EXHIBIT C
CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM

/α/ Amaranth

AMARANTH PARTNERS LLC
(A Delaware Limited Liability Company)

Minimum Investment:
$10,000,000 for Annual Liquidity Interests
$10,000,000 for Four-Year Liquidity Interests

 THESE ARE SPECULATIVE SECURITIES

AMARANTH ADVISORS L.L.C.
Manager

January 2006
GENERAL NOTICES

THE LIMITED LIABILITY COMPANY INTERESTS ("INTERESTS") IN AMARANTH PARTNERS LLC (THE "FUND") ARE OFFERED EXCLUSIVELY TO FINANCIALLY SOPHISTICATED, HIGH NET WORTH AND INSTITUTIONAL INVESTORS CAPABLE OF EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE FUND.

THIS CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM ("MEMORANDUM") CONSTITUTES AN OFFER ONLY TO THE PROSPECTIVE INVESTOR NAMED ON THE COVER PAGE OF THIS MEMORANDUM, AND ONLY IF DELIVERY OF THIS MEMORANDUM IS PROPERLY AUTHORIZED BY THE FUND.

THE PROSPECTIVE INVESTOR, BY ACCEPTING RECEIPT OF THIS MEMORANDUM, AGREES NOT TO DUPLICATE THIS MEMORANDUM OR FURNISH THIS MEMORANDUM OR ANY COPY OF THIS MEMORANDUM TO ANY PERSON OTHER THAN SUCH PROSPECTIVE INVESTOR'S PROFESSIONAL ADVISERS (SUBJECT TO CUSTOMARY UNDERTAKINGS OF CONFIDENTIALITY), AND FURTHER AGREES PROMPTLY TO DISPOSE OF THIS MEMORANDUM SHOULD THE PROSPECTIVE INVESTOR DECIDE NOT TO INVEST.

THE DESCRIPTIONS AND SUMMARIES OF DOCUMENTS IN THIS MEMORANDUM DO NOT PURPORT TO BE COMPLETE; INVESTORS SHOULD REFER TO THE ACTUAL DOCUMENTS TO UNDERSTAND THEIR COMPLETE TERMS AND CONDITIONS.

ALL THE INFORMATION FURNISHED IN THIS MEMORANDUM IS ACCURATE AS OF THE DATE HEREOF, UNLESS OTHERWISE INDICATED. SUCH INFORMATION SHOULD NOT BE ASSUMED TO BE ACCURATE AS OF ANY DATE AFTER THE DATE HEREOF.

THE PROSPECTIVE INVESTOR SHOULD NOT CONSTRUE THE CONTENTS OF THIS MEMORANDUM AS LEGAL, TAX OR FINANCIAL ADVICE, AND SHOULD CONSULT WITH SUCH PROSPECTIVE INVESTOR'S OWN PROFESSIONAL ADVISERS AS TO THE LEGAL, TAX, FINANCIAL OR OTHER CONSIDERATIONS RELEVANT TO DETERMINING THE SUITABILITY OF THIS INVESTMENT.

NO PERSON HAS BEEN AUTHORIZED TO MAKE ANY REPRESENTATIONS CONCERNING THE FUND OR THE INTERESTS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM. THE PROSPECTIVE INVESTOR MUST SUBSCRIBE SOLELY ON THE BASIS OF THE INFORMATION SET FORTH HEREIN.

THE INTERESTS MAY NOT BE TRANSFERRED OR RESOLD EXCEPT WITH THE CONSENT OF THE FUND AND AS PERMITTED UNDER APPLICABLE LAW. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.
GENERAL NOTICES
(cont.)

THE INTERESTS ARE SPECULATIVE, ILLIQUID, INVOLVE SUBSTANTIAL RISK, AND ARE A SUITABLE INVESTMENT ONLY FOR A LIMITED PORTION OF A PORTFOLIO. INVESTORS COULD LOSE ALL OR SUBSTANTIALLY ALL OF THEIR INVESTMENT IN THE FUND.

THE PAST PERFORMANCE OF SPECULATIVE STRATEGIES SUCH AS THOSE IMPLEMENTED BY THE FUND IS NOT NECESSARILY INDICATIVE OF THEIR FUTURE RESULTS.

SEE "RISK FACTORS" AND "CONFLICTS OF INTEREST."
REGULATORY NOTICES

GENERAL

THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY OFFER, SOLICITATION OR SALE OF THE INTERESTS IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE ANY SUCH OFFER, SOLICITATION OR SALE.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE FUND AND THE TERMS OF THIS OFFERING OF THE INTERESTS, INCLUDING THE MERITS AND RISKS INVOLVED. THE INTERESTS HAVE NOT BEEN RECOMMENDED, APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION (THE "SEC"), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY. NONE OF THE FOREGOING AUTHORITIES HAVE PASSED UPON, OR ENDORSED THE MERITS OF, THIS OFFERING OR THE ACCURACY OR ADEQUACY OF THIS MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE INTERESTS HAVE NOT BEEN REGISTERED WITH THE SEC UNDER THE SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR UNDER THE SECURITIES LAWS OF ANY STATE AND ARE BEING OFFERED AND SOLD IN RELIANCE ON EXEMPTIONS FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND SUCH STATE LAWS. THE INTERESTS ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE, AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND SUCH APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREUNDER. THERE IS NO PUBLIC OR OTHER MARKET FOR THE INTERESTS, NOR IS IT LIKELY THAT ANY SUCH MARKET WILL DEVELOP.

COMMODITY FUTURES TRADING COMMISSION


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REGULATORY NOTICES
(cont.)

TAX CONFIDENTIALITY

NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THIS MEMORANDUM, THE PROSPECTIVE INVESTOR (AND EACH EMPLOYEE, REPRESENTATIVE OR OTHER AGENT OF THE PROSPECTIVE INVESTOR) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED IN THIS MEMORANDUM AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE PROSPECTIVE INVESTOR RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE. THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS BETWEEN THE FUND OR ITS REPRESENTATIVES AND THE PROSPECTIVE INVESTOR REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

FLORIDA INVESTORS

IF THE INVESTOR IS NOT A BANK, A TRUST COMPANY, A SAVINGS INSTITUTION, AN INSURANCE COMPANY, A DEALER, AN INVESTMENT COMPANY AS DEFINED IN THE INVESTMENT COMPANY ACT, A PENSION OR A PROFIT-SHARING TRUST, OR A QUALIFIED INSTITUTIONAL BUYER (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT), THE INVESTOR ACKNOWLEDGES THAT ANY SALE OF THE INTERESTS TO THE INVESTOR IS VOIDABLE BY THE INVESTOR EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY THE INVESTOR TO THE FUND, OR AN AGENT OF THE FUND, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO THE INVESTOR, WHICHEVER OCCURS LATER.
PRIVACY POLICY

THE FUND AND THE MANAGER (COLLECTIVELY, “AMARANTH”) ARE COMMITTED TO MAINTAINING THE PRIVACY OF CURRENT AND PROSPECTIVE INVESTORS IN THE FUND. AMARANTH RECOGNIZES THAT ITS INVESTORS ENTRUST AMARANTH WITH HIGHLY CONFIDENTIAL PERSONAL AND FINANCIAL INFORMATION, AND AMARANTH UNDERSTANDS THAT PROTECTING AND SAFEGUARDING THIS INFORMATION IS IMPORTANT.

IN THE COURSE OF PROCESSING AN INVESTOR’S SUBSCRIPTION AGREEMENT TO THE FUND AND AMARANTH’S ONGOING DEALINGS WITH SUCH INVESTOR, AMARANTH MAY OBTAIN NON-PUBLIC PERSONAL INFORMATION ABOUT SUCH INVESTOR. THIS INFORMATION MAY INCLUDE THE INVESTOR’S NAME, ADDRESS, TELEPHONE NUMBER, EMAIL ADDRESS, PASSPORT NUMBER, SOCIAL SECURITY NUMBER, TAXPAYER IDENTIFICATION NUMBER, BANK ACCOUNT NUMBER, TRANSACTION HISTORY AND OTHER PERSONAL INFORMATION. AMARANTH MAY COLLECT DIFFERENT TYPES OF INFORMATION IN A VARIETY OF WAYS, INCLUDING:

- INFORMATION IT RECEIVES FROM AN INVESTOR’S SUBSCRIPTION AGREEMENT, FROM OTHER FORMS AND QUESTIONNAIRES, OR OTHERWISE IN THE COURSE OF ESTABLISHING AN INVESTOR RELATIONSHIP.

- INFORMATION ABOUT THE FREQUENCY OF AN INVESTOR’S OR OTHER PERSON’S USE OF AMARANTH’S WEB SITE.

- INFORMATION ABOUT AN INVESTOR’S TRANSACTIONS WITH THE FUND, ITS AFFILIATES, OR OTHERS, SUCH AS SUCH INVESTOR’S INVESTMENT AND WITHDRAWAL HISTORY.

AMARANTH USES THIS INFORMATION FOR MARKETING PURPOSES AS WELL AS INTERNAL ADMINISTRATION AND ANALYSIS. AMARANTH DOES NOT DISCLOSE ANY NON-PUBLIC PERSONAL INFORMATION ABOUT INVESTORS OR FORMER INVESTORS IN THE FUND TO ANY NON-AFFILIATED PARTIES, EXCEPT TO THIRD-PARTY SERVICE PROVIDERS WHO ASSIST IN THE OPERATION OF AMARANTH’S AND THE FUND’S BUSINESS, AS REQUIRED BY LAW, AT THEIR REQUEST OR WITH THEIR CONSENT. AMARANTH RESTRICTS ACCESS TO NON-PUBLIC PERSONAL INFORMATION TO THOSE PERSONNEL, AGENTS OR OTHER PARTIES WHO NEED TO KNOW THAT INFORMATION TO PROVIDE SERVICES TO SUCH PERSONS. AMARANTH MAINTAINS PHYSICAL, ELECTRONIC AND PROCEDURAL SAFEGUARDS TO PROTECT NON-PUBLIC PERSONAL INFORMATION. AMARANTH’S PRIVACY POLICY COVERS ALL INDIVIDUALS WHO ARE INVESTORS IN THE FUND, WHO HAVE BEEN INVESTORS IN THE FUND OR WHO ARE CONSIDERING AN INVESTMENT IN THE FUND.
PRIVACY POLICY
(cont.)

FOR THE LIMITED PURPOSES OUTLINED ABOVE, AMARANTH MAY DISSEMINATE INTERNALLY NON-PUBLIC, PERSONAL INFORMATION CONCERNING INVESTORS. HOWEVER, AMARANTH WILL USE REASONABLE BEST EFFORTS TO ENSURE THAT SUCH INFORMATION IS TREATED IN ACCORDANCE WITH THIS PRIVACY POLICY.

BY DISCLOSING PERSONAL INFORMATION TO AMARANTH, THE DISCLOSING PARTY CONSENTS TO THE COLLECTION, STORAGE AND PROCESSING OF ITS PERSONAL INFORMATION BY AMARANTH IN A MANNER CONSISTENT WITH THIS PRIVACY POLICY.

AMARANTH WILL PROVIDE INVESTORS IN THE FUND WITH A COPY OF ITS PRIVACY POLICY ANNUALLY, AND IF ANY MATERIAL CHANGES OCCUR TO ITS PRIVACY POLICY, AMARANTH WILL NOTIFY INVESTORS AS PROMPTLY AS PRACTICABLE OF SUCH CHANGES. IF YOU HAVE ANY QUESTIONS ABOUT THIS PRIVACY POLICY, PLEASE CALL A REPRESENTATIVE OF AMARANTH AT (203) 422-3333.

FOR THE AVOIDANCE OF DOUBT, THE FOREGOING PRIVACY POLICY SHALL NOT PREVENT AMARANTH OR THE FUND FROM DISCLOSING TO APPROPRIATE THIRD PARTIES SUCH INFORMATION AS AMARANTH OR THE FUND MAY DEEM NECESSARY OR ADVISABLE IN ORDER TO COMPLY WITH APPLICABLE ANTI-MONEY LAUNDERING AND OTHER APPLICABLE LAWS AND REGULATIONS.
# AMARANTH PARTNERS LLC

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Appendix: Amaranth Partners LLC — Performance Summary for Annual Liquidity Interests
AMARANTH PARTNERS LLC

SUMMARY

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Confidential Private Placement Memorandum ("Memorandum"), the Fifth Amended and Restated Limited Liability Company Agreement of the Fund (the "Limited Liability Company Agreement") and in the other Material Contracts (see "General — Material Contracts"), each of which is available upon the request of any existing or prospective investor and is incorporated by reference herein.

Capitalized terms used but not otherwise defined herein have the meanings assigned to them in the Material Contracts.

The Fund

Amaranth Partners LLC (the "Fund") is a private investment fund organized as a Delaware limited liability company. Amaranth Advisors L.L.C. ("Amaranth Advisors" or the "Manager") is the manager of the Fund (see " — The Manager," below). As of December 1, 2005, the capitalization of the Fund was approximately $1.3 billion. From September 2000 to November 30, 2005, the Fund’s compound annual return to Members, net of all costs including Manager Allocations and Profit Allocations, has been approximately 14.72%. See Appendix — Amaranth Partners LLC — Performance Summary for Annual Liquidity Interests. Past results are not necessarily indicative of future performance; an investment in the Fund is speculative and involves a high degree of risk.

The Fund’s Investment Objective and Strategies

The investment objective of the Fund is superior risk-adjusted returns. In managing the portfolio of the Master Fund (see " — The Master Fund," below), in which the Fund invests a substantial portion of its capital, Amaranth Advisors (collectively with its Affiliates, "Amaranth," unless the context otherwise requires) opportunistically employs a wide range of relative value, event-driven, directional, hybrid and other strategies on a global basis. There are no material limitations on the instruments, strategies, markets or countries in which the Fund may invest.
SUMMARY
(cont.)

The Fund's Investment Objective and Strategies (cont.)

In executing its investment strategies, the Fund may enter into joint venture or co-investment arrangements, participate in pooled investment vehicles, invest capital with unaffiliated advisors or managers ("Third-Party Managers"), as well as make direct investments in (as opposed to investments in the public securities or bank loans of) operating entities as to which the Fund is limited in its ability to exercise day-to-day management control (such joint ventures, co-investments, pooled investments, real estate ventures and other investments, collectively, "Third-Party Ventures") where Amaranth determines that such arrangements complement Amaranth's expertise and/or enhance the Fund's ability to access specific investment opportunities. In making such investments on behalf of the Fund, Amaranth may, where it deems appropriate, negotiate for specific rights — for example, position transparency rights, risk management rights (which may include the right to veto or pre-approve investments made by a Third-Party Manager or investment partner), liquidity rights, special fees or profit-sharing arrangements and other negotiated terms. However, Third-Party Ventures may not include any such rights. Amaranth's investments in certain Third-Party Ventures may be made on the same basis as by any other passive investor.

In addition, the Fund may make investments that are long-term in nature and/or less liquid than an investment in readily-marketable securities ("Longer-Term Investments"). Amaranth's determination to make Longer-Term Investments, as well as its decision to participate in Third-Party Ventures, will be based on Amaranth's assessment of the potential risk and return of each such investment. For a description of the risks associated with Third-Party Managers, Third-Party Ventures, Longer-Term Investments and other less liquid investments, see "Risk Factors": "— Strategy Risks — Third-Party Managers and Third-Party Ventures," "— Strategy Risks — Longer Term Investments," "— Certain Instruments Traded — Private Investments; Illiquid Investments; Designated Investments; Estimated Values" and "— Certain Trading and Investing Techniques — Duration of Investment Positions."

As of the date of this Memorandum, the Fund's commitment to Third-Party Managers, Third-Party Ventures and Longer-Term Investments do not represent a material portion of the Fund's overall portfolio; however, the amount of capital invested in this manner may increase, possibly materially, over time as market conditions and opportunities merit.
SUMMARY
(cont.)

The Fund's Investment Objective and Strategies (cont.)

The Fund may invest in countries that are considered to be “emerging markets.” These investments present special risks, including: political instability; changes in governmental administration, policy and regulation; the possible imposition of currency and exchange controls; ineffective legal systems; inadequate accounting and disclosure rules; unequal market access; inability to hedge market risk; confiscatory taxation; and/or outright expropriation. For a description of the risks associated with investing in “emerging markets,” see “Risk Factors — Certain Instruments Traded — Non-U.S. Securities and Emerging Markets.”

There can be no assurance that the investment objective of the Fund will be achieved or that its strategies will be successful. Past results are not necessarily indicative of future performance, and investors must be prepared to lose all or substantially all of their investment in the Fund. The increasing emphasis of the Fund on Third-Party Ventures and Longer-Term Investments may result in its performance to date not being representative of how it will perform in the future.

The Amaranth Structure

Amaranth Advisors is the Manager of the Fund and the trading advisor of the Master Fund.

As of December 1, 2005, Amaranth was managing capital of approximately $7.4 billion.


A recently-adopted rule (the “Hedge Fund Advisers Registration Rule”) promulgated by the Securities and Exchange Commission (the “SEC”) requires, with certain exceptions, that substantially all “hedge fund” advisers register as “investment advisers” under the Investment Advisers Act of 1940 (the “Advisers Act”). Amaranth has notified the Fund that it does not currently intend to register as an “investment adviser,” although it may do so at a later date. Amaranth is not required to register with the SEC due to the twenty-five (25) month minimum investment period (the “Lock-Up Period”) imposed on all investments made (by new or existing investors in the Fund and/or in other Amaranth “feeder funds”) on or after February 1, 2006. See “— Withdrawals — The Lock-Up Period — Lock-Up Period for Capital Contributions Made on or after February 1, 2006,” below. Prospective investors must not rely on Amaranth becoming an SEC-registered “investment adviser” in determining whether to invest in the Interests.
SUMMARY
(cont.)

The “Master Fund” Amaranth LLC, a Cayman Islands exempted company, is the “Master Fund” in which the Fund invests a substantial portion of its capital. The Fund and the Fund's offshore counterpart, Amaranth International Limited (the “Offshore Fund”), a Bermuda company, and Amaranth Capital Partners LLC, a Delaware limited liability company (together with the Offshore Fund, the “Other Feeder Funds”), are the other principal investors in the Master Fund. The Fund and the Other Feeder Funds aggregate their investments through the Master Fund so as to concentrate credit status and negotiating leverage, while also achieving administrative economies of scale, eliminating the need for trade allocations and simplifying ongoing operations.

As of December 1, 2005, the capitalization of the Master Fund was approximately $6.8 billion.

The Master Fund implements Amaranth’s investing and trading strategies both directly and through a variety of trading subsidiaries ("Trading Vehicles"). References to the Fund include the Master Fund and the Trading Vehicles (or the Fund’s interests therein, as the case may be), unless the context otherwise requires.

Direct Trading; Investment Restrictions

In situations in which the Master Fund is restricted from investing in a particular investment or strategy but the Fund itself is not, the Fund may trade directly for its own account or invest in a Trading Vehicle that engages in such investment activity or strategy. Similarly, in situations in which the Fund and/or the Master Fund is restricted from investing in a particular investment or strategy, but the Other Feeder Funds are not, the Other Feeder Funds may make investments and engage in strategies in which the Fund does not participate.

The Fund may participate in certain transactions as a borrower or provider of debt financing, either directly or indirectly through the Master Fund or through one or more Trading Vehicles owned by the Fund or the Master Fund borrowing or lending capital from or to one or more other Manager Clients, in each case either directly or through financial structures designed to address Law, tax or other considerations.

Other Manager Clients Other Manager Clients may invest in certain investments and strategies in which the Fund does not or is unable to participate.

The performance of the Fund and the Other Feeder Funds may diverge due to the different investment restrictions to which they are subject.

Fund Administration

Administrative and Accounting Services Amaranth Group Inc. ("Amaranth Group"), an Affiliate of the Manager, provides administrative and accounting services to the Fund.
SUMMARY
(cont.)

The Offering: Interests of Each Class

As of the date of this Memorandum, the Fund has outstanding a single class of Interests — "Annual Liquidity Interests." Commencing January 1, 2006, the Fund will offer an additional class of Interests — "Four-Year Liquidity Interests." Each such class of Interests is referred to in this Memorandum as a "Class." Within each Class the Fund issues Designated Investment Interests with respect to each "Designated Investment" which it makes. For a description of Designated Investment Interests and Designated Investments, see "— Designated Investments; Special Allocations," below.

Interests of both Classes are generally available for issuance as of the beginning of each calendar month.

The minimum initial Capital Contribution by each investor is $10,000,000 to the Annual Liquidity Interests and $10,000,000 to the Four-Year Liquidity Interests.

A Member may, with the consent of the Manager, exchange all or a portion of such Member’s Annual Liquidity Interest for a Four-Year Liquidity Interest, and vice versa, on the same notice and as of the same Anniversary Dates or Four-Year Anniversary Dates, as the case may be, on which Withdrawals could be made from such interest — no such exchanges being permitted with respect to Interests issued on or after February 1, 2006 ("Post-January 2006 Interests") prior to the end of the applicable Lock-Up Period. See "— Withdrawals — The Lock-Up Period — Lock-Up Period for Capital Contributions Made on or after February 1, 2006," and "— Exchanges Between Classes," below.

Two Classes of Interests

The two Classes will participate in the same portfolio on a pro rata basis. However, the issuance of Four-Year Liquidity Interests (together with Post-January 2006 Interests, which are subject to applicable Lock-Up Periods) should permit the Fund as a whole to increase its commitment to Longer-Term Investments than the Fund could prudently make if it issued exclusively Annual Liquidity Interests.
SUMMARY
(cont.)

Two Classes of Interests (cont.)

A separate Memorandum Account is tracked in respect of Annual Liquidity Capital Account balances with different Anniversary Dates (each, an "Annual Liquidity Memorandum Account"), Four-Year Liquidity Capital Account balances with different Four-Year Anniversary Dates (each, a "Four-Year Liquidity Memorandum Account"), Capital Account balances subject to their applicable Lock-Up Periods, Capital Account balances subject to different Designated Investment Ceilings and other Classes of Interests which differ from one another in respect of certain business terms. The Memorandum Accounts are used initially to record the Capital Account balances of each Class attributable to each Capital Contribution made by a Member, and subsequently to allocate increases and decreases in the "Gross Asset Value" (i.e., Net Asset Value prior to reduction for Manager Allocations or Profit Allocations not yet made) and the Net Asset Value of such Interests, as well as Manager Allocations, Profit Allocations, Allocable Expenses and other expenses, among the Interests so that at any point in time, the Gross Asset Value and the Net Asset Value of each Member’s Capital Account balance subject to different business terms are clearly determined. The Manager may make such adjustments to the method by which allocations are made to the Memorandum Accounts as the Manager may deem reasonable. See "Withdrawals — Memorandum Accounts."

The Fund may restrict the availability of Annual Liquidity Interests in an effort to enhance the stability of the Fund’s equity base, may discontinue the offering of the Interests of either or both Classes at any time, and may adjust the offering terms and procedures used for the Interests as Amaranth determines that market conditions and investment opportunities warrant.

Financial Terms

Monthly Manager Allocation

The Fund makes a monthly Manager Allocation to the Manager generally equal to 0.125% of the aggregate Gross Asset Value of each Class of Interests held by a Member at the end of each calendar month (a 1.5% annual rate).

Annual Liquidity Interests and Four-Year Liquidity Interests are subject to the same Manager Allocations.

Annual Profit Allocation

As of each December 31, the Fund makes a Profit Allocation (if due) to the Manager equal to: (i) 20% of any Net New Profit then attributable to each Member’s Annual Liquidity Interest; and (ii) 15% of any Net New Profit attributable to each Member’s Four-Year Liquidity Interest.
SUMMARY (cont.)

Profit Allocations are calculated separately with respect to each Class of Interests held by a Member (not separately with respect to each Capital Contribution made by such Member to such Class). However, Profit Allocations are calculated separately with respect to the Annual Liquidity Interest and the Four-Year Liquidity Interest held by a Member which has invested in both Classes.

In the event that a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, it is possible that such Member will be subject to a Profit Allocation with respect to one Class even though the other Class, and such Member’s overall investment in the Fund, has incurred losses.

Post-January 2006 Interests and Interests issued prior to February 1, 2006 (“Pre-February 2006 Interests”) of each Class held by the same Member are combined for purposes of calculating the Profit Allocation (if any) due with respect to the Interests of such Class.

“Net New Profit” is equal to the amount by which the Gross Asset Value of the Interest of each Class held by a Member (calculated after reduction for Manager Allocations and for all accrued expenses, but not for any Profit Allocations or for any accrued DT Bonuses to be credited against any Profit Allocations, see “— DT Bonuses,” below) exceeds the High Water Mark attributable to such Interest.

Profit Allocations do not themselves reduce Net New Profit for purposes of calculating Profit Allocations — i.e., the Manager does not need to “earn back” Profit Allocations previously made in order to generate additional Profit Allocations.

The High Water Mark applicable to each Member’s Interest (determined separately with respect to each Class if a Member holds both Classes) is the highest aggregate Net Asset Value (which is then also the Gross Asset Value) of such Member’s Interest as of any preceding December 31, after reduction for the Profit Allocation then made (or a Member’s aggregate Capital Contributions to such Class, if higher, in the case where such Member’s Interest has been unprofitable since inception). The High Water Mark is proportionately reduced whenever Withdrawals, Distributions, Transfers or exchanges between Classes are made, and is increased dollar-for-dollar by Capital Contributions made by such Member (as well as by the net liquidation proceeds and/or the fair value of the underlying assets of Designated Investments returned to the General Portfolio and attributable to such Member’s Interest).
SUMMARY
(cont.)

Profit Allocations
Made on Withdrawal,
Transfer or Exchange

When a Member Withdraws, Transfers or exchanges all or a portion of
its Interest (except in the case of Transfers to certain "Related
Investors," as defined under "Financial and Tax Allocations; Expenses —
Profit Allocations — Withdrawals; Distributions; Transfers;
Exchanges"), any Profit Allocation with respect to the Interest
Withdrawn, Transferred or exchanged is made to the Manager.
Proportionate Profit Allocations will also be made whenever
Distributions are paid.

DT Bonuses

Certain bonuses ("DT Bonuses") payable by the Fund to "Designated
Traders" reduce the Profit Allocations (if any) that would otherwise be
made as of the end of a Fiscal Year, but not below $0, so that (in the
case where Profit Allocations exceed DT Bonuses) the sum of the Profit
Allocations to be made and the DT Bonuses payable with respect to a
Fiscal Year and, in each case, attributable to a Member's Interest of
each Class, equals the Profit Allocations that would have been made
had Amaranth itself paid the DT Bonuses without reimbursement from
the Fund. For further clarification, in the case where DT Bonuses
exceed Profit Allocations, such excess is allocated to the Fund in the
same manner as the other Allocable Expenses of the Fund. See "—
Operating Expenses and Transaction Costs," below.

DT Bonuses reduce the Profit Allocations themselves, but not (to the
extent that DT Bonuses are credited against Profit Allocations) the Net
New Profit on which the Profit Allocations are calculated.

Designated Traders are a strictly limited group of investment
professionals, as determined from time to time by Amaranth, who
either: (i) are the portfolio managers having overall investment
management responsibility — not only trading authority — for each
portfolio or sub-portfolio implemented on behalf of the Fund or of the
Master Fund, as the case may be; or (ii) devote substantially all of their
business time to trade execution, as opposed to performing research
(fundamental or quantitative), securities lending or borrowing, treasury,
risk management, investor relations or other services.
SUMMARY
(cont.)

For purposes of determining whether an investment professional devotes substantially all of his or her business time to trade execution, Amaranth considers, among other things, whether such person is listed with Amaranth's execution brokers as an authorized trader and the frequency of such person's (i) communications with sales desks of the execution brokers for execution-related purposes and (ii) trade execution with the execution brokers. The extent to which an investment professional's compensation is based on the performance of one or more specific portfolios, sub-portfolios or positions, and the amount and/or form of such investment professional's compensation, are not determinative of such investment professional's status as a Designated Trader. In fact, certain Amaranth personnel (including persons who are not investment professionals) may receive a higher level of compensation than certain Designated Traders. Not all highly compensated investment professionals and members of Amaranth's senior management are Designated Traders.

For purposes of determining whether an investment professional is a portfolio manager of a sub-portfolio, the Designating Party considers, among other things, (i) the investment professional's level of discretion over trading decisions without input from the portfolio manager for the overall portfolio and level of input in setting investment strategy for the overall portfolio or sectors of the overall portfolio and (ii) the existence of any trading limits imposed on such investment professional by the portfolio manager. An investment professional may be the portfolio manager of a portfolio, and of any one or more of the sub-portfolios of such portfolio even if another investment professional has significant investment responsibility for a portion of the capital committed to such portfolio and/or sub-portfolios. However, it is highly likely that an investment professional who is the portfolio manager for a sub-portfolio will be the portfolio manager for the portfolio of which such sub-portfolio is a constituent part.

Notwithstanding the number of portfolio managers employed by Amaranth, there is only one investment professional designated as the portfolio manager for each portfolio or sub-portfolio, and the same investment professional may be designated as being the portfolio manager for more than one portfolio or sub-portfolio.

The determination of which Manager Party employees constitute Designated Traders, as well as the portion of such individuals' activities and/or the portion of the applicable Fiscal Year with respect to which such individuals were so classified, involves a subjective determination by Amaranth.
SUMMARY
(cont.)

DT Bonuses (cont.)
Amaranth’s determination of which of its personnel constitute Designated Traders (certain of such personnel may be so designated in respect of a portion of their bonuses or for only a portion of a Fiscal Year) is binding if made in a manner consistent with the standard of care set forth in the Material Contracts. See “Management — Standard of Liability; Indemnification.”

Amaranth may, but is under no obligation to, pay DT Bonuses from its own assets, in which case such DT Bonuses will not reduce Profit Allocations.

See “Financial and Tax Allocations; Expenses — Profit Allocations — DT Bonuses.”

Operating Expenses and Transaction Costs
The Fund pays all trading, operating and administrative costs and expenses, as well as the costs, fees and expenses of the auditors and legal advisers to the Fund, the cost of printing and distributing periodic and annual reports and statements and all other expenses related to the business of the Fund. The Fund also bears its allocable share of Amaranth’s and the Master Fund’s direct and indirect trading, general operating and administrative costs and expenses, as well as those of the Manager Parties (including those of Manager Parties located outside the U.S.) in providing services to the Fund, including, without limitation, employee compensation (including bonus compensation), severance arrangements and non-competition covenant costs, depreciation, office rent, information systems, computer hardware and software, investment research, quotation services, other overhead expenses and the costs of general operating assets, including leasehold improvements, data transmission lines, communications equipment, furniture and fixtures (“Allocable Expenses”).

The Allocable Expenses paid by the Fund include a variety of expenses that Amaranth considers to be necessary, advisable or desirable for the operations of Amaranth and/or the Fund but that may be materially more expensive than those incurred by other businesses or by other hedge fund managers. See “Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs.”

Expenses borne by the Fund include the Fund’s allocable share of the expenses incurred by the Trading Vehicles in which the Fund invests.
SUMMARY  
(cont.)

Operating Expenses and Transaction Costs (cont.)  

During 2002, 2003 and 2004, the Allocable Expenses borne by the Members, net of the effect of the Profit Allocation and DT Bonuses (which reduce Fiscal Year-end Profit Allocations), approximated 2.0%, 2.6%, and 2.0%, respectively, of the average Net Asset Value of the Fund. These Allocable Expenses are in addition to the Manager Allocations and Profit Allocations made to Amaranth. Allocable Expenses reduce the Net New Profit on the basis of which Profit Allocations are made. Accordingly, in profitable years the Manager and the Designated Traders effectively absorb up to 20% of the Allocable Expenses attributable to the Annual Liquidity Interests and 15% of the Allocable Expenses attributable to the Four-Year Liquidity Interests.

Allocation of the Allocable Expenses of Amaranth and Its Affiliates  

Allocable Expenses (including expenses associated with Designated Investments and out-of-pocket expenses associated with transactions that are prospective Designated Investments) are allocated among the different Manager Clients in such manner as Amaranth may determine, giving consideration to relative capitalization, relative position size, number of holdings and profitability (i.e., the dollar amount of profits generated, not the percentage rate of return). Variable expenses (primarily the bonus compensation of Amaranth personnel which are not Designated Traders) are allocated primarily on the basis of the relative profitability of the respective Manager Clients. The methodology used to allocate Allocable Expenses does not attribute Allocable Expenses to the various Manager Clients on the basis of the costs incurred by their respective operations, and the Fund may be subject to Allocable Expenses incurred with respect to investment activities in which the Fund does not itself participate but in which other Manager Clients and/or Manager Parties do participate. See “Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs” and “Conflicts of Interest — Amaranth — Profit Allocations; DT Bonuses; Allocable Expenses.”

The out-of-pocket expenses attributable to each Designated Investment are generally allocated to such Designated Investment. See “Financial and Tax Allocations; Expenses — Designated Investments.”

Expenses Associated with Third-Party Ventures  

The Fund bears its allocable share of all expenses associated with its investments in Third-Party Ventures, which may include incentive or performance-based fees, management fees (including asset-based fees) and other fees and expenses payable to Third-Party Managers and/or other advisers or managers participating in such Third-Party Ventures. See “Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs.”

