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May 21, 2012

BY FACSIMILE (WITHOUT ATTACHMENTS)
BY ELECTRONIC MAIL (WITH PERMISSION)

The Honorable Shira A. Scheindlin
United States District Judge
500 Pearl Street, Room 1620
New York, New York 10007

Re: *In re Amaranth Natural Gas Commodities Litig.*, 07-CV-6377 (SAS)
(S.D.N.Y.)

Dear Judge Scheindlin:

Thanks to Your Honor's directives that the Floor Broker Objectors and the Allocation Objectors (collectively "Objectors") confer with Class Counsel about the objections to the Plan of Allocation, numerous "meet and confer" telephone conferences occurred and all objections to the plan of allocation are resolved by the [Proposed] Order Concerning Plan of Allocation ("[Proposed] Order") and [Proposed] Amended Plan of Allocation (the "Plan") attached as Exhibit A to such [Proposed] Order.

This includes the objections to the artificiality numbers, the Class contracts, the hedging deduction, and all other parts of the original plan of allocation.

Thus, in addition to the fact that the proposed amended Plan ("Plan") embodies a fair and reasonable method of distributing the settlement funds, it also achieves the benefit of quieting all of the objections by more than eighty Class members who were all floor brokers or floor traders operating on the floor of the New York Mercantile Exchange ("NYMEX"), and trading natural gas futures contracts during the Class Period.

If those objections are not settled, then the final, post-appeal judicial resolution of such objections could consume years before completed. It is in the Class members' interests to begin analysis of the proofs of claims now rather than 2014, 2015 or later.

In consideration for the foregoing, only paragraphs 6 and 8-9 of the Plan have been amended. Paragraph 6 of the Plan contains the only two substantive amendments. Both concern the hedging deduction. (Your Honor did not express any agreement with any of the objections in the Objectors' submissions except for the hedging deduction during the final approval hearing. Transcript of April 9, 2012 Hearing *passim*.)

First, paragraph 6 now provides for a general Hedging Deduction of 57.75%. This is 10% more than the 52.5% hedging deduction recommended by this Court during the April 9, 2012 hearing on the fairness of the Settlement. *Compare* Plan at ¶6 with Transcript of April 9, 2012 Hearing at p. 23.

Second, paragraph 6 also creates a specific Swaps-Dealer Hedging Deduction. The Commodity Futures Trading Commission ("CFTC") defines "swaps dealer" as "[a]n entity such as a bank or investment bank that markets swaps to end users. Swap dealers often hedge their swap positions in futures markets. Alternatively, an entity that declares itself a "Swap/Derivatives Dealer" on CFTC Form 40."

An enhanced swaps dealer hedging deduction was created (and it ultimately applied to three class members) in the administration of the settlement in *In re Natural Gas Commodity Litigation*, 03-cv-6186 (VM) (S.D.N.Y.) ("*Natural Gas*"). Such three Class members represented a very small portion of the payout there. So far, no Class member who has submitted a proof of claim herein, is a swaps dealer.

At any rate, in the *Natural Gas* plan of allocation, swaps dealer hedging discounts of between **92.5%** and **97.5%** were approved. See *Natural Gas Modified Plan of Allocation*, 03-cv-6186, Docket No. 618 at ¶1(c). Here, the proposed Swaps-Dealer Hedging Deduction is 91%. Plan ¶6. Plaintiffs have also submitted herewith the Declaration of **Professor Craig Pirrong**, a leading economist on energy markets, attesting that the 91% Swaps-Dealer Hedging Deduction for any swaps-dealing transactions is reasonable based upon the available data. Declaration of Dr. Craig Pirrong at ¶¶9-11.

There are no other substantive amendments to the Plan.

Transparency. However, consistent with Your Honor's encouragement that the Objectors confer with Class Counsel, there are some procedural

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amendments to the Plan at ¶¶8-9 and the [Proposed] Order approving the Plan at ¶¶5-9.

These amendments empower counsel for Objectors to have access to information and be consulted by Class Counsel in the application of the Plan to the data submitted by Class members. *Id.* This includes in the creation of any administrative conventions that the Settlement Administrator may need to adopt to apply the Plan to data. *E.g.*, LIFO or FIFO conventions, or conventions for reconciling data from one source (*e.g.*, the monthly statements provided to the Class member by their broker) with data from another source (*e.g.*, the intraday trades or other trading information from the NYMEX street book). Plan ¶9.

Class Counsel have proposed to amend the Plan to provide that **all** administrative conventions will be posted on the Settlement website and that all Class members will thereby have notice thereof and an opportunity to be heard. Plan ¶¶8-9. This process of increased transparency, while greater than that of the typical administration of a class action settlement, will provide, to all Class members who are sufficiently concerned to follow the Settlement on the Settlement website, the opportunity to be heard regarding the creation and application of such conventions.

Class Counsel believes that the foregoing amendments to the Plan produce an allocation that is reasonably consistent with the recommendations by this Court. See Transcript of April 9, 2012 Hearing at pp. 23, 30 (explicitly recommending a 52.5% Hedging Deduction and further recommending that the parties meet and confer about all the many objections to the original Plan). Class Counsel also believes that such allocation constitutes a reasonable and fair way to distribute the settlement monies.

For all the reasons set forth above, Class Counsel respectfully recommends that the Court approve the amended Plan.

Thank you very much.

Respectfully submitted,


Christopher Lovell

Enclosures

cc: Counsel of Record (by electronic mail)
Posted On Settlement Website