BEFORE THE
DIVISION OF SECURITIES
DEPARTMENT OF FINANCIAL INSTITUTIONS
STATE OF WISCONSIN

PETITION FOR ORDER

In the Matter of
PHOENIX TELECOM, LLC, H. ELLIS
RAGLAND, JR., JERRY BEACHAM, and
JERRY CLAWSON,

Respondents. File No. S-00057(EX)

The staff of the Enforcement Unit, Registration & Enforcement Section, of the Division of Securities, Department of Financial Institutions, State of Wisconsin has conducted an investigation in this matter pursuant to sec. 551.56, Wis. Stats. and as a result thereof alleges as follows:

1. Phoenix Telecom, LLC ("Phoenix") is a foreign business entity with last known business addresses of 1340 Center Dr., Ste. 202, Atlanta, GA 30338 and 2611 Belt Line, Ste 200, Sunnyvale, TX 75182.

2. H. Ellis Ragland, Jr. (CRD #8982765) ("Ragland") is an individual who at all times material hereto has been a principal and controlling person of Phoenix, with a last known business address at that of Phoenix and a last known residence address of 6765 Lisa L.a., Dunwoody, GA 30338.

3. Jerry Beacham ("Beacham") is an individual who at all times material hereto has been a principal and controlling person of Phoenix, with a last known business address at that of Phoenix in Atlanta, GA and a last known residence address of 795 Old Campus Trail NE, Atlanta, GA 30338.

4. Jerry Clawson ("Clawson") is an individual who at all times material hereto has been a principal and controlling person of Phoenix, with a last known business address at that of Phoenix in Sunnyvale, TX.

5. During the period from at least September 1998 to March 1999, agents on behalf of Phoenix, Ragland, Beacham and Clawson, offered and sold to at least twelve persons in Wisconsin investment interests in payphones.

6. The payphones and contracts to fully service them are sold as a package, with the investors receiving a share of the profits.

7. Upon information and belief, this is an investment in a common enterprise with the expectation of profit to be derived through the essential managerial efforts of someone other than the investor.

8. The payphone investments offered and sold by the Respondents are investment contracts as defined by section DFI-Sec. 1.02(6)(a), Wis. Adm. Code, and are therefore securities as defined by sec. 551.02(13), Wis. Stats.

9. The investment contracts described above have never been registered for offer and sale in Wisconsin pursuant to Ch. 551, Wis. Stats.

10. All Respondents have violated sec. 551.21(1), Wis. Stats., by offering and selling unregistered securities in Wisconsin.
11. At no time have the agents referred to in Paragraph 5 been licensed as securities agents pursuant to Ch. 551, Wis. Stats.

12. All Respondents have violated sec. 551.31(2), Wis. Stats., by employing unlicensed agents to represent them in Wisconsin.

13. In November, 1992, Ragland pled guilty in the Superior Court of Clayton County, Georgia, to 3 counts of securities fraud.

14. On March 11, 1994, the United States District Court for the Northern District of Georgia issued a Permanent Injunction against Ragland for securities law violations.

15. In connection with the offer of the securities described in Paragraph 5, the Respondents omitted to disclose the actions referred to in Paragraphs 13 and 14.

16. All Respondents have violated sec. 551.41(2), Wis. Stats., by omitting to state material facts necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, in connection with the offer and sale of securities to persons in Wisconsin.

17. On or about February 17, 1999, staff of the Division of Securities mailed a letter dated February 17, 1999, to Phoenix at its Atlanta address, stating: “We are advised that your firm is offering and selling pay-telephone investments involving leases. This is to warn you that such promotions when they involve the offer of certain “services” to the investor involve the offers and sales of investment-contract “securities,” within the jurisdiction of the securities laws of all the States, including Wisconsin, as well as of the federal securities laws. Wilful violation of any of the requirements of any such securities laws, including Wisconsin’s, are criminal offenses. In Wisconsin, such criminal offenses are punishable as felonies.”

18. On May 25, 1999, the State of Pennsylvania issued a Cease and Desist Order against Phoenix Beacham and Ragland, based on allegations of securities law violations, including fraud.

19. In August 1999, the Wisconsin Office of the Commissioner of Insurance informed the Division of Securities that a Wisconsin-licensed insurance agent was being solicited to obtain investors for the Phoenix Telecom pay-phone business.

20. On September 9, 1999, the State of Minnesota issued a Cease and Desist Order against Phoenix, based on allegations of securities law violations, including fraud.

21. On September 24, 1999, the State of Iowa issued a Cease and Desist Order against Phoenix, based on allegations of securities law violations, including fraud.

22. On October 28, 1999, the State of Montana issued a Cease and Desist Order against the Respondents, based on allegations of securities law violations, including fraud.

Therefore, the staff of the Enforcement Unit petitions the Administrator of the Division of Securities for the issuance of the attached Order pursuant to Ch. 551, Wis., Stats.

Mark E. Dorman
Examiner
Enforcement Unit

David A. Cohen
Supervising Attorney
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