Placement Fees  

Capital Contributions may be subject to a placement fee, and Amaranth reserves the right to pay placement and/or referral fees (both initial and ongoing) to persons who introduce prospective investors.
SUMMARY
(cont.)

"Soft Dollars"

The Manager may receive certain "soft dollar" research and other services from the Fund's brokers and counterparties. However, as a matter of policy, the Manager generally disfavors "soft dollar" arrangements, and, in most cases, any such services would only reduce the Allocable Expenses that would otherwise be paid by the Fund. Certain of the Third-Party Managers with which the Fund invests may, however, make use of "soft dollar" services, and any additional transaction expenses incurred in order to obtain such services — unlike in the case of any "soft dollar" services obtained by the Manager — would generally constitute incremental expenses to the Fund.

See "Financial and Tax Allocations; Expenses" and "Brokerage Arrangements."

Withdrawals

The Lock-Up Period

| Lock-Up Period for Capital Contributions Made on or after February 1, 2006 | All Post-January 2006 Interests (i.e., Interests issued on or after February 1, 2006), whether Annual Liquidity Interests or Four-Year Liquidity Interests, will be subject to an initial "Lock-Up Period" ending with the 25th calendar month-end after their issuance. |

During the applicable Lock-Up Period, no Annual Appreciation Withdrawals (in the case of Annual Liquidity Interests), Anniversary Withdrawals (in the case of Annual Liquidity Interests), Four-Year Anniversary Withdrawals (in the case of Four-Year Liquidity Interests) or Quarterly Withdrawals may be made with respect to Post-January 2006 Interests.

Anniversary/Four-Year Anniversary Withdrawal Provisions for Annual Liquidity Interests and Four-Year Liquidity Interests

| Annual Liquidity Interests | Upon at least ninety (90) days' prior written notice to the Fund, a Member may make a Withdrawal (an "Anniversary Withdrawal") from an Annual Liquidity Memorandum Account as of each 12-month anniversary of the end of the month in which the Capital Contribution establishing such Memorandum Account was made or as of such other anniversary date or dates as may be agreed between the Fund and such Member (an "Anniversary Date"). |

Anniversary Withdrawals from Post-January 2006 Annual Liquidity Memorandum Accounts may not be made until the end of the Lock-Up Period applicable to such Memorandum Accounts.

The Manager may establish, with the consent of the affected Member and subject to any applicable Lock-Up Periods, different or multiple Anniversary Dates with respect to all or a portion of the Annual Liquidity Capital Contribution made by such Member as of the same date.
SUMMARY
(cont.)

Annual Liquidity Interests (cont.)

In the event that a Member makes Annual Liquidity Capital Contributions at more than one time, the Annual Liquidity Memorandum Accounts established with respect to such Capital Contributions may have different Anniversary Dates and will have different Lock-Up Periods.

Four-Year Liquidity Interests

Upon at least one hundred and twenty (120) days' prior written notice to the Fund, a Member may make a Withdrawal (a "Four-Year Anniversary Withdrawal") from a Four-Year Liquidity Memorandum Account as of each four-year anniversary date (a "Four-Year Anniversary Date") attributable to such Four-Year Memorandum Account.

The Four-Year Anniversary Date attributable to a Four-Year Liquidity Memorandum Account will be agreed upon between the Fund and each Member at the time that the applicable Four-Year Liquidity Capital Contribution is made, and will be a month-end on or after the 40th and on or before the 56th month-end after the beginning of the month as of which such Four-Year Liquidity Capital Contribution was made.

The period between the date that a Four-Year Liquidity Memorandum Account is established and the first Four-Year Anniversary Date attributable to such Four-Year Liquidity Memorandum Account, or between any two successive Four-Year Anniversary Dates attributable to such Four-Year Liquidity Memorandum Account, constitutes a "Four-Year Commitment Period" with respect to such Four-Year Liquidity Memorandum Account.

Four-Year Anniversary Withdrawals may not be made from a Four-Year Liquidity Memorandum Account until the end of the Lock-Up Period applicable to such Four-Year Liquidity Memorandum Account.

As in the case of Annual Liquidity Memorandum Accounts, Four-Year Liquidity Memorandum Accounts established by Capital Contributions made by the same Member at different times may have different Four-Year Anniversary Dates and will have different Lock-Up Periods.
SUMMARY (cont.)

Quarterly Withdrawal Provisions for
Annual Liquidity Interests and Four-Year Liquidity Interests

Quarterly Withdrawals: Subject to the Lock-Up Period applicable to all Post-January 2006 Interests, upon at least forty-five (45) days’ written notice to the Fund, a Member may make a Withdrawal from an Annual Liquidity Memorandum Account (an “Annual Liquidity Quarterly Withdrawal”) or a Four-Year Liquidity Memorandum Account (a “Four-Year Liquidity Quarterly Withdrawal” and, together with any Annual Liquidity Quarterly Withdrawals, a “Quarterly Withdrawal”) as of any January 31, April 30, July 31 and October 31 (each a “Quarterly Withdrawal Date”), subject to a “Gate” restricting the aggregate Quarterly Withdrawals of both Classes as of any Quarterly Withdrawal Date to the sum of (i) 7.5% of the aggregate Gross Asset Value of all outstanding Interests (for the avoidance of doubt, not including Designated Investment Interests or Interests held by the Manager), and (ii) any Capital Contributions (other than “Offsetting Capital Contributions,” as described below) received by the Fund as of the beginning of the month immediately following such Quarterly Withdrawal Date, minus (iii) the sum of any Anniversary Withdrawals and Four-Year Anniversary Withdrawals made as of such Quarterly Withdrawal Date.

In the event that the sum of (i) the aggregate Quarterly Withdrawals of both Classes and (ii) the aggregate Anniversary Withdrawals and Four-Year Anniversary Withdrawals as of any Quarterly Withdrawal Date exceeds the Gate, the Anniversary Withdrawals and Four-Year Anniversary Withdrawals will be paid in full and the Quarterly Withdrawals will be permitted only to the extent of the positive difference (if any) between the Gate and the aggregate of all Anniversary Withdrawals and Four-Year Anniversary Withdrawals then made.

The Quarterly Withdrawals permitted under the Gate will be allocated pro rata among all of the Members requesting Quarterly Withdrawals as of the applicable Quarterly Withdrawal Date pro rata in accordance with such Members’ respective Proportionate Shares of both Classes combined, without distinguishing between the Classes (for the avoidance of doubt, not including Designated Investment Interests and without giving effect to any Withdrawals — Anniversary or Quarterly — requested as of such Quarterly Withdrawal Date), not based on the amount of their respective Quarterly Withdrawal Requests.

Annual Liquidity Quarterly Withdrawal Fee

All Annual Liquidity Quarterly Withdrawals are subject to a Quarterly Withdrawal Fee of 2.5% of the net amount Withdrawn from the applicable Annual Liquidity Memorandum Account, payable to the Fund.
SUMMARY (cont.)

Four-Year Liquidity Interests are subject to Quarterly Withdrawal Fees which vary depending on how long after the commencement of the current Four-Year Commitment Period applicable to a Four-Year Liquidity Memorandum Account the related Quarterly Withdrawals are made. The Quarterly Withdrawal Fee, payable to the Fund, with respect to Four-Year Liquidity Interests is 10.0% through the end of the first 13 months of each applicable Four-Year Commitment Period, 7.5% through the end of the next 13 months, 5.0% through the end of the next 13 months and 2.5% for the remaining period until the Four-Year Anniversary Date ending such Four-Year Commitment Period, in each case of the net amount Withdrawn from the applicable Four-Year Liquidity Memorandum Account(s).

Neither the Gate nor any Quarterly Withdrawal Fees apply to a Quarterly Withdrawal made by a Member to the extent that such Quarterly Withdrawal is offset by Capital Contributions from such Member or any Related Investor (each such Capital Contribution, an "Offsetting Capital Contribution") accepted by the Fund (or, if the Manager so determines, by another Manager Client that invests all or a portion of its capital in the Master Fund and/or one or more Trading Vehicles) effective as of the beginning of the Accounting Period ending with, or as of the beginning of either of the two Accounting Periods immediately following, the proposed Quarterly Withdrawal Date.

Members are required to notify the Fund on a timely basis of the amount and date of any Offset Capital Contribution(s).

Withdrawals cannot be made from Post-January 2006 Memorandum Accounts on the basis of Offset Capital Contributions prior to the end of the Lock-Up Periods applicable to such Memorandum Accounts.

Quarterly Withdrawals from Four-Year Liquidity Interests may only be offset against Offset Capital Contributions which establish Four-Year Liquidity Memorandum Accounts.

If an Offset Capital Contribution was to be received prior to the beginning of the Accounting Period immediately following the proposed Quarterly Withdrawal Date but is not timely received, the Withdrawing Member will not be entitled to the benefits of such Offset Capital Contribution and such Member's Quarterly Withdrawal will be subject to the Gate and the Quarterly Withdrawal Fee, unless an executed Subscription Agreement, identified by such Withdrawing Member, as well as by the Related Investor submitting such Capital Contribution, as an Offset Capital Contribution, is received by the Fund no later than such Quarterly Withdrawal Date. Such Withdrawing Member will also be liable for any costs or expenses incurred in connection with such defaulted Offset Capital Contribution.
SUMMARY
(cont.)

Offsetting Capital Contributions (cont.)

If an Offset Capital Contribution was to be received as of the first business day of either of the two Accounting Periods immediately following a Quarterly Withdrawal Date, then 10% of the Withdrawal proceeds will be retained pending receipt of such Offset Capital Contribution. If such Offset Capital Contribution is not received by the end of the fifth (5th) business day of the applicable Accounting Period, the 10% of Withdrawal proceeds so retained will be kept by the Fund as liquidated damages for such Quarterly Withdrawal having been excepted from both the Quarterly Withdrawal Fee and the Gate.

The Manager may determine, but will be under no obligation, to accept as an Offset Capital Contribution a Capital Contribution which is not timely received if the Manager determines that the delay was due to circumstances beyond the control of the investor submitting such Offset Capital Contribution.

Annual Appreciation Withdrawals for Annual Liquidity Interests

Annual Liquidity

Annual Appreciation
May Be Withdrawn Each December 31

Subject to any applicable Lock-Up Period, upon written notice to the Fund not later than November 15, a Member may make Withdrawals (an “Annual Appreciation Withdrawal”), as of the following December 31, from such Member’s Annual Liquidity Memorandum Account(s) in an amount not in excess of the estimated cumulative net increase (other than increases attributable to additional Capital Contributions) in the Gross Asset Value of such Member’s Annual Liquidity Interest during the Fiscal Year then ended (reduced, but not below $0, by all Withdrawals from Annual Liquidity Memorandum Accounts previously made by such Member during such Fiscal Year).

Annual Appreciation Withdrawals are not subject to any Withdrawal fee.

Appreciation attributable to Annual Liquidity Interests with respect to a given Fiscal Year which is not Withdrawn as of the end of such Fiscal Year is not subsequently eligible for Annual Appreciation Withdrawals.

Annual Appreciation Withdrawals may not be made with respect to Four-Year Liquidity Interests, and Appreciation attributable to a Member’s Four-Year Liquidity Interest cannot be the basis for Annual Appreciation Withdrawals of such Member’s Annual Liquidity Interest.
<table>
<thead>
<tr>
<th>Summary</th>
<th>Payment and Postponement of Withdrawals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Payment of Withdrawals</strong></td>
<td>Withdrawal proceeds will generally be paid within thirty (30) days of the applicable Effective Date, unless a Member withdraws 90% or more of such Member’s Capital Account (not including Designated Investment Interests), in which case the Fund may, but will have no obligation to, retain up to 10% of the estimated Withdrawal proceeds otherwise due until completion of the Fund’s audit for the then-current Fiscal Year. The amount so retained will be credited with interest at one-month LIBOR from the end of the calendar month following the Effective Date of such Withdrawal until paid.</td>
</tr>
<tr>
<td><strong>Postponing the Determination of Net Asset Value</strong></td>
<td>The Manager may postpone an Accounting Date, and with it the determination of Net Asset Value, in the event that the Manager determines that a material portion of the Investment Assets held by the Fund (other than Designated Investments) cannot be valued.</td>
</tr>
<tr>
<td><strong>Postponing Withdrawals</strong></td>
<td>The Manager will postpone the Effective Date of Withdrawals if the applicable Accounting Date has been postponed, or the Manager determines that not postponing such Effective Date would materially adversely affect the continuing Members and in certain other circumstances.</td>
</tr>
<tr>
<td><strong>Postponing Payment of Withdrawals</strong></td>
<td>The Manager may postpone the payment of Withdrawal proceeds if, among other things, the Manager determines that making such payment would result in a violation of Law or a contractual provision or liquidating Investment Assets to fund such payment would materially adversely affect the continuing Members.</td>
</tr>
<tr>
<td><strong>Similar Treatment for All Interests</strong></td>
<td>If an Accounting Date, the Effective Date of Withdrawals and/or the payment of Withdrawal proceeds is postponed with respect to any Interest, it will be postponed for all Interests.</td>
</tr>
<tr>
<td><strong>Distributions</strong></td>
<td>The Fund may make Distributions from time to time, but has not done so to date. Distributions need not be paid pro rata in accordance with Members’ respective Capital Account balances, or pro rata among an individual Member’s Memorandum Accounts of either Class of Interests.</td>
</tr>
<tr>
<td><strong>Tax Distributions</strong></td>
<td>Income taxes paid or withheld by the Fund in respect of income or gain allocable to a Member will not be treated as an expense of the Fund but rather will be treated as a Distribution to such Member.</td>
</tr>
<tr>
<td><strong>Transfers</strong></td>
<td>No Transfers will be registered without the consent of the Manager and the execution and delivery by the Transferee of a Subscription Agreement (or other written instrument satisfactory to and accepted by the Fund).</td>
</tr>
</tbody>
</table>
### SUMMARY (cont.)

**Transfers (cont.)**

Post-January 2006 Interests generally may not be Transferred prior to the end of the applicable Lock-Up Period (unless the Manager determines that such Transfer would not result in an Impermissible Event).

Interests Transferred on or after February 1, 2006 will generally be subject to the same Lock-Up Period in the hands of the Transferee as if such Interests had initially been issued as of the date of Transfer.

Annual Liquidity Interests or Four-Year Liquidity Interests when Transferred remain Annual Liquidity Interests or Four-Year Liquidity Interests, as the case may be, in the hands of the Transferee.

### Exchanges Between Classes

**Exchanges Permitted as of Anniversary Dates or Four-Year Anniversary Dates**

A Member may, with the consent of the Fund, exchange all or a portion of an Annual Liquidity Memorandum Account or a Four-Year Liquidity Memorandum Account and vice versa as of the same dates and upon the same notice that such Member could make Anniversary Withdrawals or Four-Year Anniversary Withdrawals, as the case may be, from the Memorandum Account out of which the exchange is being made.

**Exchanges Treated as Withdrawals/Capital Contributions**

Exchanges are treated as Withdrawals from the Class out of which, and new Capital Contributions into the Class into which, the exchange is made (e.g., causing a Profit Allocation to be made upon the Withdrawal, and a new Lock-Up Period to begin upon the Capital Contribution).

### Designated Investments: Special Allocations

**Designated Investments**

From time to time, the Manager may determine at or within thirty (30) days of the date that a given investment is made that such investment should be designated as a Designated Investment. Only persons who are Members (other than DI Opt-Out Members, as described below) as of the first day of the calendar month during which such Designated Investment is so designated will be issued separate Designated Investment Interests (a separate Class of Interests) in respect of each such Designated Investment, and such Members will retain such Designated Investment Interests (tracked as Annual Liquidity Interests and/or Four-Year Liquidity Interests, as the case may be), whether or not such Members have otherwise Withdrawn all of their Interest, until such Designated Investment is either liquidated or its underlying assets are returned (in whole or in part) to the Fund's General Portfolio, in the discretion of the Manager, following the occurrence of a Liquidity Event with respect to such Designated Investment.

Manager Allocations and Profit Allocations are calculated separately with respect to each Designated Investment.
SUMMARY
(cont.)

The aggregate issuance price of a Member's Designated Investment Interests may not exceed 15% of the Gross Asset Value (including in such Gross Asset Value the Designated Investment Interests attributable to such Member's Annual Liquidity Interest valued at cost) of such Member's Annual Liquidity Interest (unless such Member specifies a higher percentage, not to exceed 30%, in such Member's Subscription Agreement), and the aggregate issuance price of a Member's Four-Year Liquidity Designated Investment Interests may not exceed 30% of the Gross Asset Value (including in such Gross Asset Value the Designated Investment Interests attributable to such Member's Four-Year Liquidity Interest valued at cost) of such Member's Four-Year Liquidity Interest (the "Designated Investment Ceiling"). The Designated Investment Ceiling for Pre-February 2006 Annual Liquidity Interests is 10%, rather than 15%.

If a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, the Designated Investment Ceiling applicable to such Member's Interest of each Class is calculated separately.

Members may not opt out of participating in Designated Investments with respect to Four-Year Liquidity Interests.

A Member may opt-out of participating in Designated Investments with respect to such Member's Annual Liquidity Interest. A Member wishing to do so must so indicate in such Member's initial Subscription Agreement for an Annual Liquidity Interest.

A Member which is not a DI Opt-Out Member with respect to any of such Member's Annual Liquidity Memorandum Accounts cannot become a DI Opt-Out Member with respect to any Memorandum Account established with respect to any additional Annual Liquidity Capital Contributions made by such Member.

Each Member holding an Annual Liquidity Interest as a DI Opt-Out Member may irrevocably elect not to be a DI Opt-Out Member with respect to such Annual Liquidity Interest (but only with respect to all of such Member's Annual Liquidity Interest) as to all future Designated Investments by so notifying the Fund.

While no Member may be a DI Opt-Out Member with respect to such Member's Four-Year Liquidity Interest, a Member which has opted-out of participating in Designated Investments with respect to such Member's Annual Liquidity Interest is not precluded from investing in a Four-Year Liquidity Interest.
SUMMARY
(cont.)

Designated Investments (cont.)

The net liquidation proceeds and/or the fair value of the underlying assets of a Designated Investment, when returned to the General Portfolio, will be subject to the remaining Lock-Up Period that would have been attributable to the Memorandum Account balances from which the capital allocations to such Designated Investment were originally made, unless the Manager determines that it is necessary to treat such net liquidation proceeds or underlying assets as new Capital Contributions (i.e., resulting in the issuance of Post-January 2006 Interests subject to a Lock-Up Period) under the Hedge Fund Advisers Registration Rule.

See "Financial and Tax Allocations; Expenses — Designated Investments" and "Net Asset Value; Designated Investments — Designated Investments."

Special Allocations

Certain Members may be prohibited by Law, tax or other considerations from participating in the profits and losses attributable to certain Investment Assets. The Fund may acquire such Investment Assets on behalf of those Members which can participate in such profits and losses, making a Special Allocation of such profits and losses to such Members but not to those Members prohibited from participating in such profits and losses.

Amaranth may, in its discretion, allocate certain investments, including certain Designated Investments, solely to investors in other Manager Clients or Trading Vehicles, or to Members holding certain Classes of Interests, so that such investments are made by the investors in such other Manager Clients or Trading Vehicles or by those Members which can participate in such investments in light of the relative capacity of the Fund, the other Manager Clients, the Trading Vehicles and the other Members to make specific investments and the potential consequences of such investments to the foregoing, taking into account Law, tax or other considerations.

Special Allocations are made only if the Manager believes that such allocations are, or reasonably could be determined to be, required by Law, tax or other considerations.

Members’ Representative

A Members’ Representative — currently, Arthur F. Bell & Associates, L.L.C., an independent public accountant — has been retained as a means of providing (or withholding) the investor consent required for the Fund to enter into certain transactions which would otherwise be impermissible due to the conflicts of interest involved (for example, the sale of a position held by the Fund to another Manager Client). The Members’ Representative acts in the same capacity for other Manager Clients. All Members, by subscribing for Interests, consent to the Members’ Representative having such authority. See "Conflicts of Interest."

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SUMMARY
(cont.)

General

Office
Amaranth's principal office is located at One American Lane, Greenwich, Connecticut 06831; telephone number (203) 422-3300.

Fiscal Year
The Fiscal Year of the Fund is the calendar year.

Auditors
Ernst & Young LLP.

Counsel
Sidley Austin LLP acts as legal counsel to Amaranth.

Reports
The Fund sends to each Member, on a monthly basis, estimates of the Fund's performance and of the increase or decrease in the Net Asset Value of such Member's Capital Account (separately reporting the performance of such Member's Annual Liquidity Interest and Four-Year Liquidity Interest in the case of any Member that holds both Classes of Interests) during the preceding month, as well as such other information as the Manager may deem appropriate.

Members receive audited annual financial statements.

Tax Status
The Master Fund's operations are managed with the objective that the Master Fund will not be subject to federal income taxation in respect of its trading activities. However, certain trading activities of the Fund and/or the Master Fund and certain investments managed by Third-Party Managers may be subject to taxation in other jurisdictions. See "Risk Factors — Regulatory and Tax Risks — The Fund and/or the Master Fund Could be Subject to Net Income Tax in Certain Jurisdictions."

Members may be required to make a "tax shelter" notice filing relating to their investment in the Fund together with their annual tax returns.

Suitability/Risk Factors

Suitability
All prospective investors, either individually or together with their professional advisers, must have the financial sophistication and expertise to evaluate the merits and risks of an investment in the Fund.
SUMMARY
(cont.)

Risk Factors

The Interests are a speculative and illiquid investment. Investors must be prepared to lose all or substantially all of their investment in the Fund. In addition to the risks associated with the Fund’s complex and leveraged trading strategies, the risks associated with an investment in the Fund include: (1) market risk; (2) valuation risk; (3) liquidity and position duration risk; (4) the risk of being unable to Withdraw Post-January 2006 Interests prior to the end of the applicable Lock-Up Period; (5) the risk of being unable to make Annual Appreciation Withdrawals of Four-Year Liquidity Interests and of the material Quarterly Withdrawal Fees applicable to Four-Year Liquidity Interests; (6) the risk of differential Withdrawal rights in general; (7) portfolio concentration risk; (8) operational risk; (9) legal risk; (10) documentation risk; (11) systemic risk; (12) credit risk; and (13) settlement risk.

Any person subscribing for Interests must be able to bear the risks involved and must meet the Fund’s suitability requirements. Certain or all “alternative” investment programs may not be suitable for certain investors. No assurance can be given that the Fund’s investment objective will be achieved, and the Fund’s past results are not necessarily indicative of its future performance. Among the risks which prospective investors should note are the following:

• The Fund is speculative and involves a substantial degree of risk.

• The Fund trades with a high degree of leverage.

• The Fund’s performance may be volatile.

• Amaranth has trading authority over the Fund, and the Fund is dependent upon the services of Amaranth. The use of a single manager results in a lack of diversification and, consequently, higher risk.

• The Fund is committing an increasing percentage of its capital to Third-Party Managers, Third-Party Ventures and Longer-Term Investments.

• Amaranth may be limited in its ability to monitor and value the Fund’s Third-Party Ventures.

• The Fund may make investments in emerging markets, which can present unique risks.

• There is no secondary market for the Interests and none is expected to develop.
SUMMARY (cont.)

Risk Factors (cont.)

- The Interests are not freely transferable and are subject to restrictive Withdrawal provisions.

- In certain circumstances, the Post-January 2006 Interests could be materially and adversely affected as a result of being subject to an initial Lock-Up Period which is not applicable to Pre-February 2006 Interests.

- The risk of investing in the Four-Year Liquidity Interests is materially greater than that of investing in the Annual Liquidity Interests, due to the materially more restrictive Withdrawal provisions applicable to the Four-Year Liquidity Interests.

- The Fund is subject to substantial (and potentially layered) fees and expenses, including fees and expenses payable to Third-Party Managers and with respect to Third-Party Ventures. Certain Allocable Expenses paid by the Fund will not benefit the Fund and will benefit other Manager Clients and/or Manager Parties.

- The Fund is subject to conflicts of interest.

- The Fund is not subject to the same regulatory requirements as U.S. registered mutual funds.

- While affiliates of Amaranth are registered with the FSA and the OSC and Amaranth reserves the right to register as an “investment adviser” with the SEC in the future, until such time, if ever, as Amaranth registers with the SEC, Amaranth will not be subject to the same regulatory requirements as U.S. registered investment advisers.

SEE “RISK FACTORS” AND “CONFLICTS OF INTEREST.”
THE FUND'S INVESTMENT OBJECTIVE AND STRATEGIES

Investment Objective

The investment objective of the Fund is superior risk-adjusted returns. The Fund employs a diverse group of trading strategies, trading a broad range of equity and debt securities, commodities, derivatives and other financial instruments on a global basis. In managing the Fund's portfolio, Amaranth opportunistically employs a wide range of relative value, event-driven, directional, hybrid and other strategies. There are no material limitations on the instruments, strategies, markets or countries in which the Fund may invest. The Fund's investments and strategies involve significant risks. There can be no assurance that the Fund will meet its objective or avoid substantial losses. See "Risk Factors."

Investment Strategies

The Fund currently invests a substantial portion of its capital in the Master Fund. However, the Fund retains the discretion to invest directly in Trading Vehicles, in Third-Party Ventures and/or with Third-Party Managers, as well as to acquire Investment Assets directly, and may in the future commit a material portion of its portfolio to Longer-Term Investments.

The following are summary descriptions of certain of the strategies employed by Amaranth in directing the Master Fund's trading and investing.

General

Among the principal strategies implemented by the Fund are: convertible arbitrage, merger arbitrage, equity long/short investing, statistical arbitrage, energy trading, commodities trading, options arbitrage and credit arbitrage.

The Fund trades globally in a broad range of equity and debt securities, derivatives and other financial instruments. These instruments may include, for example, common and preferred stocks, bonds, commodities, loans, trade claims, bank deposits and currencies, as well as futures, forwards, swaps (including commodity swaps, interest rate swaps, credit default swaps and asset swaps) and options (including options on stocks, bonds, commodities, credit default swaps and interest rate swaps).

Asset allocations among strategies are based on Amaranth's ongoing analysis of prevailing market conditions. The Fund does not focus on, nor is its trading limited to, any geographic area, industry sector, issuer credit rating or issuer market capitalization level. The Fund is not subject to any formal diversification requirements, and the Fund's portfolio may, from time to time, be concentrated in a limited number of positions or strategies.

The Fund's strategies can, generally, be separated into three categories: relative value, event-driven and directional. There are no clear dividing lines among these categories, and any strategy employed by the Fund may be cross-categorized to the extent its guiding logic is multidisciplinary. There is no material limitation on the strategies which the Fund may implement (either directly or through investments in Third-Party Ventures and allocations to Third-Party Managers).
Relative Value Strategies

Relative value strategies seek to profit from the relative mispricing of related assets: for example, convertible bonds and the common stock underlying the conversion option, other options and futures and their underlying reference assets, debt instruments of the same issuer or of different issuers (including credit default swaps on the issuer(s)) with different maturities or yields, and the common stock of different issuers in the same industry sector. These strategies may be highly quantitative and based on theoretical or historical pricing relationships. Because they focus on capturing value from the relative mispricing of related assets, relative value strategies can generate returns independent of overall movements in the global level of debt or equity prices, although many of these strategies in fact are constructed with a long or short equity or debt bias. Because the mispricings that these strategies exploit tend to be small in absolute terms, these strategies frequently use leverage (which could be substantial) in an attempt to increase returns. The use of leverage creates risks of “credit squeezes” and the adverse effects of discretionary margin increases by dealers and counterparties to which many strategies are not subject.

Few relative value strategies involve pure arbitrage, in which a profit will inevitably be recognized if the position can be held until maturity (for example, taking positions based on mispricings between a stock index futures contracts and the underlying stock index, each of which necessarily will have the same value at the expiration of the futures contracts). Moreover, it is typical of relative value strategies not to, and the Fund does not, hedge all the risks of each strategy, and certain risks cannot be effectively hedged. Relative value strategies are all (even in the case of pure arbitrage) subject to the fundamental risk that aberrational market prices, even if correctly identified, will not revert to fair value during the period that the Fund is able to maintain its positions.

Event-Driven Strategies

Event-driven strategies concentrate on the profit potential created by major corporate events: for example, mergers, acquisitions, restructurings, bankruptcies, liquidations, regulatory or legal developments and other events. Unlike relative value strategies, which emphasize the (often theoretically compelled) quantitative relationship among different but related assets, event-driven strategies are highly issuer- and transaction-specific and rely more on fundamental research and judgment than on mathematical precision. Positions are taken which will be profitable if a particular event comes to pass, while a variety of techniques are used to mitigate the risk that the event does not happen. The uncertainty associated with the event is not quantifiable in the same sense as a deviation between a theoretical and an actual price level, which creates an added dimension of risk.

Event-driven strategies are dependent on market conditions conducive to major corporate events. For example, the probability of a merger being consummated is generally higher during a “bull” market. A basic distinction among event-driven strategies is whether a position will be established prior to, or only after, the announcement of a proposed transaction. “Pre-announcement” event-driven investing involves not only the risk of eventual non-consummation but also the risk that the anticipated “event” will never be announced. In the case of merger arbitrage, the Fund may, but generally does not, engage in “pre-announcement” strategies.
Directional Strategies

Directional strategies attempt to predict absolute movements in the prices of equities, debt instruments or other assets. Price forecasting may be based on fundamental analysis of an issuer or industry (which may be based on subjective evaluation of the strength of management, the prospects for the business or other factors), specific expertise in a particular technological or scientific niche, quantitative analysis of value indicators (such as price/earnings ratios, "free cash flow" and EBITDA), econometric models in which issuers are treated as fungible, or other fundamental or technical analysis appropriate to a particular situation. Although diverse in their methods, these strategies have in common that they attempt to predict future prices based not on relative mispricing or on the happening of a particular event that will itself define value, but rather on the belief that the market will come to realize the "fair" value of an asset. These strategies are subject to the risk that the traders will have incorrectly identified fair value or that such fair value will not be reflected in market value within the time horizon of the strategy.

Although certain directional strategies — for example, buying growth equities — are largely dependent on overall market movements, others attempt to reduce the impact of market conditions by establishing both long and short positions. While such "beta neutral" or "beta reduced" strategies may, to a certain extent, be characterized as relative value strategies, the hallmark of these strategies is the identification of assets which Amaranth believes the market will revalue, and the elimination through hedging of the factors which may cause the market not to do so.

Hybrid and Other Strategies

The alternative investment field has, in recent years, seen a proliferation of new strategies and techniques as well as of instruments available for trading. The relative value, event-driven and directional strategy categories are generally adequate to characterize the currently active strategies employed by Amaranth and others, but these categories may not be sufficient to describe all techniques currently employed, or new techniques which may be employed, by Amaranth on behalf of the Fund. Amaranth will implement strategies incorporating elements of relative value, event-driven and directional approaches, as well as such other opportunistic investment tactics, as Amaranth may consider advantageous from time to time.

Illustrative Trading Strategies and Techniques

Certain of the specific trading techniques that have historically been used for the Fund are outlined below for illustrative purposes. The following does not purport to be a complete list of all trading strategies employed, and certain of the Fund’s trades may involve a combination of, or a departure from, these strategies. At different times, the Fund may employ certain, all or none of the following strategies, and the Fund may also employ numerous other trading techniques, including strategies involving materially higher levels of risk than any of the following strategies:

- **Convertible-Securities Arbitrage**: Buying "long" a convertible security and selling "short" the underlying stock into which the convertible security may be converted and/or another of the issuer's debt instruments (or a credit default swap on the issuer) in anticipation of profiting from a relative mispricing among them.

- **Merger Arbitrage**: Investing in the securities of publicly-traded companies involved in prospective mergers or corporate combinations, acquisitions, cash tender offers, exchange offers or corporate recapitalizations in the expectation of profiting from the difference
between the price of such securities at the inception of the investment and the price of such securities in expectation of or upon consummation of particular events.

- **Long/Short Trading:** Buying “long” a stock or basket of stocks and selling “short” a stock or basket of stocks in anticipation of profiting from changes in the price differential between the respective long and short positions. The Fund’s long/short investing currently is practiced in the following sectors: consumer, cyclicals, financial services, health care, insurance, REITs, technology, utilities and a Canadian portfolio comprising multiple Canadian sectors managed by Amaranth’s portfolio manager in Toronto, Canada.

- **Energy and Metals Trading:** Typically involves taking positions in securities, commodities (both in physical form and through futures contracts or forward trading), assets and derivatives whose values depend on the global production, storage and inventory, distribution and consumption of energy and metals. For example, positions may relate to the prices for future delivery of petroleum products (e.g., crude oil, heating oil and fuel oil), natural gas, electricity and metals (e.g., copper, aluminum, zinc, nickel and lead) at various locations and/or changes in the price relationship between related commodities, for example, crude oil and refined gasoline. Trading in physical commodities generally involves considerations (such as storage, insurance and, in the case of energy assets, pollution control) that are not applicable to the futures or forward trading of the same commodities.

- **Statistical Arbitrage:** One form of statistical arbitrage used by the Fund is buying “long” a security (or basket of securities) and selling “short” a related security, option, or futures contract (or basket of securities, options or futures) in order to capitalize on financial market anomalies that occur when the relative prices of such securities, options or futures deviate from their historical relationship in anticipation of profiting from a reversion in the prices of such securities, options or futures to their historical relationship.

