, its properties, assets and deposits, its business, and its conduct of business and its relationship with its employees conducting of such business, except where noncompliance would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Change to the Combined Credit Union." (SMA at Section 2.2.)

Cal Coast affirmed, to the best of its knowledge, the disclosures and information within the Virtual Data Room (VDR) are deemed to be fully disclosed with respect to the representations and warranties set forth herein under which such items may be relevant. (SMA at Section 2.15.)

Cal Coast affirmed, to the best of its knowledge, that: "Cal Coast has filed all material reports, forms, statements and other documents (collectively, together with all financial statements included or incorporated by reference therein, the "Cal Coast Documents") required to be filed by Cal Coast with the NCUA pursuant to the provisions of the Federal Credit Union Act and the applicable rules and regulations thereunder, and with the DFPI pursuant to the California Credit Union Law and the applicable rules and regulations thereunder." (SMA at Section 2.12.1.)

The SMA defines "knowledge" as "...the knowledge of a particular fact or other matter if any individual who is presently serving as president, chief executive officer, chief financial officer, chief operating officer, chief credit officer or chief compliance officer (or such other similarly situated person), or member of the board of directors or supervisory committee, or designated agent of such Party, after reasonable inquiry, is actually aware of such fact or other matter or should have been aware of such fact or other matter through the exercise of reasonable care consistent with such person's position with such Party." (SMA at Section 1.1.13.)

The SMA allows for termination at any time but in no other manner other than the limited scenarios identified in Section 9.1. The SMA's termination clause allows SDCCU to: terminate for "Cause" if Cal Coast is in substantial or material breach of this Agreement, including but not limited to a material non-disclosure, or failure of Cal Coast to comply in any material respect with any of its covenants or agreements contained in this Agreement or in any other agreement contemplated hereby, and such substantial or material breach has not been cured by Cal Coast within a thirty (30) day period after notice from SDCCU. (SMA at Section 9.1.3.) The SMA does not include a specific performance clause.

Termination of the SMA

During the due diligence period, SDCCU and Cal Coast recognized the need to assess and identify business practices that may differ between the two credit unions. SDCCU executives were becoming increasingly concerned about the "...significant differences between Cal Coast's operational practices and procedures and the robust, compliance-focused framework that SDCCU had developed for Tier 1 operations. It became common that our executives would return from joint integration planning sessions and report to me [Campbell] practices at Cal Coast that raised regulatory concerns." (ROA 178 - Campbell Decl. at ¶ 23.)

Attempts by the NCUA to examine the merger process were postponed from May, then July, to the fall of 2025. (Ibid., at ¶22). Cal Coast took issue with SDCCU's direct interactions with NCUA without Cal Coast's involvement and, at a minimum, expected SDCCU to keep Cal Coast informed of the interactions with NCUA. SDCCU, given its Tier 1 status, was the intermediary with the NCUA for purposes of the Merger.

SDCCU sought an analysis of Cal Coast's business and operations practices from Sheppard Mullin. (ROA 172 - Declaration of Kellen Gill (Gill Decl.) at ¶ 14; ROA 178 - Campbell Decl. at ¶ 25.)

From July 18, 2025 to October 22, 2025, Sheppard Mullin drafted eight memoranda providing its assessment and recommendations on Cal Coast's policies regarding the following: negotiation of individual certificate of deposit rates; laptop purchasing program; indirect lending program; use of alternative credit scoring in indirect auto finance; Spanish and other language translations; loan rate modifications; hardship modifications; and co-marketing of insured and uninsured retirement and investment policies. (Plaintiff's Exhibits 15-22 ("Sheppard Mullin Memos").)

On November 14, 2025, SDCCU sent Cal Coast a "Demand for Corrective Action / Termination Notice". (Plaintiff's Exh. 41.) The letter states SDCCU is terminating the SMA for "Cause" under Section 9.1.3 because "Cal Coast made several misrepresentations and warranties to SDCCU in Article II of the Agreement." (Ibid.)

Cal Coast did not consider the risks or differences as unlawful. Instead, Cal Coast considered the differences as potential risks with recommendations by Sheppard Mullin to correct or limit the risks. (ROA 172 - Gill Decl. at ¶ 16-18.) Cal Coast took steps and adopted "...SDCCU–requested enhancements to promote alignment and integration efficiency." (Ibid., at ¶18).

