

**BEFORE THE
NATIONAL FUTURES ASSOCIATION**

In the Matter of:)	
)	
M25 INVESTMENTS, INC.)	
(NFA ID #0394620),)	
)	
M37 INVESTMENTS LLC)	
(NFA ID # 0401998),)	
)	NFA Case No. 09-MRA-004
DAVID P. FEARIS, III)	
(NFA ID # 0394889),)	
)	
and)	
)	
RONALD LYNN LARSON)	
(NFA ID # 0404053).)	

**NOTICE OF MEMBER RESPONSIBILITY ACTION AND ASSOCIATE
RESPONSIBILITY ACTION UNDER NFA COMPLIANCE RULE 3-15**

National Futures Association ("NFA") hereby gives notice to M25 Investments, Inc. ("M25") and M37 Investments LLC ("M37"), commodity trading advisor ("CTA") Members of National Futures Association, located in Waxahachie, Texas; David P. Fearis, III ("Fearis"), president and an associated person ("AP") of M25, director and AP of M37, and an NFA Associate; and Ronald Lynn Larson ("Larson"), president and an AP of M37, and an NFA Associate, that pursuant to NFA Compliance Rule 3-15, the President of NFA, with the concurrence of NFA's Executive Committee, has taken a Member Responsibility Action ("MRA") against M25 and M37, and an Associate Responsibility Action ("ARA") against Fearis and Larson, whereby:

1. M25, M37, Fearis, and Larson are prohibited from soliciting or accepting any funds from customers and investors, or any loans from lenders, other than financial institutions, without prior approval of NFA;
2. M25, M37, Fearis, and Larson are prohibited from placing any futures trades or off-exchange foreign currency trades for themselves or for customers, except to liquidate existing positions;
3. M25, M37, Fearis, and Larson are prohibited from disbursing or transferring any funds from any accounts (bank, trading, or any other types of accounts), which are in the names of M25 or M37 or which are controlled by either M25 or M37, without prior approval from NFA; and

4. M25, M37, Fearis, and Larson are required to provide copies of this MRA via overnight courier to a) all customers, b) all investors, and c) all persons and entities to whom it has issued promissory notes, and d) to all banks, brokerage firms, and other financial institutions with which money is on deposit in the name of M25 and M37, or over which M25 or M37 exercises control.

This action is effective immediately and is deemed necessary to protect the investing public and the futures markets based on evidence that M25 and M37 are operating a ponzi scheme whereby they have obtained hundreds of loans from unsophisticated persons who are solicited, among other ways, at or through churches, and in return gave these persons unsecured promissory notes in which M25 and M37 promise to repay the loans with interest. However, the principals of M25 and M37, including Fearis and Larson, appear to have funneled much of the money borrowed from these persons to other entities controlled by them, which are non-NFA Members, and, at present, there appears to be an approximate \$3.7 million shortfall between what is owed to note holders and what M25 and M37's own in combined assets. M25, M37, Fearis, and Larson continue to solicit loans from persons even though they have insufficient assets to repay the debt on existing loans, let alone new loans. In soliciting persons to make loans to them, M25, M37, Fearis, and Larson have used misleading promotional material that suggests that M37 has made large sums of money trading when, in fact, M25 and M37 have lost money.

In support of these actions, NFA attaches the affidavit of Eric Donofrio, who is a Field Supervisor in NFA's Compliance Department, and based thereon alleges as follows:

1. M25 is a CTA Member of NFA located in Waxahachie, Texas. M25 has been registered as a CTA since July 2008 and was formerly registered as a Commodity Pool Operator ("CPO"). M25 is owned by Fearis and Kingdom Life Holdings Trust, whose sole beneficiary is Kingdom Life Ministries, which is an entity owned and controlled by Scott Kear ("Kear"). M25's CEO is Kear, its president is Fearis, and its CFO is Jeffrey Lyon ("Lyon"). Fearis is also an AP of the company and an NFA Associate.
2. M37 is also a CTA Member of NFA. M37 shares offices and telephones with M25 in Waxahachie, Texas. M37 has been registered as a CTA since November 2008 and it, too, was formerly registered as a CPO. M37 is owned by Lyon and Kingdom Life Holdings Trust. M37's CEO is Kear, its president is Larson and its CFO is Lyon. Fearis is a Director of M37 and he and Larson are also APs of the company and NFA Associates.
3. On March 26, 2009, NFA received a phone call from an individual who told NFA that he had a managed account with M25. He also said that he had loaned \$200,000 to M37, and, in return, had

received a promissory note from M37. According to this individual, he was told that M37 planned to trade forex with the proceeds from his loan.

