

June 10, 1992

David P. Dollieslager, CCUE  
President-Manager  
Sun Coast Credit Union  
P.O. Box 685  
Daytona Beach, Florida 32115

Re: Purity Financial Corporation (Your May 8, 1992, Letter)

Dear Mr. Dollieslager:

You have asked us for a legal opinion regarding the relationship between Sun Coast Credit Union (SSCU) and Purity Financial Corporation (PFC). In order to provide an informative opinion, we contacted the Regional office to determine the concerns the examiner had with your arrangement with PFC. The Region provided us with the following information: SSCU entered into lease and marketing agreements with PFC to have PFC market insurance products sold on the premises of SSCU, a state-chartered federally-insured credit union. The lease agreement states that the manner in which PFC conducts its business would clearly designate the independent ownership and operation of PFC. However, sales literature distributed at SSCU by PFC employees contained the following stamp on the back:

Mark R. Murphy  
Tax Advantage Accounts  
Sun Coast Credit Union

Furthermore, the examiner discovered that there was no physical separation between the activities of PFC and SSCU.

We reviewed the marketing and lease agreements between PFC and SSCU in light of the above information. Although a cursory review of the documents you provided us did not reveal any violations of the applicable provisions of the FCU Act or NCUA's Rules and Regulations, it is the responsibility of each credit union to ensure the legality of an agreement before entering into it. Furthermore, it is apparent that SSCU and PFC failed to follow the terms of the agreement in relation to the literature being distributed (see section 4.07 of the lease agreement) and the physical separation of PFC's business activities from SSCU's business activities (see section 4.01 of the lease agreement). The literature may imply that Mr. Murphy is the employee and/or agent of SSCU. The failure to physically separate the business activities may produce confusion as to whether SSCU and PFC are separate entities. If SSCU and PFC are considered one legal entity, it may result in additional liability for the credit union and ultimately to the National Credit Union Share Insurance Fund.

Subsequent to the exam, PFC moved its operations out of SSCU. Although physical separation within the credit union would have been sufficient, this action alleviates one of our concerns. However, SSCU should ensure that PFC eliminates any reference to SSCU from its promotional material. We defer to the Region for any safety and soundness concerns presented by these agreements.

One additional note. This letter should not be viewed as an endorsement of the marketing and lease agreements.

Sincerely,

Hattie M. Ulan  
Associate General Counsel

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SSIC 3000  
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