The Termination Notice specifically states the Sheppard Mullin Memos "highlight instances of noncompliance that were not previously disclosed to SDCCU and that Cal Coast's senior executive management team, including President and CEO Todd Lane, and Cal Coast's Board of Directors knew or should have known through the exercise of reasonable care." (Id., at p. 2.)

SDCCU concludes the Notice with the following:

> SDCCU is willing to continue towards completion of the intended merger upon Cal Coast's written confirmation that it will: (i) immediately redress the ongoing compliance concerns described above, including by reaffirming that SDCCU' s policies and the procedures, processes, and practices that are integral to compliance with those policies and applicable regulations-in particular all SDCCU's regulatory Board policies and corresponding procedures, processes and practices-shall be the policies, practices, and processes of the Combined Credit Union; (ii) immediately populate the Virtual Data Room with books and records sufficient to evaluate and ensure compliance with all applicable rules and regulations; and (iii) agree to the following modifications of the Agreement:

1. Section 4.7.1 of the Agreement shall be amended to provide that the Board of Directors of the Combined Credit Union shall consist of:

   (a) Eight (8) seats will be filled from the current Board of Directors of SDCCU; and one (I) seat will be filled by SDCCU's current CEO/President, Teresa Campbell; and

   (b) Two (2) seats will be filled from the current Board of Directors of Cal Coast. Exhibits A through C to the Agreement will be amended to identify the Combined Credit Union's Board of Directors, Executive Committee, and Emeritus Board, consistent with the foregoing change.

2. Sections 4.8.1, 4.8.2, and 4.9.2 of the Agreement shall be amended to provide that Teresa Campbell, current CEO/President of SDCCU, will be the President/CEO of the Combined Credit Union as of the Merger Date, and that Todd Lane shall have no managerial or supervisorial role with the Combined Credit Union after the Merger Date.

(Plaintiff's Exh. 41 at p. 4.)

SDCCU paused all workstreams related to the merger as of the date of the Notice. (Id., at p. 5.)

On November 25, 2025, eleven days later, Cal Coast filed its Complaint for (1) specific performance and (2) damages against SDCCU. (ROA 5 – Complaint.)

Discussion

Cal Coast seeks a preliminary injunction requiring SDCCU to proceed with the Merger.

The general purpose of preliminary injunctive relief is to preserve the status quo pending a determination on the merits. The grant or denial of a preliminary injunction "does not amount to an adjudication of the ultimate rights in controversy. It merely determines that the court, balancing the respective equities of the parties, concludes that, pending a trial on the merits, the defendant should or ... should not be restrained from exercising the right claimed by him." (*Jamison v. Department of Transp.* (2016) 4 Cal.App.5th. 356, 361.)

There are two types of preliminary injunctions: prohibitory and mandatory. "[A]n injunction is prohibitory if it requires a person to refrain from a particular act and mandatory if it compels performance of an affirmative act that changes the position of the parties." (*Davenport v. Blue Cross of Calif.* (1997) 52 Cal.App.4th 435, 446-448.) "The substance of the injunction, not the form, determines whether it is mandatory or prohibitory". (*Id.*, at p. 447.)

Whether the preliminary injunction is mandatory or prohibitive, "a court must weigh two 'interrelated' factors: (1) the likelihood that the moving party will ultimately prevail on the merits and (2) the relative interim harm to the parties from issuance or nonissuance of the injunction." (*Butt v. State of California* (1992) 4 Cal.4th 668, 677-678; see also, *Midway Venture LLC v. County of San Diego* (2021) 60 Cal.App.5th 58, 76 (*Midway Venture*).) "The trial court's determination must be guided by a 'mix' of the potential-merit and interim-harm factors; the greater the plaintiff's showing on one, the less must be shown on the other to support an injunction." (*Butt, supra*; *Midway Venture*, *supra*.)

However, a mandatory injunction pending trial "is not permitted except in extreme cases where the right thereto is clearly established." (*Teachers Ins. & Annuity Ass'n v. Furlotti* (1999) 70 Cal.App.4th 1487, 1493.) An injunction "prohibiting" certain conduct will be construed as a mandatory injunction if it requires

affirmative action that changes the status quo. (See *Agricultural Labor Relations Bd. v. Sup.Ct. (Sam Andrews' Sons)* (1983) 149 Cal.App.3d 709, 713, finding an injunction restraining employer from "refusing to reinstate" certain workers was actually a mandatory injunction compelling employer to rehire; *Davenport*, *supra*, at p. 446, where an order "prohibiting" Blue Cross from "denying, refusing or discontinuing" specified medical benefits was actually mandatory injunction compelling payment.)