4. Based on this information, NFA was concerned about the structure of these investments, whereupon, NFA sent an audit team to M25/M37's main office in Waxahachie, Texas to perform an unannounced audit.
5. During the audit, NFA learned that, as of March 31, 2009, M25 had thirty nine CTA customers with \$506,718 under management. The accounts of these customers were carried by IKON Global Markets, Inc. ("IKON"), a futures commission merchant ("FCM") NFA Member.
6. NFA also learned that, as of March 31, 2009, M25 had borrowed over \$1 million from approximately 30 persons and had issued unsecured promissory notes to these persons evidencing these loans.
7. With respect to M37, it represented to NFA that it was not doing CTA business, and had never solicited customers. NFA further learned that, as of March 31, 2009, M37 had received loans of approximately \$6.6 million from over approximately 150 persons and had issued unsecured promissory notes to these persons evidencing these loans.
8. A majority of the holders of the notes issued by M25 and M37 are residents of West Virginia who were solicited by Larson at or through churches they attend. NFA spoke to approximately 25 of the note holders and many indicated that while being solicited for a loan they received promotional material from Larson which claimed that M37 was making profits of at least 24% annually from its trading activities.
9. According to the terms of the notes issued by M25 and M37, M25 and M37 paid interest at an effective rate of 2% per month, with a 3.176% renewal bonus if a note holder renews the note at the end of the note's term -- which is the interest rate that the note holders, with whom NFA spoke, thought they would receive. The notes' terms are similar to the promotional material that Larson distributed, which included a chart that details the growth of an initial \$100,000 investment to over \$1 million between years 11 and 12 -- assuming a 24% annual return plus a 2% annual renewal bonus, and that all dollars remain in the account.
10. The vast majority of the holders of the notes issued by M25 and M37 have rolled over accrued interest and have not requested or

received any payment of their notes' principal or accrued interest.

11. NFA obtained cash records from M25/M37 covering the period from December 2007—when the firms began issuing promissory notes – to present. NFA performed a detailed cash analysis of all of M25's and M37's operating bank accounts and its trading accounts and determined that, as of March 31, 2009, M25 and M37 had a total liability on the promissory notes of approximately \$7.6 million, but combined assets of only approximately \$3.9 million, resulting in a deficit of approximately \$3.7 million. M25's and M37's principals, Kear, Lyon, and Fearis, told NFA that they would use their personal assets to cover the shortfall. This appears to be a non-legally binding, and illusory undertaking as Kear, Lyon, and Fearis have not executed a written guarantee guaranteeing payment of the notes issued by M25 and M37, which is a requirement under the Statute of Frauds in most jurisdictions to enforce a guarantee. Moreover, NFA spoke to several of the note holders, all of whom said that they were never told that their notes were guaranteed by the personal assets of M25's and/or M37's principals.
12. NFA reviewed the cash and trading activity in all of M25's and M37's trading accounts and noted that only a fraction of the money M25 and M37 had borrowed had been devoted to trading, and much of that was lost. From when they became registered in 2008 and over their entire trading history, M25 and M37 sustained trading losses of over \$550,000 – which hardly supports the 24% annual return that M37 promoted.
13. In reviewing the activity in M25's and M37's bank and trading accounts, NFA noted a number of transfers whereby M25 withdrew funds from one trading account, deposited these funds in its bank account at Wells Fargo bank, and then turned around and transferred the funds to another trading account at another FCM. Several examples of these types of transfers are set forth below:
 - On December 11, 2008, M25 withdrew \$900,000 from its trading account at Interactive Brokers LLC ("Interactive Brokers") and deposited these funds in its Wells Fargo bank account. On December 16, 2008, M25 transferred \$1.3 million from its Wells Fargo bank account to its trading account at Penson GHCO.
 - On January 28 and 29, 2009, M25 withdrew a total of \$935,583 from its trading account at Penson and deposited these funds in its Wells Fargo bank account. On February 1, 2009, M25 withdrew \$935,583 from its Wells Fargo bank account and transferred \$835,603 to its trading account at

Interactive Brokers and \$100,000 to its trading account at Gain Capital Group LLC ("Gain Capital").

