

STATE OF ILLINOIS
SECRETARY OF STATE
SECURITIES DEPARTMENT

IN THE MATTER OF:

JAMES A. BAYER

)
)
) FILE NO. 0100677
)

NOTICE OF HEARING

TO THE RESPONDENTS:

James A. Bayer
4705 Oakridge Park Drive
St. Louis, MO 63129

You are hereby notified that pursuant to Section 11.F of the Illinois Securities Law of 1953, [815 ILCS 5/1 et seq.] (the "Act") and 14 Ill. Adm. Code 130, Subpart K, a public hearing will be held at 520 South Second Street, Suite 200, Springfield, Illinois 62701, on the 21st day of January, 2004 at the hour of 10:00 a.m., or as soon thereafter as counsel may be heard, before Jon K. Ellis, or such other duly designated Hearing Officer of the Secretary of State. A copy of the Rules under the Act pertaining to contested cases is attached to this Notice.

Said hearing will be held to determine whether an Order of Prohibition should be entered against James A. Bayer in the State of Illinois and granting such other relief as may be authorized under the Act including but not limited to imposition of a monetary fine in the maximum amount pursuant to Section 11 of the Act, payable within ten (10) days of the entry of the Order.

The grounds for such proposed action are as follows:

Count I (Violation of Section 12.A)

1. That James A. Bayer has a last known business address of 4705 Oakridge Park Drive, St Louis Mo. 63129 and is an agent of Alpha Telcom, Inc.;
2. That from on or about September 8, 2000 through November, 2000 James A. Bayer offered and sold to at least one Illinois resident an investment in payphone leases issued by Alpha Telcom, Inc and ATC,

Notice of Hearing

-2-

Inc. a/k/a American Telecommunications Company, Inc.;

3. The transaction involved the purchase of payphones and related equipment by investors from ATC, Inc. a/k/a/ American Telecommunications Company, Inc. and concurrently a payphone lease agreement between the investor and Alpha Telcom, Inc. in which Alpha Telcom would manage the payphones and related equipment and receive 70% of the adjusted gross revenue of the payphone(s) and the investor was to receive 30% of the adjusted gross revenues for a period of three years.
4. That the payphone leasing agreement is an investment contract and is a security as that term is defined pursuant to Section 2.1. of the Illinois Securities Law of 1953 [815 ILCS 5/1 et seq.] (the "Act");
5. That Section 5 of the Act provides, inter alia, that all securities except those exempt under Section 3 of the Act or those offered and sold in transactions exempt under Section 4 of the Act shall be registered with the Secretary of State prior to their offer or sale in the State of Illinois;
6. That Section 12.A of the Act provides, inter alia, that it shall be a violation of the Act for any person to offer or sell securities except in accordance with the provisions of the Act;
7. That at all times relevant hereto, James A. Bayer failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
8. That by virtue of the foregoing, the Respondent, James A. Bayer, has violated Section 12.A of the Act;
9. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act; and
10. That by virtue of the foregoing, James A. Bayer is subject to a fine of up to \$10,000.00 per violation.

Notice of Hearing

-3-

Count II (Violation of Section 12.D)

- 1-5. Paragraphs 1 through 5 of Count I are re-alleged and incorporated as paragraphs 1 through 5 of this Count II;
6. That Section 12.D of the Act provides, inter alia, that it shall be a violation of the Act for any person to fail to file with the Secretary of State any document or application required to be filed under the provision of the Act;
7. That at all times relevant hereto, James A. Bayer failed to file an application for registration of the above-referenced securities with the Secretary of State prior to their offer or sale in the State of Illinois;
8. That by virtue of the foregoing, the Respondent, James A. Bayer has violated Section 12.D of the Act;
9. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection D of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
10. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act; and
11. That by virtue of the foregoing, James A. Bayer is subject to a fine of up to \$10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois.

Notice of Hearing

-4-

Count III (Violation of Section 12.C)

- 1-5. Paragraphs 1 through 5 of Count I are re-alleged and incorporated as paragraphs 1 through 5 of this Count III;
6. That section 8.A. of the Act states, inter alia, that, except as otherwise provided in subsection A, every salesperson shall be registered as such with the Secretary of State;
7. That Respondent, James A. Bayer, was not registered in Illinois as a salesperson during the relevant time period of the sales of securities in the State of Illinois;
8. That Section 12.C of the Act states, inter alia, that it shall be a violation of the Act for any person to act as a salesperson unless registered as such, where such registration is required.
9. That by virtue of the foregoing, James A. Bayer has violated Section 12.C of the Act;
10. That Section 11.E(2) of the Act provides, inter alia, that if the Secretary of State shall find that any person has violated subsection C of Section 12 of the Act, the Secretary of State may by written order prohibit the person from offering or selling any securities in this State;
11. That Section 11.E(4) of the Act provides, inter alia, that if the Secretary of State, after finding that any provision of the Act has been violated, may impose a fine as provided by rule, regulation or order not to exceed \$10,000.00 for each violation of the Act; and
12. That by virtue of the foregoing, James A. Bayer is subject to a fine of up to \$10,000.00 per violation and an order which permanently prohibits the Respondent from offering or selling securities in the State of Illinois.

You are further notified that you are required pursuant to Section 130.1104 of the Rules and Regulations (14 Ill. Adm. Code 130) (the "Rules"), to file an answer to the allegations outlined above or a Special Appearance pursuant to Section 130.1107 of the Rules, or other responsive pleading within thirty days of the

Notice of Hearing

-5-

receipt of this notice. Your failure to do so within the prescribed time shall be deemed an admission of the allegations contained in the Notice of Hearing and waives your right to a hearing.

Furthermore, you may be represented by legal counsel; may present evidence; may cross-examine witnesses and otherwise participate. A failure to so appear shall constitute default.

A copy of the Rules, promulgated under the Act and pertaining to Hearings held by the Office of the Secretary of State, Securities Department, is included with this Notice.

Delivery of notice to the designated representative of the Respondent constitutes service upon such Respondent.

ENTERED: This 1st day of December, 2003



Jesse White
Secretary of State
State of Illinois

Attorney for the Secretary of State:

David Finnigan
Illinois Securities Department
Lincoln Tower, Suite 200
520 South Second Street
Springfield, Illinois 62701
Telephone: (217) 785-4947
Enforcement Fax: (217) 782-8876

Hearing Officer:

Jon K. Ellis
1035 South 2nd Street
Springfield, Ill 62704
217-528-6835
Fax 217-528-6837