

MONEY & INVESTING

DEALS & DEAL MAKERS

Amaranth's Founder May Start a New Fund

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The founder of **Amaranth Advisors LLC**, the hedge fund that lost \$6.4 billion in a few days last year in the worst debacle in the industry's history, is trying to start a new business, people close to the matter say.

Nick Maounis, Amaranth's chief executive, is considering launching a firm with some former colleagues from the fund. The new firm either would manage money for investors directly or help other funds run their businesses, these people say. It is unclear how much interest Mr. Maounis has generated.

If he can find enough support, it would signal that demand for pros in the hedge fund industry is so strong that even the head of a firm that collapsed spectacularly can engineer a quick comeback.

Mr. Maounis seems to be embracing Amaranth's memory, rather than distancing himself from it: Two of his new firm's possible names, these people say, are "Continuum" and "Segue."

Despite the staggering late-summer losses, Mr. Maounis has expressed pride privately about Amaranth's risk management, arguing that the fund's problems resulted from an unforeseen tumble in natural-gas futures prices, people close to the firm say. Now that Amaranth is liquidating its investments, much of its technology equipment and systems aren't needed and could be used elsewhere, one of these people says.

"His primary focus of time and attention is winding up Amaranth, but he's obviously looking forward to the time when he will be able to focus on other things," says David Boies, an attorney for Mr. Maounis. An Amaranth spokesman added, "Like anyone in his position, he has been considering his future and discussing it with his close friends, colleagues and family."

Some aren't surprised Mr. Maounis is trying to launch a new fund with former colleagues.

"There was strong camaraderie at Amaranth," says Sandy Gross, of Pine-tum Partners LLC, a recruiter for hedge funds who once headed human resources at Amaranth. Ms. Gross says

she doesn't know details of Mr. Maounis plans.

There is precedent for fallen traders getting back in the game. John Meriwether led **Long-Term Capital Management LLC**, the Connecticut hedge fund that lost about \$4 billion over several months in 1998 and roiled the markets. He now runs **JWM Partners, LLC**, a bond-oriented hedge fund that manages more than \$2 billion. He and his colleagues began raising money for the fund just months after LTCM ran into trouble. Traders from **Enron Corp.** also are in demand, despite that energy trading company's collapse.

Eric Rosenfeld, who helped lead LTCM and went on to help run JWM,

Mr. Maounis has voiced pride about Amaranth's risk management.

says Mr. Maounis is "going to be in for a rude awakening. It will be hard for him to raise money." Mr. Rosenfeld, who left JWM in 2005 and now is looking to start his own hedge fund, noted that JWM started off much smaller than he and Mr. Meriwether expected. "Institutional investors will have difficulty investing with anyone who lost a lot of money," Mr. Rosenfeld predicts.

Mr. Maounis faces regulatory and legal scrutiny. The Securities and Exchange Commission, Commodity Futures Trading Commission and Federal Energy Regulatory Commission have been conducting interviews with Amaranth personnel and various parties on Wall Street, people familiar with the matter say. It is unclear if any regulatory action will be taken.

Some of Amaranth's investors mulled suing the firm for misrepresenting the risks it was taking in the marketplace. However, it is unclear if they will do so because bringing litigation may only reduce their recovery of the assets, attorneys familiar with the matter say. Also, Amaranth can argue that it beefed up disclosures to investors about risks in energy trading early last year and detailed the size and volatility of its bets in monthly reports.