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CFTC OBTAINS ASSET FREEZE IN FRAUDULENT SOLICITATION AND MISAPPROPRIATION CASE AGAINST INTERNATIONAL FOREIGN CURRENCY FIRM, ATWOOD & JAMES, AND MICHAEL KARDONICK

Rochester-area Resident Gary Shapoff Also Charged with Fraud

Washington DC - The U.S. Commodity Futures Trading Commission (CFTC) announced today that it obtained a federal court order in Rochester, New York, freezing the assets of **Atwood & James, Ltd.** and **Atwood & James, S.A., Inc.** (collectively, Atwood) and individuals, **Michael A. Kardonick**, who maintains multiple residences in Brooklyn, New York, Pembroke Pines, Florida, and Rio de Janeiro, and **Gary R. Shapoff**, of Pittsford, New York. The order, issued by the Honorable Charles J. Siragusa of the U.S. District Court for the Western District of New York, also prohibits the destruction of documents and appoints a receiver to marshal assets.

Defendants Charged with Fraudulently Soliciting at Least \$1.2 Million, Perhaps Millions More

The court's order arises out of the CFTC's complaint charging defendants with fraudulently soliciting more than \$1 million from retail clients to trade foreign currency (forex) options and charging Atwood and Kardonick with misappropriating client funds.

"This forex fraud, which infiltrated the globe as an international enterprise, should remind all investors to exercise prudence and restraint when presented with opportunities to profit with little to no risk. The CFTC reminds investors to conduct their own research and avoid being duped. The bottom line always is: If it sounds too good to be true, it usually is." said CFTC Acting Director of Enforcement Stephen J. Obie.

Specifically, the complaint alleges that, from at least 2001 to the present, defendants fraudulently solicited funds from members of the general public worldwide, including the United States and the United Kingdom, to trade forex options. Through the internet web site www.atwoodjames.com and other means, defendants allegedly made extraordinary and false claims regarding Atwood including that:

- Atwood clients will never lose their principal and that profits are virtually guaranteed;
- Atwood is a sophisticated world-wide company with offices in New York, Amsterdam, London, and Rio de Janeiro;
- Atwood's traders are licensed and regulated in the United States with their main corporate offices located in Rochester, New York; and
- Atwood and Kardonick have been successfully trading foreign currency options for the past 30 years.

As alleged, Atwood and Kardonick are not successful traders. According to the complaint, the only known trading accounts are Kardonick's personal trading accounts, which from 2003 through September 2008, sustained net losses of approximately \$1.7 million trading commodity futures and options.

According to the complaint, defendants do not operate out of Rochester, New York; rather, they operate out of Rio de Janeiro, Brazil. Moreover, defendants are not registered or licensed with any known financial regulatory authority.

Kardonick and Shapoff Failed to Disclose Prior Criminal Records

Kardonick and Shapoff also failed to disclose that they both have criminal convictions for mail and wire fraud and Shapoff, additionally, was the subject of two CFTC reparations actions involving misrepresentation, misuse of customer funds, nondisclosure, and order executions.

The Honorable Charles J. Siragusa set a hearing on an order to show cause why a preliminary injunction should not be entered against defendants for February 6, 2009, at 4:00 p.m.

In its continuing litigation, the CFTC seeks a permanent injunction against each defendant prohibiting them from further violating the CEA, restitution to defrauded customers, repayment of all ill-gotten gains from the defendants, and the imposition of monetary penalties.

The following CFTC Division of Enforcement staff members are responsible for this case: Stephen J. Obie, Vincent McGonagle, Gretchen L. Lowe, James H. Holl III, Katherine M. Scovin, Kara Mucha, and Michelle Bougas.

The CFTC appreciates the cooperation of the Brazilian Comissão de Valores Mobiliarios and the British Financial Services Authority in investigating this matter.

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