

**BEFORE THE
NATIONAL FUTURES ASSOCIATION**

In the Matter of:)
)
SPIRIT INVESTMENTS, INC.)
(NFA ID #349450),)
) NFA Case No. 10-MRA-005
and)
)
SCOTT A. BOTTOLFSON)
(NFA ID #323439).)

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

National Futures Association ("NFA") hereby gives notice to Spirit Investments, Inc. ("Spirit"), a commodity pool operator ("CPO") NFA Member located in Encinitas, California and Scott A. Bottolfson ("Bottolfson"), an associated person ("AP") 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 Spirit and an Associate Responsibility Action ("ARA") against Bottolfson, whereby:

1. Bottolfson and Spirit are prohibited from soliciting or accepting any funds from customers or investors, soliciting investments for any commodity pools or other investment vehicles, or placing any trades on behalf of customers, commodity pools, or investors except liquidation or risk reducing trades in Kingship Commodities Group LP ("Kingship Fund"), Increase Investments, Inc., or any other fund, accounts or investment vehicles over which Bottolfson exercises control;
2. Bottolfson and Spirit are prohibited from disbursing or transferring any funds of customers, investors, commodity pools over which they exercise control, or participants in any such commodity pools, without prior approval from NFA; and
3. Bottolfson and Spirit are required to provide copies of this MRA/ARA via overnight courier to all: a) customers; b) participants in the Kingship Fund and Increase Investments, Inc. and all investors in any other funds or investment vehicles over which Bottolfson and/or Spirit exercises control; and c) to all banks, brokerage firms, and other financial institutions in which money is on deposit in the name of Spirit, Kingship Fund, Increase Investments, Inc., or any other entity over which Bottolfson exercises control.

This action is effective immediately and is deemed necessary to protect customers of Spirit, Kingship Fund, Increase Investments, Inc., and Bottolfson, as well as investors in commodity pools and other investment vehicles controlled by Spirit and/or Bottolfson, based on the following facts and circumstances: NFA has received information that Bottolfson and Increase Investments, Inc. obtained substantial sums of money from investors (perhaps as much as \$6 million from as many as thirty investors) to whom Bottolfson and Increase Investments, Inc. issued promissory notes and represented that investors' money would be used to trade futures. However, Bottolfson had previously represented to NFA auditors that Increase Investments, Inc. only traded physicals and real estate. NFA has now learned that investors who gave money to Bottolfson and/or Increase Investments, Inc. have been advised that most, if not all, of their investments have been lost. In an effort to determine exactly how much money Bottolfson, and the entities controlled by him, have received from investors and what has happened to this money, NFA has made repeated requests over the past several weeks for records relative to these entities but, to date, Bottolfson has failed to comply with NFA's requests. As such, Bottolfson has failed to cooperate with NFA in its investigation of his activities and the activities of the entities controlled by him, and has impeded NFA's efforts to determine the identity of individuals who invested with him, the amount they invested, and what has happened to their investments.

In support of these actions, NFA attaches the affidavit of Michael Braden ("Braden"), who is a Supervisor in NFA's Compliance Department, and based thereon alleges as follows:

1. Spirit is an NFA Member CPO located in Encinitas, California and has been an NFA Member since December 2004. Bottolfson is an AP and listed principal of Spirit as well as an NFA Associate and has also been an NFA Associate since December 2004. Bottolfson's wife, Lori Bottolfson, is also a listed principal of Spirit. Bottolfson and his wife also own Increase Investments, Inc. ("Increase") which has no CFTC registration or NFA membership status.
2. According to NFA's registration records, Spirit operates one pool, the Kingship Fund. Spirit filed an exemption for the Kingship Fund, under CFTC Regulation 4.7, in December 2004. Based on information provided by Bottolfson to NFA, as of June 30, 2010, the Kingship Fund had a net asset value of approximately \$800.
3. NFA commenced a routine examination of Spirit in July 2010. As part of NFA's pre-examination process, NFA spoke with Bottolfson by phone on July 13, 2010. During that conversation, Bottolfson represented to NFA that there were no other companies affiliated with Spirit.
4. At the start of the examination, NFA also provided Spirit and Bottolfson with a document request as well as a list of questions to which he was required to respond. As part of that request, NFA asked Bottolfson whether he maintained any personal or proprietary trading accounts, and if

he did, to indicate where those accounts were held. Bottolfson did not provide NFA with any information indicating that he maintained any personal or proprietary trading accounts.

