



U.S. COMMODITY FUTURES TRADING COMMISSION

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JULIE S. RIECHERT,
Complainant,

v.

JOHN THOMAS CIARAMELLA;
COMTRUST, INCORPORATED;
NICHOLAS ALEXANDER COLBURN;
AMERICAN ATLANTIC FINANCIAL CORP.;
and DAVID SETH GODNICK,
Respondents.

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* CFTC Docket No. 08-R40
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DEFAULT ORDER (Godnick and American Atlantic Financial)

Respondents David Seth Godnick and American Atlantic Financial Corporation (“AAFC”) have failed to file answers, and thus are in default. Their defaults constitute admissions of the allegations in Riechert’s complaint, as supplemented by her affidavit and by NFA records, and constitute waivers of any decisional procedure afforded by the Commission’s reparations rules. Accordingly, it is concluded that:

One, Godnick and AAFC used a combination of abusive, fraudulent and deceptive boiler-room tactics: including high-pressure tactics, baseless profit guarantees, and false and deceptive representations about their reputation and expertise which, among other things, failed to accurately reflect the reality:

- that almost all of AAFC customers had failed to realize overall profits.
- that AAFC customers faced materially higher risks than the risks discussed in standard risk disclosure statement, because AAFC deliberately steered its customers into patently abusive, commission-generating trades.
- that AAFC, its owner and approximately half of its associated persons, including Godnick, had been associated with several firms that had been disciplined by the NFA or the CFTC for fraudulent sales and trading practices.

Two, that Godnick and AAFC recklessly disregarded Riechert's interests by steering her into a patently abusive trade – a commission-generating, extremely high-risk, out-of-the-money bull-call spread -- which quickly consumed over a quarter of Riechert's investment and which resulted in a 36% commission-paid-to-net-premium-paid ratio.¹

Three, that these fraudulent acts violated Section 4c(b) of the Commodity Exchange Act and CFTC rule 33.10.

Four, that these violations caused damages totaling \$7,500.

Five, that AAFC is liable for Godnick's violations pursuant to Section 2(a)(1)(B) of the Act.

Accordingly, David Seth Godnick and American Atlantic Financial Corporation are ordered to pay to Julie S. Riechert reparations of \$7,500, plus interest on that amount at 0.52% compounded annually from November 26, 2007, to the date of payment, plus \$50 in costs for the filing fee. Liability is joint and several.

Any motion to vacate this default order must meet the appropriate standards set out in CFTC rule 12.23.

This default order does not establish the liability of the remaining respondents.²

Dated May 27, 2009.


Philip V. McGuire,
Judgment Officer

¹ The commission-to-premium ration indicates the rate at which an option trade must appreciate to recover the commission costs: in other words, the higher the ratio, the more remote the possibility of profit due to the onerous burden of the commissions, and thus the riskier the trade.

² Riechert's principal allegations are: that Nicholas Colburn defrauded her during the solicitation; that John Ciaramella, a registered principal with Comtrust, aided and abetted the fraud of AAFC and its agents; and that Comtrust is liable for Ciaramella's violations. Riechert, Ciaramella and Comtrust have waived discovery; Ciaramella and Comtrust have filed their minimally responsive reply to the orders dated March 5 and April 3; and the deadline for filing final verified statements has passed. Therefore, the record is closed, and this matter is ready for disposition. I anticipate that I will issue the Final Decision in the next thirty days.