

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

In the Matter of)
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PHILADELPHIA ALTERNATIVE ASSET)
MANAGEMENT COMPANY, LLC)
)
)
Registrant.)

CFTC DOCKET NO. SD 08-05

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2008 SEP 24 AM 9:43
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**NOTICE OF INTENT TO SUSPEND, REVOKE, OR RESTRICT THE REGISTRATION
OF PHILADELPHIA ALTERNATIVE ASSET MANAGEMENT COMPANY, LLC**

I.

The Commodity Futures Trading Commission ("Commission") has received information from its staff that tends to show, and the Commission's Division of Enforcement ("Division") alleges and is prepared to prove, that:

1. Since October 8, 2003, Philadelphia Alternative Asset Management, LLC ("PAAM") has been registered with the Commission as a commodity pool operator ("CPO"), pursuant to Section 4m of the Commodity Exchange Act, as amended (the "Act"), 7 U.S.C. § 6m (2006).
2. PAAM is a Delaware Limited Liability Company that had an office in King of Prussia, Pennsylvania, and lists with the National Futures Association its business address as 150 Randall Street Suite 103 Oakville, L6J 1P4 Canada.
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.
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 on these findings, the Default Judgment permanently enjoins PAAM from committing fraud and/or 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. 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.

9. 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]”

10. Furthermore, under Section 8a(2)(E) of the Act, 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”

11. The facts set forth in paragraphs 1 through 10 above constitute a valid basis for the Commission to suspend, restrict or revoke PAAM’s registration.

II.

12. Pursuant to Regulation 3.60(a), 17 C.F.R. § 3.60(a) (2008), PAAM is hereby notified that a public proceeding shall be conducted in accordance with the provisions of Regulation 3.60, 17 C.F.R. § 3.60 (2008), on the following questions:

- a. Whether PAAM is subject to statutory disqualification under Sections 8a(2)(C) and (E) of the Act as set forth in Section I above; and
- b. If the answer to question “a” immediately above is affirmative, whether the registration of PAAM as a CPO should be suspended, restricted or revoked.

13. Such proceeding shall be held before an Administrative Law Judge, in accordance with Regulation 3.60, and all post-hearing procedures shall be conducted pursuant to Regulations 3.60(i)-(j), 17 C.F.R. § 3.60(i)-(j) (2008).

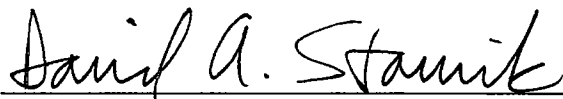
14. In accordance with the provisions of Regulation 3.60(a)(3), 17 C.F.R. § 3.60(a)(3) (2008), PAAM is entitled to file a response challenging the evidentiary bases of the statutory disqualification or show cause why, notwithstanding the accuracy of the allegations, its registration should not be suspended, revoked, or restricted. Such response must be filed with the Hearing Clerk, Office of Hearings and Appeals, Commodity Futures Trading Commission, Three Lafayette Centre, 1155 21st Street, N.W., Washington, D.C. 20581, and served upon Timothy M. Kirby, Trial Attorney, Division of Enforcement at the same address, within thirty (30) days after the date of service of this Notice upon PAAM in accordance with the provisions of Regulation 3.60(b). If PAAM fails to file a timely response to this Notice, the allegations set forth herein shall be deemed to be true and the presiding officer may issue an Order of Default in accordance with the provisions of Regulation 3.60(g), 17 C.F.R. § 3.60(g) (2008).

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III.

The Hearing Clerk shall serve this Notice of Intent to Suspend, Revoke, or Restrict
Registration by registered or certified mail pursuant to Regulation 3.50, 17 C.F.R. § 3.50 (2008).

By the Commission.



David A. Stawick
David A. Stawick
Secretary of the Commission
Commodity Futures Trading Commission

Dated: September 23, 2008