- **Capital-Structure Arbitrage and Other Credit-Related Strategies:** Capital-structure arbitrage involves buying “long” and selling “short” different classes of securities of the same issuer in anticipation of profiting from a relative mispricing among them. One particular form of capital-structure arbitrage involves buying “long” a fixed-income security of an issuer and entering into a credit default swap, which calls for payment to the Fund of the principal amount of the fixed-income security against that security’s delivery in the event that the issuer suffers a “credit event” (essentially, an event tantamount to default on its debt). Another form of capital-structure arbitrage involves buying “long” an issuer’s equity and selling “short” that issuer’s debt, based on the determination that the equity is underpriced relative to the debt.

Other credit-related strategies take various different forms, including (but not limited to) buying and selling different credit-sensitive instruments relating to one issuer, selling “short” bonds of an issuer subject to potential credit deterioration, and buying distressed and high-yield securities offering favorable return profiles.

- **Warrant/Option Arbitrage:** Buying “long” a warrant (or similar derivative) and selling “short” the stock purchasable upon exercise of the warrant in anticipation of profiting from a relative mispricing between them.
Directional Equity and Corporate Debt: Trading in equity or corporate debt instruments using technical or fundamental analysis or a combination thereof in anticipation of profiting from movements in the prices of these assets. Such investments may be concentrated in specific industry sectors and may include short- or long-term investments (including Longer-Term Investments), as well as investments in investment grade or distressed debt or equity.

Examples of other types of trading strategies include purchasing equity securities in companies that are being privatized in order to profit from an increase in the price of such securities, currency and commodities trading and energy trading and arbitrage.

The Fund may trade derivatives (including commodity and credit-related derivatives trading) both for hedging and for investment purposes.

Any number of variations on the foregoing, or any other, strategies may be implemented. For example, instead of selling stock “short,” the Fund may sell “short” stock futures or other instruments expected to act in a manner similar to stock. In addition, as related opportunities arise, the Fund may take inverse positions to the ones described above (e.g., going “short” a convertible bond and “long” the underlying stock when the price relationship of such securities warrants).

Private Companies

The Fund may commit capital to private companies on a global basis, including to companies located in emerging markets. Certain of such private companies may be in the developmental stage and others of which may be more mature but may not have access to the public capital markets. The success of these investments is typically dependent not only upon the successful management of such companies, but also upon Amaranth’s ability to engineer effective “exit strategies” in order to realize any enterprise value created. Amaranth’s trading and investing expertise assists Amaranth in implementing such “exit strategies” as well as in hedging the Fund’s risks while committed to a less liquid position in a private company.

Third-Party Ventures

The Fund may invest in Trading Vehicles controlled by Amaranth and may co-invest together with other investment advisers in entities whose portfolios and strategies are determined by a collaborative decision-making process.

In addition, the Fund may invest capital with Third-Party Managers and/or participate in Third-Party Ventures as a passive investor in situations in which Amaranth determines that doing so complements Amaranth’s expertise and/or enhances the Fund’s ability to access specific investment opportunities. Amaranth’s determination to enter into such investments will be based upon Amaranth’s assessment of the potential risk and return of each such investment. Amaranth may negotiate for the Fund to receive special rights, such as transparency rights, liquidity rights and/or reduced fees; however, not all Third-Party Ventures may include these types of terms. Amaranth’s investments in certain Third-Party Ventures may be made on the same basis as by any other passive investor.
**Longer-Term Investments**

Generally, the instruments in which the Fund invests are publicly-traded, although from time to time the Fund purchases securities, including non-publicly traded securities, in private transactions. Such investments may be subject to regulatory limitations on resale, including holding requirements of one to two years, during which period the Fund may be limited in its ability to liquidate such investments. The Fund may invest a material portion of its portfolio in Longer-Term Investments. The Fund's focus on Longer-Term Investments has increased as the Fund has identified attractive investment opportunities outside the market for traditional, liquid investments, and the amount of capital allocated to such investments may continue to increase in response to market conditions and unique opportunities. Longer-Term Investments and other illiquid investments may be structured with multi-year holding requirements and may have no readily-ascertainable market value.

**Emerging Markets**

The Fund may invest in countries that are considered to be "emerging markets," which may include making investments in countries such as, for example, China, India, Indonesia, Korea, Macau, Russia, Singapore, South Africa, Sri Lanka, countries in Latin America and countries in the Middle East (including, but not limited to, Bangladesh, Egypt, Jordan, Kuwait, Morocco, Pakistan, Qatar, Turkey and the United Arab Emirates). These investments present unique risks, including government instability, political risk, changes in governmental administration, policy and regulation, including the risk of imposition of currency controls, enforcement risk, expropriation risk, the potential inability to hedge market risk and other risks relating to a developing legal and regulatory framework, limited disclosure and access to information from issuers relative to what is customary in the U.S. and risks relating to the application of various laws and regulations, including anti-money laundering laws and non-U.S. tax laws.

**Evolving Strategies and Allocations**

Amaranth anticipates that it will continue to develop and implement new proprietary trading and investment strategies and identify new Third-Party Managers and/or Third-Party Ventures, as Amaranth seeks to exploit profit and investment opportunities on a global basis. Amaranth anticipates that, over time, the Fund's portfolio may differ materially from the Fund's portfolio to date.

*There are no material restrictions on the strategies, leverage or markets which may be incorporated into the Fund's portfolio or the percentage of the Fund's assets that may be committed to any particular strategy type, market or instrument. The composition of the Fund's portfolio, as well as the liquidity profile and expected position duration of such portfolio, can be expected to change materially over time, as the strategies implemented by Amaranth continue to evolve.*

**Risk Management**

Risk management is integral to Amaranth's goal of identifying investment opportunities having superior risk/reward parameters. Amaranth monitors the risk parameters and expected volatility of the Fund's overall portfolio and attempts to prevent over-concentration of the portfolio in any particular investment asset, strategy or market. However, Amaranth does not, in general, attempt to hedge all market or other risks inherent in the Fund's portfolio, and hedges
certain risks, if at all, only partially. Specifically, Amaranth may determine that it is economically unattractive, or otherwise undesirable, to hedge certain risks (either with respect to particular positions or the Fund's overall portfolio) and instead rely on diversification to control such risks.

In the case of the Fund's investments with Third-Party Managers and/or in Third-Party Ventures, in certain instances Amaranth may negotiate for specific monitoring and other risk management rights. For example, Amaranth and/or the Fund may have transparency rights that include access to senior management of the Third-Party Manager or Third-Party Venture, access to books and records or other trade-level or position-level details and the right to receive data feeds from the Third-Party Manager or Third-Party Venture that can be incorporated into Amaranth’s general risk management systems. Other risk management rights may include special liquidity rights and/or the right to approve specific transactions entered into by the Third-Party Manager or investment partner or to suspend the authority of a Third-Party Manager or investment partner to invest on behalf of the Fund. However, not all Third-Party Ventures may include such rights. In the case of more “passive” Third-Party Ventures as to which Amaranth does not have special rights, the Fund may rely on other methods for managing risk, including, for example, diversification. The amount of capital invested in this manner may increase, possibly materially, over time as market conditions and opportunities merit and may become material.

By investing in the Fund, subscribers are relying on the discretionary, market judgment of Amaranth, trading in a wide range of strategies and markets, as well as in investing in positions with a wide range of different durations, without being subject to diversification, leverage or any other form of trading policies.

PROSPECTIVE INVESTORS ARE URGED TO CONSULT WITH THEIR OWN FINANCIAL, LEGAL AND TAX ADVISERS REGARDING THEIR INDIVIDUAL CIRCUMSTANCES AND THE SUITABILITY OF AN INVESTMENT IN THE FUND.

SEE “RISK FACTORS.”
MANAGEMENT

Amaranth

The Chief Executive Officer of Amaranth Group, Amaranth International and the Manager is Nicholas Maounis. Mr. Maounis is the sole shareholder of Amaranth Group and, together with entities controlled by Mr. Maounis, is the majority owner of the Manager and Amaranth International.

Mr. Maounis is the President and Chief Investment Officer of Amaranth, responsible for all investment functions as well as managing the firm. From 1990 until August 2000, Mr. Maounis was a Portfolio Manager for Paloma Partners Management Company and affiliated entities ("PPMC"). In this role, Mr. Maounis was responsible for trading a large convertible arbitrage portfolio and for managing up to 25 traders and assistants employing a variety of investment strategies similar to those utilized by Amaranth. Previously, Mr. Maounis managed U.S. convertible arbitrage portfolios for PPCM (1990-1992), Angelo Gordon & Co. (1989-1990) and LF Rothschild, Unterberg, Towbin (1985-1989), where he was a senior vice-president in charge of all convertible-arbitrage trading. Mr. Maounis graduated from the University of Connecticut in 1985 with a Bachelor of Science degree in Finance.

Other principal Amaranth personnel include:

Gregg Felton — Gregg Felton is the Portfolio Manager for the credit trading portfolio and the Senior Credit Manager for the convertible portfolio at Amaranth. Prior to his present position, he served in similar roles for PPCM. Before joining PPCM, Mr. Felton was a Vice President at The Chase Manhattan Bank; from 1997 to March 2000, he co-managed its Special Situations Fund (a distressed investment vehicle). Prior to that, Mr. Felton worked in the High Yield Finance Department of Chase’s Global Investment Bank. Mr. Felton received a joint Juris Doctor/Master in Business Administration from Georgetown University Law Center/School of Business as well as a Bachelor of Arts in Economics from Tufts University.

Robert Jones — Robert Jones serves as Amaranth’s Chief Risk Officer. After graduating from Harvard College (1984 cum laude in Economics), Mr. Jones joined Fischer Black’s group at Goldman, Sachs & Co. to develop proprietary arbitrage strategies and risk-limited portfolio management techniques. After co-authoring two papers with Dr. Black, Mr. Jones joined Goldman’s equity arbitrage trading unit to run a listed and OTC derivatives book. In 1988, NYSE Chairman John Phelan invited Mr. Jones to assist him in evaluating and addressing operational risks exposed during the 1987 crash. In 1989, Mr. Jones joined PPCM where he managed an international derivative arbitrage portfolio. He and Mr. Maounis worked together for four years managing arbitrage portfolios for the private investment funds associated with PPCM. Prior to joining Amaranth in September 2001, Mr. Jones led Stradivarius Capital, a firm he founded to help quantitatively-oriented hedge funds to identify and manage sources of performance uncertainty.

Rick Solomon — Rick Solomon is the Portfolio Manager for the global convertibles (excluding Canada) portfolio at Amaranth. From 1998 to August 2000, he managed a U.S. convertible portfolio and a long/short technology portfolio for PPCM. Mr. Solomon began his investment career in 1983 with Wechsler and Co. There he was a Director and Executive Vice President and managed the convertible trading and arbitrage portfolios until 1998. Mr. Solomon graduated from Emory University in 1983 with a Bachelor of Science in Business Administration.
Manos Vourkoutiotis — Manos Vourkoutiotis is the Portfolio Manager for the Canadian products and mandatory convertible securities portfolios at Amaranth. He managed similar portfolios for PPMC from 1998 until August 2000. Mr. Vourkoutiotis began his career in 1991 at RBC Dominion Securities, where he traded convertible securities for their equity derivatives group until 1993. He was a market maker in convertible securities for Nesbitt Burns from 1993 to 1997. He spent the following year at Gordon Capital, where he created a proprietary desk to trade convertible securities, merger arbitrage and special situations. Mr. Vourkoutiotis received a Bachelor of Commerce and graduated with high distinction in 1991 from the University of Toronto. He is a Chartered Financial Analyst Charterholder.

Charles Winkler — Charles Winkler is the Chief Operating Officer of Amaranth. Mr. Winkler is responsible for managing all of the non-trading aspects of the firm, and in that capacity is responsible for Amaranth’s accounting, treasury, administration, compliance, investor relations, legal, marketing, technology, back-office, operations and human resources departments. From 1996 to 2001, Mr. Winkler was Senior Managing Director and Chief Operating Officer for Citadel Investment Group, L.L.C., and was a member of that firm’s Management Committee and Chairman of that firm’s Operations Committee. Prior to joining Citadel in 1996, Mr. Winkler was a Partner with the Chicago law firm of Neal Gerber & Eisenberg. His 17-year legal practice focused on providing tax and corporate counseling to investment advisers and private investment firms. Mr. Winkler graduated with Highest Honors from Emory University in 1976, receiving a Bachelor’s degree in Business Administration, and from Northwestern University School of Law, receiving a Juris Doctor degree in 1979.

Mr. Macounis and other Amaranth personnel have substantial personal investments in the Fund and have exposure to the returns of the Master Fund through deferred compensation arrangements. In addition, Mr. Macounis and other Amaranth personnel have significant personal investments in Amaranth Global Equities LLC, another Manager Client focusing on fundamental long/short equity investing.

The Limited Liability Company Agreement

Pursuant to the Limited Liability Company Agreement, the Manager receives a Manager Allocation and a Profit Allocation. *For more information about the Manager Allocations and Profit Allocations, see "Financial and Tax Allocations; Expenses — Manager Allocations" and "Financial and Tax Allocations; Expenses — Profit Allocations."

The Limited Liability Company Agreement does not impose any specific obligations or requirements concerning the allocation of time, effort or investment opportunities by Amaranth or its principals to the Fund. Amaranth is not obligated to devote any specific amount of time to the affairs of the Fund and is not required to accord exclusivity or priority to the Fund in the case of limited investment opportunities arising from the application of capacity limits or other factors.

Amaranth devotes such time to the affairs of the Fund as Amaranth determines to be necessary or advisable for the conduct of business of the Fund, but also devotes substantial time to managing other investments.

The Limited Liability Company Agreement provides for the indemnification of Amaranth and its officers, directors, managers and employees. *For more information regarding the indemnification provided by the Fund to Amaranth, see "— Standard of Liability; Indemnification," below.*
Advisory Agreements and Regulatory Status of Manager Parties and Amaranth

The Master Fund and certain other Manager Clients have entered into an Amended and Restated Advisory Agreement dated March 23, 2005 (the "Canadian Advisory Agreement") with Amaranth Advisors (Canada) ULC ("Amaranth Advisors Canada") and also have entered into sub-advisory agreements with each of Amaranth Advisors (UK) LLP ("Amaranth Advisors London") and Amaranth Advisors (Singapore) Pte. Ltd. ("Amaranth Advisors Singapore"), as the same may from time to time be amended and/or restated. The aggregate amount of Manager Allocations and Profit Allocations to which the Members are, directly or indirectly, subject is not increased by virtue of the advisory arrangements between the Master Fund and Amaranth Advisors Canada, Amaranth Advisors London and Amaranth Advisors Singapore.

Amaranth Advisors Canada is registered in the category of Investment Counsel and Portfolio Manager and Limited Market Dealer with the OSC. Amaranth Advisors London is authorized with the FSA under Part IV of the U.K. Financial Services and Markets Act 2000. Amaranth Advisors Singapore engages in management and financial advisory activities and securities dealing activities that are incidental to its fund management and financial advisory activities pursuant to an exemption that is based on the nature of its client base.

Amaranth has notified the Fund that it does not intend to register with the SEC as an investment adviser by February 2006, although it reserves the right to register at a later date. Amaranth intends to avail itself of certain exceptions to registration under the Hedge Fund Advisers Registration Rule, including an exception for advisers that impose a twenty-five (25) month minimum investment period on new investments, which is referred to in this Memorandum as the "Lock-Up Period." Prospective investors must not rely on Amaranth becoming an SEC-registered "investment adviser" in determining whether to invest in the Interests.

Amaranth Group Inc.

Amaranth Group, an Affiliate of Amaranth, was organized in November 2002 by Mr. Maounis to provide administrative services to the Manager Clients that formerly were supplied by PPMC. Amaranth Group provides administrative, accounting, data processing, research, investment-related, technology and other support services to the Fund.

The Administrative Services Agreement between the Fund and Amaranth Group provides for the indemnification of Amaranth, Amaranth Group, their respective Affiliates, and the respective officers, directors, managers and employees of each of the foregoing.

The Administrative Services Agreement may be terminated (i) at any time by Amaranth Group upon one hundred and twenty (120) days' notice and (ii) by the Fund, only if Amaranth ceases to serve as the Manager of the Fund.

The Master Fund has entered into a substantially similar administrative services agreement with Amaranth Group.

Standard of Liability; Indemnification

The principals, members, directors, officers and employees of Amaranth and Amaranth Group and their respective Affiliates (the "Manager Parties") will not, absent fraud, bad faith, gross negligence or reckless or intentional misconduct on their part, be liable to the Fund or to any Member for any act or omission in the course of, or in connection with, the services rendered
by them for or on behalf of the Fund or for any less or damage which the Fund may sustain or suffer as the result or in the course of the discharge by the principals, members, directors, officers or employees of the Manager Parties of their duties to the Fund.

In the course of carrying out trading and investing responsibilities on behalf of the Fund, Amaranth personnel may make "trading errors" — *i.e.*, errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an Investment Asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular Investment Asset (and *vice versa*). Trading errors are an intrinsic factor in any complex investment process, and will occur notwithstanding the exercise of due care and special procedures designed to prevent trading errors. Trading errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by Amaranth personnel. Consequently, Amaranth will (unless Amaranth otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Fund, unless they are the result of conduct on the part of Amaranth which is inconsistent with the standard of care set forth in the Material Contracts.

The Manager Parties will not be liable for any tax imposed on the Fund or the Members in any jurisdiction, for any costs incurred in respect of any tax audit or similar procedure or for any tax position taken by Amaranth (to the extent that Amaranth is authorized to take any relevant tax position) which was not clearly contrary to Law when taken.

Amaranth will not bear any liability if a price believed by it to be an accurate valuation of a particular direct or indirect investment of the Fund is subsequently found to be inaccurate.

The Fund has agreed to indemnify each Manager Party as well as certain agents, advisers and consultants of the Fund from and against any loss, cost, expense, liability, fees (including attorneys’ fees and expenses) and damages (other than those resulting from fraud, gross negligence or reckless or intentional misconduct on the part of such persons) which may be imposed on, incurred by or asserted against any of them in performing their obligations or duties for or on behalf of the Fund.

The Master Fund is subject to substantially identical liability and indemnification provisions with Amaranth Advisors and Amaranth Group.

The Fund may be required to agree to exculpate and/or indemnify Third-Party Managers and/or investment partners pursuant to the terms of its investments in Third-Party Ventures.

**Determinations by Manager Parties**

Whenever any Manager Party is to determine or decide any matter relating to the Fund or the Material Contracts, such determination or decision will be in the sole and absolute discretion of such Manager Party and will be conclusive and binding on all Members if made in a manner consistent with the standard of care set forth in the Material Contracts.
FINANCIAL AND TAX ALLOCATIONS; EXPENSES

Financial Allocations of Net Profits and Net Losses

The Manager establishes a separate Capital Account for each Member. Each Capital Account is adjusted to reflect such Member’s share of the Fund’s net profits or losses, Fund expenses (including Allocable Expenses), allocations to the Manager, Capital Contributions and Withdrawals.

The Fund’s net profits and losses are allocated as of the last day of each calendar month among the Members, including the Manager, in proportion to their Capital Account balances at the beginning of such month. Any Profit Allocations are allocated among Members’ Capital Accounts in accordance with the Net New Profit allocable to such Capital Accounts — Profit Allocations being calculated separately with respect to a Member’s Annual Liquidity Interest and Four-Year Liquidity Interest. Net profits and net losses of the Fund are calculated according to generally accepted accounting principles and include net unrealized profits and losses on securities positions as of the end of each Accounting Period. All calculations of net profits and net losses are made after deducting all general, administrative and other operating expenses of the Fund.

The Fund’s net profits and losses are generally also allocated as of the last day of each calendar month among the Annual Liquidity Memorandum Accounts and the Four-Year Liquidity Memorandum Accounts maintained with respect to a Member’s Capital Account in proportion to the Memorandum Account balances at the beginning of such month. Any Profit Allocations attributable to a Member’s Annual Liquidity Interest, on the one hand, and Four-Year Liquidity Interest, on the other hand, are allocated in the same manner (i.e., not on the basis of the relative profitability of each Memorandum Account) among such Member’s Annual Liquidity Memorandum Accounts and Four-Year Liquidity Memorandum Accounts.

Certain items of Fund profits, losses, income, gain or expense may be specially allocated to certain Members, not to the Members as a group. Typically, special allocations result from Law, tax or other considerations prohibiting certain investors from participating (even indirectly through investing in the Fund) in certain transactions (for example, “new issues” — initial public offerings of equity securities). However, the Manager may cause the Fund to make such special allocations as the Manager deems necessary or advisable in the interest of the Fund as a whole.

Tax Allocations

The Fund allocates tax items generally in accordance with the financial allocations made to the Members. However, in the event that a Member Withdraws during a Fiscal Year, such Member will receive a priority allocation of gain or loss, as appropriate, so as to equalize the Capital Account and tax basis account balance of the portion of such Member’s Capital Account withdrawn.
Manager Allocations

The Fund makes a Manager Allocation to the Manager (the "Manager Allocation") generally equal to 0.125% of the aggregate Gross Asset Value of each Member's Interest of either Class at the end of each calendar month (a 1.5% annual rate).

Manager Allocations are generally assessed in respect of Designated Investments at the same 1.5% annual rate generally applicable to a Member's Interests multiplied by the lower of the (i) cost and (ii) fair value of each such Designated Investment; provided, that if a Member has otherwise withdrawn the entirety of its Interest in the Fund, the Manager Allocation base with respect to each remaining Designated Investment is the excess of the cost of such Designated Investment over the Distributions received with respect to such Designated Investment.

Annual Liquidity Interests and Four-Year Liquidity Interests are subject to the same Manager Allocations.

Interests held by certain designated principals and associates of Amaranth are not subject to Manager Allocations.

Profit Allocations

Profit Allocations are calculated separately with respect to the Annual Liquidity Interest and the Four-Year Liquidity Interest held by the same Member. However, all Pre-February 2006 Memorandum Accounts and Post-January 2006 Memorandum Accounts of the same Class held by a Member are combined in calculating the Profit Allocations.

General

As of each December 31 (and upon dissolution of the Fund), each Member's Annual Liquidity Interest or Four-Year Liquidity Interest is subject to a Profit Allocation equal to 20% or 15%, respectively, of any Net New Profit attributable to such Interest.

In the event that a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, Profit Allocations will be calculated separately with respect to the Member's Interest of each Class. However, all Memorandum Accounts of either Class held by the same Member are combined in determining any Profit Allocation due in respect of such Member's Interest of such Class. Profit Allocations are not calculated separately with respect to the Memorandum Accounts of the same Class established by Capital Contributions made by a Member at different times.

"Net New Profit" is the amount by which the Gross Asset Value of a Member's Annual Liquidity Interest and/or Four-Year Liquidity Interest (calculated after reduction for Manager Allocations and for all accrued expenses, but not for any Profit Allocations or for any accrued DT Bonuses to be credited against any Profit Allocations) exceeds the High Water Mark attributable to such Interest. In calculating Net New Profit, the profits and losses attributable to Designated Investment Interests (which are subject to Profit Allocations calculated separately with respect to each individual Designated Investment) are excluded. However, any Manager Allocations made and expenses payable in respect of a Designated Investment Interest from the capital attributable to a Member's Interest will reduce the Gross Asset Value of each Member's Interest and, accordingly, any Net New Profit attributable to such Interest.
The High Water Mark attributable to a Member’s Annual Liquidity Interest and/or Four-Year Liquidity Interest is the highest aggregate Net Asset Value (which is then also the Gross Asset Value) of such Interest as of any preceding December 31, after reduction for the Profit Allocation then made (or a Member’s aggregate Capital Contributions, if higher, in the case where such Interest has been unprofitable since inception). The High Water Mark is proportionately reduced (as described under “— Withdrawals; Distributions; Transfers; Exchanges,” below) whenever a Withdrawal, Distribution, Transfer or exchange is made in respect of such Interest, and increased dollar-for-dollar by Capital Contributions made by such Member (as well as by the net liquidation proceeds and/or the fair value of the underlying assets of Designated Investments returned to the General Portfolio and attributable to such Member’s Interests).

As of each December 31 that a Profit Allocation is made from a Member’s Annual Liquidity Interest and/or Four-Year Liquidity Interest, the High Water Mark attributable to such Interest is reset to the Net Asset Value (which is then also the Gross Asset Value) of such Interest immediately following making such Profit Allocation.

Profit Allocations do not themselves reduce Net New Profit for purposes of calculating Profit Allocations — i.e., the Manager does not need to “earn back” Profit Allocations previously made in order to generate additional Profit Allocations.

Profit Allocations do not, until made, reduce the Proportionate Share of a Member’s Interest of either Class for purposes of allocating Net Income or Net Loss.

The Profit Allocations are calculated in the same manner in respect of both Annual Liquidity Interests and Four-Year Liquidity Interests; however, the Profit Allocation rate is 20% for Annual Liquidity Interests and 15% for Four-Year Liquidity Interests.

Interests held by certain designated principals and associates of Amaranth are not subject to Profit Allocations.

Withdrawals; Distributions; Transfers; Exchanges

Whenever a Withdrawal or Distribution is made in respect of an Annual Liquidity Interest or Four-Year Liquidity Interest, or a Transfer of all or a portion of such Interest is made, a Profit Allocation is made equal to the Profit Allocation which would have been made in respect of such Interest were the date of such Withdrawal, Distribution or Transfer a December 31, multiplied by the fraction the numerator of which is the amount of such Withdrawal or Distribution, or the Gross Asset Value of the Interest Transferred, and the denominator of which is the aggregate Gross Asset Value of such Interest immediately prior to such Withdrawal, Distribution or Transfer. The High Water Mark attributable to such Annual Liquidity Interest or Four-Year Liquidity Interest is reduced by an amount equal to the same fraction, multiplied by the then current High Water Mark immediately prior to such Withdrawal, Distribution or Transfer.

Notwithstanding the foregoing, no Profit Allocations are made, unless the Manager otherwise determines, in the case of a Transfer of an Interest by a Member to a Related Investor. Instead, such Profit Allocations remain outstanding in respect of the Transferred Interest and are calculated through the immediately following December 31 as if the Transfer or Withdrawal had not occurred. In addition, if a Member Transfers an Interest to a Related Investor and there is a “loss carryforward” associated with such Interest, such “loss carryforward” is (unless the
Manager and the Member otherwise agree) preserved as described below in the case of Withdrawal proceeds which are reinvested in one or more Manager Clients or Trading Vehicles.

A “Related Investor” means, with respect to any Member, any Affiliate of such Member, any Family Member of such Member if such Member is a natural Person, or any investment fund or account managed or sponsored by such Member, as well as, in the case of a Member which is itself an investment fund or account, any other investment fund or account which is managed or sponsored, in whole or in part, by one or more of the same Persons who manage or sponsor such Member or by Affiliates of one or more such Persons.

In the event that a Member makes a Withdrawal and reinvests the Withdrawal proceeds in one or more Manager Clients or Trading Vehicles, any applicable Profit Allocation will be made. However, if the Class of Interests from which such Withdrawal was made was below its High Water Mark at the time of Withdrawal, the “loss carryforward” will, unless Amaranth and the Member otherwise agree, be preserved and such reinvested proceeds accounted for as if such reinvestment were a separate investment by a third party until the beginning of the first Accounting Period, if any, of which such “loss carryforward” (as the same may be reduced as in the case of Withdrawals) has been eliminated, at which point such “separate investment” will be added to any other investment such Member may have in such Manager Client or Trading Vehicle in the same manner as a Capital Contribution (but accounting for any Net New Profit with respect to such “separate investment”). If such Member has no other investment in such Manager Client or Trading Vehicle, the reinvested amount, including any such “loss carryforward,” will continue as in the case of any other investment in such Manager Client or Trading Vehicle. If a Member Transfers all or a portion of an Interest to a Related Investor and there is a “loss carryforward” associated with such Interest (or portion thereof), such “loss carryforward” will be preserved as described above.

Profit Allocations made as a result of a Withdrawal or Distribution will reduce the Gross Asset Value of the affected Member’s remaining Annual Liquidity Interest and/or Four-Year Liquidity Interest, as the case may be (and are considered as part of such Withdrawal or Distribution), unless the Manager otherwise determines. Profit Allocations made as a result of a Transfer of all or a portion of an Interest reduce the Gross Asset Value of the Interest received by the Transferee.

Exchanges between Classes by a Member are treated as a Withdrawal (subject to a Profit Allocation) from the Class out of which, and as a Capital Contribution to the Class into which, such exchange is made.

**DT Bonuses**

The Profit Allocations that would otherwise be made as of the end of a Fiscal Year with respect to a Member’s Annual Liquidity Interest and/or Four-Year Liquidity Interest are reduced (but not below $0) by the amount of the bonuses (“DT Bonuses”) payable by the Fund to Designated Traders (including DT Bonuses payable to Designated Traders by the Master Fund, to the extent that such DT Bonuses reduce the returns to the Fund) and attributable to such Interest so that (in the situation where Profit Allocations exceed DT Bonuses) the sum of (i) the Profit Allocations made with respect to such Annual Liquidity Interest or Four-Year Liquidity Interest for such Fiscal Year plus (ii) the amount of DT Bonuses borne by the Fund and attributable to such Annual Liquidity Interest or Four-Year Liquidity Interest as of the end of such Fiscal Year, equals (iii) the aggregate Profit Allocations that would have been made with respect to such Annual Liquidity Interest or Four-Year Liquidity Interest had Amaranth itself paid all such DT
Bonuses without reimbursement from the Fund. For further clarification, in the case where DT Bonuses exceed Profit Allocations, such excess is allocated to the Fund in the same manner as any other Allocable Expenses.

In general, Profit Allocations in respect of subsequent Fiscal Years are not affected by DT Bonuses payable in a prior Fiscal Year unless such DT Bonuses exceed the Profit Allocations that would otherwise have been made as of the end of such prior Fiscal Year, in which case such excess is allocated to the Fund in the same manner as any other Allocable Expenses of the Fund, and the Manager must “earn back” the amount of such excess (as in the case of any Allocable Expenses) before generating Net New Profit in respect of a Member’s Annual Liquidity Interest and/or Four-Year Liquidity Interest, on which additional Profit Allocations are made.

Profit Allocations made during a Fiscal Year due to Withdrawals, Distributions, Transfers or exchanges (including Withdrawal, Distributions, Transfers or exchanges effective as of December 31 of such Fiscal Year) are not reduced by any DT Bonuses payable as of the end of such Fiscal Year.

Designated Traders are a strictly limited group of investment professionals who either: (i) are the portfolio managers having overall investment management responsibility — not only trading authority — for each portfolio or sub-portfolio implemented on behalf of the Fund or of the Master Fund, as the case may be; or (ii) devote substantially all of their business time to trade execution, as opposed to performing research (fundamental or quantitative), securities lending or borrowing, treasury, risk management, investor relations or other services.

For purposes of determining whether an investment professional devotes substantially all of his or her business time to trade execution, Amaranth considers, among other things, whether such person is listed with Amaranth’s execution brokers as an authorized trader and the frequency of such person’s (i) communications with sales desks of the execution brokers for execution-related purposes and (ii) trade execution with the execution brokers. The extent to which an investment professional’s compensation is based on the performance of one or more specific portfolios, sub-portfolios or positions, and the amount and/or form of such investment professional’s compensation, are not determinative of such investment professional’s status as a Designated Trader. In fact, certain Amaranth personnel (including persons who are not investment professionals) may receive a higher level of compensation than certain Designated Traders. Not all highly compensated investment professionals and members of Amaranth’s senior management are Designated Traders.

For purposes of determining whether an investment professional is a portfolio manager of a sub-portfolio, the Designating Party considers, among other things, (i) the investment professional’s level of discretion over trading decisions without input from the portfolio manager for the overall portfolio and level of input in setting investment strategy for the overall portfolio or sectors of the overall portfolio and (ii) the existence of any trading limits imposed on such investment professional by the portfolio manager. An investment professional may be the portfolio manager of a portfolio, and of any one or more of the sub-portfolios of such portfolio even if another investment professional has significant investment responsibility for a portion of the capital committed to such portfolio and/or sub-portfolios. However, it is highly likely that an investment professional who is the portfolio manager for a sub-portfolio will be the portfolio manager for the portfolio of which such sub-portfolio is a constituent part.

Notwithstanding the number of portfolio managers employed by Amaranth, there is only one investment professional designated as the portfolio manager for each portfolio or sub-
portfolio, and the same investment professional may be designated as being the portfolio manager for more than one portfolio or sub-portfolio.

The determination of which Manager Party employees constitute Designated Traders, as well as of the portion of such individuals’ activities and/or the portion of the applicable Fiscal Year with respect to which such individuals were so classified, involves a subjective determination by Amaranth.

Amaranth’s determination of which of its personnel constitute Designated Traders (certain of such personnel may be so designated in respect of a portion of their bonuses or for only a portion of the Fiscal Year) is binding if made in a manner consistent with the standard of care set forth in the Material Contracts.

Amaranth may, but is under no obligation to, pay DT Bonuses from its own assets, in which case such DT Bonuses will not reduce Profit Allocations.

DT Bonuses are allocated among the different Manager Clients in such manner as the Manager may determine. DT Bonuses allocated to the Fund are allocated between the Annual Liquidity Memorandum Accounts and the Four-Year Liquidity Memorandum Accounts, reducing the Profit Allocations otherwise made from them, pro rata in accordance with the Profit Allocations attributable to each such Memorandum Account (and, for the avoidance of doubt, not in accordance with the Proportionate Shares of each such Class or Memorandum Account), unless the Manager otherwise determines.

