

**UNITED STATES OF AMERICA**  
*before the*  
**COMMODITY FUTURES TRADING COMMISSION**

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**In the Matter of:**

**Philadelphia Alternative  
Asset Management  
Company, LLC,**

**Registrant.**

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**CFTC Docket No. SD 08-05**

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**INITIAL DECISION ON DEFAULT**

**A. Procedural History**

On September 24, 2008 the Commission issued a Notice of Intent to Suspend, Revoke, or Restrict the Registration of Philadelphia Alternative Asset Management Company, LLC ("PAAM"). PAAM failed to file a timely response to the Notice, and on December 11, 2008 this court found Registrant PAAM in default. Order, *In the Matter of Philadelphia Alternative Asset Management Company, LLC*, CFTC Dock. No. 08-05 (December 11, 2008). On January 6, 2009 the Division of Enforcement submitted its proposed findings of fact and conclusions of law. The adopted proposed findings fact and conclusions of law are set forth below.

**B. Findings of Fact**

1. Philadelphia Alternative Asset Management, LLC ("PAAM") is a Delaware Limited Liability Company that had an office in King of Prussia, Pennsylvania. PAAM's present business address on file with the National Futures Association is 150 Randall Street Suite 103 Oakville, L6J 1P4 Canada.

2. Since October 8, 2003, PAAM has been registered with the Commission as a Commodity Pool Operator (“CPO”), pursuant to Section 4m of the Commodity Exchange Act (“Act”), 7 U.S.C. § 6m.

3. On June 22, 2005, the Commission filed an injunctive action in the U.S. District Court for the Eastern District of Pennsylvania against Paul Eustace (“Eustace”) and PAAM (collectively, the “Defendants”). The Commission’s complaint alleged that the Defendants defrauded the participants in three commodity pools, the Philadelphia Alternative Asset Fund, LP, the Philadelphia Alternative Feeder Fund LLC and the Philadelphia Alternative Asset Fund, Ltd.

4. On August 2, 2005, the Commission filed an amended complaint against the Defendants, which added allegations that Defendants defrauded participants in another pool, the Option Capital Fund LP.

5. PAAM did not answer or respond to either the original or amended complaint.

6. On January 25, 2006, the Court issued an order entering PAAM’s default.

7. On August 13, 2008, the Court entered a “Final Order of Default as to Defendant Philadelphia Alternative Asset Management, LLC,” (“Default Judgment”), which contains findings of fact and conclusions of law that PAAM directly and by and through its employees, fraudulently solicited pool participants, issued false statements to pool participants reflecting profitable commodity futures and options trading and misappropriated funds in violation of Sections 4b(a)(2)(i) – (iii), 4c(b), 4o(1)(A) and (B) of the Act, 7 U.S.C. §§ 6b(a)(2)(i) – (iii), 6c(b), and 6o(1)(A) and (B), and Commission

Regulations (“Regulations”) 4.41(a)(1) and (2) and 33.10, 17 C.F.R. §§ 4.41(a)(1) and (2) and 33.10.

8. Based upon these findings, the Default Judgment permanently enjoins PAAM from committing fraud and misappropriation in violation of Section 4(b)(a)(2)(i) – (iii), 4(c)(b) and 4o(1)(A) and (B) of the Act, and Regulations 4.41(a)(1) and (2) and 33.10.

9. In addition, the Default Judgment permanently enjoins PAAM from engaging, directly or indirectly, in any activity related to trading in any commodity, as that term is defined in Section 1a(4) of the Act, 7 U.S.C. § 1a(4) (“commodity interest”), including, but not limited to: (a) trading on or subject to the rules of a registered entity, as that term is defined in Section 1a(29) of the Act, 7 U.S.C. § 1a(29); (b) engaging in, controlling or directing the trading for any commodity interest account for or on behalf of any other person or entity, whether by power of attorney or otherwise; (c) soliciting or accepting any funds from any person in connection with the purchase or sale of any commodity interest contract; (d) applying for registration or claiming exemption from registration with the Commission in any capacity, and engaging in any activity requiring such registration or exemption from registration with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9), or acting as a principal, agent or any other officer or employee of any person registered, exempted from registration or required to be registered with the Commission, except as provided for in Regulation 4.14(a)(9), 17 C.F.R. § 4.14(a)(9); and (e) engaging in any business activities related to commodity interest trading.

10. On September 24, 2008, the Commission filed a “Notice of Intent to Suspend, Revoke or Restrict the Registration of Philadelphia Alternative Asset Management Company, LLC” (the “Notice of Intent”). The Notice of Intent alleged that PAAM’s registration should be revoked pursuant to Sections 8a(2)(C) and 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(C) and 7 U.S.C. §§ 12a(2)(E) (2008).

11. On December 11, 2008, the Administrative Law Judge held that PAAM was in default: Order, *In the Matter of Philadelphia Alternative Asset Management Company, LLC*, CFTC Dock. No. 08-05 (December 11, 2008).

12. PAAM has not filed a response to the Notice of Intent, has not contacted the Division, and has not attempted to vacate its default.

**C. Conclusions of Law**

1. Pursuant to Section 8a(2)(C) of the Act, 7 U.S.C. § 12a(2)(C), the Commission may suspend, restrict or revoke the registration of any person “if such person is permanently . . . enjoined by order . . . of any court of competent jurisdiction . . . from . . . engaging in or continuing any activity where such activity involves . . . fraud, . . . [or] misappropriation of funds . . . or any transaction in or advice concerning contracts of sale of a commodity for future delivery, [or] concerning matters subject to Commission regulation under section 4c [of the Act] . . . .”

2. Pursuant to Section 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(E), the Commission may revoke the registration of any person “if such person . . . has been found in a proceeding brought by the Commission . . . to have violated any provision of this Act . . . or . . . regulation [thereunder] . . . where such violation involves . . . fraud . . . [or] misappropriation of funds . . . .”

3. The facts stated in the Notice of Intent have been deemed true pursuant to the December 11, 2008 Order. These facts demonstrate that PAAM is unfit to act as a Commission registrant and constitute a valid basis for the Commission to disqualify and revoke PAAM's registration as a CPO pursuant to Section 8a(2)(E), 7 U.S.C. §§ 12a(2)(E).

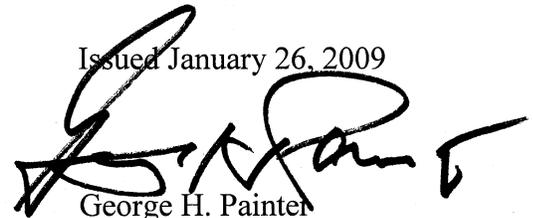
4. The Commission has previously observed that once a statutory disqualification is established under Section 8a(2) of the Act, a presumption arises that the applicant is unfit to act as a registrant, and the Division's burden of producing evidence is fulfilled. *In re Horn*, [1990-1992 Transfer Binder] Comm. Fut. L. Rep. (CCH) ¶ 24,836 at 36,939 (CFTC Apr. 18, 1990).

#### ORDER

PAAM's registration is hereby *revoked*, and PAAM is further *disqualified* from future registration, pursuant to Sections 8a(2)(C) and 8a(2)(E) of the Act, 7 U.S.C. § 12a(2)(C) and 7 U.S.C. §§ 12a(2)(E).

*So Ordered.*

Issued January 26, 2009



George H. Painter  
Administrative Law Judge