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GERARD K. SANDWEG, JR.

Securities Act - § 3(a)(3)

September 18, 1987

Office of the Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
450 5th Street, N.W.
Washington, D.C. 20549

PUBLIC AVAILABILITY DATE: 12-28-87		
ACT	SECTION	RULE
1933	3(a)(3)	---

Re: Magna Group, Inc.
Request for No-Action Letter with respect to Section 3(a)(3) of the Securities Act of 1933, as amended.

Gentlemen:

On behalf of Magna Group, Inc. (the "Corporation"), we respectfully request a determination from the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission (the "Commission") that the Staff will not recommend any enforcement action by the Commission if the Corporation issues and sells commercial paper (the "Notes") in the manner described below, without registration of the Notes under Section 5 of the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemption from registration afforded by Section 3(a)(3) of the Act.

The Issuer

The Corporation, a Delaware corporation, was organized and commenced operations in 1974 as a bank holding company registered under the Bank Holding Company Act of 1956, as amended. The Corporation owns all of the outstanding stock of sixteen banks located in the central and southern portion of the State of Illinois. All of the Corporation's subsidiary banks are engaged in a general, full-service banking business, accepting funds for deposit, making loans, transmitting funds and performing such other services as are usual for banks of similar size and character. The Corporation also owns a mortgage banking subsidiary. The Corporation had consolidated total assets of $1,477,000,000 and consolidated shareholder's equity of $103,200,000 as of June 30, 1987. Additional information regarding the Corporation is contained in the various reports and proxy statements it has filed with the Commission.

The Notes

The Notes which are the subject of this request will be commercial paper maturing in nine months or less from the date of issuance (exclusive of days of grace), and will have no provisions for payment on demand or for extension, renewal or automatic "rollover", either at the option of the holder or the option of the Corporation. The Notes will be issued in denominations of $25,000 or more, and the Board of Directors of the Corporation has authorized it to issue Notes up to an aggregate principal amount outstanding at any one time of $10,000,000 although the Board of Directors may in the future increase the amount authorized for issuance but not to an aggregate principal amount in excess of the "current transactions" described below. The Notes will be sold at such discounts or bear interest at such rates, as may from time to time be appropriate and obtainable, directly and (including sales through the Corporation's banking subsidiaries) through recognized dealers in commercial paper to banks, other financial institutions, corporations, other institutional investors and other investors who generally invest in commercial paper, including sophisticated individuals who are accustomed to participating in the commercial paper market and are capable of evaluating the merits and risks of investing in commercial paper, in their own right. It is possible that customers of the Corporation's banking subsidiaries may meet the standard of eligibility for purchase of the Notes and become purchasers of the Notes. The Notes will not be offered to the public generally and the offering of the notes will not be made by public advertising or by general public solicitation.

The Notes may be issued in registered or bearer form, or for convenience of administration, the Corporation may issue the Notes in book entry form. Such Notes as are issued in book entry form will be recorded by a bookkeeping entry by the Corporation which will record for each Note the following information: the issuance date, sale date, maturity date, principal amount, interest rate, name of purchaser and other necessary information. Each purchaser will promptly receive a written confirmation setting forth all the information described above and any additional information required by applicable law. Upon the maturity of a Note, the Corporation will disburse cash proceeds to the Note purchaser in accordance with the purchaser's instructions.

Use of Note Proceeds

The proceeds of sales of the Notes will not be segregated from, and will become part of the general funds of the Corporation, to be used directly by the Corporation or by its subsidiaries for one or more of the purposes discussed below. As a consequence of the commingling of these proceeds, the Corporation will be unable to identify or trace the application of proceeds from the sale of the Notes to any specified transaction; however, at no time will the Corporation issue, or have outstanding, commercial paper in an aggregate principal amount in excess of the aggregate amount of funds applied to "current transactions" by the Corporation and its subsidiaries on a consolidated basis.

Unless the context otherwise indicates, the term "current transactions" as used herein shall include the purchase, as well as the financing, of all loans, accounts or paper described below. The proceeds from the proposed issuance of the Notes will be used by the Corporation and loaned or advanced to its subsidiaries (now or hereafter existing) to provide funds for one or more of the following "current transactions":

(1) Consumer Loans. Loans to individuals to finance the purchase of consumer goods and services on a secured or unsecured basis, payable either in installments or in a lump sum, on demand or with scheduled maturities ranging up to five years. Such loans may be secured by customary types of collateral for consumer loans, including second mortgages on residential properties, and would be made for purposes generally associated with consumer financing, including the discharge and consolidation of other obligations, home improvements, automobile purchases, education, recreation, travel or medical expenses. Such loans may be made directly or acquired from consumer finance companies, commercial banks or dealers.