Here, the substance of Cal Coast's preliminary injunction is an order requiring SDCCU to affirmatively proceed with the merger and obey the covenants and agreements of the SMA, despite it ceasing all work on the merger since November 14, 2025. It seeks to "enjoin [SDCCU] from taking any actions premised upon a purported termination of the parties' March 27, 2025 Supplemental Merger Agreement...that would prevent Cal Coast from obtaining the full measure of the relief it seeks in this action, including a judgment ordering specific performance that would require SDCCU to proceed with the Merger..." (ROA 104.)

For example, Cal Coast requests an order that SDCCU be enjoined from "mak[ing] any purchase or sale or voluntarily introduc[ing] any method of operation with respect to [SDCCU's] business which is not substantially consistent with prior practices or is other than in the Ordinary Course of its [] business unless it has notified and discussed the situation with [Cal Coast]". (ROA 174 – Proposed Order at p. 3:7-11.) A court order prohibiting this conduct amounts to an order requiring SDCCU to affirmatively notify, discuss, and receive permission from Cal Coast before engaging in conduct outside the ordinary course of business.

The same is true for Cal Coast's request to enjoin SDCCU from taking any actions prohibited in Sections 5.1.1, 5.1.5, and 5.1.6 of the SMA. (See ROA 174.) Cal Coast argues the injunction would simply prohibit SDCCU from acting contrary to SMA's negative covenants, however, Cal Coast's creative use of phrasing does not change the underlying mandatory nature of the injunction sought.

The proposed preliminary injunction includes an order enjoining SDCCU from executing purchase or sale of data processing equipment; from making material changes in personnel (including hiring new employees with annual salaries exceeding $150,000); material changes in salaries, pay ranges, benefits or policies affecting the same; incurring or contracting any expenses in excess of $500,000 beyond SDCCU's annual budget. (ROA 174 at pg. 2-3.) For example, Ms. Campell's compensation package is up for renewal. The proposed order would require SDCCU to obtain approval from Cal Coast for any salary over $150,000 of an SDCCU current or prospective employee, including Ms. Campbell's contract extension. It requires SDCCU to incur expenses under paragraph 10.1 to consummate the Merger, and it requires SDCCU to answer to Cal Coast, its adversary in this litigation, and provide potentially strategic information to a potential business competitor.

Given the current situation – namely, the termination of the Merger on one hand and Cal Coast's continued interest in pursuing the Merger on the other - the request is challenging and arguably impractical, as it would require parties who are now in an adversarial relationship to work together and move forward with the Merger. These facts do not support the issuance of a preliminary injunction.

No matter the wording of the request, the substance of the injunction would affirmatively require SDCCU to continue with the merger and affirmatively notify, discuss, and receive permission from Cal Coast before engaging in conduct outlined in Sections 5.1.1, 5.1.5, and 5.1.6 of the SMA.

The Court concludes the preliminary injunction sought by Cal Coast is mandatory as it seeks affirmative conduct from SDCCU.

Likelihood of Success on the Merits

An injunction "must not issue unless it is reasonably probable that the moving party will prevail on the merits." (*San Francisco Newspaper Printing Co. v. Superior Court* (1985) 170 Cal.App.3d 438, 442.) There must be "some possibility" the moving party will ultimately prevail on the merits of the claim. (*Butt, supra*, 4 Cal.4th at p. 678.) However, a mandatory injunction pending trial "is not permitted except in extreme cases where the right thereto is clearly established." (*Furlotti, supra*, at p. 1493.)

Specific Performance as a Remedy

The parties disagree as to whether specific performance is an available and appropriate remedy in this matter. Cal Coast argues the determination of whether specific performance is a remedy in order to issue the injunction is premature and need not be decided until after trial. However, "[t]he scope of available preliminary relief is necessarily limited by the scope of the relief likely to be obtained at trial on the merits." (*O'Connell v. Superior Court (*2006) 141 Cal.App.4th 1452, 1463.) Therefore, whether Cal Coast is entitled to specific performance under the SMA must be considered by the Court when weighing the likelihood of success on the merits.