- On March 3, 2009, M25 withdrew \$925,000 from its trading account at Interactive Brokers and deposited these funds in its Wells Fargo bank account. The following day, M25 transferred \$675,000 from its Wells Fargo bank account to its trading account at Advantage Futures LLC.
- On March 12, 2009, M25 withdrew \$110,000 from its trading account at Interactive Brokers and deposited these funds in its Wells Fargo bank account. The following day, M25 withdrew \$110,000 from its Wells Fargo bank account and transferred \$100,000 to its trading account at Saxo Bank and \$10,000 to its trading account at IKON.
- On March 18, 2009, M25 withdrew \$410,000 from its trading account at Interactive Brokers and deposited these funds in its Wells Fargo bank account. The following day, M25 transferred \$410,000 from its Wells Fargo bank account to its trading account at Saxo Bank.

By using multiple trading accounts at different FCMs and transferring funds among these trading accounts, M25 and M37 made it appear that they had committed more money to trading than they actually had, when all they really did was move the same funds from one trading account to another. NFA asked M25 and M37 why there were so many transfers from one trading account to the other and they offered no clear explanation except to say that they transferred funds to FCMs with which they felt most comfortable doing business.

14. Between June 2008 and March 2009, M37 sent approximately \$1.7 million to M25 Investments, LLC (which is a different entity than M25, the subject of this MRA) and Kingdom Life Ministries. Both M25 Investments, LLC and Kingdom Life Ministries are non-NFA Members. Fearis, Lyon, and Kear (who control M25 and M37) are the principals of M25 Investments, LLC. Kear also appears to have sole control of Kingdom Life Ministries. Between December 2007 and March 2009, M25 sent approximately \$450,000 to M25 Investments, LLC; and between March 2008 and December 2008, M25 sent approximately \$147,000 to Kingdom Life Ministries.
15. As M25's and M37's principals had represented that they would use their personal assets to cover the deficit (which, as discussed earlier, appears to be a non-binding undertaking since no written guarantee has been executed by them), NFA requested that they provide information about their personal assets, including their ownership interest, valuations, and

possible encumbrances. M25 and M37's principals represented that they owned two pieces of unimproved land, each of which was encumbered by a mortgage of over \$700,000. They have not provided a licensed appraisal for this real estate. They also represented that they owned over two million shares of stock in HIV Solutions, Inc. ("HIV Solutions"), a non-publically traded entity that purportedly has developed a cure for AIDs, which they claimed was worth over \$16 million. However, they have not provided NFA access to the financial records of HIV Solutions -- even though Kear is a director and vice-president of HIV Solutions, in addition to being a shareholder -- and, therefore, there is no way to value the stocks' worth, if it has any worth.

16. M25, M37, Fearis, and Larson continue to solicit and accept additional loans despite the fact that their liabilities to existing note holders exceeds the firms' assets by approximately \$3.7 million. Further, no disclosure has been made to note holders about this deficit.
17. Based on the foregoing, it appears that M25, M37, Fearis, and/or Larson used misleading promotional material that misrepresented M37's trading performance in order to induce persons to make unsecured loans to M25 and M37, that they continue to solicit loans when they know, or should know, that they are financially unable to repay such loans, and that they have failed to disclose to their lenders and prospective lenders that their liabilities to lenders exceeds their assets by several million dollars.

The MRA will remain in effect until such time as M25 and M37 have demonstrated to the satisfaction of NFA that they are in complete compliance with all NFA Requirements.

NFA Members receiving notice of this MRA by service or otherwise who carry accounts in the name M25 and M37 are prohibited from disbursing funds to any persons for any reason without prior approval of NFA.

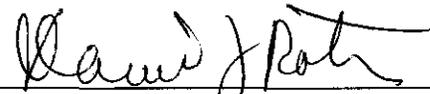
M25 and M37 are entitled to a prompt hearing on this matter before NFA's Hearing Committee if it so requests. The request for a hearing shall be made in writing to:

National Futures Association
300 South Riverside Plaza, Suite 1800
Chicago, IL 60606
Attn: Legal Docketing Department

Aggrieved parties may petition the CFTC for a stay of this MRA pending a hearing pursuant to and in conformity with the terms set forth in CFTC Regulation 171.41.