Designated Investments

Profit Allocations are calculated separately with respect to the Designated Investment Interest issued to a Member in respect of each Designated Investment, irrespective of the performance of such Member’s Annual Liquidity Interest or Four-Year Liquidity Interest (or of the other Designated Investment Interests issued to such Member in respect of other Designated Investments). Such Profit Allocations are calculated separately with respect to capital allocated from a Member’s Annual Liquidity Interest and Four-Year Liquidity Interest to such Designated Investment, at a 20% and 15% percentage rate, respectively.

The capital allocated to a Designated Investment from a Member’s Annual Liquidity and Four-Year Liquidity Interests proportionately reduces the High Water Mark attributable to such Interest if the Gross Asset Value of such Interest is below its High Water Mark at the time of such allocation, and reduces such High Water Mark on a dollar-for-dollar basis (with no Profit Allocation being made) if such Gross Asset Value is in excess of such High Water Mark at the time of such allocation.

Trading Vehicle Advisory Fees

To the extent that the Fund invests (directly or synthetically through a derivative instrument) in a Trading Vehicle from which Amaranth or any of its Affiliates receive asset- and/or performance-based compensation (as well as expense reimbursements), Amaranth will, as reasonably practicable, waive, adjust or otherwise offset the Manager Allocations and Profit Allocations which Amaranth receives from the Fund to the extent that such compensation results, in the determination of Amaranth, in Amaranth receiving compensation in excess of the Manager Allocations and Profit Allocations that Amaranth would have received absent such investment in such Trading Vehicle. For a more detailed description of the treatment of performance-based
compensation payable by the Fund or payable to Amaranth, see "— Operating Expenses and Transaction Costs," below.

Limited Waiver Authority

The Manager will not waive or reduce the Manager Allocations and/or Profit Allocations (and DT Bonus adjustments) otherwise applicable to any Member except in the case of Manager Party Investors (such Manager Party Investors will, accordingly, receive credits to the extent that the Profit Allocations that would otherwise have been made by such Manager Party Investors would have been reduced by DT Bonuses).

Operating Expenses and Transaction Costs

The Fund pays all of its trading, operating and administrative costs and expenses, as well as the costs, fees and expenses of the auditors and legal advisers to the Fund, the cost of printing and distributing periodic and annual reports and statements and all other expenses related to the business of the Fund. The Fund also bears its allocable share of Amaranth’s and the Master Fund’s direct and indirect general operating and administrative costs and expenses, as well as those of the Manager Parties (including those of the Manager Parties located outside the U.S.) in providing services to the Fund, including, without limitation, employee compensation (including bonus compensation), severance arrangements and non-competition covenant costs, depreciation, office rent, information systems, computer hardware and software, investment research, quotation services and other overhead expenses, litigation-related and other legal expenses and the costs of general operating assets including leasehold improvements, data transmission lines and communications equipment, furniture and fixtures. THE ALLOCABLE EXPENSES CAN HAVE A MATERIAL, NEGATIVE IMPACT ON THE PERFORMANCE OF THE FUND.

The Allocable Expenses paid by the Fund include a variety of expenses that Amaranth considers to be necessary, advisable or desirable for its operations, but that may be materially more expensive than those incurred by other businesses or by other hedge fund managers. Amaranth believes that these expenses generally relate to resources, facilities and activities that benefit the Fund and/or other Manager Clients (although not necessarily in all cases) by enabling Amaranth to attract and retain capital and talented personnel (in a highly competitive market for talent) and contributing to the morale and focus of existing Amaranth personnel. The Allocable Expenses may also include expenses relating to activities geared toward: new client development, recruiting personnel, attempting to develop strategies which may never be used for the Fund (and which may be used by other Manager Clients and/or Manager Parties) as well as identifying and analyzing investment opportunities that ultimately may be unsuccessful or that may benefit other Manager Clients and/or Manager Parties more than or instead of the Fund.

Historically, the largest single component of the Allocable Expenses has been compensation and benefits for employees of Amaranth and its affiliates. The Allocable Expenses include all compensation and benefits expenses — other than DT Bonuses — for all employees, and thus include the total compensation payable to Amaranth’s senior executives who are not Designated Traders (e.g., the Chief Operating Officer, Chief Risk Officer, Chief Financial Officer, Chief Technology Officer, Treasurer and General Counsels), as well as that of all investment professionals who are not Designated Traders. The bonus compensation payable to these employees can be significant, and especially so in years where the investment performance of the Fund and/or other Manager Clients exceeds Amaranth’s expectations. In addition to base salary and bonuses, the benefits provided to employees includes, without limitation, full health, dental and vision care benefits, 401(k) “matching” contributions, life insurance and disability
coverage, a tuition reimbursement program, relocation expenses for new hires and certain expatriate benefits for non-local employees assigned to Amaranth's non-U.S. offices.

Amaranth maintains a global operation with offices in a number of U.S. and non-U.S. cities, including: Greenwich, Connecticut; Houston, Texas; Calgary and Toronto, Canada; London, England; and Singapore. Amaranth also maintains a stand-alone disaster recovery site. Allocable Expenses include the costs of maintaining these facilities.

Allocable Expenses are incurred either in connection with Amaranth's operations or in connection with Amaranth employees' participation in such operations. For example, Amaranth provides meals for employees who work late and in connection with various internal meetings, as well as beverages and snacks on a continuous basis, employee lounges and an employee exercise facility, transport, travel and lodging for employee attendance at industry conferences, "offsite meetings" for different business units and personnel groups, travel and lodging for visits to existing and/or prospective investors, portfolio companies, service providers and other business relationships, memberships in professional organizations and, in certain cases, other clubs, personalized information technology solutions to certain of its key personnel as well as, to the extent permitted by applicable regulations or self-regulatory organization rulings, gratuities and gifts, as well as travel and entertainment for industry participants with which Manager Clients do, or seek to do, business.

Certain of Amaranth's Allocable Expenses relate to facilities intended to support the executive, management and investor relations operations of Amaranth — for example, hosting client meetings and presentations, executive sessions and group and firm functions — in an environment which Amaranth believes is conducive to productivity and to augmenting and maintaining Amaranth's stature and reputation in the industry. Allocable Expenses include the cost of personal property and fixed assets utilized by a Manager Party in connection with providing services to the Fund and/or other Manager Clients, and which personal property or fixed assets are owned by Amaranth.

In certain cases, Allocable Expenses include the debt service on advances made to Amaranth by Manager Clients in order to purchase personal property or fixed assets, such advances reducing the trading capital available to such Manager Clients (although not their net asset value) and being paid down by the depreciation expenses paid by the Manager Clients. Allocable Expenses also include advanced telecommunications available for use both in client and third-party communications.

The Fund indirectly bears a portion of the expenses and charges incurred by the Master Fund including, in addition to those described above (such as the Master Fund's direct Allocable Expenses and its share of Amaranth's Allocable Expenses), its ongoing expenses such as brokerage and custodial fees and expenses, auditing and pricing expenses, administration fees and expenses, legal fees and extraordinary expenses, as well as fees and expenses incurred in the borrowing and lending of securities and the costs implicit in financing transactions — in each case, based on the ratio of the Fund's investment in the Master Fund to the total capital of the Master Fund.

Expenses borne by the Fund also include the Fund's allocable share of expenses incurred by other Trading Vehicles in which the Fund invests.

The Fund bears its allocable share of all expenses associated with its investments in Third-Party Ventures, which may include incentive or performance-based fees, management fees
(including asset-based fees) and other fees and expenses payable to Third-Party Managers or other advisers or managers participating in such Third-Party Ventures. In the event that the Fund pays a management and/or performance-type fee to a Third-Party Manager or in connection with a Third-Party Venture, then such management and/or performance-type fee will be accounted for using the following principles: (i) if the management and/or performance-type fee is paid by the Fund to an entity that is not affiliated with the Manager, it will be treated as an expense of the Fund (of which Amaranth effectively bears a share due to the fact that the expenses of the Fund reduce the Net New Profit on which the Profit Allocation is calculated), (ii) if the Fund pays a management and/or performance-type fee to an entity owned 100% by the Manager, then the management and/or performance-type fee will reduce, dollar-for-dollar, the Profit Allocation made by the Fund to the Manager (or be treated as DT Bonuses) and (iii) if the Fund pays a management and/or performance-type fee to an entity owned in part by the Manager, then the management and/or performance-type fee paid to such entity will be bifurcated such that the amount received by the unaffiliated entity (which will be treated as an Allocable Expense), and the amount received by the Manager are accounted for separately (which will reduce, dollar-for-dollar the Profit Allocation made by the Fund to the Manager).

Included in the Allocable Expenses described above are (A) the amounts that the Fund pays to Amaranth Group for providing certain administrative, accounting and other services to the Fund, and the Fund’s share of the costs indirectly borne by it relating to such services provided by Amaranth Group to the Master Fund and (B) the costs and expenses of Affiliates of Amaranth operating within as well as outside of the U.S. See “Risk Factors” and “Conflicts of Interest.”

Notwithstanding the fact that (i) the Fund may pay (either directly or as a reimbursement) for the personal property and fixed assets utilized by a Manager Party in connection with providing services to the Fund and/or other Manager Clients (such as general operating assets including leasehold improvements, data transmission lines and communications equipment, furniture and fixtures), (ii) the book value of such personal property and fixed assets may be included in the calculation of the Net Asset Value of the Fund and (iii) depreciation on such personal property and fixed assets may reduce the Net Asset Value of the Fund, the Fund does not, and Amaranth or another Manager Party does, have the legal title and the right to use and retain such personal property and fixed assets.

Allocable Expenses (including expenses associated with Designated Investments and out-of-pocket expenses associated with transactions that are prospective Designated Investments) are allocated among the different Manager Clients in such manner as Amaranth may determine, giving consideration to relative capitalization, relative position size, number of holdings and profitability (i.e., the dollar amount of profits generated, not the percentage rate of return). Variable expenses (primarily the bonus compensation of Amaranth personnel which are not Designated Traders) are allocated primarily on the basis of the relative profitability of the respective Manager Clients. The methodology used to allocate Allocable Expenses among the Manager Clients does not attribute Allocable Expenses to the various Manager Clients on the basis of the costs incurred by their respective operations, and the Fund may be subject to Allocable Expenses incurred with respect to investment activities in which the Fund does not itself participate but in which other Manager Clients and/or Manager Parties do participate. See “Conflicts of Interest — Amaranth — Profit Allocations; DT Bonuses; Allocable Expenses.”

During 2002, 2003 and 2004, the Allocable Expenses borne by the Members, net of the effect of the Profit Allocations and DT Bonuses (which reduce Fiscal Year-end Profit Allocations), approximated 2.0%, 2.6% and 2.0%, respectively, of the average Net Asset Value of the Fund. These Allocable Expenses are in addition to the Manager Allocations and Profit
Allocations made to Amaranth. Allocable Expenses reduce the Net New Profit on the basis of which Profit Allocations are made. Accordingly, in profitable years the Manager and the Designated Traders effectively absorb up to 20% of the Allocable Expenses attributable to the Annual Liquidity Interest and 15% of the Allocable Expenses attributable to the Four-Year Liquidity Interest.

Income taxes paid or withheld by the Fund in respect of income or gain allocable to a Member will not be treated as an expense of the Fund but rather will be treated as a Distribution to such Member.

Designated Investments

From time to time, the Manager may designate an investment (at or within thirty (30) days of the date such investment is made) as a “Designated Investment” in which only persons who are Members (other than DI Opt-Out Members) as of the first day of the calendar month during which such Designated Investment is so designated will participate. Members (other than DI Opt-Out Members) will be issued separate Designated Investment Interests (divided into Annual Liquidity Interests and Four-Year Liquidity Interests) in respect of each such Designated Investment. Such Member will retain such Designated Investment Interest (tracked as an Annual Liquidity Interest and/or a Four-Year Liquidity Interest, as the case may be) until such Designated Investment is liquidated or Amaranth determines, in its discretion, to return all or a portion of the underlying assets of such Designated Investment to the General Portfolio following a Liquidity Event with respect to such Designated Investment — whether or not such Members have otherwise Withdrawn their entirety of their Interests.

Manager Allocations and Profit Allocations are calculated separately with respect to each Designated Investment. See “— Manager Allocations” and “— Profit Allocations,” above.

Profit Allocations made from Designated Investments are calculated on the basis of the excess of the net liquidation proceeds and/or the fair value of the underlying assets of such Designated Investment returned to the General Portfolio (plus any other Distributions received from such Designated Investment) over the capital allocated to such Designated Investment. Only the Manager Allocations and expenses allocated to a Designated Investment reduce the net liquidation proceeds and/or fair value of such Designated Investment for purposes of calculating the Profit Allocation made with respect to such Designated Investment (even if such net liquidation proceeds or such fair value are used to make the Manager Allocations and/or pay expenses attributable to a Member’s other remaining Designated Investments).

Designated Investments generally are not allocated a share of the Fund’s overall expenses because Designated Investments generally require little ongoing commitment of resources once they have been made. Designated Investments are allocated those out-of-pocket expenses which Amaranth determines to be attributable to each such Designated Investment. However, the Manager may include in the capital allocated to a Designated Investment capital commitments made by the Fund to be invested in the future in, as well as the estimated expenses associated with, such Designated Investment, the capital balances associated with which will continue to participate in the Fund’s General Portfolio — but cannot be withdrawn until the Designated Investment is liquidated or the underlying assets returned to the General Portfolio by the Manager following a Liquidity Event with respect to such Designated Investment — until such time as such capital commitments either are invested in, or utilized to pay the expenses of, such Designated Investment in accordance with its terms. Such capital balances will be subject to paying their share of the Allocable Expenses; provided that if a Member has otherwise
Withdrawn the entirety of such Member’s Interest and holds only Designated Investment Interests, any such capital commitments will be held in cash or cash equivalents rather than being invested in the General Portfolio and will no longer be subject to any Allocable Expenses.

Manager Allocations and expenses due in respect of Designated Investment Interests issued to a Member are deducted from the Capital Account balances attributable to such Member’s Interest(s). In the event that a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, the Manager Allocations and expenses allocable to Designated Investment Interests held by such Member are allocated between these two Classes of Interests pro rata in accordance with such Interests’ respective Proportionate Shares (not necessarily in accordance with the relative participation of Annual Liquidity Interests and Four-Year Liquidity Interests in such Designated Investment Interests).

If a Member has otherwise Withdrawn all of such Member’s Interest, the Manager Allocations (in the form of a Monthly Management Fee) and expenses attributable to any remaining Designated Investments of such Member will accrue (the Manager will waive current receipt of such Manager Allocations without interest and advance such expenses with interest at one-month LIBOR plus 0.50% per annum) and be payable or made from the proceeds of such Designated Investments. The net liquidation proceeds and/or the fair value of underlying assets of each of a Member’s remaining Designated Investments, as such net liquidation proceeds or underlying assets become available, will be used to pay the outstanding Manager Allocations and pay the accrued expenses attributable to all of such Member’s remaining Designated Investments (whether or not still outstanding). However, if the aggregate proceeds of such Designated Investments are insufficient to make all or a portion of such Manager Allocations and/or pay all or a portion of such expenses (plus interest) not previously made or paid, such Member is not held liable for the unpaid portion.

Service Providers

Amaranth retains, at the expense of the Fund, a variety of different service providers both for the Fund and for Amaranth in its capacity as Manager of the Fund. While Amaranth generally seeks to obtain competitive pricing from such service providers, Amaranth does not in most cases take bids, and the Fund may not pay the lowest available rates.
RISK FACTORS

The Interests are speculative and illiquid securities involving substantial risk of loss and are suitable for investment only by sophisticated persons for which an investment in the Fund does not represent a complete investment program and who fully understand and are capable of assuming the risks of an investment in the Fund. The following considerations, which do not purport to be a complete indication of all risks involved in an investment in the Fund, should be carefully evaluated before deciding whether to invest in the Fund.

General Risks

An investment in the Fund involves a high degree of risk. The Fund cannot assure any Member that the Fund’s investment objective will be achieved or that such Member will not lose all or substantially all of such Member’s investment.

Past Performance

The past performance of speculative trading strategies such as those implemented by the Fund is not necessarily indicative of their future results. Furthermore, on an ongoing basis Amaranth is continually expanding the Fund’s portfolio into new market sectors, instruments and strategies as well as investing in Third-Party Ventures and/or with Third-Party Managers and Longer-Term Investments. Consequently, the Fund’s trading and investing in the past may not be representative of its current or future investment approach.

Risk of Loss

An investment in the Fund involves a high degree of risk, including the risk that the entire amount invested may be lost.

Possible Positive Correlation with Stocks and Bonds

One of the goals in incorporating a non-traditional investment such as the Fund into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that the Fund will, in fact, experience a low level of correlation with a traditional portfolio of stocks and bonds.

Physical Trading and Investing

The Fund may invest and deal in physical assets such as oil, gas, electric power, transmission facilities and power plants. These investments are subject to risks — destruction, loss, industry-specific regulation (e.g., pollution control regulation), operating failures, labor relations, etc. — that are not typically directly applicable to financial instrument trading. In addition, the regulation of such assets is extensive and variable, and the Fund’s commitment to certain of such assets (e.g., if the Fund were to invest in a power plant) could be wholly illiquid for long periods of time.

Financing Arrangements; Availability of Credit

The use of leverage is integral to many of the Fund’s strategies, and the Fund depends on the availability of credit in order to finance its portfolio. There can be no assurance that the Fund
will be able to maintain adequate financing arrangements under all market circumstances. As a
general matter, the banks and dealers that provide financing to the Fund can apply essentially
discretionary margin, haircut, financing, security and collateral valuation policies. Changes by
banks and dealers in such policies, or the imposition of other credit limitations or restrictions,
whether due to market circumstances or governmental, regulatory or judicial action, may result in
margin calls, loss of financing, forced liquidation of positions at disadvantageous prices,
termination of swap and repurchase agreements and cross-defaults to agreements with other
dealers. Any such adverse effects may be exacerbated in the event that such limitations or
restrictions are imposed suddenly and/or by multiple market participants at or about the same
time. The imposition of such limitations or restrictions could compel the Fund to liquidate all or
a portion of its portfolio at disadvantageous prices.

Reliance on Corporate Management and Financial Reporting

Many of the strategies implemented by the Fund rely on the financial information made
available by the issuers to which the Fund has exposure. Amaranth has no ability to
independently verify the financial information disseminated by the thousands of such issuers and
is dependent upon the integrity of both the management of these issuers and the financial
reporting process in general. Recent events have demonstrated the material losses which
investors such as the Fund can incur as a result of corporate mismanagement, fraud and
accounting irregularities.

Competition; Potential Strategy Saturation

The Fund competes with numerous other private investment funds as well as other
investors, many of which have resources substantially greater than the Fund’s.

The amount of capital committed to alternative investment strategies has increased
dramatically during recent years. At the same time, market conditions have become significantly
more adverse to many of such strategies than they were in previous years. The profit potential of
the Fund may be materially reduced as a result of the “saturation” of the alternative investment
field. The Fund has created Four-Year Liquidity Interests to provide a more stable capital base
that will permit the Fund to invest (on behalf of both Annual Liquidity Interests and Four-Year
Liquidity Interests) to a substantially greater extent in Third-Party Ventures and Longer-Term
Investments that the Fund believes present profit opportunities outside of the scope of traditional
alternative investment strategies.

Changing Market Conditions

Certain changes in general market conditions — for example, a decline in the corporate
issuance of equity-linked securities (e.g., convertible bonds) or a persistent but gradual
degradation of overall equity and/or debt prices — could materially reduce the Fund’s profit
potential.

Counterparties and Brokers

The financial institutions and counterparties, including banks and brokerage firms, with
which the Fund trades or invests, may encounter financial difficulties and default on their
respective obligations to the Fund. Any such default could result in material losses to the Fund.
Custody Risk

The Fund does not control the custodianship of all of its securities. The banks or brokerage firms selected to act as custodians may become insolvent, causing the Fund to lose all or a portion of the funds or securities held by those custodians.

Market Risks

Market Risks in General

All of Amaranth’s strategies are subject to some dimension of market risk: for example, directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, “flights to quality” and “credit squeezes.” Amaranth’s style of alternative investing (including its relative value trading) may be no less speculative than traditional investing strategies. On the contrary, alternative investment strategies have from time to time incurred sudden and dramatic losses.

The diversification of the Fund’s positions and strategies may not always be significant and, even if significant, may not provide meaningful risk control, even though it may reduce the Fund’s profit potential as a result of certain strategies being unprofitable while others are profitable.

Amaranth may have only limited ability to assess the market risks to which the Fund’s investments with Third-Party Ventures are subject.

The Fund may be committed to Longer-Term Investments for a number of years, irrespective of material changes in general economic conditions or in Amaranth itself.

The particular or general types of market conditions in which the Fund may incur losses or experience unexpected performance volatility cannot be predicted, and the Fund may materially underperform other investment funds with a substantially similar investment objective and approaches.

Volatility

The prices of the instruments traded by the Fund have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements and general economic and political conditions.

While volatility can create profit opportunities for the Fund, it can also create the specific risk, in the case of the Fund, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur losses. On the other hand, the lack of volatility can also result in losses for certain of the Fund’s strategies that profit from price movements.

Stagnant Markets

Although volatility is one indication of market risk, certain of the investment strategies employed by the Fund rely for their profitability on market volatility contributing to the
mispricings which they are designed to identify. In periods of trendless, stagnant markets and/or deflation, alternative investment strategies have materially diminished prospects for profitability.

Lack of Liquidity

Despite the generally heavy volume of trading in most of the instruments traded by the Fund, the market for some of these instruments may have limited liquidity. Lack of liquidity can make it economically unfeasible for the Fund to recognize profits on open positions or to close out open positions against which the market is moving. In addition, illiquidity can disconnect market values from the historical pricing indicators used in Amaranth's investment analysis, as the fewer transactions that take place the greater the risk of market values not reflecting true pricing relationships or fair value.

Market Disruptions

The Fund may incur major losses in the event of disrupted markets, and other extraordinary events may not be consistent with historical pricing relationships (on which Amaranth bases a number of its trading positions). The risk of loss from a disconnect from historical prices is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving.

The financing available to the Fund from its banks, dealers and other counterparties is typically reduced in disrupted markets. Such a reduction may result in substantial losses to the Fund. In 1994 and again in 1998 a sudden restriction of credit by the dealer community resulted in forced liquidations and major losses for a number of private investment funds applying strategies similar to those implemented by the Fund. Market disruptions caused by unexpected political, military and terrorist events may from time to time cause dramatic losses for the Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

A financial exchange may from time to time suspend or limit trading. Such a suspension could render it difficult or impossible for the Fund to liquidate affected positions and thereby expose it to losses. There is also no assurance that non-exchange markets will remain liquid enough for the Fund to close out positions.

Strategy Risks

Multi-Strategy Approach

Although historically the Fund's core portfolio has been concentrated in a variety of relative value or arbitrage strategies, there are no material limitations on the instruments, markets or countries in which the Fund may invest or on the investment strategies which may be employed on behalf of the Fund, and the Fund has significant exposure to event-driven and directional as well as hybrid strategies. In fact, many of the relative value and event-driven investment strategies used by the Fund have inherently directional characteristics; for example, certain statistical equity arbitrage strategies involve trading portfolios of long and short equity positions based on valuation techniques which are equally applicable to directional strategies. Amaranth believes that its opportunistic directional investing can provide significant, incremental profit potential over time as a natural outgrowth and complement to Amaranth's relative value and event-driven approaches. Directional investing is subject to all the risks inherent in
incorrectly predicting future price movements. Often these price movements will be determined by unanticipated factors, and even if the determining factors are correctly identified, Amaranth’s analysis of those factors may prove inaccurate — in each case, potentially leading to substantial losses.

**Relative Value Strategies**

The success of the Fund’s relative value trading is dependent on Amaranth’s ability to exploit relative mispricings among interrelated instruments. Although relative value positions are considered to have a lower risk profile than directional trades as the former attempt to exploit price differentials not overall price movements, relative value strategies are by no means without risk. Mispricings, even if correctly identified, may not converge within the time frame within which the Fund maintains its positions. Even pure “riskless” arbitrage — which is rare — can result in significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. The Fund’s relative value strategies are subject to the risks of disruptions in historical price relationships, the restricted availability of credit and the obsolescence or inaccuracy of its or third-party valuation models. Market disruptions may also force the Fund to close out one or more positions. Such disruptions have in the past resulted in substantial losses for funds employing relative value strategies.

A major component of the Fund’s relative value trading involves spreads between two or more positions. To the extent the price relationships between such positions remain constant, no gain or loss may occur. Such positions do, however, entail a substantial risk that the price differential could change unfavorably and, due to the leveraged nature of the Fund’s trading, result in increased losses. In addition, changes in the shape of the yield curve can cause significant changes in the profitability of hedging or spreading operations. In the event of an inversion of the yield curve, the reversal of the interest differential between investments of different maturities can make previously profitable hedging techniques unprofitable for the Fund.

In recent market conditions, the profitability of relative value trading has been materially reduced — in part due to the number of market participants seeking to exploit the same perceived mispricings.

**Event-Driven Investing**

The Fund invests in positions whose profitability depends on the result of some significant corporate event, for example, a merger, tender offer, exchange offer or liquidation. Corporate events are affected by numerous factors — including not only market movements but also regulatory intervention, shareholders’ consent and changes in interest rates and economic outlook — that can have a particularly adverse effect on even the most apparently safe risk arbitrage investments. The risk of non-consummation in such transactions is high, and unexpected outcomes can lead to substantial losses.

**Directional Trading**

Certain of the positions taken by the Fund are designed to profit from forecasting absolute price movements in a particular instrument. Predicting future prices is inherently uncertain and the losses incurred, if the market moves against a position, will often not be hedged. The speculative aspect of attempting to predict absolute price movements is generally perceived to exceed that involved in attempting to predict relative price fluctuations.
Hybrid and Other Strategies

Many of the strategies executed by Amaranth combine elements of more than one of the foregoing general strategy types or may represent a completely different strategy type. Often, in the course of implementing a particular strategy an opportunistic trade representing a different trading approach will be made. For example, in seeking to identify a relatively mispriced pair of assets, Amaranth may conclude that an asset is sufficiently over- or underpriced to merit taking an outright directional position.

Amaranth’s approach combines a range of different trading techniques, both implementing different strategies in different markets and combining different strategies, in the same or related markets.

Amaranth is continually developing new, and adapting and refining existing, strategies. There is no material limitation on the strategies that Amaranth may apply and no assurance as to which types of strategies may be applied at any one time.

Energy Trading

The Fund currently has a significant commitment to energy trading (i.e., trading in electricity, natural gas, oil and related derivative instruments, including options and futures). Energy trading involves certain financial risks that are qualitatively different from those incurred in trading securities and other financial instruments.

The energy markets are susceptible to significant short-term price volatility as a result of a variety of factors, which may include the following: the functioning of facilities necessary to produce, transport, store and deliver physical energy; the inability to store electricity; the condition of efficient operation of power distribution networks; rate and tariff regulation; government ownership or operation of certain trading counterparties; consumer advocacy; weather-related events; governmental intervention; changes in law; international political events; acts of war; terrorist attacks; force majeure or other unforeseen events; high trading volumes; unexpected changes in congestion; dislocation in nodal pricing resulting from unexpected market conditions such as outages, and spikes in fuel prices; or other factors such as market illiquidity or disruption, the inability or refusal of a counterparty to perform or the insolvency or bankruptcy of a significant market participant. Furthermore, certain energy markets — in particular, those related to petroleum — are particularly subject to the risk of sudden and dramatic price changes as a result of international political events, acts of war and terrorism and the anticipation of such events. These events are, by their nature, unpredictable, and can cause extreme and sudden price reversals and market disruptions.

In its energy trading, the Fund competes with “asset-based” traders (such as exploration and production companies) that have the competitive advantage of being able to produce all or a portion of the energy they trade, thus reducing their exposure to fluctuating market prices. Unless it invests in energy-producing assets, the Fund will not be able to produce energy and may be required to acquire energy at market prices, resulting in substantial losses, in order to discharge its contractual obligations.

Third-Party Managers and Third-Party Ventures

The Fund may invest capital with Third-Party Managers as well as in Third-Party Ventures. All of these investments involve the Fund relying on the performance of third parties,
thereby increasing the risk of manager misconduct or bad judgment, as well as limiting Amaranth’s control over, and knowledge of, the Fund’s overall portfolio. Amaranth may not be able to withdraw capital from a Third-Party Manager or Third-Party Venture even in situations where such Third-Party Manager or Third-Party Venture is deviating from announced strategies or risk control policies or has otherwise been materially adversely affected. Furthermore, a Third-Party Manager or Third-Party Venture may deviate significantly from its announced strategies and/or risk control policies without Amaranth’s knowledge.

In selecting Third-Party Managers and/or Third-Party Ventures with which to place and/or invest capital, Amaranth relies on a variety of both quantitative as well as qualitative factors, as well as the subjective judgment of its personnel. There can be no assurance as to what factors will be considered in selecting Third-Party Managers or Third-Party Ventures, and poor selection could result in material losses for the Fund.

**Longer-Term Investments**

The Fund has recently been increasing its commitment to Longer-Term Investments, including illiquid and restricted, as well as thinly-traded, securities and other less liquid assets, including, without limitation, investments in private companies and in certain physical commodities.

Amaranth determines the “fair value” of the Fund’s Longer-Term Investments for accounting purposes using valuation models and market information. However, the Fund’s valuation of its Longer-Term Investments may differ materially from the value ultimately realized upon the liquidation of such investments, particularly as certain of such investments tend to have realization events which cause their value to increase or decrease suddenly in a manner not previously reflected in the Net Asset Value at which investors have recently subscribed and/or withdrawn.

There is often no trading market for the Fund’s Longer-Term Investments, and the Fund might only be able to liquidate these positions, if at all, at disadvantageous prices.

**Certain Instruments Traded**

**Equity Securities**

A number of Amaranth’s strategies are based on attempting to predict the future price level of different equity or equity-related securities. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and other factors, influence the cost of equities; there can be no assurance that Amaranth will be able to predict future price levels correctly. The Fund’s directional equity positions are typically leveraged, and even comparatively minor adverse market movements can result in substantial losses.

**Debt Securities**

The debt securities in which the Fund invests may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. In addition to high investment grade debt securities, the Fund invests in low investment grade or non-investment grade debt securities, which are typically subject to greater market fluctuations and risks of loss of income and
principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer’s ability to make principal and interest payments on the debt it issues. The Fund’s investments in debt securities may experience substantial losses due to adverse changes in interest rates and the market’s perception of issuers’ creditworthiness.

The Fund also invests in certain hybrid debt arrangements, which are subject to risks in addition to overall interest-rate movements and the issuers’ ability to pay the debt in accordance with its terms. For example, when the Fund invests in syndicated debt such as loan participations, it is subject to certain additional risks as a result of having no direct contractual relationship with the borrower of the underlying loan. In such circumstances, the Fund generally depends on the lender to enforce its rights and obligations under the loan arrangements in the event of a default by the borrower on the underlying loan and will generally have no voting rights with respect to the issuer, as such rights are typically retained by the lender. Such investments are subject to the credit risk of the lender (as well as the borrower) since they will depend upon the lender forwarding payments of principal and interest received on the underlying loan. There can be no assurance that the lender will not default on its obligations under such arrangements, resulting in substantial losses to the Fund.

Distressed and High Yield Securities

The Fund invests in the securities of issuers in weak financial condition, experiencing poor operating results, needing substantial capital investment, perhaps having negative net worth, facing special competitive or product obsolescence problems or involved in bankruptcy or reorganization proceedings. Investments of this type may involve specialized financial and business risks that can result in significant or even total losses. Among the risks inherent in investments in financially troubled issuers is the fact that it is frequently difficult to obtain reliable information as to their true financial condition. The market prices of distressed and high yield securities are subject to abrupt and erratic market movements and excessive price volatility, and unusually wide “bid-ask” spreads.

Derivatives

The Fund uses derivative financial instruments, including, without limitation, warrants, options, swaps, convertible securities, notional principal contracts, contracts for difference, forward contracts, futures contracts and options thereon, and may use derivative techniques for hedging and for other trading purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the theoretical and realizable value of a derivative (i.e., due to nonconformance to anticipated or historical correlation patterns). These anticipated risks (and other risks that may not be anticipated) may make it difficult as well as costly to the Fund to close out positions in order either to realize gains or to limit losses.

Many of the derivatives traded by the Fund are principal-to-principal or “over-the-counter” contracts between the Fund and third parties entered into privately, rather than on an exchange. As a result, the Fund will not be afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately negotiated transactions, the risk of the negotiated price deviating
materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

Many derivatives are valued on the basis of dealers' pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would be willing to pay for such derivative should the Fund wish or be forced to sell such position may be materially different. Such differences can result in an overstatement of the Fund's Net Asset Value and may materially adversely affect the Fund in situations in which the Fund is required to sell derivative instruments. The Fund's use of derivatives and other techniques (such as short sales) for hedging purposes involves certain additional risks, including (i) imperfect correlation between movements in the asset on which the derivative is based and movements in the asset being hedged; and (ii) possible impediments to effective portfolio management or the ability to meet short-term obligations because of the percentage of the Fund's assets segregated to secure its obligations under derivatives contracts. By hedging a particular position, the Fund limits the potential gain from an increase in value of such position, but may not achieve a commensurate increase in risk control.