(2) One Payment or Standing Mortgage Loans. Mortgage loans to facilitate purchases of existing structures where long-term financing is unavailable or has not been arranged. Such loans may provide for current payment of interest with partial or no amortization of principal until maturity and will be paid or transferred to a long-term lender within a relatively short period of time, not to exceed five years.

(3) Pre-Construction Loans. Loans to real estate developers for the acquisition of land or the making of site improvements during the interim period when the developer is seeking construction financing and/or is preparing the land for construction. All such loans would be made with the intention that the developer will sell the developed property or obtain construction financing within a period of up to five years.

(4) Construction Mortgage Loans. oans to finance the construction of shopping centers, hote s and motels, apartment complexes, and office, commercial and industrial buildings, as well as single-family residenc . The maturities of such loans generally coincide with the intended date of completion of construction, but would in no nt exceed five years. It is contemplated, but not required, that these loans will be paid off by independent "take-out" lenders who will provide permanent financing upon completion of construction. Permanent financing, if provided by the Corporation or its subsidiaries, will be considered ineligible for exempt commercial paper financing.

(5) Short-Term Commercial Loans. Secured or unsecured loans of a type normally made by banks to commercial, agricultural, financial, or industrial businesses, including securities and commodities dealers, for working capital requirements and to meet current operating expenses. Such loans generally would be payable on demand or have maturities of up to five years. These loans may be renewed or "rolled over" at maturity but the borrower may not so require as of right.

(6) Equipment Financing. The purchase of installment contracts and leases from dealers for capital equipment and personal property of a non-permanent nature and the making of direct loans to users to finance the purchase of non-permanent capital equipment and personal property. Such contracts and leases may have terms of up to five years and would be secured by liens on the equipment.

(7) Equipment Installment Sales and Leasing. The purchase of non-permanent equipment, including but not limited to automobiles and other vehicles, computers, data processing equipment, construction and manufacturing equipment, printing and publishing equipment, communications equipment, medical and hospital equipment, office equipment and furniture, pollution control equipment, aircraft, and mining and quarry equipment, all to be sold pursuant to non-cancellable installment sale contracts under which the contracting purchasers would be obligated to maintain and insure the equipment and to pay all

taxes. The installment contracts will be such that the total of the payments and estimated tax benefits would be equal to the costs of the equipment plus financing and other related charges. The terms of such transactions may sometimes be documented as "full payout" equipment leases rather than installment sales contracts.

(8) Retail Installment Paper. To finance transactions for the purchase or carrying of retail installment contracts originated by dealers or other sellers through the sale of consumer goods or services, having maturities of up to five years and generally secured by personal property.

(9) Mobile Home Loans. Loans secured by mobile homes or acquisitions of installment contracts from sellers of mobile homes and financing institutions holding such paper, with maturities of up to 10 years. Note proceeds will not be used to finance these loans and contracts other than the portion due within five years.

(10) Bridge Loans. To finance transactions where long-term funds are not currently available or where, for various reasons, a long-term loan has not been arranged, including one-payment loans. Such loans will not exceed five years. When the proceeds of such loans are to be used to purchase equity securities or long-term debt securities, the loan will be treated as being ineligible for exempt commercial paper financing.

(11) Credit Card Receivables and Overdraft Protection. Loans to finance credit card retail purchase and loan accounts receivable, including accounts arising indirectly through overdraft protection on checking accounts of credit card holders. Such loans may have maturity dates of up to five years.

(12) Short-Term Portions of Long-Term Loans or Leases. Loans or leases of the type described in Paragraphs 1 through 10 above when such loans or leases have remaining terms of less than five years from the date of such financing (although the original maturities may have ranged from one to ten years), and the financing of the short-term remaining portions of other long-term loans or leases where the time remaining before maturity of the long-term loan or lease does not exceed nine months.

(13) Mortgage Warehousing Loans. Loans to enable a subsidiary of the Corporation to carry temporarily an inventory of real estate mortgage loans pending the packaging and sale of

such loans to permanent mortgage investors. Although the mortgage loans may have maturities of 25 to 30 years, none would be held for a period of more than 18 months.

(14) Factoring. The purchase of accounts receivable contract rights, chattel paper, documents, general intangibles and similar interests from manufacturers, dealers and merchants which are due and payable no more than 270 days from the time they come into existence.

(15) "Floor-Plan" Loans. Loans to dealers to finance automobiles, equipment and other forms of current inventory held for sale. Such loans typically would have maturities of up to 12 months and would be secured by such inventory with varying balances outstanding for the duration of the financing arrangement.

(16) Accounts Receivable and Inventory Loans. Loans to commercial and industrial businesses, manufacturers, wholesalers, retailers, and securities and commodities dealers to finance the acquisition or the carrying of accounts receivable and/or inventory. The loans will generally be secured by the accounts receivable or inventories or by combinations of such collateral. Such loans would generally be made on a revolving basis under pre-determined lines of credit, and balances may remain outstanding under the lines of credit in varying amounts for the duration of the financing relationship. Such loans would be payable typically upon demand or in 12 months or less, but in no event exceeding five years.