Under Civil Code § 3384, except as otherwise provided, the specific performance of an obligation may be compelled. An agreement, the terms of which are not sufficiently certain to make the precise act which is to be done clearly ascertainable, cannot be specifically enforced. (Civ. Code § 3390(e).) Therefore, specific performance may be an available remedy to Cal Coast at trial and Cal Coast may procedurally bring this preliminary injunction.

The Court disagrees with SDCCU's contention that Cal Coast cannot obtain specific performance because it is not a remedy contracted for in the SMA. SDCCU argues specific performance was intentionally omitted from the SMA. However, whether this is an intentional omission or an oversight, will not be decided in this ruling. While specific performance is a permissible remedy in certain circumstances, whether it is appropriate in this circumstance is a different issue.

The remedy of specific performance is a discretionary, equitable remedy. (*Greif v. Sanin* (2022) 74 Cal.App.5th 412, 443.) It is not automatic. The Court considers whether the legal remedy of money damages is inadequate, contract terms are sufficiently definite, adequate compensation has been given, and specific performance would be just and reasonable under the circumstances.

In the present case, this would be a Merger between two financial entities, not a purchase acquisition of a financial institution. The Merger would require comingling of assets and changes in the structure of both Cal Coast and SDCCU. SDCCU has raised concerns, given their Tier 1 status, in taking on what they perceive as compliance liabilities and risks of Cal Coast's business operations. Neither party cites to any California cases which support that specific performance would be appropriate to force a merger of two financial institutions such as Cal Coast and SDCCU.

Most important, the merger requires regulatory approval, which to date, has not occurred and is questionable whether it will occur. The Court would not order specific performance where the merger would be barred by futility.

As of January 27, 2026, the NCUA deferred its decision to approve or deny the merger request, citing in part, identification of "...multiple weaknesses in governance practices and strategic planning related to this proposed merger." (ROA 183, Exh. 3.) In order to consider the Merger, the request needed to be updated and submission of items to address the concerns the NCUA found during their review which

included two pages worth of items. (Ibid). To date, the NCUA approval has not occurred, nor has any additional information been presented to the NCUA for consideration.

Cal Coast has not met its burden that it would be successful in obtaining specific performance under these circumstances. Whether or not the lack of specific performance clause was an intentional omission, or, whether the Court sitting in equity would permit specific performance when balancing the numerous factors remains questionable. Even if the requested information were provided to the NCUA, there is no evidence before the Court to confirm the NCUA would approve the merger.

For these reasons, Cal Coast has not shown that it would succeed on its claim for specific performance.

Breach of Contract Claims

To prove a claim for breach of contract, a plaintiff must demonstrate (1) a contract, (2) plaintiff's performance or excuse for nonperformance, (3) defendant's breach, and (4) damages. (*Wall Street Network, Ltd. v. New York Times Co.* (2008) 164 Cal.App.4th 1171, 1178.)

Cal Coast argues it is likely to prevail on its breach of contract claims because SDCCU's work stoppage was in violation of the SMA as SDCCU (1) had no basis to terminate the SMA for cause and (2) did not wait until the expiration of the 30-day period to cure to end all work under SMA Section 9.1.3.

The Court first addresses Cal Coast's argument SDCCU had no basis to terminate the SMA.

On November 14, 2025, SDCCU sent a Termination Notice to Cal Coast, terminating the SMA for cause under Section 9.1.3 on the grounds Cal Coast breached its obligations when it represented it conducts its business in compliance with all applicable laws and none of the documents provided to SDCCU include untrue statements of material fact or omit a material fact. (See Exh. 41 - Termination Notice at p. 1-0868-2-0869.) The notice references a number of areas of concern. This includes SDCCU discovering "regulatory non-compliance" by Cal Coast which SDCCU contends was a breach of the SMA. (Ibid., at pg. 3-0870.) SDCCU raises the concern Cal Coast "does not intend for SDCCU's policies (including the underlying integral procedures, processes and practices) to become policies of the Combined Credit Union". (Ibid.) The Notice also cites Cal Coast's desire to modify the Symitar core processing system and its impact of such major core changes on the financial institution and its members. (Ibid.)