Credit Default Swaps

The Fund purchases and sells credit derivatives contracts — primarily credit default swaps — both for hedging and other purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. The Fund may also sell credit default swaps on a basket of reference entities as part of a synthetic collateralized debt obligation transaction.

As a buyer of credit default swaps, the Fund is subject to certain risks in addition to those described under "— Derivatives," above. In circumstances in which the Fund does not own the debt securities that are deliverable under a credit default swap, the Fund is exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called "short squeeze." In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether or not a "credit event" triggering the seller's payment obligation had occurred. In either of these cases, the Fund would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Fund incurs leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it were holding debt securities issued by the reference entity. However, the Fund will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Fund following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Fund.

In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.
Non-U.S. Securities and Emerging Markets

The Fund trades and invests in securities of companies domiciled or operating in one or more non-U.S. countries and makes other investments in entities located outside the U.S., including in countries that are considered to be “emerging markets.” Investing in these securities involves considerations and possible risks not typically involved in investing in securities of companies domiciled and operating in the United States, including instability of some non-U.S. governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, more limited disclosure and access to information from issuers than is customary in the U.S., changes in governmental administration or economic or monetary policy (in the United States or abroad) or changed circumstances in dealings between nations. The application of non-U.S. tax laws (e.g., the imposition of withholding taxes on dividend or interest payments, income taxes and excise taxes) or confiscatory taxation, as well as various other laws and regulations, including anti-money laundering laws, may also affect the Fund’s investment in non-U.S. securities and its other investments in entities located outside the U.S. The Fund may incur higher expenses from investment in non-U.S. securities and outside the U.S., in particular, in emerging markets, than from investment in U.S. securities and in non-emerging markets because of the costs that must be incurred in connection with conversions between various currencies and because non-U.S. brokerage commissions may be higher than commissions in the United States. Non-U.S. markets also may be less liquid, more volatile and subject to less stringent governmental supervision than in the United States. The Fund’s investments in non-U.S. countries could be adversely affected by other factors not present in the United States, including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations and in hedging market risk.

Private Investments; Illiquid Investments; Designated Investments; Estimated Values

The Fund from time to time invests in illiquid and restricted, as well as thinly-traded, instruments (including privately placed securities). Many of the Fund’s Longer-Term Investments are made in such instruments. There is often no trading market for these investments, and the Fund might only be able to liquidate these positions, if at all, at disadvantageous prices. The Fund may be required to hold such investments despite adverse price movements. In addition, if the Fund makes a short sale of an illiquid holding, it may have difficulty in covering the short sale, resulting in a potentially unlimited loss on that position.

Amaranth values the illiquid investments in the Fund’s portfolio in its good faith discretion. Although there can be no assurance that these valuations will accurately predict the price at which an arm’s-length buyer would be willing to purchase the investments, these valuations are part of the calculation of the Fund’s Net Asset Value.

In certain cases, the Manager may designate certain “Designated Investments” as investments in which only those Members (other than Annual Liquidity Members which elect to be DI Opt-Out Members) which were Members as of the first day of the calendar month when such investments were so designated. Factors considered by the Fund in determining whether to designate an investment as a Designated Investment may include the duration of the investment, the lack of liquidity of the investment, the availability of market inputs and standardized valuation models and the overall materiality of such investment to the Fund. Each Designated Investment will be accounted for separately from all other investments of the Fund. A Member will be required to retain Designated Investment Interests until the related Designated Investment is liquidated, irrespective of whether such Member has otherwise Withdrawn from the Fund. The Fund may be required to hold Designated Investments for several years, if not longer. The Fund
may determine to continue to hold a Designated Investment, notwithstanding the occurrence of a Liquidity Event with respect to such Designated Investment. The determination as to whether to liquidate a Designated Investment, or return part or all of a Designated Investment to the General Portfolio following a Liquidity Event, is in the discretion of Amaranth.

In order to ascertain the Net Asset Value of the Fund, Amaranth will need to use an estimated “fair value” (determined by Amaranth) for its Designated Investments and illiquid investments. Any such “fair value” may differ materially from the value ultimately realized upon the liquidation of these investments. Nevertheless, with respect to Longer-Term Investments that are not Designated Investments, Manager Allocations and Profit Allocations will be made, the participation of new Capital Contributions in the profits and losses of the Fund determined and Withdrawal proceeds calculated based on the Fund’s “fair value” determinations.

**Over-the-Counter Energy Transactions**

The Fund invests in energy-based financial instruments, including, without limitation, exchange-traded and over-the-counter derivatives contracts such as futures, options, swaps and forwards, which have energy commodities (such as petroleum products, natural gas and electric power) as their reference asset. Certain of these markets are in developmental stages and may expose the Fund to unusually volatile returns and illiquidity. While these markets have had good profit potential in the past, it is reasonable to expect that trading margins will erode as these markets mature. In addition, as a result of recent events the number of counterparties engaged in energy trading has been reduced, resulting in substantially less liquidity in these markets than has historically been the case.

Energy-based derivatives have the same risks associated with them as other energy-related transactions (see “— Energy Trading,” above) and derivative financial instruments (see “— Derivatives,” above) — including a high degree of leverage, deviations between the theoretical and realizable value of the reference commodity and the derivative and imperfections in dealer pricing.

The energy markets in which the Fund will invest can experience periods of illiquidity, and the Fund may choose to invest in joint ventures, private companies, physical assets (i.e., tankers, transmission lines, oil storage facilities and oil and gas producing properties) as well as a variety of other ventures and investments. The foregoing investments may be illiquid and may not have a readily-ascertainable market value.

**Certain Trading and Investing Techniques**

**Model Risk**

Certain of Amaranth’s strategies require the use of quantitative valuation models that it has developed over time, as well as valuation models developed by third parties and made available to Amaranth. As market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model often becomes outdated or inaccurate, perhaps without Amaranth recognizing that fact before substantial losses are incurred. There can be no assurance that Amaranth will be successful in continuing to develop and maintain effective quantitative models, and the necessity of continuously updating these models demonstrates that Amaranth’s past successful results may not be representative of the Fund’s future performance.
The Fund's model risk extends to the valuation of a number of its less liquid as well as Longer-Term Investments which are made on the basis of internal Amaranth models, taking into account market inputs, where available, and the results of any valuation analyses of independent valuation consultants retained by the Manager, in the absence of any readily-determinable market values. The valuations so determined may differ materially from the value ultimately realized upon the liquidation of such investment.

Importance of Market Judgment

Although Amaranth uses quantitative valuation models in evaluating the economic components of certain prospective trades, Amaranth's strategies are by no means wholly systematic; the market judgment and discretion of Amaranth's personnel are fundamental to the implementation of these strategies. The greater the importance of subjective factors, the more unpredictable a trading strategy becomes.

Exchange Rates

The Fund invests in securities and instruments denominated in non-U.S. currencies. Such investments are subject to the risk that the value of a particular currency will change in relation to the Dollar. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. Amaranth may seek to hedge these risks by investing directly in non-U.S. currencies and buying and selling options, futures or forward contracts thereon. The Fund cannot, however, assure any Member that these strategies, if implemented, will be effective.

Duration of Investment Positions

Amaranth typically does not know (except in the case of certain options or derivatives positions which have pre-established expiration dates) the maximum — or, often, even the expected (as opposed to optimal) — duration of any particular position at the time of initiation. The length of time for which a position is maintained varies significantly, based on Amaranth's subjective judgment of the appropriate point at which to liquidate a position so as to augment gains or reduce losses.

Many of the Fund's transactions involve acquiring related positions in a variety of different instruments or markets at or about the same time. Frequently, optimizing the probability of being able to exploit the pricing anomalies among these positions requires holding periods of significant length — often many months to a year or more. Actual holding periods depend on numerous market factors which can both expedite and disrupt price convergences. There can be no assurance that the Fund will be able to maintain any particular position, or group of related positions, for the duration required to realize the expected gains, or avoid losses, from such positions.

The Fund's Longer-Term Investments may not have a defined time horizon to the extent that they are based upon the realization of the enterprise value of an investment as it develops and evolves. The longer the duration of an investment by the Fund, the greater the exposure of such position to the risks of general economic changes as well as changes in Amaranth itself.

The Fund's ability to realize value from Longer-Term Investments and other illiquid investments is often dependent on a "valuation" event — an initial public offering, sale,
refinancing, etc. (comparable to a Liquidity Event in the case of Designated Investments). The specific “exit strategy” for a Longer-Term Investment may not be determined at the time that the Fund commits to such Longer-Term Investment, and changing market conditions may preclude the execution of the “exit strategy” that Amaranth might have expected to implement.

The Fund’s Designated Investments will be long-term, illiquid positions. Members may have to retain their interest in such investments for years after they have otherwise entirely withdrawn from the Fund and irrespective of changes in their financial status or in general market conditions.

A material component of the Fund’s portfolio in which the Annual Liquidity Interests and the Four-Year Liquidity Interests participate may constitute Designated Investments, raising liquidity and valuation considerations for the Fund.

In addition, Third-Party Ventures or Third-Party Managers may themselves make investments that are long-term and illiquid in nature. The Fund’s valuation and accounting treatment of such investments may depend on the relevant Third-Party Manager’s own treatment of such investments. Therefore, such investments by Third-Party Ventures may not be designated as Designated Investments and, if not so designated, will not be separately counted toward the 15% (or greater, up to 30%) or 30% Designated Investment Ceilings applicable to a Member’s Annual Liquidity Interest or Four-Year Liquidity Interest, as the case may be.

Short Sales

As an integral part of its trading strategies, the Fund routinely sells securities “short.” A short sale is effected by selling a security that the Fund does not own, or selling a security which the Fund owns but that it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the Fund must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The Fund must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must, unless the Fund then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash or marketable securities with the lender. Short selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by the Fund. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing any loss incurred by the Fund. Furthermore, the Fund may be forced to close out a short position prematurely if a counterparty from which the Fund borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position.

Securities Lending

The Master Fund borrows and may lend securities in the ordinary course of its business with third parties as well as with other Manager Clients. Some of the Master Fund’s stock borrowing and lending activities are conducted with Amaranth Securities L.L.C. (“ASLLC”), a broker-dealer registered with the SEC and wholly owned by the Fund.

Third parties and any Manager Client entities that borrow securities from the Fund may not be able to return these securities on demand (possibly causing the Fund to default on its
obligations to other parties), or may default on the payment obligations owed to the Fund in connection with such securities loans, potentially resulting in substantial losses to the Fund. See "Conflicts of Interest — Securities Lending."

Hedging

Amaranth does not, in general, attempt to hedge all market or other risks inherent in the Fund’s positions, and hedges certain risks only partially, if at all. Specifically, Amaranth may choose not to hedge certain risks or determine that hedging is economically unattractive — either in respect of particular positions or in respect of the Fund’s overall portfolio. The Fund’s portfolio composition commonly results in various directional market risks remaining unhedged, although Amaranth may rely on diversification to control such risks to the extent that Amaranth believes it is desirable to do so, but the Fund is not subject to any formal diversification policies.

Amaranth may not have the ability to hedge the Fund’s Longer-Term Investments, illiquid investments or Third-Party Ventures. In fact, in the case of the Fund’s Third-Party Ventures, Amaranth may have limited knowledge of the underlying positions held by such Third-Party Ventures and therefore may not have a basis on which to establish any hedging positions.

Amaranth will enter into hedging transactions with the intention of reducing or controlling risk. Even if Amaranth is successful in doing so, the hedging will reduce the Fund’s returns. Furthermore, it is possible that hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses.

To the extent that Amaranth hedges, its hedges will not be static but rather will need to be continually adjusted based on Amaranth’s assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of Amaranth’s hedging strategies will depend on Amaranth’s ability to implement such strategies efficiently and cost-effectively, as well as on the accuracy of Amaranth’s ongoing judgments concerning the hedging positions to be acquired by the Fund.

Leverage

The Fund invests on a highly leveraged basis, both through its borrowings and through the significant degree of leverage typically embedded in the derivative instruments in its portfolio. Losses incurred on the Fund’s leveraged investments increase in direct proportion to the degree of leverage employed. The Fund also incurs interest expense on the borrowings used to leverage its positions.

To the extent that the assets of the Fund have been leveraged through the borrowing of money, the purchase of securities on margin or otherwise, the interest expense and other costs and premiums incurred in relation thereto may not be recovered. If gains earned by the Fund’s portfolio fail to cover such costs, the Net Asset Value of the Fund may decrease faster than if it had not engaged in such borrowing transactions.

Loans to or from the Offshore Fund

In situations in which the Master Fund is limited from investing in a particular investment or strategy, the Fund may do so directly or through a Trading Vehicle that engages in such investment activity or strategy. In certain transactions, the Fund may borrow from or provide
debt financing to, either directly or indirectly through the Master Fund or through one or more Trading Vehicles owned by one or more of the Other Feeder Funds and/or the Master Fund, to one or more of the Other Feeder Funds, in addition to making direct investments in, a Trading Vehicle owned by one or more of the Other Feeder Funds, or through other financial structures designed to address Law, tax or other considerations. Such loans or borrowings, although made on an arm’s-length basis, leverage the Fund’s exposure to such investment or strategy (if the Fund is a borrower) while also requiring the Fund to pay interest to the Other Feeder Funds, and may not have the potential to generate an equity-level return for the Fund (if the Fund is a lender) while the repayment of any such loan would be without recourse to the particular investment made with the proceeds of such loan.

**Trade Execution Risk**

Many of the trading techniques used by the Fund require the rapid and efficient execution of transactions. Inefficient executions can eliminate the small pricing differentials that Amaranth seeks to exploit and impact, possibly materially, the profitability of the Fund’s positions.

**Trading Error Risk**

Trading errors are an intrinsic factor in any complex investment process, and will occur, notwithstanding the execution of due care and special procedures designed to prevent such errors. If trading errors do occur, they are for the account of the Fund, unless they are the result of conduct inconsistent with the standard of care set forth in the Material Contracts.

**No Formal Diversification Policies**

Although diversification is an integral part of Amaranth’s overall portfolio risk management process, Amaranth is not restricted as to the percentage of the Fund’s assets that may be invested in any particular issuer, industry, instrument, market or strategy. The Fund does not and will not maintain any fixed requirements for diversifying its portfolio among issuers, industries, instruments, markets, sectors or strategies. In attempting to maximize the Fund’s returns, Amaranth may concentrate the holdings of the Fund in those industries, companies, instruments or markets that, in the sole judgment of Amaranth, provide the best profit opportunities consistent with the Fund’s investment objective. Consequently, a loss in any such concentrated position could ultimately result in significant losses to the Fund and a proportionately higher reduction in the Net Asset Value of the Fund than if its capital had been spread over a wide number of positions.

**Environmental Protection Issues**

Physical energy and commodity trading deals in products which can cause material and long-lasting environmental damage. Ground contamination, oil spills at sea, PCB pollution and other similar events present potentially significant risks and liabilities for physical energy traders. Moreover, these liabilities may attach simply on the basis of the current or prior ownership of an energy-related asset by the Fund, irrespective of whether the Fund itself was responsible for the contamination or pollution in question.

**Developing New or Additional Investment Strategies**

Amaranth is continually developing and refining new strategies. The Fund allocates a portion of its capital to developing strategies. These strategies may lose all or most of the capital
allocated to them and such capital, even if not lost, may become illiquid for substantial periods of
time. The performance of such strategies is not generally reflected in the past performance of the
Fund. Amaranth is not restricted from using the Fund’s capital in developing and incubating new
strategies, even if Amaranth has limited experience in a new strategy. There can be no assurance
that Amaranth will be successful in implementing these strategies or such other strategies as
Amaranth may from time to time develop and implement for the Fund or that the Fund will not
suffer losses during the development stage.

**Structural Risks**

**Importance of Amaranth**

The Fund must rely on the ability of Amaranth to manage the Fund’s trading and
investment program and the continued availability of Amaranth’s services. Amaranth, in turn, is
dependent on the services of certain key personnel, and the loss of the services of one or more
such professionals could impair the ability of Amaranth to provide services to the Fund, and be
material and adverse to the Fund, despite the broad range of investment professionals made
available to the Fund by Amaranth.

**Third-Party Ventures**

The Fund may participate in Third-Party Ventures. Amaranth’s level of control over
each Third-Party Venture will vary from investment to investment, and may be subject to
significant limitations. Such Third-Party Ventures, under certain circumstances, may involve
risks not present in direct investing, including, for example, the possibility that one or more of the
Fund’s co-venturers or partners might become bankrupt, or may have economic or business
interests or goals which are inconsistent with those of the Fund, or the possibility that such co-
venturers or partners may be in a position to take action contrary to the Fund’s best interests. It
may also be difficult for the Fund to liquidate its interest in a Third-Party Venture.

**Longer-Term Investments**

The Fund may allocate a significant portion of its capital to Longer-Term Investments. See “— Strategy Risks — Longer-Term Investments,” above. These positions are typically
illiquid and must be valued based on Amaranth’s internal valuation models. Amaranth also must
be careful to ensure that the liquidity of the Fund’s underlying portfolio is not inconsistent with
the overall liquidity provided to all of its Members. One of the principal purposes of the Fund’s
issuing Four-Year Liquidity Interests is to create an equity base for the Fund which can support
substantial Longer-Term Investments. Memorandum Accounts that are subject to the Lock-Up
Period also will contribute to a more stable equity base that can support Longer-Term
Investments. Even if the Fund’s overall equity base can — following the introduction of the
Four-Year Liquidity Interests — support a substantial commitment to Longer-Term Investments,
the value of such Longer-Term Investments may not be realized in a time frame that benefits
holders of Annual Liquidity Interests. Conversely, in the event that the Fund must liquidate a
significant portion of its portfolio, investments in Third-Party Ventures and Longer-Term
Investments may be difficult or impossible to liquidate, and the liquidation of more liquid
positions prior to the liquidation of Third-Party Ventures and Longer-Term Investments may be
more advantageous to holders of Annual Liquidity Interests and disadvantageous to holders of
Four-Year Liquidity Interests.
Growth in Assets Under Management

Amaranth’s total assets under management have increased dramatically. There can be no assurance — particularly given the highly competitive environment for alternative investing strategies — that Amaranth will continue to be successful managing significantly increased amounts of capital.

Amaranth may, in its discretion, elect in the future to impose periodic limitations on the amount of new Capital Contributions that it will accept in either Class of Interests.

Restrictions on Withdrawals

Because Withdrawals are limited and the Interests are not freely tradable, an investment in the Fund is illiquid and involves a high degree of risk. Irrespective of the success or failure of Amaranth’s strategies, Members’ inability to Withdraw from the Fund on short notice materially increases the risk of an investment in the Interests because it is not possible to make Withdrawals in order to recognize profits or mitigate losses before such profits may have been eliminated or such losses significantly accelerated. In fact, under certain circumstances, the Fund may suspend Members’ ability to make Withdrawals, leaving them fully exposed to the risk of the Fund’s performance for an indefinite period of time.

Designated Investment Interests (both as attributable to Annual Liquidity Memorandum Accounts and to Four-Year Liquidity Memorandum Accounts) may not be Withdrawn by Members, and will remain outstanding until the related Designated Investment is liquidated or returned to the Fund’s General Portfolio, in the discretion of Amaranth, following the occurrence of a Liquidity Event with respect to each Designated Investment.

Effect of Substantial Withdrawals

Substantial Withdrawals from the Master Fund (which might be made by other Manager Clients for reasons unrelated to the Fund), or from the Fund, over a short time period could necessitate the liquidation of a significant portion of the Fund’s trading positions on materially disadvantageous terms. The Gate, the Annual Liquidity Quarterly Withdrawal Fees imposed on Annual Liquidity Quarterly Withdrawals, the Four-Year Liquidity Quarterly Withdrawal Fees imposed on Four-Year Liquidity Quarterly Withdrawals and the inability of the Four-Year Liquidity Interests to make Annual Appreciation Withdrawals provide no protection to the Fund from substantial Annual Liquidity Annual Appreciation Withdrawals, Anniversary Withdrawals and/or Four-Year Liquidity Withdrawals (or from Withdrawals by other Manager Clients that would potentially disrupt the Master Fund’s portfolio).

Differential Withdrawal Terms

The differential Withdrawal terms applicable to Annual Liquidity Interests and Four-Year Liquidity Interests could have adverse consequences that may be material for certain Members from time to time. For example, Annual Liquidity Interests could be Withdrawn in time to avoid a major Net Asset Value decline during a period when certain holders of Four-Year Liquidity Interests may not be eligible to make Withdrawals with respect to their Four-Year Liquidity Interests. The fact that Pre-February 2006 Interests are not subject to a Lock-Up Period could in certain circumstances adversely affect, potentially materially, the Post-January 2006 Interests.
Profit Allocations

The fact that Amaranth is eligible to receive Profit Allocations may create an incentive for Amaranth to make investments on the behalf of the Fund that are riskier or more speculative than would be the case in the absence of such priority allocation of Net New Profit. In addition, the Profit Allocations received by Amaranth are calculated on the basis of the unrealized, as well as the realized, gains and losses of the Fund. As a result, the Profit Allocations could be made to Amaranth in respect of unrealized gains of the Fund that may never be realized.

As Profit Allocations are calculated separately with respect to the Annual Liquidity Interest and the Four-Year Liquidity Interest held by the same Member, a Member that invests in both Classes could be subject to a substantial Profit Allocation even though the Net Asset Value of such Member’s overall investment in the Fund has declined.

Fund Expenses

The Fund incurs substantial costs in addition to the Manager Allocation and the Profit Allocation. The expenses of the Fund may be higher than those incurred by other businesses or by other hedge fund managers. Certain Allocable Expenses paid by the Fund may not benefit the Fund and may benefit other Manager Clients and/or Manager Parties.

Certain of the strategies employed by the Fund require frequent trading, increasing portfolio turnover, brokerage commissions and other transaction fees and expenses.

Fund capital allocated to Third-Party Managers and Third-Party Ventures will be subject to a “layering” of fees, as such Third-Party Managers and other advisers or managers participating in such Third-Party Ventures may themselves charge management and/or performance-based fees in addition to the Manager Allocations and Profit Allocations paid by the Fund to Amaranth. In the event that the Fund pays a management and/or performance-type fee to a Third-Party Manager or in connection with a Third-Party Venture, then the management and/or performance-type fee will be accounted for using the following principles: (i) if the management and/or performance-type fee is paid by the Fund to an entity that is not affiliated with the Manager, it will be treated as an expense of the Fund (of which Amaranth effectively bears a share due to the fact that the expenses of the Fund reduce the Net New Profit on which the Profit Allocation is calculated); (ii) if the Fund pays a management and/or performance-type fee to an entity owned 100% by the Manager, then the management and/or performance-type fee will reduce, dollar-for-dollar, the Profit Allocation made by the Fund to the Manager (or be treated as DT Bonuses); and (iii) if the Fund pays a management and/or performance-type fee to an entity owned in part by the Manager, then the management and/or performance-type fee paid to such entity will be bifurcated such that the amount received by the unaffiliated entity (which will be treated as an expense of the Fund), and the amount received by the Manager (which will reduce, dollar-for-dollar, the Profit Allocation made by the Fund to the Manager). See “Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs.”

“New Issue” Trading

The Fund trades in “new issues” (initial public offerings of equity securities). Certain Members will be limited, under applicable National Association of Securities Dealers, Inc. (“NASD”) rules, from participating in the profits and losses generated by “new issues.” In addition, the Fund may limit the participation of certain Members in “new issues” to an extent not required by the NASD. Members may receive “new issue” allocations disproportionate to such
Members’ respective Proportionate Shares and will not be compensated in any respect for any such disproportionate allocations.

Valuation Risk; Use of Estimates

The Manager values the Fund’s and the Master Fund’s positions. Such valuations will affect the Manager Allocations and Profit Allocations received by the Manager, as well as any bonuses payable to Amaranth employees (including the DT Bonuses payable to the Designated Traders).

The Fund’s Gross and Net Asset Values are based, to the extent possible, on quotes provided by brokers and other competent third-party pricing sources. However, certain valuations cannot be made on the basis of third-party pricing sources. The fair market value of those investments of the Fund for which a reliable third-party quote is not available is based on other relevant sources deemed reliable by Amaranth in its good faith judgment. To the extent that there is a pricing uncertainty beyond acceptable tolerances, the final authority ultimately rests with the Manager to resolve such uncertainty. The Fund may, in the future, retain one or more additional independent valuation consultants to verify Amaranth’s methodology for determining Net Asset Values and the resultant Net Asset Values of certain Longer-Term Investments that Amaranth will utilize for determining Net Asset Value.

Gross and Net Asset Values are determined on the basis of estimates made in accordance with GAAP. Amaranth will not bear any liability if a price, reasonably believed by it to be an accurate valuation of a particular direct or indirect investment of the Fund, is subsequently found to be inaccurate.

Amaranth must depend on the valuations furnished to Amaranth by the Third-Party Managers to which Amaranth allocates Fund capital as well as in respect of certain of its Third-Party Ventures. In the case of its passive investments with certain Third-Party Managers and in certain Third-Party Ventures, Amaranth will have no means of verifying the valuations provided to the Fund, and such valuations may be subject to material correction and/or restatement over time.

The Fund will value certain of its Longer-Term Investments on the basis of internal Amaranth models, the results of any valuation analyses of independent valuation consultants retained by Amaranth, and the market judgment of Amaranth personnel. There can be no assurance that such models and/or market judgment will generate Net Asset Values that correspond to the value ultimately realized upon the liquidation of such Longer-Term Investments. As the Fund invests to an increasing extent in Third-Party Ventures, Longer-Term Investments, Designated Investments and other illiquid investments, there is a risk that Capital Contributions to and Withdrawals from the Fund relative to the timing of realization events will result in economic dilution to investors as the valuation of such investment is subject to changing materially over short periods of time.

Possibility of Qualified Audit Report

The Fund’s increasing commitment to Third-Party Ventures, Longer-Term Investments, Designated Investments and other illiquid investments may result in the possibility, albeit remote, of the Fund not being able to determine the “fair value” of a material component of its portfolio. This could result in the auditors’ report on the Fund’s financial statements being qualified with respect to their departure from the “fair value” requirements of GAAP.


**Regulatory and Tax Risks**

**Risk of Litigation**

In the ordinary course of business, the Fund may be subject to litigation from time to time. In addition, the Fund may accumulate substantial positions in the securities of issuers that become involved in proxy contests or other litigation. As a result of such investments, the Fund could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of the Fund, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of Amaranth's time and attention, and that time and the devotion of these resources to litigation may, at times, be disproportionate to the amounts at stake in the litigation.

**Limited Regulatory Oversight**

The Fund is not registered as an investment company under the Investment Company Act of 1940 (the “Investment Company Act”) or any comparable regulatory requirements, and does not intend to so register. Accordingly, the provisions of such regulations, which among other things generally require investment companies to have a majority of disinterested directors, require securities held in custody at all times to be maintained in segregated accounts and regulate the relationship between the investment company and its asset manager, are not applicable to an investment in the Fund. Neither the Fund nor the Master Fund is subject to regulation comparable to the Investment Company Act or the Advisers Act in any non-U.S. jurisdiction. Therefore, investors in the Fund do not have the benefit of the protections afforded, nor is the Fund subject to the restrictions imposed, by such registration and regulation.

The Manager is not registered as an investment adviser under the Advisers Act. Affiliates of Amaranth are registered in the category of Investment Counsel and Portfolio Manager and Limited Market Dealer with the OSC and with the FSA under Part IV of the U.K. Financial Services and Markets Act 2000.

**Material Increase in the Regulation of “Hedge Fund” Investment Advisers**

The Hedge Fund Advisers Registration Rule will require, with certain exceptions, substantially all “hedge fund” advisers to register by February 2006 with the SEC as “investment advisers” under the Advisers Act. Registration under the Hedge Fund Advisers Registration Rule can be expected to materially increase the cost of the affected advisers’ compliance programs as well as create the unquantifiable but potentially material risk of the SEC taking exception to certain practices commonly used by various advisers, potentially including practices utilized by Amaranth. If Amaranth were required or determined it advisable to discontinue certain of these practices, the consequences to the Fund could be material. It is impossible to predict the effects that the Hedge Fund Advisers Registration Rule could have on Amaranth’s operations and on the Fund, but such effects could be material and adverse.

Amaranth has notified the Fund that it does not intend to register with the SEC as an investment adviser by February 2006, although it reserves the right to register at a later date. Amaranth is exempted from such registration due to the Lock-Up Period imposed on Post-January 2006 Interests. Prospective investors must not rely on Amaranth becoming registered as an “investment adviser” in determining whether to invest in the Interests.
Regulated Trading Vehicles

Certain of the Trading Vehicles through which the Fund implements its investment strategies are registered as broker-dealers and/or in other capacities with, or are eligible for an exemption from registration with, regulatory authorities in the U.S., Canada, the United Kingdom, Singapore and other regulatory authorities. Were such registrations or exemptions to be revoked, reversed or suspended, however, the ability of the Fund to implement certain portions of its strategies could be materially impaired. Such Trading Vehicles are subject to ongoing regulatory oversight, periodic regulatory audits and other rules and restrictions not customarily imposed upon other private investment ("hedge") funds. These restrictions (such as limitations on redemptions and prohibitions on certain trading and investing techniques) could adversely impact the Fund’s ability to pay Withdrawals or its ability to effect certain transactions. The Fund will indirectly bear its pro rata share of the registered Trading Vehicles’ compliance costs.

Certain Third-Party Managers may be subject to substantial regulation in respect of certain investments and/or as advisers, broker-dealers, managed futures advisers or otherwise. Any such regulation could impede and/or make materially more expensive a Third-Party Manager’s operations, to the material detriment of the Fund. In addition, in the event that a Third-Party Manager fails to comply with applicable regulations, the results could be materially adverse — on both a financial and reputational level — for persons investing with such Third-Party Manager, including the Fund.

In order to engage in certain energy strategies, the Fund or a subsidiary will be required to register or maintain registration with the Federal Energy Regulatory Commission as a “power marketer,” and may be subject to registration or be regulated in certain other capacities (both in the U.S. and abroad). Maintaining necessary registrations and satisfying any applicable audit and/or reporting obligations may be challenging and costly.

Possibility of Additional Government or Market Regulation

Market disruptions and the dramatic increase in the capital allocated to alternative investment strategies during recent years have led to increased governmental as well as self-regulatory scrutiny of the “hedge fund” industry in general. The SEC recently adopted the Hedge Fund Advisers Registration Rule under the Advisers Act, as described in greater detail above under “Material Increase in the Regulation of Hedge Fund Investment Advisers.” In addition, legislation proposing greater regulation of the “alternative investment” industry periodically is considered by the Congress, as well as the governing bodies of non-U.S. jurisdictions. It is impossible to predict what, if any, changes in regulation applicable to the Fund, Amaranth, the markets in which they trade and invest or the counterparties with which they do business may be instituted in the future. Any such regulation could have a material adverse impact on the profit potential of the Fund, as well as require increased transparency as to the identity of the Members.

The Fund and/or the Master Fund Could be Subject to Net Income Tax in Certain Jurisdictions

Although Amaranth intends generally to structure the investments of the Master Fund to avoid the Master Fund being subject to net income tax by the U.S. and other countries or other local jurisdictions, Amaranth is not obligated to do so. As a result, certain investments of the Fund and/or the Master Fund may cause the Fund (but generally not the Members) to be subject to net income taxes in one or more countries or other local jurisdictions.
Possible Adverse Tax Consequences

The Fund cannot assure any Member that the Internal Revenue Service or the applicable state, local or foreign tax authorities (collectively, the "Tax Authorities") will accept the tax positions taken by such Member or the Fund. If any Tax Authority successfully contests a tax position taken by the Fund, the Fund or the Members may be liable for tax, interest, additions to tax or penalties and the Members may need to file or amend one or more tax returns to reflect such contested positions. The Manager shall not be liable to the Fund or any Member for any tax position taken by the Manager with respect to the Fund in good faith and which was not clearly contrary to law when taken.

Members are subject to tax each year on their allocable shares of the Fund’s income or gains, if any, whether or not cash or property is distributed by the Fund to them. The tax liability due in respect of such income or gains (if any) could be substantial. Members must either withdraw capital (which they may do only under the limited circumstances described herein) or find other sources of funding to discharge their tax liabilities resulting from their investments in the Fund. The recognition of income, gains and losses in any year for tax purposes may not correspond to, and may, in fact, be greater than, the economic performance of the Fund.

The Fund invests, and the Manager and its Affiliates may establish offices or engage in other activities, in other jurisdictions (including outside the United States). These offices and/or activities of the Fund, the Manager and its Affiliates could result in the Fund, and potentially, certain Members, being subject to taxation in one or more jurisdictions.

The Manager’s investment decisions are based primarily upon economic, not tax, considerations, and could result, from time to time, in adverse tax consequences to some or all investors.

Substantially all of the gains (if any) recognized by the Fund are taxed at ordinary income rates.

Tax Determinations by Third-Party Managers

In placing capital with a Third-Party Manager, the Fund will become subject to such Third-Party Manager’s tax determinations regarding the proper tax treatment of its strategies. Such determinations could be incorrect or improper, perhaps indirectly subjecting the Fund to substantial costs. Conversely, such determinations could be overly conservative, causing the Fund to pay unnecessary taxes.

