

DENISE VOIGT CRAWFORD
SECURITIES COMMISSIONER



JOSE ADAN TREVINO
CHAIRMAN

JOHN R. MORGAN
DEPUTY SECURITIES COMMISSIONER

NICHOLAS C. TAYLOR
MEMBER

Mail: P.O. BOX 13167
AUSTIN, TEXAS 78711-3167

Texas State Securities Board

KENNETH W. ANDERSON, JR.
MEMBER

Phone: (512) 305-8300
Facsimile: (512) 305-8310

208 E. 10th Street, 5th Floor
Austin, Texas 78701-2407
www.ssb.state.tx.us

JACK D. LADD
MEMBER

BRYAN K. BROWN
MEMBER

SSB Docket No. 03-003

IN THE MATTER OF
STRIKE CHALLENGE, INC.;
RICHARD A. HUMPHREY;
AND GARY ASHCRAFT

§
§
§
§

Order No. CDO-1493

TO: Strike Challenge, Inc.
924 Red Oak Drive
Ovilla, Texas 75154

Richard A. Humphrey
924 Red Oak Drive
Ovilla, Texas 75154

Gary Ashcraft
924 Red Oak Drive
Ovilla, Texas 75154

EMERGENCY CEASE AND DESIST ORDER

This is your OFFICIAL NOTICE of the issuance by the Securities Commissioner of the State of Texas ("Securities Commissioner") of an EMERGENCY CEASE AND DESIST ORDER pursuant to Section 23-2 of The Securities Act, TEX. REV. CIV. STAT. ANN. art. 581-1 et seq. (Vernon 1964 & Supp. 2003) ("Texas Securities Act").

The Staff of the Enforcement Division ("the Staff") of the Texas State Securities Board ("the Securities Board") has presented evidence sufficient for the Securities Commissioner to find that:

FINDINGS OF FACT

1. Strike Challenge, Inc. ("Respondent SCI") is a Texas Corporation whose last known address is 924 Red Oak Drive, Ovilla, Texas 75154. William Kunofsky is SCI's resident agent at 10300 North Central Expressway, Suite 252, Dallas, Texas 75231.

2. Richard A. Humphrey ("Respondent Humphrey") is an individual who, at all times material to this Order, has been identified as the President of Respondent SCI and whose last known business address is the same as Respondent SCI.
3. Gary Ashcraft ("Respondent Ashcraft") is a natural person who acted as a Regional Director and salesperson of Respondent SCI as described herein and whose last known business address is the same as Respondent SCI.
4. In or about November and December 2002, an advertisement appeared in the Houston Chronicle, a newspaper of general public circulation, which stated: "Earn 12% Plus 100% UCC Secured 24-60 Months \$8,000 Minimum for a Detailed Information Package Call 281-631-9335"
5. In or about December 2002, a Texas resident ("Prospect") responded to the above-referenced advertisement and reached a recording that mentioned Respondent SCI. Prospect left a message and was subsequently contacted via telephone by Respondent Ashcraft who made an oral sales presentation regarding the aforementioned opportunity to invest money with Respondent SCI.
6. In or about December 2002, Respondent Ashcraft sent, or caused to be sent, sales literature to Prospect. The sales literature included a promissory note ("SCI Promissory Notes") that was to be completed by Prospect, returned to Respondent SCI, and accepted by Respondent Humphrey on behalf of Respondent SCI.
7. The SCI Promissory Notes provided for payment of 12% per annum and as "ADDITIONAL CONSIDERATION" to the payee that: "Maker [SCI] will establish a PARTICIPATING INCOME POOL (PIP) of TEN CENTS (\$.10) PER TICKET OF THE TOTAL MONTHLY TICKET SELLS (sic) OF THE STRIKE CHALLENGE SYSTEM that will be paid on a pro-rata basis to the payee monthly, and the payees percentage due will be based on the total number of payees participating in the PIP."
8. The sales literature sent to Prospect stated "AS YOU READ THIS SUMMARY YOU WILL SEE THAT YOU HAVE A 100% UCC SECURED INTEREST IN THE EQUIPMENT SECURING THE NOTE AND I BELIEVE YOU WILL BE DELIGHTED WITH THE PIP PROGRAM"
9. For the period from January 1, 1998, to the present, the records of the State Securities Board fail to reflect that any securities issued by Respondent SCI have been registered by qualification, notification or coordination and no permit has been granted for the sale of such securities within Texas.
10. For the period from January 1, 1998, to the present, Respondent SCI, Respondent Humphrey and Respondent Ashcraft (collectively "Respondents") have not been registered to offer or sell securities or to render investment advice within Texas.

11. Respondents' representation in their sales literature, print advertising, and by telephone solicitation that investors will have a "100% UCC SECURED INTEREST" in the equipment is misleading in light of the fact that Respondent SCI's question and answer memo states "[w]e are in the process of locating a facility for manufacturing the units and we believe we can have systems in the bowling center by the first quarter of next year" and the sales literature states that Respondent SCI is seeking funds to finance and manufacture the equipment. Since no equipment has been or is being manufactured presently, there can be no UCC secured interest until an undetermined future date.

CONCLUSIONS OF LAW

1. The above-referenced investments offered by Respondents are "securities" as that term is defined in Section 4.A of the Texas Securities Act.
2. Respondents have offered for sale securities in Texas as the term "offer for sale" is defined in Section 4.E of the Texas Securities Act.
3. Respondents violated Section 7 of the Texas Securities Act by engaging in the offer for sale of the above-described securities without the securities being registered with the Securities Commissioner.
4. Respondents are acting as "dealers" or "agents" as those terms are defined in Section 4.C and 4.D of the Texas Securities Act.
5. Respondents violated Section 12 of the Texas Securities Act by offering securities for sale in Texas without being registered pursuant to the provisions of Section 12 of the Texas Securities Act.
6. Respondents have made offers for sale of securities in Texas that are materially misleading or otherwise likely to deceive the public through the use of the above-referenced representations contained in Finding of Fact 11.
7. Respondents' conduct, acts and practices threaten immediate and irreparable harm to the public.
8. The foregoing violations constitute bases for the issuance of an Emergency Cease and Desist Order pursuant to Section 23-2 of the Texas Securities Act.

ORDER

1. It is therefore ORDERED that Respondents immediately CEASE AND DESIST from acting as securities agents or dealers in Texas until they are registered or an available exemption from registration is utilized.

2. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas until the securities have been registered with the Securities Commissioner or an available exemption from registration is utilized.
3. It is further ORDERED that Respondents immediately CEASE AND DESIST from offering securities in Texas through an offer containing a statement that is materially misleading or otherwise likely to deceive the public.

NOTICE

Under Section 23-2 of the Texas Securities Act, you may request a hearing before the 31st day after the date you were served with this Order. The request for a hearing must be in writing, directed to the Securities Commissioner, stating the grounds for the request to set aside and modify the order. Failure to request a hearing will result in the order becoming final and nonappealable.

You are advised under Section 29.D of the Texas Securities Act that any knowing violation of an order issued by the Securities Commissioner under the authority of Section 23-2 of the Texas Securities Act is a criminal offense punishable by a fine of not more than \$5,000 or imprisonment in the penitentiary for not more than two years, or by both such fine and imprisonment.

SIGNED AND ENTERED by the Securities Commissioner this 3rd day of February, 2003.


DENISE VOIGT CRAWFORD
Securities Commissioner