The Termination Notice did identify terms to cure the redress, including modifications to the SMA and changes to the management team. (Ibid., at pg. 4-8647.) Cal Coast was not willing to make the modifications at that point. The lawsuit was filed eleven days later.

The Termination Notice specifically relies on the Sheppard Mullin Memos, which SDDCU asserts highlight areas of Cal Coast's non-compliance that were not previously disclosed. (Ibid.)

The Sheppard Mullin Memos analyzed Cal Coast's policies regarding the following: negotiation of individual certificate of deposit rates; laptop purchasing program; indirect lending program; use of alternative credit scoring in indirect auto finance; Spanish and other language translations; loan rate modifications; hardship modifications; and co-marketing of insured and uninsured retirement and investment policies. (Plaintiff's Exh. 15-22.)

Cal Coast contends all the documentation Sheppard Mullin reviewed was available in the VDR prior to SDCCU signing the SMA. Based on this, Cal Coast asserts it did not fail to disclose any material information, and even so, the Sheppard Mullin Memos do not identify any actual violations of the law. While the Sheppard Mullin Memos did identify areas of risk and potential exposure to litigation, this is not equivalent to omissions of material facts.

However, SDCCU alleges between July and August 2025, it learned: (1) Cal Coast negotiates interest rates with customers on an individualized basis without any documented controls to ensure similarly situated customers are treated the same; (2) since 2022, Cal Coast had been lending to San Diego State University students without complying with any student loan regulations; (3) Cal Coast was offering different rates, up to 100 basis points apart, to similarly situated borrowers on consumer auto loans; and (4) Cal Coast call center employees had discretion to modify delinquent loans *ad hoc*, without Cal Coast reporting those modifications, thus inducing credit bureaus to believe that borrowers had cured delinquencies when they had not, which resulted in masking material safety and soundness risks in Cal Coast's reporting to the NCUA. SDCCU states it submitted these findings to Sheppard Mullin for its analysis. Some of these concerns were raised at an SDCCU Board of Directors meeting on September 26, 2025. (Plaintiff's Exh. 30.)

Cal Coast asserts SDCCU was aware of these policies because all the supporting documentation was transmitted to the VDR. Therefore, the Sheppard Mullin Memos did not disclose any new information.

However, several of these above-outlined policies were not documented in writing and thus, would not have been discoverable in the VDR. The evidence also suggests Cal Coast leadership was unaware of these unwritten policies and procedures. For example, Kellen Gill, Cal Coast's Chief Audit and Risk Manager, only learned on July 29, 2025, that Cal Coast provided different auto loan rates to different lenders based on whether the rate was obtained from the auto dealer or directly from Cal Coast. (ROA 183 at p. 98607-98608.)

Consequently, if these policies were not written and Cal Coast leadership was not aware of these policies, Cal Coast's argument that SDCCU should have been aware of these policies during the due diligence period falls short. SDCCU could not have been expected to be aware of alleged compliance issues that Cal Coast itself had no knowledge of.

Cal Coast also argues that even if it was in substantial or material breach of the SMA, SDCCU could not terminate the SMA until providing Cal Coast with an opportunity to cure. The SMA include a thirty (30) day window to resolve the breach(es) after notice from SDCCU. (SMA at Section 9.1.3.) Instead, SDCCU stopped work on November 14, 2025, the day it sent the Termination Notice and thus, it violated the SMA.

In response, SDCCU states it was entitled to stop work according to Section 6.1. That section states SDCUU's obligations under the agreement are made expressly subject to the satisfaction of all following conditions and authorizations, including Section 6.2, wherein Cal Coast agreed all information was true to the best of its knowledge and Cal Coast made no material errors, misstatements, or omissions. As such, SDCCU maintains even if Cal Coast did not know but should have known about the alleged compliance issues, it materially breached the SMA. Therefore, SDCCU was relieved of its obligations to take all action required to consummate the Merger under Section 4.4 of SMA or to provide a period for Cal Coast to cure.