Accounting Changes Could Make Certain Strategies Obsolete

In response to the Enron bankruptcy and other highly publicized losses resulting at least in part from improper accounting methods, a number of accounting initiatives have been launched by the auditing professional standards board. Certain of these proposed initiatives could render obsolete trading strategies which have been used routinely for many years. For example, one proposal would have required the issuers of convertible bonds to mark-to-market the option component embedded in these securities. Had this proposal been adopted, convertible bond issuance would likely have declined materially, as the volatility of the option value would directly impact the issuer’s income statement. Other changes affecting consolidation, the valuation of over-the-counter, out-of-the-money options and other matters could adversely affect the viability of certain aspects of the Fund’s strategies.
Revised Regulatory Interpretations Could Make Certain Strategies Obsolete

In addition to proposed and actual accounting changes, there have recently been certain well-publicized incidents of regulators unexpectedly taking positions which prohibited strategies which had been implemented in a variety of formats for many years. In the current unsettled regulatory environment, it is impossible to predict if future regulatory developments might adversely affect the Fund.
BROKERAGE ARRANGEMENTS

The Master Fund maintains numerous brokerage and custody arrangements with banks and other established financial institutions. Certain of the Master Fund's assets held by custodians are segregated from the custodians' own property, while other Master Fund assets held as collateral or margin may not be recoverable in the event of the custodian's insolvency. See "Risk Factors — General Risks — Counterparties and Brokers."

In negotiating commission rates, the Manager takes into account the financial stability and reputation of a broker and the quality of the investment research, investment strategies, special execution capabilities, clearance, settlement, custody, recordkeeping and other services provided by such broker (as described more fully below), even though the Master Fund may or may not in any particular instance be the direct or indirect beneficiary of the research or other services provided.

In selecting brokers or dealers to execute transactions for the Master Fund and other clients, the Manager does not solicit competitive bids and has no obligation to seek the lowest available commission cost. While the Manager generally disfavors the use of "soft dollar" services, the Manager does not always negotiate "execution only" commission rates. Services which may be provided to the Manager by the Master Fund's brokers may include, without limitation, in addition to research, services such as special execution capabilities, clearance, settlement, net pricing, online pricing, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, online access to computerized data regarding clients' accounts, performance measurement data, consultations, economic and market information, portfolio strategy advice, industry and company comments, technical data, recommendations, general reports, financial strength and stability, efficiency of execution and error resolution, quotation services, the availability of stocks to borrow for short sales, referral of prospective investors, custody, travel, recordkeeping and similar services, as well as paying for a portion of the Master Fund's or the Manager's costs and expenses of operation, such as newswire and data processing charges, quotation services, subscription fees to periodicals and other reasonable expenses incurred by the Manager in performing services on behalf of the Master Fund.

The "soft dollar" services received from brokers as a result of the Master Fund's transactions may be used by the Manager in servicing other accounts, and not all such services may be used by the Manager in connection with the Master Fund. In certain cases, such arrangements, although all related to the Manager's administration and investment management of the Master Fund, may fall outside of the safe harbor for fiduciaries' use of "soft dollar" services established by Section 28(e) of the Securities Exchange Act of 1934 ("Section 28(e)"); provided, in each case, that the Manager believes that these arrangements are equitable and consistent with the Master Fund's objective.

The foregoing list of "soft dollar" services which may be received by the Manager is extensive because of the diverse range of the possible services which the Master Fund's brokers provide. However, as a matter of policy the Manager disfavors the use of "soft dollar" services, preferring the Master Fund's brokers to focus on the quality of their execution while the Manager obtains the services which might otherwise be provided by the Master Fund's brokers elsewhere, from persons specializing in such services.
Although not prohibited from doing so, the Manager does not intend to enter into any arrangement in which the Master Fund is required to allocate either a stated dollar amount or stated percentage of its brokerage business to any broker for any minimum time period.

Such “soft dollar” services as Amaranth may receive will, in general, reduce the Allocable Expenses that would otherwise be payable by the Master Fund.

The Third-Party Managers with which the Fund invests, as well as the Third-Party Ventures in which the Fund participates, may make use of “soft dollar” services, and any additional transaction expenses incurred in order to obtain such services — unlike in the case of any “soft dollar” services obtained by the Manager — would generally constitute incremental expenses to the Fund. Such “soft dollar” services may fall outside of the “safe harbor” provisions of Section 28(e). Each Member, as a condition of investing in the Fund, consents to such “soft dollar” arrangements and, if applicable, to Amaranth consenting to such arrangements on behalf of the Fund.

Amaranth assumes no responsibility for the actions or omissions of any broker or dealer selected by Amaranth in compliance with the standard of care provided in the Material Contracts.
CONFLICTS OF INTEREST

The following potential, as well as actual, conflicts of interest may materially and adversely affect the Fund.

Members will have no means of determining whether these conflicts are being equitably resolved. Members are not represented separately by counsel.

Amaranth

General

Amaranth currently manages and advises accounts other than the Fund and may, in the future, manage and advise additional accounts. There is no limit on the number of accounts that may be managed or advised by Amaranth. Amaranth may have financial incentives to favor certain other accounts over the Fund. Even if Amaranth does not have such financial incentives, Amaranth is required to allocate its limited resources among the Fund and the other accounts that Amaranth advises.

Amaranth may engage in a wide variety of business transactions with parties that provide services to the Fund as well as parties that trade in the same markets as the Fund. The business dealings between Manager Parties and the Fund will be on what Amaranth believes to be an arm's-length basis, but Amaranth will not necessarily give third parties an opportunity to provide such services on a competitive basis.

By reason of the other business activities of one or more of the Manager Parties, Amaranth may not be able, or may determine not, to initiate a transaction for the Fund that Amaranth would otherwise have initiated for the Fund.

Manager Parties and other funds managed by Amaranth may engage in transactions directly with the Fund, and may be selling or acquiring the same or comparable positions as those that the Fund is acquiring or selling at or about the same time. In addition, Manager Parties may invest in certain transactions in which Manager Clients do not invest, or in which they are prevented from investing, due to Law, tax or other constraints (or other reasons), and part or all of the Manager Parties' costs from participating in such transactions may be paid by Manager Clients as Allocable Expenses. Other accounts directed by Amaranth may be given priority or exclusive access to certain positions, and certain of such accounts may materially outperform the Fund. Amaranth may in its sole discretion determine, for Law, tax or other considerations, that certain investments should be made by some and not by other Manager Clients, and Amaranth may be subject to conflicts of interest when allocating capital and Allocable Expenses among Manager Clients to address these situations. In addition, Amaranth may cause certain Manager Clients to participate in certain investments or in a different manner from other Manager Parties as a result of Law, tax or other considerations. For example, one Manager Client may participate in an investment opportunity through the purchase of an equity interest while another Manager Client participates in such opportunity through the extension of credit. Consistent with Amaranth's approach to risk management, the Fund may from time to time borrow from or provide debt financing to one or more of the Other Feeder Funds to enable the Fund or the Other Feeder Funds to participate, to a limited extent, in transactions in which the Fund or the Other Feeder Funds cannot invest on an equity basis due to Law, tax or other considerations. Such loans or borrowings, although made on an arm's length basis, leverage the Fund's exposure to
such investment strategy (if the Fund is a borrower) while also resulting in the Fund paying interest to the Other Feeder Funds, and may not have the potential to generate an equity level return for the Fund (if the Fund is a lender) while the repayment of any such loan would be without recourse to the particular investment made with the proceeds of such loan. Due to the different manner in which they participate, there are different economic consequences to different Manager Clients participating in the same investment opportunity.

The Fund may invest in Trading Vehicles and in Third-Party Ventures or with Third-Party Managers in respect of which Amaranth or its Affiliates are entitled to receive asset- and/or performance-based compensation (as well as expense reimbursements). Although Amaranth will, as reasonably practicable, waive, adjust or offset the Management and Profit Allocations made by the Fund to Amaranth in order to avoid multiple levels of fees with respect to such investments, the determinations of the amount of such waiver, adjustment or offset will be made by Amaranth, and investments in such Trading Vehicles may result in greater compensation being payable to Amaranth than had such investment not been made. See “Financial and Tax Allocations; Expenses — Operating Expenses and Transaction Costs.”

The principles of the doctrine of “corporate opportunity” or other similar rights or claims do not apply to any Manager Party’s dealings with the Fund, any Member (in such Member’s capacity as such) or any third party.

**Profit Allocations; DT Bonuses; Allocable Expenses**

The Manager’s eligibility to receive the Profit Allocation may incent Amaranth to trade and invest the Fund’s portfolio in a more speculative manner than Amaranth otherwise would, including, for example, overweighting the portion of the Fund’s portfolio invested in Longer-Term Investments or illiquid investments.

The determination by Amaranth as to whether an investment professional is a Designated Trader (whose DT Bonuses reduce Profit Allocations) is ultimately subjective, and Amaranth has financial incentives to classify certain personnel as not being Designated Traders so that their bonuses for a given Fiscal Year do not reduce the Profit Allocations made as of the end of such Fiscal Year.

Amaranth has a financial incentive to designate investments as Designated Investments, as the Profit Allocation is calculated separately with respect to each Designated Investment.

Although the Manager believes that the terms on which Amaranth provides administrative, accounting, data processing, research, investment-related, technology and other services to the Fund and the Master Fund (the costs of which are passed through to the Fund) are fair, the arrangements among Amaranth International, the Manager, Amaranth Group, the Master Fund and the Fund involve inherent conflicts of interest.

The allocation of the Allocable Expenses among the different Manager Clients, including the Fund, involves certain subjective determinations by Amaranth, which may involve conflicts of interest. The Fund will be subject in certain cases to paying Allocable Expenses which do not benefit the Fund and which do benefit other Manager Clients and/or Manager Parties.
Different Business Terms

From time to time, Amaranth may recommend to the Manager that it permit certain Members to acquire Interests on more favorable business terms than other Members, provided that doing so does not adversely affect such other Members.

Valuation

The Manager determines the fair market value of the assets and liabilities of both the Fund and the Master Fund. The Manager has not adopted any strict pricing formula or methodology (except as described under "Net Asset Value; Designated Investments"). The Manager determines the value of the Master Fund's Investment Assets to the extent possible based on quotes provided by brokers and other competent third-party pricing sources. However, the Manager is authorized, in its sole discretion, to use its own valuations, rather than quotes supplied by independent dealers, if the Manager believes that its valuations are more accurate. Overvaluing positions could inflate the value of the Members' respective Interests as well as the Fund's performance record and the Profit Allocations made to the Manager.

The Fund's Longer-Term Investments may not have a readily-determinable market value. The Manager will value these positions using internal Amaranth models, the analyses of independent valuation consultants as well as the Manager's market judgment, and will have the same conflict of interest in doing so as described in the preceding paragraph.

The Manager believes that the method in which it "marks" the Master Fund's positions is fair, but there can be no assurance that this will be the case.

The Fund may, in the future, retain independent valuation consultants to verify Amaranth's methodology for determining the Net Asset Values of certain Longer-Term Investments.

Different Withdrawal Terms

The difference between the Withdrawal terms of the Annual Liquidity Interests and Four-Year Liquidity Interests, as well as between the Pre-February 2006 Interests and the Post-January 2006 Interests, could, in certain situations, have an adverse effect on certain Members. The Fund has a conflict of interest in permitting Members to invest in the Fund on different Withdrawal terms, as doing so permits Amaranth to raise capital as well as implement strategies which the Fund might not otherwise be able to accommodate (and thereby potentially increase the fees received by Amaranth), despite the increased risk to investors. In addition, the fact that Pre-February 2006 Interests are not subject to a Lock-Up Period could in certain circumstances adversely, potentially materially, affect the Post-January 2006 Interests.

Amaranth attempts to ensure that the liquidity of the Fund's underlying portfolio is not inconsistent with the overall liquidity provided to all of its Members. One of the principal purposes of the Fund's issuing Four-Year Liquidity Interests is to create an equity base for the Fund which can support substantial Longer-Term Investments.

Even if the Fund's overall equity base can — combining the effects of the introduction of the Four-Year Liquidity Interests and the Lock-Up Period for Post-January 2006 Interests — support a substantial commitment to Longer-Term Investments, the value of such Longer-Term Investments may not be realized in a time frame which benefits many holders of Annual
Liquidity Interests. In addition, in the event that the Fund must liquidate a significant portion of its portfolio, investments in Third-Party Ventures and Longer-Term Investments may be difficult or impossible to liquidate, and the liquidation of the Fund’s more liquid positions prior to the liquidation of Third-Party Ventures and Longer-Term Investments in order to pay Annual Liquidity Withdrawals may be disadvantageous to holders of Four-Year Liquidity Interests.

Securities Lending

The Master Fund borrows and lends securities in the ordinary course of its business and may do so with third parties as well as with other Manager Clients. Such transactions among different Manager Clients are not subject to approval by the Members’ Representative, but involve potentially material conflicts of interest — e.g., one Manager Client paying securities lending fees to another Manager Client or allocating “hard to borrow” securities to, as well as “calling in” borrowed securities from, such Manager Client.

ASLLC, wholly-owned by the Fund, acts as an intermediary (and principal) to (i) borrow securities from third parties to on-lend to the Master Fund to cover the Master Fund’s “short” positions and (ii) borrow securities from the Master Fund to on-lend to third parties and thereby provide the Master Fund with financing for its long positions. ASLLC engages in these activities on an arm’s-length basis, documented by market standard agreements, and charges a market-based spread. In participating in such securities lending and borrowing activities, ASLLC acts as a counterparty to the Master Fund, without any fiduciary duties to it, and would, if necessary, enforce the terms of its borrowing and lending arrangements with the Master Fund on an arm’s-length basis.

Amaranth itself has only a small, indirect interest in ASLLC (through Amaranth’s investment in the Fund). However, Amaranth may have a conflict of interest in causing the Fund to enter into stock lending arrangements with ASLLC as Amaranth may itself profit indirectly from the spreads earned by ASLLC.

Amaranth has different economic interests in different Manager Clients, and, accordingly, may have incentives to favor one account over another in connection with the securities lending activities described above. Although Amaranth believes that the terms of the Manager Clients’ securities lending activities are competitive, and that this lending activity is in the interests of all Manager Clients, there is no objective review or monitoring of the manner in which Amaranth resolves the potentially material conflicts of interest involved in causing different Manager Clients to engage in ongoing securities lending transactions with each other.

Other Lending

The Fund may participate in certain transactions as a borrower or provider of debt financing, either directly or indirectly through the Master Fund or one or more Trading Vehicles owned by the Fund or the Master Fund borrowing from or lending capital to one or more other Manager Clients, in each case either directly or through financial structures designed to address Law, tax or other considerations.

“Trading Errors”

In the course of carrying out trading and investing responsibilities on behalf of the Fund, Amaranth personnel may make “trading errors” — i.e., errors in executing specific trading instructions. Examples of trading errors include: (i) buying or selling an Investment Asset at a
price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular Investment Asset (and vice versa). Trading errors are an intrinsic factor in any complex investment process, and will occur notwithstanding the exercise of due care and special procedures designed to prevent trading errors. Trading errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by Amaranth personnel. Consequently, Amaranth will (unless Amaranth otherwise determines) treat all trading errors (including those which result in losses and those which result in gains) as for the account of the Fund, unless they are the result of conduct by Amaranth which is inconsistent with the standard of care set forth in the Material Contracts.

Members’ Representative

Arthur F. Bell & Associates, L.L.C., a public accounting firm independent of Amaranth and which does not otherwise perform material services for Amaranth or the Fund, serves as the Members’ Representative in order to provide a mechanism for obtaining (or withholding), when appropriate, the informed consent of the Members required for the Fund to enter into certain transactions which would otherwise be inappropriate or impermissible due to the conflicts of interest involved (for example, the sale of a position by the Fund to another Manager Client). The role of the Members’ Representative is not to make investment recommendations or pricing determinations or to review the merits of any transaction on an objective basis. The Members’ Representative is exculpated and indemnified under the Limited Liability Company Agreement. The Members’ Representative acts in the same capacity for other Manager Clients.

Each Member, by subscribing for Interests, authorizes the Members’ Representative to act as its agent for such purpose.
NET ASSET VALUE; DESIGNATED INVESTMENTS

The following only summarizes certain of the detailed provisions of the Limited Liability Company Agreement, the terms of which are controlling.

Net Asset Value

The Fund's Gross Asset Value and Net Asset Value are calculated by Amaranth, subject to the ultimate oversight of the Manager, as of the last day of each calendar month and at such other times as the Manager may determine (each, an "Accounting Date"). The Fund's Net Asset Value is calculated taking into account all assets and liabilities of the Fund, including, without limitation, Allocable Expenses, administration, legal, audit and other professional fees and expenses. Gross Asset Value and Net Asset Value are calculated in Dollars.

The value of the Fund's interest in the Master Fund is based on the Master Fund's net asset value. In determining the Net Asset Value of the Fund, which consists of the value of its assets less its liabilities, and that of the Master Fund, the following valuation principles will be utilized:

(a) Listed securities (including securities held "long" as well as sold "short") are valued at their last sales price on the date of determination or, if no sales occurred on that date, at the mean between the "bid" and "asked" prices at the Close of Business on that date.

(b) Commodity futures contracts traded on an exchange are valued at their closing price on the date of determination.

(c) Currency forwards and unlisted Investment Assets are valued at the mean between the "bid" and "asked" prices quoted by dealers or other sources of price information that Amaranth considers reliable at the close of trading on the date of determination.

(d) All other Investment Assets (including Investment Assets held "long" as well as Investment Assets sold "short") and assets, including interests in Trading Vehicles, are assigned such values as Amaranth may determine. In determining the value of interests in Trading Vehicles, Amaranth may rely upon values furnished by those Trading Vehicles or by any other Persons which Amaranth believes are competent to determine those values.

(e) Liabilities and debt obligations of the Master Fund are determined (either singly or in conjunction with their related hedges) by Amaranth. All liabilities not otherwise provided for herein are assigned such value as Amaranth may determine.

(f) Amaranth may determine to use a different value for any Investment Asset than would be assigned pursuant to paragraphs (a)-(e) above, if Amaranth determines that to do so would more accurately reflect market value.
Amaranth will determine the manner of applying the foregoing valuation principles in circumstances in which they are unclear or not equitable, and Amaranth will also determine the manner of applying such principles in circumstances in which more than one method of application would be equitable or consistent with Law.

Amaranth will be absolutely protected in relying on the valuations furnished to Amaranth by third parties — including independent valuation consultants, Third-Party Managers and Third-Party Ventures — provided that such reliance is consistent with the standard of care set forth in the Material Contracts.

The Manager is expressly authorized to determine all Gross Asset Values and Net Asset Values, based on estimates and unaudited financial information. Furthermore, the Fund is not obligated to restate Gross Asset Value or Net Asset Value determinations previously made in order to reflect the difference between estimated and final Gross Asset Values and Net Asset Values, but rather may, but has no obligation to, reflect such difference entirely in the Accounting Period in which the amount of such difference is determined.

The Manager may, but has no obligation to, delay the determination of Net Asset Value as of any Accounting Date — and the associated Effective Dates for Distributions and Withdrawals, as applicable — if the Manager determines that, as of such Accounting Date a material portion of the Fund’s Investment Assets (other than Designated Investments) cannot be valued. In such event, the Fund will give notice as soon as reasonably practicable of any such postponement to all Members.

Designated Investments

From time to time, the Manager may determine at or within thirty (30) days of the date that a given investment is made that such investment should be designated as a Designated Investment. Only persons who are Members (other than DI Opt-Out Members) as of the first day of the calendar month during which such Designated Investment is so designated will be issued a separate Designated Investment Interest (a separate Class of Interests) in respect of each such Designated Investment, and such Members will retain such Designated Investment Interest (tracked as an Annual Liquidity Interest and/or Four-Year Liquidity Interest, as the case may be) — whether or not such Members have otherwise Withdrawn all of their Interests — until such Designated Investment is liquidated or Amaranth determines, in its discretion, to return all or a portion of the underlying assets of such Designated Investment to the General Portfolio.

Manager Allocations and Profit Allocations are calculated separately with respect to each Designated Investment.

The aggregate issuance price of a Member’s Annual Liquidity Designated Investment Interests may not exceed 15% of the Gross Asset Value (including in such Gross Asset Value the Designated Investment Interests attributable to such Member’s Annual Liquidity Interest valued at cost) of such Member’s Post-January 2006 Annual Liquidity Interest (unless such Member specifies a higher percentage, not to exceed 30%, in such Member’s Subscription Agreement), and the aggregate issuance price of a Member’s Four-Year Designated Investment Interests may not exceed 30% of the Gross Asset Value (including in such Gross Asset Value the Designated Investment Interests attributable to such Member’s Four-Year Liquidity Interest valued at cost) of such Member’s Four-Year Liquidity Interest. The Designated Investment Ceiling for Pre-February 2006 Annual Liquidity Interests is 10%, rather than 15%.
The 30% Designated Investment Ceiling for Four-Year Liquidity Interests may not be increased.

The positive difference, if any, between (i) the Designated Investment Ceiling applicable to each Memorandum Account maintained for a Member’s different Classes of Interests and (ii) the percentage of the capital attributable to such Memorandum Account which has been allocated to Designated Investments, as such percentage is reduced (but not below 0%) by the net liquidation proceeds and/or the fair value of the underlying assets of Designated Investments which have been returned to such Memorandum Account from Designated Investments, is referred to as such Memorandum Account’s “Remaining Designated Investment Capacity.” Members of both Classes will participate pro rata in accordance with the respective aggregate Remaining Designated Investment Capacities of their Annual Liquidity Interests, on the one hand, and Four-Year Liquidity Interests, on the other hand, in all Designated Investments as made.

If a Member holds both an Annual Liquidity Interest and a Four-Year Liquidity Interest, the Designated Investment Ceiling and Remaining Designated Investment Capacity are calculated separately with respect to each such Interest.

A Member may not opt out of participating in Designated Investments with respect to such Member’s Four-Year Liquidity Interest. A Member may opt-out of participating in Designated Investments with respect to such Member’s Annual Liquidity Interest. A Member wishing to do so must so indicate in such Member’s initial Subscription Agreement for an Annual Liquidity Interest.

A Member which is not a DI Opt-Out Member with respect to any of such Member’s Annual Liquidity Memorandum Accounts cannot become a DI Opt-Out Member with respect to any Memorandum Account established with respect to any additional Annual Liquidity Capital Contributions made by such Member.

Each Member holding an Annual Liquidity Interest as a DI Opt-Out Member may irrevocably elect not to be a DI Opt-Out Member with respect to such Annual Liquidity Interest (but only with respect to all of such Member’s Annual Liquidity Interest) as to all future Designated Investments by so notifying the Fund.

While no Member may be a DI Opt-Out Member with respect to such Member’s Four-Year Liquidity Interest, a Member which has opted-out of participating in Designated Investments with respect to such Member’s Annual Liquidity Interest is not precluded from investing in a Four-Year Liquidity Interest.

When capital is allocated to a Designated Investment, it is deducted from the aggregate Memorandum Accounts maintained for a Member with respect to such Member’s Annual Liquidity Interest, on the one hand, and Four-Year Liquidity Interest, on the other hand, pro rata in accordance with the aggregate Remaining Designated Investment Capacity of such Member’s Annual Liquidity Interest and Four-Year Liquidity Interest, as the case may be. These pro rata capital deductions are then deducted from such Member’s Annual Liquidity Memorandum Account (in the case of capital deducted from such Member’s Annual Liquidity Interest) or Four-Year Liquidity Memorandum Account (in the case of capital deducted from such Member’s Liquidity Interest), with the Anniversary Date or Four-Year Anniversary Date, as the case may be, immediately preceding the date that such deductions are made. If the Remaining Designated Investment Capacity of such Annual Liquidity Memorandum Account or Four-Year Liquidity
Memorandum Account is reduced to 0%, the remaining deductions are made from the Annual Liquidity Memorandum Account or Four-Year Liquidity Memorandum Account, as the case may be, with the immediately prior Anniversary Date or Four-Year Anniversary Date.

If a Member’s Annual Liquidity Remaining Designated Investment Capacity, on the one hand, or Four-Year Liquidity Remaining Designated Investment Capacity, on the other hand, has been reduced to 0%, any Designated Investment allocation otherwise attributable to such Member’s Annual Liquidity Interest or Four-Year Liquidity Interest, as the case may be, will be added to the Designated Investment allocations to be made from such Member’s Four-Year Liquidity Interest or Annual Liquidity Interest, as the case may be. If a Member’s overall Remaining Designated Investment Capacity has been reduced to 0%, any Designated Investment allocations that would otherwise be made from such Member’s Interest will be made from the other Members’ Interests (both Annual Liquidity Interests and Four-Year Liquidity Interests), pro rata in accordance with such Interests’ respective Remaining Designated Investment Capacities.

When the net liquidation proceeds, and/or underlying assets in the case of a Liquidity Event, are returned to the General Portfolio from a Designated Investment, such net liquidation proceeds are allocated to a Member’s Annual Liquidity Memorandum Account (in the case of net liquidation proceeds or underlying assets attributable to Annual Liquidity Memorandum Accounts) or Four-Year Liquidity Memorandum Account (in the case of net liquidation proceeds or underlying assets attributable to Four-Year Liquidity Memorandum Accounts) with the soonest occurring Anniversary Date or Four-Year Anniversary Date which is no less than one hundred (100) days or one hundred and thirty (130) days, as the case may be, after such net liquidation proceeds and/or underlying assets are received (so that such net liquidation proceeds or the dollar amount of such underlying assets are eligible for Withdrawal as of the next available Anniversary Date or Four-Year Anniversary Date, subject to compliance with the required notice period for such a Withdrawal).

If a Member has no Annual Liquidity Memorandum Account or Four-Year Liquidity Memorandum Account at the time that the net liquidation proceeds and/or the underlying assets attributable to a Designated Investment’s Annual Liquidity Memorandum Account or Four-Year Liquidity Memorandum Account, as the case may be, are received, such net liquidation proceeds or the fair value of such underlying assets will be paid out directly to such Member.

The net liquidation proceeds and/or the fair value of the underlying assets of a Designated Investment when returned to the General Portfolio will be subject to the remaining Lock-Up Period that would have been attributable to the Memorandum Account balances from which the capital allocations to such Designated Investment were originally made, unless the Manager determines that it is necessary to treat such net liquidation proceeds or underlying assets as new Capital Contributions (i.e., resulting in the issuance of Post-January 2006 Interests subject to a Lock-Up Period) under the Hedge Fund Advisers Registration Rule.

The Manager will have discretion over whether to return the underlying assets of a Designated Investment to the General Portfolio following a Liquidity Event with respect to such Designated Investments.

In the event that a Member no longer holds an Interest participating in the General Portfolio, the Manager may, but shall have no obligation whatsoever to, negotiate on behalf of the Fund to purchase all or a portion of such Member’s remaining Designated Investment Interests. Any such Designated Investment Interests acquired by the Fund will be acquired with funds from the General Portfolio and will be allocated among the continuing Members pro rata in
accordance with their respective Remaining Designated Investment Capacities. The amounts allocated to purchase such remaining Designated Investment Interests will be accounted for as if such amounts constituted additional direct investments in the affected Designated Investment(s) by the Fund.

In determining whether, and at what price (if any), to acquire such remaining Designated Investment Interests, the Manager will consider, among other factors, the cash position of the Fund, the extent to which such acquisition would deplete the Remaining Designated Investment Capacities of the continuing Members, the effects of such acquisition on the diversification of the Fund’s Designated Investment portfolio and such other factors as the Manager may deem relevant. The fact that the Fund has acquired remaining Designated Investment Interests from a certain Member will in no respect obligate the Fund to do so again from such Member, or to do so, either at the same time or in the future, from any other Member.

Any acquisition of remaining Designated Investment Interests by the Fund would only be made if the Manager determined that such acquisition would not constitute an Impermissible Event.

A “Liquidity Event” is an event, including a public offering or listing of securities of an issuer of a Designated Investment, which results in the existence of a reliable third-party source of actionable prices on a sufficiently frequent basis such that the Manager is able to determine that all or a portion of the underlying assets of such Designated Investment may be returned to the General Portfolio. Following a Liquidity Event with respect to a Designated Investment, the Manager may, but has no obligation to, return all or a portion of the underlying assets of such Designated Investment to the General Portfolio. Examples of a Liquidity Event may include: (i) in the case of a Designated Investment consisting of preferred stock of a private issuer, the public offering or listing of such issuer’s common stock; and (ii) in the case of a Designated Investment consisting of the common stock of a private issuer, the public offering or “spin-off” of shares of a division of such issuer.
WITHDRAWALS

The following summarizes certain of the detailed provisions of the Limited Liability Company Agreement, the terms of which are controlling.

Pre-February 2006 Interests; Post-January 2006 Interests

Pre-February 2006 Interests and Post-January 2006 Interests, whether Annual Liquidity Interests or Four-Year Liquidity Interests, are subject to the same Withdrawal provisions, as described below (although the Four-Year Liquidity Interests have materially more restrictive Withdrawal provisions than the Annual Liquidity Interests). However, Post-January 2006 Interests (i.e., Interests issued on or after February 1, 2006), whether Annual Liquidity Interests or Four-Year Liquidity Interests, will be subject to an initial "Lock-Up Period" ending on the last day of the 25th calendar month after their issuance.

Memorandum Accounts

A separate Memorandum Account is tracked in respect of Annual Liquidity Capital Account balances with different Anniversary Dates, Four-Year Liquidity Capital Account balances with different Four-Year Anniversary Dates, Capital Account balances still subject to their applicable Lock-Up Periods, Capital Account balances subject to different Designated Investment Ceilings and other Classes of Interests which differ from one another in respect of certain business terms. The Memorandum Accounts are used initially to record the Capital Account balance of each Class attributable to each Capital Contribution made by a Member, and subsequently to allocate increases and decreases in the Gross Asset Value and the Net Asset Value of such Capital Account balances, as well as Manager Allocations, Profit Allocations, Allocable Expenses and other expenses, among such Capital Account balances so that at any point in time, the Gross Asset Value and the Net Asset Value of each Member's interest subject to different business terms are clearly determined. In general, increases and decreases in the Gross Asset Value of a Member's Interest of each Class are allocated pro rata among the Memorandum Accounts maintained in respect of such Interests in accordance with the Gross Asset Value of the Capital Account balances in each such Memorandum Account. However, certain items — for example, DT Bonuses — are allocated differently (in the case of DT Bonuses, pro rata in accordance with the annual Net New Profit attributable to each Memorandum Account). The Manager may make such adjustments to the method by which allocations are made to the Memorandum Accounts as the Manager may deem reasonable.

Anniversary Withdrawals

Annual Liquidity Interests

Following expiration of the Lock-Up Period for Post-January 2006 Interests, a Member may make an Anniversary Withdrawal of all or a portion of the Annual Liquidity Memorandum Account established with respect to a particular Capital Contribution as of each 12-month anniversary, or "Anniversary Date," of the end of the month in which the Capital Contribution establishing such Memorandum Account was made, by notifying the Fund in writing at least ninety (90) days prior to the proposed Withdrawal Date.

The Manager may establish, with the consent of the affected Member, that (i) the Anniversary Date applicable to all or a portion of the Annual Liquidity Memorandum Account established as of a given date be a different month-end than what would otherwise have been such
Anniversary Date and/or (ii) multiple Annual Liquidity Memorandum Accounts with different Anniversary Dates be established with respect to a given Annual Liquidity Capital Contribution; provided, however, that no Withdrawals may be made from a Post-January 2006 Annual Liquidity Memorandum Account prior to the expiration of the Lock-Up Period for such Memorandum Account.

The Manager may increase the period of time before a Member may Withdraw all or a portion of the balance in an Annual Liquidity Memorandum Account by changing the Anniversary Date applicable to such Annual Liquidity Memorandum Account, but only if the affected Member is given an opportunity to Withdraw from such affected Annual Liquidity Memorandum Account prior to the effectiveness of such change; provided, however, that any such change, as well as the attendant right to make Withdrawals, will be effective only after any applicable Lock-Up Period.

In the event that a Member makes Annual Liquidity Capital Contributions at more than one time, the Annual Liquidity Memorandum Accounts established with respect to such Capital Contributions may have different Anniversary Dates and will have different Lock-Up Periods.

*Four-Year Liquidity Interests*

Upon at least one hundred and twenty (120) days' prior written notice to the Fund, a Member may make a Four-Year Anniversary Withdrawal of all or a portion of the balance in the Four-Year Liquidity Memorandum Account established with respect to a particular Four-Year Liquidity Capital Contribution as of each Four-Year Anniversary Date applicable to such Memorandum Account.

The Four-Year Anniversary Date attributable to a Four-Year Liquidity Memorandum Account will be agreed upon between the Fund and each Member at the time that the applicable Four-Year Liquidity Capital Contribution, and will be a month-end on or after the 40th and on or before the 56th month-end after the beginning of the month as of which such Four-Year Liquidity Capital Contribution was made.

The Manager may increase the period of time before a Member may Withdraw all or a portion of the balance in a Four-Year Liquidity Memorandum Account by changing the Four-Year Anniversary Date applicable to such Memorandum Account, but only if the affected Member is given an opportunity to Withdraw from such affected Four-Year Liquidity Memorandum Account prior to the effectiveness of such change; provided, however, that any such change, as well as the attendant right to make Withdrawals, will be effective only after any applicable Lock-Up Period.