5. NFA began its examination of Spirit on Monday, July 19, 2010. Upon entering Spirit's offices, NFA noticed that "Increase Investments, Inc." was listed on the office mailbox along with "Spirit Investments, Inc." NFA asked Bottolfson about Increase and he represented to NFA that Increase was another company owned by him which was related to his freight business and through which he invested in physical commodities and real estate.
6. However, the following day, when pressed by NFA, Bottolfson admitted that Increase also traded futures and maintained a futures trading account. This contradicted Bottolfson's prior statement to NFA that there were no other companies affiliated with Spirit.
7. Bottolfson provided NFA with an account statement for Increase's futures trading account which showed that Increase had approximately \$115,000 in this account. NFA confirmed this balance with the futures commission merchant ("FCM") which maintained this account. The FCM also provided NFA with account opening documents for the account.
8. NFA also learned that Bottolfson maintained futures trading accounts at other FCMs. These accounts were held jointly by Bottolfson and his wife. When NFA confronted Bottolfson with this information, he admitted that he, in fact, maintained personal futures trading accounts – the existence of which he had previously failed to disclose to NFA.
9. Due to Bottolfson's contradictory statements, NFA asked Bottolfson to provide further information regarding Increase. Specifically, NFA asked Bottolfson whether Increase had solicited investments from outside investors. Bottolfson, through his attorneys, represented to NFA that Increase had issued fixed rate debt to various third-parties in exchange for their investments in Increase. Although Bottolfson maintained that Increase did not solicit these investors to trade futures, several investors, with whom NFA later spoke, told NFA that Bottolfson represented to them that he would use their money to employ a "futures trading strategy."
10. Based on this information, NFA had concerns that Bottolfson may be operating Increase as an unregistered pool. As a result, NFA asked Bottolfson to provide NFA with further information regarding Increase as well as Spirit. Bottolfson provided NFA with certain documents in response to this request, including a pro forma balance sheet for Increase.
11. Subsequent to our review of the above documents, NFA requested that Bottolfson provide NFA with additional information and records relating to Increase and Spirit. On August 9, 2010, NFA sent a document request to

Bottolfson's attorney which requested that Bottolfson provide all bank statements for the past five years for both Spirit and the Kingship Fund, copies of participant statements for the Kingship Fund and invoices for administration and operational expenses paid by the Kingship Fund to Spirit. NFA also asked Bottolfson to provide written representations regarding the ownership structure of Increase, an explanation of the investors in Increase as well as an explanation of how Increase invested funds collected from investors. Bottolfson was required to provide these documents and information to NFA by Thursday, August 12, 2010.

12. On August 13, 2010, Bottolfson's attorney contacted NFA and indicated that he hoped to comply with NFA's document and information request by Tuesday, August 17, 2010.
13. On Thursday, August 19, 2010, NFA was contacted by an individual who told NFA that she had invested approximately \$800,000 with Bottolfson. According to this individual, she decided to contact NFA because Bottolfson had told her that he could not return her money because of NFA. We advised this individual that Bottolfson's claim was false. In further conversation with this individual, we learned that she had wired her money to Increase, and that Bottolfson told her that he intended to use her money to employ a "futures trading strategy." Following our conversation with this individual, we were contacted by two other individuals who related similar stories about investing with Bottolfson and Increase.
14. As a result of the information obtained from the above individuals, NFA contacted Bottolfson's attorney and advised him that Bottolfson was required to immediately respond to NFA's August 9, 2010, document and information requests. Bottolfson's attorney responded that he was travelling but that he and NFA "should try to talk about the Bottolfson situation."
15. NFA then sent Bottolfson a letter which reminded him of his obligation to cooperate promptly and fully with NFA, and if he failed to do so, he could be subject to immediate disciplinary action. NFA also copied Bottolfson's attorney on this letter. Bottolfson's attorney responded to NFA's letter by indicating that he and NFA "needed to talk about the larger picture." NFA responded that Bottolfson needed to immediately comply with NFA's requests. NFA reiterated this request one more time on Thursday, August 26, 2010. To date, Bottolfson has failed to comply with NFA's requests for documents and information relating to Spirit, Kingship Fund, and Increase.
16. On Wednesday, August 25, 2010, NFA was again contacted by the individual who had previously informed NFA that she had invested \$800,000 with Bottolfson and Increase. This individual told NFA that she had been contacted by Bottolfson's attorney who informed her that there were at least thirty other investors like her who had invested a total of \$6 million with Bottolfson, and that if she and the other investors received any

money back from Bottolfson it was likely to be only approximately twelve cents for each dollar invested. Moreover, on Thursday, August 26, 2010, this individual forwarded an e-mail to NFA which she had received from Bottolfson on August 24, 2010, in which Bottolfson stated, in part, that he was so ashamed for what he had done, that he had destroyed everything that he stood for, and that he was sorry for his actions.