(17) Outstanding Commercial Paper and Other Indebtedness. Repayment of outstanding commercial paper obligations of the Corporation, the payment of principal on short-term indebtedness maturing on demand, in less than 90 days, or under revolving credit agreements, and the discharge of loans from affiliated or unaffiliated lenders.

(18) Loans to Brokers or Dealers. Short-term loans to securities brokers or dealers to finance the purchase by them of securities, secured by such securities payable on demand, and normally outstanding one to fourteen days.

(19) Mortgage Loans. Proceeds will be used to make or acquire loans to individuals secured by mortgages on residential or income property and with maturities of up to 10 years. Such loans will be typically used for debt consolidation, home improvements, education, and large consumer purchasers. Commercial paper proceeds will not be used to finance these loans other than that portion which is due within five years.

(20) Home Improvement Loan Paper. Installment contracts from home improvement contractors. Such contracts will have maturities of up to ten years. The proceeds of the Notes will not be used to finance such installment contracts other than the portion which is due within five years.

(21) Margin Loans. Loans to securities brokers and dealers for re-loans by such brokers and dealers to customers thereof for the purchase, carrying and short-sale of securities, normally collateralized by securities in the customers' accounts. Such loans will generally have maturities of up to five years, with varying balances outstanding during such terms.

(22) Participations. Participations in the loans, accounts leases, paper and other transactions described in the preceding paragraphs; and in long-term loans where the term of the participation does not exceed 270 days.

(23) Taxes and Current Operating Expenses. Payment of federal, state, local and other income, property and franchise taxes, and current operating expenses including without limitation interest on indebtedness and deposits, dividends on outstanding common and preferred stock of the Corporation, payroll, travel expenses for employees, rent, retirement and other employee benefits, legal, accounting and audit expenses, directors' fees, maintenance and utility expenses and advertising by the Corporation and its subsidiaries.

(24) U.S. Government Obligations and Money Market Instruments. The purchase of obligations of the United States or agencies thereof, repurchase agreements relating to such securities, short-term municipal obligations, eurodollar deposits, bank deposits, certificates of deposit, federal funds, commercial paper of other issuers, banker's acceptances and other money market instruments, with maturities of not more than one year from the date of investment.

(25) Credit Card Receivables and Over-Draft Protection. Loans to finance credit card retail purchase and loan accounts receivable, including accounts arising indirectly through over-draft protection on checking accounts of credit card holders. Such loans may have maturities of up to five years.

(26) International Credits. Loans to foreign governments, foreign banks and/or foreign corporations, such loans to have maturities of up to three years.

Legal Opinion and No-Action Request

We are generally familiar with the legislative history of the Act and Section 3(a)(3) thereof, and we have reviewed previous interpretations of that Section by the Commission and various "no action" letters issued by the Division's Staff. We are of the view that this request is fully consonant with the foregoing, and that the proposed issuance of Notes is exempt from registration requirements of Section 5 of the Act by virtue of Section 3(a)(3) thereof which exempts commercial paper that "arises out of a current transaction or the proceeds of which have been or are to be used for current transactions" and has a maturity "not exceeding nine months exclusive of days of grace, or any renewal thereof the maturity of which is likewise limited."

Accordingly, we respectfully request that you confirm that the Staff will not recommend that the Commission take any action with respect to an offering and sale of the Notes in conformity with the conditions set forth above.

Enclosed are seven additional copies of this letter pursuant to SEC Release No. 33-6269. If for any reason you do not concur with our conclusions or require further information, please contact me or, in my absence, Paul F. Pautler, collect at 314-231-7676 prior to issuing any written response to this letter.

Very truly yours,

THOMPSON & MITCHELL

Original signed by
GERARD K. SANDWEG, JR.

by
Gerard K. Sandweg, Jr.

cc: William S. Badgley
James D. Jolley
George R. Klann

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RESPONSE OF THE OFFICE OF CHIEF COU[illegible]L
DIVISION OF CORPORATION FINANCE

Re: Magna Group, Inc. (the "Company")
Incoming letter dated September 18, 1987

On the basis of the facts presented in your letter, this Division will not recommend any enforcement action to the Commission if the Company, in reliance upon your opinion as counsel that the exemption from registration provided by Section 3(a)(3) of the Securities Act of 1933 ("1933 Act") will be available, issues commericial paper in the manner and for the purposes described in your letter without compliance with the registration requirements of the 1933 Act.

Because this position is based on the representations made to the Division in your letter, it should be noted that any different facts or conditions might require a different conclusion. Further, this letter only expresses the Division's position on enforcement action and does not purport to express any legal conclusion on the questions presented.

Sincerely,

Kenneth L. Wagner

Kenneth L. Wagner
Special Counsel