In the event that a Member makes Four-Year Liquidity Capital Contributions at more than one time, the Four-Year Liquidity Memorandum Accounts established by such Capital Contributions may have different Four-Year Anniversary Dates and will have different Lock-Up Periods.

*Quarterly Withdrawals*

*Quarterly Withdrawals: The Gate*

Subject to the Lock-Up Period applicable to all Post-January 2006 Interests, upon at least forty-five (45) days' prior written notice to the Fund, a Member may make an Annual Liquidity
Quarterly Withdrawal and/or a Four-Year Quarterly Withdrawal as of any Quarterly Withdrawal Date (i.e., January 31, April 30, July 31 and October 31), subject to a “Gate” restricting the aggregate Quarterly Withdrawals of both Classes combined as of any Quarterly Withdrawal Date to the sum of (i) 7.5% of the aggregate Gross Asset Value of all outstanding Interests (for the avoidance of doubt, not including Designated Investment Interests), other than Interests held by the Manager, and (ii) any Capital Contributions (other than Offsetting Capital Contributions, as described below) received by the Fund as of the beginning of the month immediately following such Quarterly Withdrawal Date, minus (iii) the sum of any Anniversary Withdrawals and Four-Year Anniversary Withdrawals made as of such Quarterly Withdrawal Date.

In the event that the sum of (i) the aggregate Quarterly Withdrawals of both Classes and (ii) the aggregate Anniversary Withdrawals and Four-Year Anniversary Withdrawals as of any Quarterly Withdrawal Date exceeds the Gate, the Anniversary Withdrawals and Four-Year Anniversary Withdrawals will be paid in full, and the Quarterly Withdrawals will be permitted only to the extent of the positive difference (if any) between the Gate and the aggregate of all Anniversary Withdrawals and Four-Year Anniversary Withdrawals then made.

The Quarterly Withdrawals permitted under the Gate will be allocated pro rata among all of the Members requesting Quarterly Withdrawals as of the applicable Quarterly Withdrawal Date pro rata in accordance with such Members’ respective Proportionate Shares of both Classes combined, without distinguishing between the Classes (for the avoidance of doubt, not including Designated Investment Interests and without giving effect to any Withdrawals — Anniversary or Quarterly — requested as of such Quarterly Withdrawal Date), not based on the amount of their respective Quarterly Withdrawal Requests.

Annual Liquidity Quarterly Withdrawal Fee

All Annual Liquidity Quarterly Withdrawals are subject to a Quarterly Withdrawal Fee of 2.5% of the net amount Withdrawn from the applicable Annual Liquidity Memorandum Account(s), payable to the Fund.

Four-Year Liquidity Quarterly Withdrawal Fee

All Four-Year Liquidity Quarterly Withdrawals are subject to Quarterly Withdrawal Fees which vary depending on how long after the commencement of the current Four-Year Commitment Period for the applicable Four-Year Liquidity Memorandum Account from which the related Quarterly Withdrawals are made. The Quarterly Withdrawal Fee, payable to the Fund, with respect to Four-Year Liquidity Interests, is: 10.0% through the end of the first 13 months of each applicable Four-Year Commitment Period, 7.5% through the end of the next 13 months, 5.0% through the end of the next 13 months and 2.5% for the remaining period until the Four-Year Anniversary Date ending such Four-Year Commitment Period, in each case of the net amount Withdrawn from the applicable Four-Year Liquidity Memorandum Account(s).

Offsetting Capital Contributions

Neither the Gate nor any Quarterly Withdrawal Fees apply to a Quarterly Withdrawal made by a Member to the extent that such Quarterly Withdrawal is offset by Offsetting Capital Contributions from such Member or any Related Investor accepted by the Fund (or, if the Manager so determines, by another Manager Client that invests all or a portion of its capital in the Master Fund and/or one or more Trading Vehicles) effective as of the beginning of the Accounting Period ending with, or as of the beginning of either of the two Accounting Periods
immediately following, the proposed Quarterly Withdrawal Date.

Members are required to notify the Fund on a timely basis of the amount and date of any Offsetting Capital Contribution(s).

Withdrawals cannot be made from Post-January 2006 Memorandum Accounts on the basis of Offsetting Capital Contributions prior to the end of the Lock-Up Periods applicable to such Memorandum Accounts.

Quarterly Withdrawals from Four-Year Liquidity Memorandum Accounts may only be offset against Offsetting Capital Contributions which establish Four-Year Liquidity Memorandum Accounts.

If an Offsetting Capital Contribution was to be received prior to the beginning of the Accounting Period immediately following the proposed Quarterly Withdrawal Date but is not timely received, the Withdrawing Member will not be entitled to the benefits of such Offsetting Capital Contribution and such Member’s Quarterly Withdrawal will be subject to the Gate and the Quarterly Withdrawal Fee, unless an executed Subscription Agreement, identified by such Withdrawing Member, as well as by the Related Investor submitting such Capital Contribution, as an Offsetting Capital Contribution, is received by the Fund no later than such Quarterly Withdrawal Date. Such Withdrawing Member will also be liable for any costs or expenses incurred in connection with such defaulted Offsetting Capital Contribution.

If an Offsetting Capital Contribution was to be received as of the first business day of either of the two Accounting Periods immediately following such Quarterly Withdrawal Date, then 10% of the Withdrawal proceeds will be retained pending receipt of such Offsetting Capital Contribution. If such Offsetting Capital Contribution is not received by the end of the fifth (5th) business day of the applicable Accounting Period, the 10% of the Withdrawal proceeds so retained will be kept by the Fund as liquidated damages for such Quarterly Withdrawal having been excepted from both the Quarterly Withdrawal Fee and Gate. Each Member is required to acknowledge in such Member’s Subscription Agreement that such liquidated damages represent a reasonable estimate of the damage done to the Fund by any such Quarterly Withdrawal having been excepted from both the applicable Quarterly Withdrawal Fee and the Gate.

The Manager may determine, but will be under no obligation, to accept as an Offsetting Capital Contribution a Capital Contribution which is not timely received if the Manager determines that the delay was due to circumstances beyond the control of the investor submitting such Offsetting Capital Contribution.

If a Withdrawing Member claims the benefit of more than one Offsetting Capital Contribution, and certain of such Offsetting Capital Contributions but not others are timely received, such Withdrawing Member will be treated as having not submitted Offsetting Capital Contributions only to the extent of those Offsetting Capital Contributions not timely received.

Withdrawals by Certain Manager Clients

Certain Manager Clients may invest directly in the Master Fund and/or one or more Trading Vehicles. Such Manager Clients may, unless the Manager otherwise determines, Withdraw all or a portion of their investments in the Master Fund and/or one or more such Trading Vehicles from time to time without being subject to any of the restrictions imposed on Withdrawals (including the Quarterly Withdrawal Fees and the Gate).
Allocation of Quarterly Withdrawal Fees

All Quarterly Withdrawal Fees are deducted from the Withdrawal proceeds retained by the Fund and allocated as Net Income among the Interests of both Classes outstanding immediately following all Withdrawals, Distributions Transfers and Special Allocations effective as of the applicable Quarterly Withdrawal Date (based on such Interests’ respective Proportionate Shares as redetermined for this purpose so as to include only the Gross Asset Value of the Interests remaining outstanding after all such Withdrawals, Transfers, Distributions or Special Allocations as of such Quarterly Withdrawal Date, but prior to the acceptance of any new Capital Contributions as of the beginning of the immediately following Accounting Period).

Annual Appreciation Withdrawals

Subject to any applicable Lock-Up Period, a Member may make an Annual Appreciation Withdrawal from its Annual Liquidity Memorandum Account(s) as of December 31 of any year. A Member may make an Annual Appreciation Withdrawal in an amount not in excess of the estimated cumulative net increase (other than increases attributable to additional Capital Contributions) in the Gross Asset Value of such Member’s Annual Liquidity Interest for the Fiscal Year then ended (reduced, but not below $0, by all Withdrawals from such Annual Liquidity Interest previously made by such Member during such Fiscal Year).

Annual Appreciation Withdrawals may be made as of any given December 31 by notifying the Fund in writing by the immediately preceding November 15.

Annual Appreciation Withdrawals are not subject to any Withdrawal fee.

Appreciation attributable to Annual Liquidity Interests with respect to a given Fiscal Year which is not Withdrawn as of the end of such Fiscal Year is not subsequently eligible for Annual Appreciation Withdrawals.

An Annual Appreciation Withdrawal reduces the balances in the different Annual Liquidity Memorandum Account(s) maintained in respect of each Member as designated by such Member in the applicable Withdrawal request, or, if not so designated, pro rata in proportion with the aggregate Gross Asset Value of each Annual Liquidity Memorandum Account maintained with respect to such Member.

Annual Appreciation Withdrawals may not be made with respect to Four-Year Liquidity Interests, and Appreciation attributable to a Member’s Four-Year Liquidity Interest cannot be the basis for Annual Appreciation Withdrawals of such Member’s Annual Liquidity Interest.

Mandatory Withdrawals

The Manager may, in its sole discretion at any time and for any reason, require a Member to Withdraw all of such Member’s Interest. Mandatory Withdrawals are not subject to, nor included in calculating, the Gate and are not subject to any fee or charge (including Quarterly Withdrawal Fees), other than applicable Withdrawal Reserves. For the avoidance of doubt, the Manager will have no liability to the Fund or any Member for requiring such Member to Withdraw, provided that the Manager acts in a manner consistent with the standard of care set forth in the Material Contracts.
Form of Withdrawal Requests

Withdrawal requests should specify from which Annual Liquidity Memorandum Account(s) and/or Four-Year Liquidity Memorandum Account(s) the proposed Withdrawal is to be made, the proposed Withdrawal Date, whether, in the case of Annual Liquidity Memorandum Accounts with December 31 Anniversary Dates, the Withdrawal is an Anniversary Withdrawal or an Annual Appreciation Withdrawal and either a percentage of the Withdrawing Member’s Interest or an absolute dollar amount of such Interest to be Withdrawn.

If a Withdrawal request does not specify whether the related Withdrawal is to be made from the Withdrawing Member’s Annual Liquidity Memorandum Account(s) or Four-Year Liquidity Memorandum Account(s), and such Withdrawal request (for example, a Quarterly Withdrawal request) could be applicable to either Class of Memorandum Accounts, such Withdrawal request will be applied first to the Withdrawing Member’s Annual Liquidity Memorandum Account(s) and only if all such Annual Liquidity Memorandum Account(s) have been eliminated to such Member’s Four-Year Liquidity Memorandum Account(s).

If a Withdrawal request does specify the Class of Memorandum Accounts from which the Withdrawal is to be made, or could only be applicable to one Class, but does not specify the Memorandum Account(s) from which a Withdrawal is to be made, the Withdrawal will be made from all Memorandum Account(s) of the Class of Interest from which a Withdrawal is being made pro rata in accordance with their respective Proportionate Shares.

No Withdrawal request will be effective if the Manager determines, on or before the Effective Date of such Withdrawal, to wind up the Fund.

Limited Waiver Authority; Manager Withdrawals and Payments

Quarterly Withdrawal Fees may not be waived by the Manager.

The Manager may, but is under no obligation whatsoever to, waive the Gate or increase the level of the Gate with respect to any given Quarterly Withdrawal Date (and may determine to do so for all or a portion of the Withdrawals then requested); provided, that the Manager determines that doing so will not result in portfolio damage or otherwise materially adversely affect the Members as a whole.

The Manager may, but is under no obligation whatsoever to, waive Withdrawal request notice periods; provided, that the Manager determines that doing so will not result in portfolio damage or otherwise materially adversely affect the Members as a whole.

The Manager may make Withdrawals at any time and from time to time. Such Withdrawals are not subject to, nor included in calculating, the Gate, nor are they subject to any Withdrawal fees.

Postponing the Determination of Net Asset Value

The Manager may postpone an Accounting Date, and with it the determination of Net Asset Value, in the event that the Manager determines that a material portion of the Investment Assets held by the Fund (other than Designated Investments) cannot be valued. In the event that an Accounting Date is postponed, the Fund will give prompt notice of any such postponement to all Members.
Postponing Effective Dates

The Manager will postpone any Effective Date (i.e., the effective date of a Withdrawal or Distribution, regardless of the actual date of payment) if the applicable Accounting Date has been postponed. The Manager will also postpone an Effective Date if the Manager determines that: (i) the Fund’s investments are committed in such a manner so as not reasonably to permit immediate withdrawal of sufficient funds; (ii) there exists a state of affairs that constitutes circumstances under which liquidation by the Fund of part or all of its investments (other than Designated Investments) is not reasonable or practicable, or would be prejudicial to the Fund; or (iii) not postponing such Effective Date would materially adversely affect the continuing Members.

If an Effective Date is postponed, the Fund will give prompt notice to all affected Members, and each such Member will have an opportunity to revoke such affected Member’s Withdrawal request.

Postponed Withdrawals will have priority as of the rescheduled Effective Date over Withdrawals requested for such Effective Date.

If more than one Effective Date has been postponed at any one time, Withdrawal priority as of the rescheduled Effective Date will be allocated to the postponed Effective Dates in their chronological order.

Postponed Withdrawals are not subject to, or included in calculating, the Gate, and are not subject to Quarterly Withdrawal Fees.

Payment of Withdrawal Proceeds

Withdrawal proceeds will be paid in cash, by check or wire transfer or such other permissible method as the Manager may determine, and may be subject to reduction by an amount equal to brokerage commissions or other charges that the Manager determines are likely to be incurred by the Fund to fund such Withdrawal proceeds, and such Withdrawal Reserves as the Manager may determine.

Under normal circumstances, all Withdrawal proceeds will be paid by the Fund to a Withdrawing Member within thirty (30) days of the Effective Date. However, if a Member withdraws 90% or more of such Member’s Interest (not including Designated Investment Interests), the Fund may, but is not obligated to, retain up to 10% of the estimated Withdrawal proceeds otherwise due. The balance, with interest at one-month LIBOR from the end of the calendar month immediately following the Effective Date, will be paid promptly after the completion of the Fund’s audit for the Fiscal Year in which such Withdrawal occurred. The amount of Withdrawal proceeds ultimately paid is subject to adjustment (up or down) to reflect the results of the audit.

Withdrawal proceeds may be paid in cash, Investment Assets or any combination of the two.

Postponing the Payment of Withdrawal Proceeds

The Manager may postpone the payment of Withdrawal proceeds if the Manager determines that (i) making such payment would result in a violation of Law or a contractual
provision or (ii) liquidating Investment Assets to fund such payment would materially adversely affect the continuing Members. If the payment of Withdrawal proceeds is postponed, the Fund will attempt to liquidate Investment Assets as promptly as Amaranth deems reasonably practicable after the Effective Date in order to fund the payment of such Withdrawal proceeds. Within thirty (30) days of the Effective Date, the Fund will pay out the Withdrawning Member's Proportionate Share of the Fund's cash not used or needed to pay down debt balances (in excess of Reserves maintained by the Fund, which Reserves may be increased in connection with the events giving rise to the Fund's need to postpone the payment of the Withdrawal in question) and the value of the Fund's Investment Assets not needed or used to collateralize the Fund's obligations, less such Member's Proportionate Share of the Fund's liabilities and any applicable Withdrawal Reserves. At least 80% of any postponed Withdrawal proceeds payment will be made within one year of the Effective Date, and the balance as soon as reasonably practicable thereafter.

Withdrawal payments not made by the ninetieth (90th) day following the applicable Effective Date (as such Effective Date may be postponed, as described above) will bear interest at one-month LIBOR from the end of the calendar month immediately following such Effective Date, compounded as of the first day of each calendar month thereafter, until paid.

Similar Treatment of All Interests

If an Accounting Date, the Effective Date of Withdrawals and/or the payment of Withdrawals is postponed with respect to any Interests, it will be postponed for all Interests.

Profit Allocations to be Made Upon Withdrawal

Any Profit Allocations in respect of Capital Account balances when Withdrawn will be made as of the Effective Date of such Withdrawal.

Distributions in Kind

In the event that the Manager intends to pay a Withdrawal or make a Distribution to a Member, in whole or in part, in kind rather than in cash, the Fund will give such Member at least ten (10) days' notice of the proposed in-kind payment (generally describing the Investment Assets to be distributed and any associated liabilities to be assumed). If the Member notifies the Fund within five (5) days of receipt of such notice that receipt of the Investment Assets (or associated liabilities) intended to be paid out to such Member could reasonably be expected to cause such Member to be in violation of Law, the Manager will cause the Fund to sell the Investment Assets intended to be distributed — which sale may be made to one or more of any Manager Party, Manager Client or Trading Vehicle or other Persons (or any combination of the foregoing) and may be made as the Manager may determine, including privately. In such case, the Manager needs make no representation as to how long a delay there might be before such sale will be effected and whether there will be a single sale for the entirety of such Investment Assets or more than one sale, each for a part of such Investment Assets. No interest will accrue on any amounts due to the affected Member pending such sale(s), provided that the Manager will cause the Fund to distribute the proceeds of such sale(s) promptly following receipt.

Any Investment Assets distributed in kind will be valued in accordance with the Fund's valuation policies as of the date of distribution, and any difference between such value and the Fund’s carrying value for such Investment Assets will be deemed to constitute income or loss to the Fund.
Distributions

As a general matter, the Manager intends to reinvest the income and capital gains of the Fund. The Manager may, however, at any time cause the Fund to make a Distribution to the Members. Any such Distributions need not be made pro rata in accordance with the Members’ Proportionate Shares. Distributions, if any, will be made in cash, Investment assets or a combination of the two as the Manager may, in its sole discretion, determine.

Transfers

Interests may be Transferred only upon the execution and delivery of a Subscription Agreement (or other written instrument satisfactory to and accepted by the Fund) by the Transferee. No Transfer will be registered if the Transferee is not qualified to invest in the Fund directly or without the consent of the Manager.

Post-January 2006 Interests generally may not be Transferred prior to the end of the applicable Lock-Up Period (unless the Manager determines that such Transfer would not result in an Impermissible Event).

Interests Transferred on or after February 1, 2006 will generally be subject to the same Lock-Up Period in the hands of the Transferee as if such Interests had initially been issued as of the date of the Transfer.

Annual Liquidity Interests or Four-Year Liquidity Interests when Transferred remain Annual Liquidity Interests or Four-Year Liquidity Interests, as the case may be, in the hands of the Transferee.

When Annual Liquidity Memorandum Account balances held by a Member as a DI Opt-Out Member are Transferred to a DI Opt-Out Member, or to a Person which has not previously been a Member, such Transferee may elect to be a DI Opt-Out Member with respect to such Transferred Annual Liquidity Interest. However, if the Transferor is a Member which is not a DI Opt-Out Member with respect to the Transferred Annual Liquidity Interest, the Transferee may not elect to be a DI Opt-Out Member with respect to the Transferred Annual Liquidity Interest.

Profit Allocations are made upon the Transfer of Interests, except (unless the Manager otherwise determines) in the case of Transfers of Interests by a Member to a Related Investor, in which case such Profit Allocations remain outstanding in respect of the Transferred Interests and are calculated through the immediately following December 31 as if the Transfer had not occurred.

Subject to the consent of the Manager, Members may be permitted to Transfer Designated Investment Interests separately from their Annual Liquidity and Four-Year Liquidity Interests. Any such Transfer will only be permitted if the Manager determines that such Transfer would not constitute an Impermissible Event.

Exchanges

A Member may, with the consent of the Manager, exchange all or a portion of the balance in an Annual Liquidity Memorandum Account for a balance in a Four-Year Liquidity Memorandum Account and vice versa as of the same dates and upon the same notice that such Member could make Anniversary Withdrawals and Four-Year Anniversary Withdrawals, as the
case may be, from the Memorandum Account out of which the exchange is being made — no such exchanges being permitted with respect to Post-January 2006 Interests prior to the end of the applicable Lock-Up Period.

Exchanges are treated as Withdrawals from the Class out of which, and new Capital Contributions to the Class into which, the exchange is made (e.g., causing a Profit Allocation to be made upon the Withdrawal, and a new Lock-Up Period to begin upon the Capital Contribution).
CERTAIN INCOME TAX CONSEQUENCES

Certain United States Tax Considerations

The following is a summary of the material federal income tax considerations that may be relevant to a United States taxpayer who invests in the Fund, based upon the Internal Revenue Code of 1986, as amended (the "Code"), judicial decisions and administrative regulations and rulings, all as in effect as of the date of this Memorandum and all of which are subject to change. Since the tax consequences of an investment in the Fund will vary from Member to Member based on each Member's individual income tax circumstances, this summary does not attempt to discuss all the federal income tax consequences of such an investment. Nor does this summary purport to describe the tax consequences of all instruments in which the Fund may invest or trade. Prospective investors should not consider the contents of this summary as legal or tax advice, and should consult their own tax advisers concerning the tax consequences of investing in the Fund.

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Any discussion of U.S. federal tax issues set forth in this Memorandum is written in connection with the promotion and marketing by the Fund of the transactions described in this Memorandum. Such discussion is not intended or written to be legal or tax advice to any person and is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any U.S. federal tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

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Tax Classification of the Fund

The Manager has been advised by Sidley Austin LLP that the Fund will be treated as a partnership for federal income tax purposes and not as an association taxable as a corporation or as a "publicly-traded partnership"; provided that (i) the Fund does not have more than 100 Members taking into account the attribution rules relating to "publicly traded partnerships" in the Treasury Regulations promulgated under Section 7704 of the Code, or (ii) at least 90% of the gross income generated by the Fund constitutes "qualifying income" (that is interest, income and gains from stocks, debt securities, and, in the case of entities a principal activity of which is the buying and selling of such assets, commodities not held as inventory, or futures, forwards and options with respect to such items). The Manager expects that (i) the Fund will not have more than 100 Members and (ii) over 90% of the Fund's gross income will constitute "qualifying income." Accordingly, the Fund should not be treated as a corporation even if it is a publicly traded partnership within the meaning of Section 7704 of the Code. This conclusion is not binding on the Internal Revenue Service ("IRS") or on any court, and there can be no assurance that the IRS will not assert that the Fund should be treated as an association taxable as a corporation or as a "publicly traded partnership" taxable as a corporation.

If it were determined that the Fund should be classified for federal income tax purposes as an association taxable as a corporation (as a result of a change in law, changes in IRS ruling guidelines or administrative positions, a change in facts or otherwise), income and losses of the Fund would be reflected on its own tax return rather than being passed through to the Members, and the Fund would be required to pay income tax at corporate income tax rates on its net
ordinary income and capital gains, thereby substantially reducing the amount of cash available for
investment or for Distribution to the Members. Furthermore, all or a portion of any Distributions
made by the Fund to the Members could be treated as ordinary dividend income regardless of the
source from which they were generated. The following discussion assumes that the Fund will be
treated as a partnership for federal income tax purposes.

Taxation of Members

The Fund, classified as a partnership, will not be subject to federal income tax. Each
Member will be required to report on its federal income tax return such Member’s allocable share
of the Fund’s income, gains, losses, deductions, credits and other items for the Fund’s taxable
year ending with or within the Member’s taxable year, whether or not any Distribution of cash or
other property is made to the Member in that year.

At the end of each taxable year, items of Fund income, expense, gain, loss and deduction,
as determined for federal income tax purposes, will be allocated among the Members which held
Interests during such taxable year. A Member’s distributive share of such items for federal
income tax purposes generally is determined by the allocations made pursuant to the Limited
Liability Company Agreement, unless the items so allocated do not have “substantial economic
effect” and are not in accordance with the Members’ Interests. Under the Limited Liability
Company Agreement, tax allocations (other than in connection with Withdrawals) are generally
made in a manner consistent with the financial allocations made to the Members’ Capital
Accounts and therefore either should have substantial economic effect or should be in accordance
with the Members’ Interests.

The federal, state, local and foreign income tax consequences to Members depend, in
large part, on the particular strategies that the Fund and the Master Fund employ and on how long
the Members own their respective Interests. A Member’s distributive share of the Fund’s tax
items may result in unfavorable tax consequences either because of their effect at the Fund level
or because of their effect upon other aspects of the Member’s tax situation. These items may
include capital losses, which generally are deductible only against capital gains, investment
interest, the deductibility of which by non-corporate Members may be limited or deferred, items
subject to the “at-risk” or “passive loss” rules, and other items. For example, if the Fund reports
ordinary income and an equal amount of capital losses that a Member cannot offset with other
capital gains, the Member would be taxed on the ordinary income even though the Fund realized
no economic gain.

Because the Fund or Master Fund may engage in complex trading strategies and may
purchase or enter into financial instruments or securities of which proper tax classification or tax
treatment may be unclear, a federal, state, local or foreign tax authority may challenge the Fund’s
or Master Fund’s tax positions (including, but not limited to, the timing of income, the
classification of income as capital or ordinary, and whether the Fund or Master Fund is subject to
taxes or required to withhold tax on income). The tax positions taken by the Fund or the Master
Fund may not be accepted by the IRS, foreign, state, or local tax authorities. If the IRS or other
Tax Authority should successfully contest a tax position taken by the Fund or the Master Fund,
Members may need to amend their federal, state, and local tax returns or the Fund or the Master
Fund may be subject to withholding or other taxes, interest, and possibly penalties.
Limitations on Deductibility of Fund Losses by Members

The amount of any Fund loss that a Member is entitled to include on its income tax return is limited to such Member’s adjusted tax basis for its Interest as of the end of the Fund’s taxable year in which such loss occurred. Generally, a Member’s adjusted tax basis for its Interest is the amount paid for such Interest reduced (but not below zero) by such Member’s share of losses and expenses, and any Distributions made to such Member, and increased by such Member’s share of the Fund’s income, including gains, and additional Capital Contributions.

Cash Distributions

Cash received from the Fund by a Member as a Distribution (including Withdrawals) generally is not reportable as taxable income by such Member, except to the extent such Distribution exceeds a Member’s adjusted tax basis for its Interest. Any such excess is taxable to such Member as gain from the sale or exchange of such Interest. Allocations of Fund income increase the tax basis for a Member’s Interest at the end of the taxable year. Cash Distributions during the taxable year could result in taxable gain to a Member even though no gain would result if the same cash Distributions were made following the Fund’s allocation of income at the end of the taxable year.

A cash distribution in redemption of all of a Member’s Interest should result in the recognition of gain or loss for federal income tax purposes. Such gain or loss will be equal to the difference, if any, between the amount of such distribution and the Member’s adjusted tax basis for such Interest (including such Member’s distributive share of the Fund’s income or loss for the year of such distribution).

Mark-to-Market Election

The Master Fund elected as a trader in securities and commodities to mark-to-market its Investment Assets held at the end of each taxable year. The mark-to-market rules require a trader making the election to recognize gain or loss with respect to the securities held in connection with its trade or business of trading in securities and commodities at the end of each taxable year as if the trader sold the securities for their fair market value on the last business day of the taxable year. The Fund’s allocable share of any gain or loss on the applicable Investment Assets is treated as ordinary income or loss. The Fund has not made such mark-to-market election as a trader in securities and commodities. As a result, some of the discussion that follows reflects certain tax aspects that may be applicable to the Fund and not to the Master Fund or vice versa as the mark-to-market election may impact the application of those items.

Structured Securities

The Fund invests in structured securities the tax treatment of which depends on the specific securities purchased. The tax treatment of a particular security might be uncertain. In general, a security might be treated as: (i) a partnership interest in the issuer of the security; (ii) ownership of an undivided interest in the assets held by the issuer; (iii) an interest in an association taxable as a corporation or in a “publicly-traded partnership”; or (iv) debt of the issuer or another entity. If any such security is treated as a partnership interest, the Fund will be required to take into account its allocable share of income, gain, loss, deductions and credits of the issuing partnership. Similarly, if any such security is treated as an undivided interest in the underlying assets of the issuer, the Fund will be required to recognize any income, gain, loss or deduction attributable to the ownership of such assets. Under either of these characterizations,
the Fund’s allocable share of certain expenses could be subject to limitations on deductibility (see "— Limited Deduction for Certain Expenses” and “— Limitation on Deductibility of Interest on Investment Indebtedness,” below). If any such security is treated as an interest in an association taxable as a corporation or in a “publicly traded partnership,” the issuer will be subject to tax at rates applicable to corporations, and the Fund will be taxed in the same manner as a shareholder in a corporation. See “— Qualified Dividend Income,” below. If any such security is treated as debt, the Fund may recognize interest income, original issue discount or market discount. See “— Original Issue Discount” and “— Market Discount,” below.

Gain or Loss on Section 1256 Contracts

The Fund’s Investment Assets may include certain futures and forward contracts as well as certain non-equity options traded on United States exchanges (“Section 1256 Contracts”). Under the mark-to-market system of taxing Section 1256 Contracts, any unrealized profit or loss on positions in such Section 1256 Contracts that are open as of the end of a taxpayer’s fiscal year is treated as if such profit or loss had been realized for tax purposes as of such time. In general, 60% of the net gain or loss which is generated by transactions in Section 1256 Contracts is treated as long-term capital gain or loss and the remaining 40% of such net gain or loss is treated as short-term capital gain or loss.

Tax on Capital Gains and Losses

The maximum tax rate for non-corporate taxpayers on adjusted net capital gain is 15% for most gains recognized and in taxable years beginning on or before December 31, 2008. Adjusted net capital gain is generally the excess of net long-term capital gain (the net gain on capital assets held for more than 12 months, including 60% of gain on Section 1256 Contracts) over net short-term capital loss (the net loss on capital assets held for 12 months or less, including 40% of loss on Section 1256 Contracts). Capital losses are deductible by non-corporate taxpayers only to the extent of capital gains for the taxable year plus $3,000. Net short-term capital gain (i.e., net gain on assets held for 12 months or less, including 40% of gain on Section 1256 Contracts) is subject to tax at the same rates as ordinary income.

In general, a non-corporate taxpayer is not permitted to carry back a capital loss to prior taxable years. However, if a non-corporate taxpayer incurs a net capital loss for a year, the portion thereof, if any, that consists of a net loss on Section 1256 Contracts may, at the election of the taxpayer, be carried back three years and deducted only against net capital gain for such year to the extent that such gain includes net gains on Section 1256 Contracts included in the taxpayer’s income for such year. Losses so carried back are deemed to consist of 60% long-term capital loss and 40% short-term capital loss. To the extent that such losses are not used to offset gains on Section 1256 Contracts in a carryback year, they will carry forward indefinitely as losses on Section 1256 Contracts in future years.

Straddles

Offsetting securities’ positions held by the Fund may constitute “straddles.” Straddles are defined to include “offsetting positions” in actively traded personal property. As such, losses may be deferred, and all or a portion of any short- or long-term capital gain from certain “straddle” transactions may be recharacterized as ordinary income. For purposes of applying the above rules restricting the deductibility of losses with respect to offsetting positions held by the Fund, if a Member takes into account gain or loss with respect to a position held by the Fund, the Member will be treated as holding the Fund’s position, except as otherwise provided in the
regulations. Accordingly, positions held by the Fund may limit the deductibility of realized losses sustained by a Member with respect to positions held for his own account or through other investment funds, and positions held by a Member for his own account or through other investment funds may limit his ability to deduct realized losses sustained by the Fund.

Original Issue Discount

The Fund may hold or purchase debt instruments that are issued with "original issue discount" which will be includable in the taxable income of Members in the Fund each year that the Fund owns such debt instruments. The rules concerning original issue discount (Sections 1271-1275 of the Code) are complex, and a complete discussion of such rules is beyond the scope of this summary. Generally, the term "original issue discount" means the excess of the stated redemption price at maturity of the debt obligation (i.e., all payments due under the debt obligation other than payments of stated interest meeting certain requirements) over its issue price. A Member will be required to include in income its allocable share of the amount of original issue discount accrued, on a constant-yield basis, with respect to a debt obligation held by the Fund. The computation of original issue discount may be adjusted based on certain prepayment assumptions regarding assets held by the issuer of the security.

Market Discount

The Fund may hold or purchase bonds that are subject to the "market discount" provisions contained in Sections 1276-1278 of the Code. These rules generally provide that if a holder acquires a debt instrument at a discount from, in general, its stated redemption price at maturity which equals or exceeds one-fourth of one percent (0.25%) of the principal amount times the number of remaining complete years to maturity, and thereafter disposes of such an instrument, the lesser of (a) the gain realized or (b) the portion of the market discount which accrued while the debt instrument was held by such holder will be treated as interest income at the time of the disposition.

The market discount rules also provide that a holder of any debt instrument who acquired such instrument at a market discount may be required to defer the deduction of a portion of the interest on any indebtedness incurred or continued to purchase or carry such instrument until the market discount is recognizable upon a subsequent disposition of the debt instrument.

Amortizable Bond Premium

If the Fund purchases a bond at a cost which, generally, is in excess of the amount payable on maturity, the excess may constitute amortizable bond premium which the Fund may elect to treat as a reduction in interest income.