17. Based on the foregoing, it appears that Bottolfson has provided false and misleading information to NFA throughout its investigation; that Bottolfson collected millions of dollars from investors; that most, if not all, of the money collected from investors is reportedly unaccounted for; that Bottolfson has refused to cooperate with NFA by providing NFA with documents and information requested by NFA which would enable NFA to ascertain how many individuals invested with Bottolfson, how much they invested, and what has happened to their investments; and that, in light of Bottolfson's e-mail of August 24, 2010 in which he apologized for what he had done, he likely misappropriated or otherwise mishandled investors' funds.

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

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

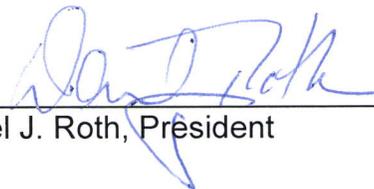
National Futures Association
300 South Riverside Plaza
Suite 1800
Chicago, Illinois 60606
Attn: Legal Department-Docketing

E-Mail: Docketing@nfa.futures.org
Facsimile: 312-781-1672

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

NATIONAL FUTURES ASSOCIATION

Date: 8-27-10

By: 
Daniel J. Roth, President

AFFIDAVIT

THE AFFIANT, MICHAEL BRADEN, BEING DULY SWORN AND UNDER OATH STATES THAT:

1. My name is Michael Braden, and I am employed by National Futures Association ("NFA") as a Supervisor in the Compliance Department. In my capacity as a Supervisor, I participated in an investigation and examination of Spirit Investments, Inc. ("Spirit") a commodity pool operator ("CPO") NFA Member located in Encinitas, California and Scott A. Bottolfson ("Bottolfson"), an associated person ("AP") and an NFA Associate.
2. Spirit is an NFA Member CPO located in Encinitas, California and has been an NFA Member since December 2004. Bottolfson is an AP and listed principal of Spirit as well as an NFA Associate and has also been an NFA Associate since December 2004. Bottolfson's wife, Lori Bottolfson, is also a listed principal of Spirit. Bottolfson and his wife also own Increase Investments, Inc. ("Increase") which has no CFTC registration or NFA membership status.
3. According to NFA's registration records, Spirit operates one pool, the Kingship Commodities Group LP ("Kingship Fund"). Spirit filed an exemption for the Kingship Fund, under CFTC Regulation 4.7, in December 2004. Based on information provided by Bottolfson to NFA, as of June 30, 2010, the Kingship Fund had a net asset value of approximately \$800.
4. NFA commenced a routine examination of Spirit in July 2010. As part of NFA's pre-examination process, NFA spoke with Bottolfson by phone on July 13, 2010. During that conversation, Bottolfson represented to NFA that there were no other companies affiliated with Spirit.
5. At the start of the examination, NFA also provided Spirit and Bottolfson with a document request as well as a list of questions to which he was required to respond. As part of that request, NFA asked Bottolfson whether he maintained any personal or proprietary trading accounts, and if he did, to indicate where those accounts were held. Bottolfson did not provide NFA with any information indicating that he maintained any personal or proprietary trading accounts.
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was another company owned by him which was related to his freight business and through which he invested in physical commodities and real estate.

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12. Subsequent to our review of the above documents, NFA requested that Bottolfson provide NFA with additional information and records relating to Increase and Spirit. On August 9, 2010, NFA sent a document request to Bottolfson's attorney which requested that Bottolfson provide all bank statements for the past five years for both Spirit and the Kingship Fund, copies of participant statements for the Kingship Fund and invoices for administration and operational expenses paid by the Kingship Fund to Spirit. NFA also asked Bottolfson to provide written representations regarding the ownership structure of Increase, an explanation of the investors in Increase as well as an explanation of how Increase invested