NATIONAL FUTURES ASSOCIATION

Date: June 4, 2009

By: 

Daniel J. Roth, President

m:\rvh\25-M37 MRA (revised 6-3-09)

AFFIDAVIT

THE AFFIANT, ERIC DONOFRIO, BEING DULY SWORN AND UNDER OATH STATES THAT:

1. My name is Eric Donofrio, and I am employed by National Futures Association ("NFA") as a Field Supervisor in the Compliance Department. In my capacity as a Field Supervisor, I lead a team that has been examining M25 Investments Inc. ("M25") and M37 Investments LLC ("M37").
2. M25 is a CTA Member of NFA located in Waxahachie, Texas. M25 has been registered as a CTA since July 2008 and was formerly registered as a Commodity Pool Operator ("CPO"). M25 is owned by Fearis and Kingdom Life Holdings Trust, whose sole beneficiary is Kingdom Life Ministries, which is an entity owned and controlled by Scott Kear ("Kear"). M25's CEO is Kear, its president is Fearis, and its CFO is Jeffrey Lyon ("Lyon"). Fearis is also an AP of the company and an NFA Associate.
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20. By using multiple trading accounts at different FCMs and transferring funds among these trading accounts, M25 and M37 made it appear that they had committed more money to trading than they actually had, when all they really did was move the same funds from one trading account to

another. NFA asked M25 and M37 why there were so many transfers from one trading account to the other and they offered no clear explanation except to say that they transferred funds to FCMs with which they felt most comfortable doing business.

21. Between June 2008 and March 2009, M37 sent approximately \$1.7 million to M25 Investments, LLC (which is a different entity than M25, the subject of this MRA) and Kingdom Life Ministries. Both M25 Investments, LLC and Kingdom Life Ministries are non-NFA Members. Fearis, Lyon, and Kear (who control M25 and M37) are the principals of M25 Investments, LLC. Kear also appears to have sole control of Kingdom Life Ministries. Between December 2007 and March 2009, M25 sent approximately \$450,000 to M25 Investments, LLC; and between March 2008 and December 2008, M25 sent approximately \$147,000 to Kingdom Life Ministries.
22. As M25's and M37's principals had represented that they would use their personal assets to cover the deficit (which, as discussed earlier, appears to be a non-binding undertaking since no written guarantee has been executed by them), NFA requested that they provide information about their personal assets, including their ownership interest, valuations, and possible encumbrances. M25 and M37's principals represented that they owned two pieces of unimproved land, each of which was encumbered by a mortgage of over \$700,000. They have not provided a licensed appraisal for this real estate. They also represented that they owned over two million shares of stock in HIV Solutions, Inc. ("HIV Solutions"), a non-publically traded entity that purportedly has developed a cure for AIDs, which they claimed was worth over \$16 million. However, they have not provided NFA access to the financial records of HIV Solutions -- even though Kear is a director and vice-president of HIV Solutions, in addition to being a shareholder -- and, therefore, there is no way to value the stocks' worth, if it has any worth.
23. M25, M37, Fearis, and Larson continue to solicit and accept additional loans despite the fact that their liabilities to existing note holders exceeds the firms' assets by approximately \$3.7 million. Further, no disclosure has been made to note holders about this deficit.

24. Based on the foregoing, it appears that M25, M37, Fearis, and/or Larson used misleading promotional material that misrepresented M37's trading performance in order to induce persons to make unsecured loans to M25 and M37, that they continue to solicit loans when they know, or should know, that they are financially unable to repay such loans, and that they have failed to disclose to their lenders and prospective lenders that their liabilities to lenders exceeds their assets by several million dollars.

Further Affiant sayeth not.


Eric Donofrio

Subscribed and sworn to before me
on this 4th day of June 2009.


Notary Public



AFFIDAVIT OF SERVICE

I, Nancy Miskovich-Paschen, on oath state that on June 4, 2009, I served copies of the attached Notice of Member Responsibility Action and Associate Responsibility Action, by sending such copies by facsimile and overnight mail, in envelopes addressed as follows:

David Stawick
Office of the Secretariat
Commodity Futures Trading
Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
(Facsimile: 202-418-5521)

Richard Foelber
Deputy Chief
Division of Enforcement
Commodity Futures Trading
Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581
(Facsimile: 202-418-5523)

and by overnight mail to:

M25 Investments, Inc.
1212 B Broadhead Road
Waxahachie, TX 75165
Attn: Jeffrey Lyon, CFO

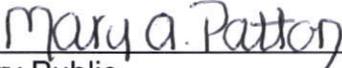
M37 Investments LLC
1200 Kingdom Circle
Waxahachie, TX 75167
Attn: David Seaman

Ronald L. Larson
52 Clendenin Drive
Martinsburg, WV 25404

David P. Fearis, III
401 Clark Lane
Waxahachie, TX 75165


Nancy Miskovich-Paschen

Subscribed and sworn to before
me on this 4th June 2009.



Notary Public