SDCCU's argument that there is an overall lack of compliance and lack of knowledge of the alleged compliance problems by Cal Coast, which is the primary material breach here, is persuasive. The evidence demonstrates Cal Coast was not reporting hard loan modifications and did not disclose those to SDCCU (Defendant's Exh. 49); did not monitor employees to ensure compliance with proper loan procedures (Defendant's Exh. 17 at p. D293-294); procedures are not distributed to employees (Defendant's Exh. 16 at p. D175); there was a lack of confidence that Spanish-speaking call center staff knew what to do when dealing with Spanish-speaking loan applicants and Spanish loan disclosures "can get questionable" (Defendant's Exh. 15 at p. D148:1-11, D153:11 to D154:10). The overall evaluation of this evidence supports the conclusion that there were widespread institutional compliance issues and that Cal Coast failed to implement systems preventing discriminatory practices.

Cal Coast contends any and all alleged compliance issues would be resolved should the merger continue. Section 1.2 of the SMA confirms the Combined Credit Union would adopt SDCCU's board policies. However, as noted above, the evidence suggests Cal Coast leadership was either unaware of or impliedly/constructively approved the alleged issues of noncompliance and discriminatory practices. Since Cal Coast's leadership would comprise a majority of the Combined Credit Union's board under the SMA, there is little reassurance that the practices would be corrected. Thus, Cal Coast's assertion that the issues brought by SDCCU would resolve at the time of the merger is not compelling. Interestingly, Cal Coast never agreed to adopt the recommendations referenced in the Sheppard Mullen Memos, citing, in part, anti-trust concerns prior to the merger going forward.

Therefore, the court finds that Cal Coast has not established a likelihood of prevailing on the breach of contract claims.

Balancing Harm

In evaluating interim harm, the trial court compares the injury to the plaintiff in the absence of an injunction to the injury the defendant is likely to suffer if an injunction is issued. (*Shoemaker v. Cnty. of Los Angeles* (1995) 37 Cal.App.4th 618, 633.) If monetary damages afford adequate relief and are not extremely difficult to ascertain an injunction is generally denied. (See, *Thayer Plymouth Ctr., Inc. v. Chrysler Motors Corp.* (1987) 255 Cal.App.2d 300.)

In balancing the harm, the Court finds the harm to SDCCU is greater if the injunction were granted than the harm to Cal Coast if the injunction is not. Cal Coast argues it will potentially lose a "unique merger opportunity" and suffer reputational harm, however, Cal Coast has failed to address how this cannot be compensated monetarily, especially considering the SMA specifically contracted for the monetary damages to be awarded in the event of termination and is silent as to specific performance. (See SMA at Section 9.2.)

On the other hand, should the Court grant this injunction, SDCCU will lose its operational autonomy and must obtain permission from Cal Coast before incurring unplanned expenses, hiring employees making over $150,000.00 annually, and adjusting operational policies. This will greatly impair SDCCU's ability to operate and govern itself. SDCCU would also be subject to liability for the risks and compliance issues referenced in the Sheppard Mullin Memos. The expectation that the parties would work cooperatively towards consummation of the Merger during the pendency of this litigation seem unrealistic. Court oversight is likely to be substantial. Attempting to assess the matters, as requested by Cal Coast, in the

preliminary injunction, such as SDCCU's business decisions and compliance with the injunction order for purposes of contempt would likely be extremely tedious, time consuming and likely lead to an inefficient use of judicial resources.

Furthermore, even assuming Cal Coast had met the high burden to support a mandatory injunction, the parties do not have approval to combine the credit unions by the NCUA. (Defendant's Exh. 3.) Thus, while even if the Court could order the merger to proceed through an injunction, ultimately a regulatory agency (the NCUA) has the final word regarding completion of the merger. As of now, the NCUA will not approve the merger and therefore any injunction would be futile. It is noteworthy the NCUA letter of January 27, 2026, identifies at least some areas of concern which appear to form the basis by SDCCU to seek termination of the merger. (ROA 183, Exh. 3.)

Therefore, the court finds the balance of harms weighs against granting the injunction.

Concluding Orders

California Coast Credit Union's Motion for a Preliminary Injunction is **DENIED**.

Cal Coast has not shown this is an "extreme case[s] where the right thereto is clearly established" that would support the issuance of a mandatory injunction. (*Furlotti*, *supra*, p. 1493.) The heavy burden for a mandatory preliminary injunction to issue has not been met.

This decision is not a final adjudication of the ultimate rights in the controversy. (*Midway Venture LLC, supra*, at p. 77.)

The Clerk of the Court to give notice to all appearing parties.

IT IS SO ORDERED.

Carolyn M. Caietti

Judge Carolyn M. Caietti