Adjustment to Conversion Price

Treasury regulations promulgated under Section 305 of the Code treat a holder of convertible securities as having received a constructive distribution where the conversion price of such securities is adjusted to reflect certain taxable distributions with respect to stock into which such convertible securities are convertible. Thus, the Fund may be taxable on constructive dividends under certain circumstances where an adjustment is made to the conversion price of a convertible security held by the Fund.
Constructive Sales

The Code treats certain common financial transactions as “constructive sales” of related appreciated property that is stock, a partnership interest or certain debt instruments. For example, a short-against-the-box transaction (i.e., a short sale of stock where the taxpayer also holds the stock) will be treated as a constructive sale of appreciated stock sold short. A futures or forward transaction or a total return swap may also give rise to a constructive sale of the related appreciated property. A constructive sale will accelerate gain but not loss. The Code provides special rules to prevent the application of the constructive sale rule if: (i) the transaction is closed within 30 days after the end of the taxable year (i.e., the offsetting positions are closed); (ii) the appreciated financial position is held for 60 days following the date the transaction is closed; and (iii) at no time during such 60-day period is the holder’s risk of loss with respect to such financial position reduced.

Qualified Dividend Income

Qualified dividend income received in taxable years beginning on or before December 31, 2008 is subject to a 15% tax in the case of individuals. Generally, qualified dividend income is dividends received from U.S. corporations and from certain foreign corporations, including foreign corporations whose shares are listed on an established securities market in the United States, provided that the holder has held the shares unhedged for a minimum holding period. Qualified dividend income does not include payments “in lieu of” dividends received from stock lending transactions nor dividends received on stock to the extent the taxpayer is obligated to make related payments with respect to substantially similar or related property (e.g., a short sale of such stock). It is not expected that the trading and investment activities of the Master Fund and the Fund will result in any material amount of qualified dividend income being allocated to Members.

Passive Foreign Investment Company

As part of its trading strategy, the Fund may own stock in non-U.S. corporations, which may include passive foreign investment companies (“PFIC”), for federal income tax purpose. The Code provides rules for PFICs for which a “qualified electing fund” (“QEF”) election is made by a United States shareholder. A shareholder making a QEF election would be required currently to include in gross income, and each United States person that is a shareholder of a QEF by reason of an interest in a domestic pass-through entity would be required to currently include its pro rata share of, the shareholder’s pro rata share of the earnings and profits of the PFIC, whether or not distributed. Amounts included in income under a QEF election would be treated as long-term capital gain to the extent of the PFIC’s net capital gain, and the balance as ordinary income. Losses, however, would not pass through currently to the shareholder.

Although the Fund may make QEF elections for a PFIC owned by it, Members cannot make this election for stock held by the Fund or the Master Fund. The Fund may not receive sufficient information from such PFIC to make a QEF election. Under the passive foreign investment companies rules, this may result in Members having to treat all gain and certain “excess distributions” as ordinary income subject to tax (without taking into account deductions or losses from other sources) at the highest rate of tax applicable to the ordinary income of the Member, plus an interest charge (at the rate applicable to tax underpayments), under rules that allocate such gain or distributions ratably over a holder’s holding period, a potential adverse tax result.
Limited Deduction for Certain Expenses

The Fund believes that the Fund and the Master Fund will both be considered for federal income tax purposes to be engaged in a trade or business as a trader in securities and commodities. To the extent that the Fund and Master Fund is a trader in securities, federal tax laws permit Members who are individuals to deduct their share of expenses of that trading entity under Section 162 of the Code as business expenses rather than as non-business miscellaneous itemized deductions, which as to individuals are deductible on a limited basis under Section 67(c) of the Code. Whether the Fund or the Master Fund is a trader in securities and commodities depends on the facts and circumstances that relate to its activities. If the expenses (other than interest) of the Fund and the Master Fund were considered miscellaneous itemized deductions under Section 67(c) of the Code, those expenses would be deductible by a non-corporate taxpayer for income tax purposes only to the extent that those expenses, when combined with its other expenses deductible under Section 67(c) of the Code for the year, exceed 2% of its adjusted gross income (and would not be deductible at all for alternative minimum-tax purposes). The deductible portion of those expenses is further reduced by an amount equal to the lesser of (i) 3% of an individual’s adjusted gross income that exceeds a threshold amount; and (ii) 80% of the amount of the individual taxpayer’s miscellaneous itemized deductions otherwise allowable for that taxable year. The IRS could also contend that the Profit Allocation and the Manager Allocation constitute fees subject to the foregoing limitations.

Syndication Fees

Neither the Fund nor the Members will be entitled to any deduction for any placement and/or referral fees paid to Persons who introduce prospective investors.

Limitation on Deductibility of Interest on Investment Indebtedness

Non-corporate Members may be subject to certain limitations on the deductibility of interest paid or accrued on indebtedness incurred or continued to purchase or carry property held for investment.

Passive Activity Rules

The investment activities of the Fund do not constitute a “passive activity,” with the result that losses resulting from a Member’s “passive activities” cannot be offset against the Fund’s income.

State and Local Taxes

In certain cases, the Fund may be subject to entity-level state and local taxes in states in which the profits of the Fund are deemed to be sourced or may be required to withhold taxes in respect of income or gain allocable to Members. Each Member may be required to report and pay state and local tax on such Member’s distributive share of the profits of the Fund in the state and municipality in which the Member resides and/or other jurisdictions in which income is earned by the Fund.
**Fund Audits**

The tax treatment of Fund items is determined at the Fund level rather than at the Member level. The Manager is the "Tax Matters Partner" of the Fund with the authority to determine the Fund's response to an audit. The limitations period for assessment of deficiencies and claims for refunds with respect to items related to the Fund is generally 3 years after the Fund's return for the taxable year in question is filed, and the Manager has the authority to, and may, extend such period with respect to all Members. Certain tax positions which the Manager may elect to take on behalf of the Fund may increase the chance that the Fund's return will be audited. If an audit results in an adjustment, all Members, current and former, may be required to pay additional tax, interest and, possibly, penalties. There can be no assurance that the Fund's tax return will not be audited by the IRS or that no adjustments to such returns will be made as a result of such an audit.

**Reportable Transactions**

A participant in a "reportable transaction" is required to disclose its participation in such transaction by filing Form 8886 ("Reportable Transaction Disclosure Statement"). In addition, a "material advisor" with respect to such transaction is required to (i) maintain a list containing certain information with respect to such transaction (including the participants with respect to whom the material advisor acted in such capacity) and (ii) file a return setting forth information identifying and describing the transaction and any information describing any potential tax benefits expected to result from the transaction. The failure to comply with such rules can result in substantial penalties.

The Manager cannot predict whether any of the Fund's transactions will subject it, the Fund or any of the Members to the aforementioned requirements. However, if the Manager (or any other material advisor) determines that any such transaction causes it or the Fund to be subject to the aforementioned requirements, the Manager (or any other material advisor) will, and will cause the Fund to, fully comply with such requirements. Prospective investors should consult with their tax advisors regarding the applicability of these rules to their investment in the Fund.

**Certain United Kingdom Tax Considerations**

Each of the Fund and the Master Fund has been organized outside of the U.K. The Manager intends to conduct the affairs of the Fund (and the directors of the Master Fund intend to conduct its affairs) in such a way that the central control and management of each of the Fund and the Master Fund is situated outside of the U.K. for U.K. tax purposes. On that basis, none of the Fund or the Master Fund is resident in the U.K. for U.K. tax purposes.

Amaranth provides discretionary investment management services to the Fund and the Master Fund in the U.K. Generally, a discretionary investment manager in the U.K. managing Investment Assets of a non-U.K. fund would be regarded under U.K. domestic law as constituting a permanent establishment of that fund in the U.K. to the extent that such investment manager acts on behalf of that fund and has and habitually exercises authority to do business on behalf of that fund in the U.K. A non-U.K. fund trading in the U.K. through a permanent establishment would generally be subject to U.K. corporation tax at rates up to (currently) 30% in respect of its chargeable profits attributable to the U.K. permanent establishment. This general rule is subject to the U.K. domestic law "investment manager" exemption. Where the conditions of the investment manager exemption are satisfied, the U.K. investment manager is not regarded as constituting a permanent establishment of the non-U.K. fund in the U.K.
With regard to the Fund and the Master Fund, two key aspects of the investment manager exemption are firstly that Amaranth must act on behalf of the Fund or Master Fund in an "independent" capacity and secondly that the requirements of the "20% rule" are met.

Amaranth intends to conduct the affairs of each of the Fund and Master Fund in such a way that the independence test will be satisfied in respect of the Fund and Master Fund. However, some of the factors which dictate whether Amaranth falls within the independence test safe harbors are outside of the Manager's control. The 20% rule will be satisfied in respect of the Fund and the Master Fund because persons other than persons connected with Amaranth are directly or indirectly beneficially entitled to 80% or more of the chargeable profits of the Fund and the Master Fund.

The Fund and the Master Fund may be liable to U.K. income tax in respect of U.K. source income where such tax is deducted at source.

Certain Singapore Tax Considerations

A portion of the assets of the Fund and the Master Fund is actively managed by Amaranth in Singapore. Generally, a discretionary investment manager in Singapore managing funds for a foreign fund would be regarded as constituting the fund's permanent establishment in Singapore, under domestic regulations in the absence of any double tax treaty or an exception under Singapore's Income Tax Act and its regulations. The Monetary Authority of Singapore has announced, in a circular released in 2002, that specified income derived by a foreign investor from specified investments managed by any fund manager in Singapore will be exempt from tax in Singapore with effect from May 3, 2002. Therefore, Amaranth does not expect a material portion of the income of the Fund or the Master Fund to be exposed to income tax in Singapore, provided the Fund and the Master Fund qualify as foreign investors under the Singapore tax regulations.

As a result, the Fund and the Master Fund are restricted as to the amount of funds they can accept from persons that are treated as a Singapore tax residents or otherwise as not being investors foreign to Singapore. For this purpose the definition of the term "foreign investor" excludes those that — (i) have a permanent establishment in Singapore (other than a fund manager), (ii) carry on business in Singapore, (iii) beneficially own more than 20% of a Singapore company's issued capital, or (iv) have 20% or more of their issued share capital beneficially owned, directly or indirectly by a company falling in categories (i) to (iii) above, unless approval is obtained from the Singapore Ministry of Finance.

Certain Canadian Tax Considerations

A portion of the assets of the Fund and the Master Fund is actively managed by Amaranth in Canada ("Canadian Advisor"). Although there may be a risk that this activity in Canada could result in the Fund or the Master Fund being considered to carry on business in Canada and to thereby become subject to Canadian income tax on income from this activity, the Canadian tax rules provide that neither the Fund nor the Master Fund will be treated as carrying on business in Canada provided that the Canadian Advisor limits its activity to the provision of "designated investment services" as defined in the Canadian tax rules. Amaranth intends that the activity of the Canadian Advisor will be limited to the provision of "designated investment services" to the Fund and the Master Fund, and Amaranth intends that it will not otherwise cause the Fund or the Master Fund to be considered to carry on business in Canada. However, the meaning of "designated investment services" and the interpretation of the Canadian tax rules is
not clear in some circumstances. In the event that Canadian tax authorities were to conclude either (i) that the activity of the Canadian Advisor amounts to the Fund or Master Fund carrying on business in Canada and does not fall within “designated investment services” or (ii) that the Fund or the Master Fund otherwise carries on business in Canada independently of the Canadian Advisor, the Fund or the Master Fund would be subject to Canadian income tax on net income attributable to its business carried on in Canada.

The Fund or the Master Fund May be Subject to Net Income Tax in Certain Jurisdictions

Amaranth may determine that it is in the best interests of the Fund for the Fund or the Master Fund to be subject to net income tax in certain jurisdictions due to the perceived profit potential of certain transactions justifying the Fund or the Master Fund participating even on an after-tax basis.

Other Jurisdictions

Dividends and certain types of interest income on various Investment Assets held by the Fund or the Master Fund will be subject to withholding tax at their source. Certain gains earned by the Fund or the Master Fund on its investments in various jurisdictions outside the United States or the Cayman Islands may also be subject to tax in such jurisdictions. The Fund or the Master Fund may make investments on a global basis. The activities of the Fund, the Master Fund and/or the Manager and its Affiliates could subject the Fund (and, potentially, certain Members) to tax in one or more jurisdictions. Any such tax could apply to all Fund income, not only that derived from the jurisdiction asserting such tax.

EACH PROSPECTIVE INVESTOR SHOULD CONSULT WITH AND MUST RELY ON SUCH PROSPECTIVE INVESTOR’S OWN TAX ADVISERS REGARDING THE TAX CONSEQUENCES OF INVESTING IN THE FUND.
INVESTMENTS BY EMPLOYEE BENEFIT PLANS

General

The following section sets forth certain consequences under the Employee Retirement Income Security Act of 1974 (“ERISA”), and the Code which a fiduciary of an “employee benefit plan” as defined in and subject to ERISA or of a “plan” as defined in and subject to Section 4975 of the Code who has investment discretion should consider before deciding to invest the plan’s assets in the Fund (such “employee benefit plans” and “plans” being referred to herein as “Plans,” and such fiduciaries with investment discretion being referred to herein as “Plan Fiduciaries”). The following summary is not intended to be complete, but only to address certain questions under ERISA and the Code that are likely to be raised by the Plan Fiduciary’s own counsel.

In general, the terms “employee benefit plan” as defined in ERISA and “plan” as defined in Section 4975 of the Code together refer to any plan or account of various types which provides retirement benefits or welfare benefits to an individual or to an employer’s employees and their beneficiaries. Such plans and accounts include, but are not limited to, corporate pension and profit-sharing plans, “simplified employee pension plans,” KEOGH plans for self-employed individuals (including partners), individual retirement accounts described in Section 408 of the Code and medical benefit plans.

Each Plan Fiduciary must give appropriate consideration to the facts and circumstances that are relevant to an investment in the Fund, including the role an investment in the Fund plays in the Plan’s investment portfolio. Each Plan Fiduciary, before deciding to invest in the Fund, must be satisfied that investment in the Fund is a prudent investment for the Plan, that the investments of the Plan, including the investment in the Fund, are diversified so as to minimize the risks of large losses and that an investment in the Fund complies with the governing documents of the Plan and related trust.

EACH PLAN FIDUCIARY CONSIDERING ACQUIRING AN INTEREST MUST CONSULT ITS OWN LEGAL AND TAX ADVISERS BEFORE DOING SO.

Restrictions on Investments by Benefit Plan Investors

A regulation issued under ERISA contains rules for determining when an investment by a Plan in an entity will result in the underlying assets of the entity being assets of the Plan for purposes of ERISA and Section 4975 of the Code (i.e., “plan assets”). Those rules provide that assets of an entity will not be plan assets of a Plan that purchases an interest therein if the investment by all “benefit plan investors” is not “significant” or certain other exceptions apply. The term “benefit plan investors” includes all Plans (i.e., all “employee benefit plans” as defined in and subject to ERISA and all “plans” as defined in and subject to Section 4975 of the Code); all “employee benefit plans” and “plans” as defined in but not subject either to ERISA or Section 4975 of the Code; and all entities that hold “plan assets” due to investments made in such entities by already described benefit plan investors. In addition, all or a portion of an investment made by an insurance company using assets from its general account may be treated as a benefit plan investor. Investments by benefit plan investors will be deemed not significant if benefit plan investors own, in the aggregate, less than 25% of the total capital of each class of equity interests of the entity (determined by not including the investments of persons with discretionary authority or control over the assets of such entity, of any person who provides investment advice for a fee (direct or indirect) with respect to such assets, and “affiliates” (as defined in the regulations...
issued under ERISA) of such persons; provided, however, that under no circumstances are investments by benefit plan investors excluded from such calculation).

In order to avoid causing the assets of the Fund to be “plan assets,” the Manager intends to restrict the aggregate investment by benefit plan investors to under 25% of the total capital of each Class of Interest — not including any investments of Amaranth, any person who provides investment advice for a fee (direct or indirect) with respect to the assets of the Fund, and any entity (other than a benefit plan investor) that is directly or indirectly through one or more intermediaries controlling, controlled by, or under common control with any of such entities (including an entity for which Amaranth provides investment advice), and each of the principals, officers, and employees of any of the foregoing entities who has the power to exercise a controlling influence over the management or policies of such entity or of the Fund. Furthermore, because the 25% test is ongoing, it not only restricts additional investments by benefit plan Members, but also can cause the Fund to require that existing benefit plan Members make Withdrawals in the event that other Members do so. If rejection of Capital Contributions or such required Withdrawals are necessary, as determined by the Manager, to avoid causing the assets of the Fund to be “plan assets,” the Manager will effect such rejections or Withdrawals in such manner as the Manager, in its sole discretion, determines.

Ineligible Investors

In general, Interests may not be acquired with the assets of a Plan if any Manager Party, the Members’ Representative, any person who introduces prospective investors to the Fund, any of their respective Affiliates or any of their respective employees either: (i) has investment discretion with respect to the investment of such plan assets; (ii) has authority or responsibility to give or regularly gives investment advice with respect to such plan assets, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such plan assets and that such advice will be based on the particular investment needs of the Plan; or (iii) is an employer maintaining or contributing to such Plan. A party that is described in clause (i) or (ii) of the preceding sentence is a fiduciary under ERISA and the Code with respect to the Plan, and any such purchase might result in a “prohibited transaction” under ERISA and the Code.

Except as otherwise set forth, the foregoing statements regarding the consequences under ERISA and the Code of an investment in the Fund are based on the provisions of the Code and ERISA as currently in effect, and the existing administrative and judicial interpretations thereunder. No assurance can be given that administrative, judicial, or legislative changes will not occur that may make the foregoing statements incorrect or incomplete.

ACCEPTANCE OF CAPITAL CONTRIBUTIONS ON BEHALF OF PLANS IS IN NO RESPECT A REPRESENTATION BY AMARANTH, ANY MANAGER PARTY, THE FUND OR ANY OTHER PARTY RELATED TO THE FUND THAT THIS INVESTMENT MEETS THE RELEVANT LEGAL REQUIREMENTS WITH RESPECT TO INVESTMENTS BY ANY PARTICULAR PLAN OR THAT THIS INVESTMENT IS APPROPRIATE FOR ANY PARTICULAR PLAN. THE PERSON WITH INVESTMENT DISCRETION SHOULD CONSULT WITH HIS OR HER ATTORNEY AND FINANCIAL ADVISERS AS TO THE PROPRIETY OF AN INVESTMENT IN THE FUND IN LIGHT OF THE CIRCUMSTANCES OF THE PARTICULAR PLAN.
SUBSCRIPTION PROCEDURE

The minimum initial investment is $10,000,000 to the Annual Liquidity Interests and $10,000,000 to the Four-Year Liquidity Interests, although the Manager may waive these minimum investment requirements. The Manager reserves the right to reject any Capital Contribution in whole or in part as well as to terminate, suspend or postpone the offering of the Interests at any time without notice.

General

The Manager will generally accept Capital Contributions, and all Capital Contributions are generally due, as of the first day of each calendar month (each, a “Dealing Day”). However, the Manager may accept or reject Capital Contributions at any time, provided that any Capital Contribution which is not received by the end of the fifth (5th) Business Day of the Accounting Period as of the beginning of which such Capital Contribution is due will be rejected, and the defaulting subscriber will be responsible for compensating the Fund for any losses sustained by it in connection with such default.

All Subscription Agreements are subject to acceptance by the Fund.

The Interests are offered by the Fund. Neither the Fund nor any Manager Party receives commissions or other compensation from the sale of Interests. Capital Contributions may be subject to a placement fee (disclosed to the subscriber in advance). In addition, Amaranth reserves the right to pay placement and/or referral fees (both initial and ongoing) to persons who introduce subscribers.

In order to subscribe for an Interest, a properly completed Subscription Agreement in the form provided to investors by the Fund (if an investor is making an initial Capital Contribution) must be received and accepted by the Manager prior to the beginning of the relevant Accounting Period. Procedures and requirements for the delivery of Subscription Agreements and Capital Contributions to the Fund are contained in the Subscription Agreement or will otherwise be provided to investors by the Fund. All Subscription Agreements, once submitted, are irrevocable.

Investors whose Subscription Agreements are accepted will not be credited with any interest earned on Capital Contributions received prior to the issuance of their Interests; rather, any such interest will become a general asset of the Fund (attributable pro rata to both Classes, irrespective of the Class for which the Capital Contribution was submitted). If a Subscription Agreement is rejected, any Capital Contribution tendered will be promptly returned to the subscriber, without interest. Investors should not transmit their Capital Contributions until the Manager has confirmed the acceptance of their respective Subscription Agreements.

Capital Contributions must be made in cash, unless the Manager permits Capital Contributions to be made in Investment Assets, in which case such Capital Contributions will be valued at the fair market value, as determined by the Manager in accordance with the valuation principles described in the Section of this Memorandum entitled “Net Asset Value; Designated Investments,” of the contributed Investment Assets as of the beginning of the respective Accounting Periods as of which such Capital Contributions are effective.
If, in the opinion of the Manager, the Fund’s investment of the proceeds of a Capital Contribution will cause the Fund to incur brokerage commissions or other charges, the Fund may charge the estimated amount of such commissions or charges to the Capital Account balance attributable to such Capital Contribution. The Fund has not to date assessed any such commissions or charges.

Possible Offering Restrictions

The Manager may, from time to time, determine to restrict the issuance of the Interests of either or both Classes, to issue only Interests of one Class or to suspend the offering of either or both Classes altogether. No investor should subscribe for an Interest in reliance on such investor’s ability to make additional Capital Contributions to either Class in the future.

In an effort to ensure a continuing, stable investor base, the Manager may determine to institute a “hard” or “soft” closing of the Fund to new Capital Contributions using any method adopted by the Manager in its sole discretion. For example, the Manager may require that additional Capital Contributions from investors holding Interests comprising a significant portion of the Fund’s Gross Asset Value be made solely as Four-Year Liquidity Capital Contributions. The Manager may from time to time adjust any such procedures as market conditions and/or investment opportunities warrant.

No Alteration of Subscription Agreement

No attempt to revise, delete, strike, sticker or otherwise modify the text of the Subscription Agreement will be accepted, and any attempt by a prospective investor or anyone acting on behalf of a prospective investor to modify the Subscription Agreement will be void. Only such changes as may be expressly agreed upon by the Fund and Amaranth in a separate written instrument executed by the Fund and Amaranth will be valid. By submitting a Subscription Agreement, each prospective investor consents to the Fund accepting such Subscription Agreement on the basis that any changes proposed by the prospective investor to such Subscription Agreement are null and void.
GENERAL

The following, when describing the provisions of the Limited Liability Company Agreement, only summarizes such provisions, which are detailed and the terms of which are controlling.

Material Contracts

The following material contracts ("Material Contracts") relate to the operation of the Fund. These contracts may be inspected (without charge) during normal business hours at the Manager's office in Greenwich, Connecticut. Prospective investors are urged to carefully review the Material Contracts in their entirety.

- Subscription Agreement between the Fund and each Member.
- Restated Articles of Association of the Master Fund.
- Amended and Restated Administrative Services Agreement between the Fund and Amaranth Group dated as of June 1, 2004.

This Memorandum and any supplement to it, any interim financial statements and the audited financial statements of the Fund are also available for inspection and copying by prospective investors as well as existing Members at the Manager's office (subject to customary undertakings of confidentiality). All Members will be conclusively presumed to have consented to the Material Contracts and this Memorandum by subscribing for an interest.

Confidentiality; No Solicitation

Each Member agrees that such Member will not distribute any information regarding Amaranth or the Fund's investment activities without the express written approval of the Manager and that such Member's investment in the Fund, as well as all information concerning Amaranth and the Fund, including the performance of such Member's investment and the Fund, must be maintained on a strictly confidential basis.

Each Member agrees that such Member and its Affiliates and related parties will not, directly or indirectly, solicit, suggest, induce or encourage any current or former officer or employee of Amaranth to seek employment or business opportunities elsewhere or not to devote such person's full and undivided business time to such person's activities as an officer or employee of Amaranth. Each Member also agrees not to permit the hiring of any current or former officer or employee of Amaranth by any other investment firm if such investment firm is incubated or "seeded" by the Member and/or its Affiliates and related parties if such current or former officer or employee acts as a portfolio manager or trader.

Optional Limitation on Voting Rights and/or Proportionate Shares

The Limited Liability Company Agreement permits investors who wish to do so, or are prohibited by law (for example, the Bank Holding Company Act) from holding Voting Rights and/or Proportionate Shares in excess of specified levels to limit their Voting Rights and Proportionate Shares (in the aggregate, in respect of each Class considered separately). Voting
Rights waived by a Member will reduce the aggregate number of Voting Rights outstanding. Maintaining a limit on a Member’s Proportionate Share will involve required Withdrawals or non-pro rata Distributions. Such required Withdrawals or non-pro rata Distributions will not be subject to, or used in calculating, the Gate, and will not be subject to any Withdrawal fee.

Amendments

The Limited Liability Company Agreement may be amended with the consent of the Manager and the vote of Members holding more than 50% of the outstanding Voting Rights (or of the affected Member); provided, that no amendment may reduce the Capital Account balance of any Member, without the prior written consent of such Member, adversely affect the limited liability of the Members under Law or cause the Fund not to be treated as a partnership under the Code (unless doing so would increase the net after-tax return of the Fund’s trading to investors).

The written or affirmative consent of Members is not required; either “negative consent” by failure to object in writing after 20 days’ notice of a proposed amendment, or “implied consent” by failure to make a complete Withdrawal after the Manager gives such Member notice of a proposed amendment and an opportunity to make a complete Withdrawal without imposition of any Withdrawal fee, is sufficient to constitute consent.

The Limited Liability Company Agreement may be amended on the basis of the consent of certain Members who are permitted to opt not to be bound by the terms of the amendment (which Members’ Capital Accounts may subsequently be Distributed to them on a non-pro rata basis over time).

The Manager may, without the consent of the Members, modify or amend any provision of the Limited Liability Company Agreement in order to correct errors and ambiguities, to avoid an Impermissible Event, for Law or tax reasons as well as to make any change not materially adverse to the interests of the Members as a whole.

Prior Period Items

In the event that the Fund at any time becomes subject to a liability or loss (or series of related liabilities or losses) which relates to a prior Accounting Period and which exceeds 2.5% of the Net Asset Value of the Fund as of the date that such liability or loss becomes due (other than items specifically associated with a Member), the Manager will use reasonable efforts to allocate such liability or loss in part or entirely to the persons (or the transferees of the persons) who were Members in the prior period with respect to which the liability or loss relates (including former Members). If the Manager is unable to collect any portion of the liability or loss, or such liability or loss is below the 2.5% threshold, such amount will be allocated among the current Members, irrespective of whether they were Members during the prior period to which such liability or loss relates. No Member shall be liable for Prior Period Items in any amount exceeding such Member’s investment in the Fund, plus any amounts previously distributed to, or withdrawn by, such Member (without interest).

Reports

The Fund will furnish to each Member a report of the Fund’s estimated performance as soon as practicable after the end of each month, as well as an estimate of the increase or decrease in such Member’s Capital Account (separately reporting the Net Asset Value of such Member’s Annual Liquidity Interest and Four-Year Liquidity Interest) during the preceding month, and such
other information as the Manager may deem appropriate. As soon as practicable after the end of each Fiscal Year, the Fund will furnish to each Member a report as of the end of that Fiscal Year, and will include the following information: (i) the audited balance sheet and income statement of the Fund; (ii) the Member’s closing Capital Account balance with respect to both Classes of Interests; (iii) the percentage change in the Net Asset Value of such Member’s Interest(s) during the latest Fiscal Year; and (iv) a copy of Schedule K-1 to the Fund’s federal income tax return for the preceding Fiscal Year, in a form sufficient to enable that Member to determine its share, for federal, state and local income tax purposes, of all items of Fund income, gain, loss, deduction, preference and credit.

Because the positions and strategy of the Fund are complex and preparing financial statements and tax returns may depend upon information from third parties, the Fund may not be able to deliver to the Members financial statements and Schedule K-1 to the Fund’s federal income tax return before the time that Members are otherwise required to file their federal, state and local income tax returns without extensions. Therefore, Members may need to obtain one or more extensions of time to file their tax returns.

Availability of Documents

The description and summaries of documents in this Memorandum do not purport to be complete; investors should refer to the actual documents for a complete statement and to understand their terms and conditions.

Access to Information

The Manager invites each prospective Member to meet with the Manager to discuss a potential investment in the Fund.

The Manager will answer all reasonable inquiries from prospective investors or their representatives concerning the Fund, the Manager and other matters related to the offering of the Interests; provided, that the Manager will not disclose any confidential or proprietary information, including information concerning the Manager’s proprietary investment techniques and the identity of any investors in the Fund or other Manager Clients.

Investor Suitability Standards

Investors in the Fund must be “accredited investors,” as defined in Regulation D under the Securities Act of 1933, and “qualified purchasers,” as defined in the Investment Company Act. Each prospective investor must represent and warrant in its Subscription Agreement that, among other things, such prospective investor has reviewed and understands the risks of an investment in the Fund and has the financial knowledge and experience to evaluate such investment. In addition to being financially sophisticated, each prospective investor must be able to bear the substantial risks of an investment in the Fund, including the loss of an entire investment.

PROSPECTIVE INVESTORS MUST CONSULT THEIR OWN TAX, LEGAL AND FINANCIAL ADVISERS WITH RESPECT TO THEIR INDIVIDUAL CIRCUMSTANCES AND THE SUITABILITY OF AN INVESTMENT IN THE FUND.
Money Laundering Prevention

Federal regulations and executive orders administered by the Treasury Department's Office of Foreign Assets Control ("OFAC") prohibit, among other things, the engagement in transactions with, and the provision of services to, certain foreign countries, territories, entities and individuals. The lists of OFAC prohibited countries, territories, persons and entities can be found on the OFAC web site at www.treasury.gov/ofac. Each prospective investor must represent and warrant in the Subscription Agreement that, among other things, neither the prospective investor, nor any person controlling, controlled by, or under common control with, the prospective investor, nor any person having a beneficial interest in the prospective investor, or for whom the prospective investor is acting as agent or nominee in connection with its investment in the Fund, is a country, territory, person or entity named on an OFAC list, or is a person or entity that resides or has a place of business in a country or territory named on such lists. The Manager is not required to accept any investment from an investor if it cannot make the representation described in the preceding sentence.

In addition to OFAC restrictions, prospective investors and Members may be required to provide other information and documentation requested by the Fund or Amaranth to comply with anti-money laundering laws and regulations as well as, possibly, comparable laws and regulations in other jurisdictions. This is an evolving area of the law, and the full extent of the disclosures which may be requested cannot be predicted.
LEGAL AND ACCOUNTING MATTERS

Sidley Austin LLP has acted as counsel for Amaranth in connection with the preparation of this Memorandum. Sidley Austin LLP may continue to advise Amaranth on matters relating to the operation of the Fund — including, without limitation, on matters relating to Amaranth's fiduciary obligations to Members — on an ongoing basis.

Ernst & Young LLP serves as the independent certified public accountants for the Fund.

The Members have not been represented by separate counsel or other advisers or agents in negotiating the business terms of the Fund or of this offering of the Interests.
## APPENDIX

**AMARANTH PARTNERS LLC**  
**PERFORMANCE SUMMARY FOR ANNUAL LIQUIDITY INTERESTS**  
*(The performance history for Four-Year Liquidity Interests, which are subject to a lower percentage Profit Allocation, will differ.)*

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<th>Rate of Return for Period</th>
<th>Year to Date Return</th>
<th>Beginning of Month Capital</th>
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<td>1.77%</td>
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AMARANTH PARTNERS LLC
PERFORMANCE SUMMARY FOR ANNUAL LIQUIDITY INTERESTS
(cont.)

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AMARANTH PARTNERS LLC
PERFORMANCE SUMMARY FOR ANNUAL LIQUIDITY INTERESTS
(cont.)

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<td>(0.08)%</td>
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<td>0.66%</td>
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<tr>
<td>April-05</td>
<td>(2.18)%</td>
<td>(1.54)%</td>
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<tr>
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<td>(1.80)%</td>
<td>(3.31)%</td>
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Past results are not necessarily indicative of future performance. All returns are net to the Members (after all operating expenses and transaction costs, as well as the Manager Allocations and Profit Allocations). The returns above include any income from “new issues” (formerly “hot issues”), as defined in the regulations of the National Association of Securities Dealers, Inc. Particular Members' returns will vary from the returns of the Fund due to the timing of Capital Contributions and Withdrawals, a Member's eligibility to receive income from “new issues” and/or certain non-U.S. futures contracts, etc.

The Monthly Rates of Return from September 2000 through December 2004 have been audited, but those for 2005 are currently unaudited. The audited annual and unaudited interim financial statements of the Fund are available upon request. Performance information that is unaudited is subject to adjustment.

The Monthly Rates of Return are those of Annual Liquidity Interests which are subject to a 20% Profit Allocation, rather than the 15% Profit Allocation attributable to the Four-Year Liquidity Interests.

The Annual Liquidity Interests and Four-Year Liquidity Interests are subject to the same Manager Allocations, which are reflected in the Monthly Rates of Return.
THE INTERESTS HAVE BEEN PRIVATELY OFFERED AND CANNOT BE TRANSFERRED WITHOUT THE CONSENT OF THE MANAGER AND COMPLIANCE WITH APPLICABLE SECURITIES LAW EXEMPTIONS.

AMARANTH PARTNERS L.L.C.

FOURTH AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

Dated as of March 1, 2003

AMARANTH ADVISORS L.L.C.
Manager
AMARANTH PARTNERS L.L.C.

FOURTH AMENDED AND RESTATED
LIMITED LIABILITY COMPANY AGREEMENT

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