

Excerpts from the Amaranth Complaint

February 24, 2006 expiry day allegations:

- On February 23, 2006, Defendant Hunter told another Amaranth natural gas trader in an instant message to “make sure we have lots of futures to sell MoC [market on close] tomorrow;”
- Amaranth began the trading day on February 24, 2006 with a short position of more than 1,700 March 2006 NYMEX Natural Gas futures contracts; Amaranth also had a short ICE swap position of roughly 12,000 (futures equivalent) contracts which would benefit from a low settlement price of the March 2006 NYMEX Natural Gas futures contract price;
- Prior to the last half hour of trading, the defendants had actually reversed their March 2006 NYMEX Natural Gas futures positions from being short to being long more than 3,000 March 2006 NYMEX Natural Gas contracts;
- During that trading day, Defendant Hunter stated to another Amaranth natural gas trader that he needed the March 2006 NYMEX Natural Gas futures contract “to get smashed on settle then day is done.” Hunter testified that the term “smashed” in the context of futures prices means “if something fell really, really quickly, if the prices fell really, really quickly, you say those prices got smashed.”;
- Defendant Hunter disclosed part of his scheme to a trader at another firm just before the last half hour of trading, saying to that trader, that it was a “bit of an experiment [sic] mainly;”
- Defendant Hunter noted to another trader at Amaranth that “today came together quite nicely.”

April 26, 2006 expiry day allegations:

- A few days prior to the close of the May 2006 NYMEX Natural Gas futures contract, Amaranth reversed its short position in the May 2006 NYMEX Natural Gas futures contract by acquiring futures contracts, so that, for the first time in the month, Amaranth was long the May 2006 NYMEX Natural Gas futures contract;
- Amaranth continued to build its long position so that, by the last half hour of trading on the expiry day of the May 2006 NYMEX Natural Gas futures contract, April 26, 2006, Amaranth was long in excess of 3,000 May 2006 NYMEX Natural Gas futures contracts;
- Going into the last half hour of trading, Amaranth also had a short May swap position of more than 19,000 contracts (futures equivalent);

- Defendant Hunter believed that another hedge fund was going to be a large buyer of natural gas futures in the closing range. This, he believed, would affect the settlement price of the May 2006 NYMEX Natural Gas futures contract, which in turn would adversely affect Amaranth's short swaps positions;
- During the closing half hour of the May 2006 NYMEX Natural Gas futures contract on April 26, 2006, Defendant Hunter told Amaranth employees that he was waiting to sell in excess of 3,000 May 2006 NYMEX Natural Gas futures contracts;
- Defendant Hunter knew that his selling would mute the effect of the buyers, whose purchases would tend to exert upward price pressure;
- Defendants placed orders to sell May 2006 NYMEX Natural Gas futures contracts with specific instructions to the floor brokers to hold execution of the orders until the last eight minutes of the closing range;
- With only eight minutes left in the closing range, Defendants placed an order to sell 2,000 May 2006 NYMEX Natural Gas futures contracts;
- The 2,000 lot order was so large, and came so late in the closing range, that the broker was not able to execute the entire order during the closing range.

The Cover-Up:

- NYMEX's Compliance Department sent a letter dated August 2, 2006 to Amaranth inquiring about Amaranth's trading of May 2006 NYMEX Natural Gas futures contracts on April 26, 2006;
- In that letter, NYMEX Compliance Department informed Amaranth that it had commenced an investigation to review Amaranth's NYMEX Natural Gas futures trading activity on April 26, 2006;
- The letter also made note of the heavy concentration of Amaranth's trading of the May 2006 NYMEX Natural Gas futures contracts occurring in the final minutes prior to the termination of trading in the contract, and the fact that Amaranth sold 99% of its contracts in the final four minutes of the closing range and 78% of its contracts in the final minute of the closing range;
- NYMEX requested that Amaranth provide it a written explanation of the commercial need and justification for its trading;
- Amaranth's written explanation to the NYMEX, dated August 15, 2006, contained a number of false and misleading statements, including statements regarding the manner in which Amaranth described its trading.