

January 9, 2007

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Dear Investor:

As the New Year begins, I wanted to take the opportunity to update you on the status of the Amaranth multi-strategy funds (the "Funds"). In addition, I thought it important at the outset to give you my personal assurances that my top priority remains the continued disposition of the Funds' investments and distribution of capital to investors, as appropriate.

Sale of Portfolio Positions. During the fourth quarter of 2006, favorable market conditions allowed us to successfully exit a large portion of the portfolio positions that existed on September 30, 2006 at prices that reflected, in our view, a fair approximation of their aggregate value. At the beginning of the quarter, the Funds had approximately \$2.25 billion of notional exposure remaining, excluding Designated Investments. As of year end, the Funds had approximately \$170 million in notional exposures--over a 90% reduction. This reduction was accomplished without a major negative impact to NAV: for the quarter, our net loss for Amaranth International Limited, Amaranth Partners LLC and Amaranth Capital Partners LLC was roughly 1.1%, 2.3%, and 0.8%, respectively). We believe that the negative impact on NAV would have been more pronounced had the Funds not suspended redemptions in order to allow sufficient time for an orderly sale process.

Mandatory Redemptions/Withdrawals. During the quarter, almost 55% to 60% of the Funds' capital as of September 30, 2006, excluding Designated Investments, was returned to investors through mandatory redemptions and mandatory withdrawals. These transactions have been and will be reflected on each investor's monthly statement. Given the nature of the transactions and other practical considerations, separate contract notes will not be issued.

Remaining Investments. The issues we face in disposing of the remaining positions in the Funds' General Accounts (i.e., the remaining assets other than Designated Investments) are more complicated, and I will describe them here in more detail.

- a. Real Estate Investment. The largest remaining investment in notional terms is a \$45 million real estate joint venture investment. When we made this investment, we negotiated a "put" right enabling the Funds to require one of our joint venture partners to repurchase our interest in this investment during the first half of 2007. If we are unable to obtain more attractive pricing in the market, we intend to cause the Funds to

exercise this put right. Assuming our joint venture partner satisfies its obligations under the put in a timely fashion, this will significantly reduce the remaining notional exposure. This investment is currently valued at the “put” price.

- b. Litigation Claims. The next biggest category of exposure arises from situations where the Funds are pursuing litigation claims against several issuers of securities held by the Funds over the years. The Funds’ exposure in this category is approximately \$40 million (and also represents the vast majority of our short notional exposure). These lawsuits were not commenced as part of a litigation-oriented investment strategy, but rather to protect the Funds’ rights under the terms of the various investments. We believe it is in the best interests of the Funds to continue to pursue these claims. These positions are valued at amounts significantly below the potential proceeds of a successful outcome because, as with all litigation, there is some probability that the courts will not grant the relief sought by the Funds.
- c. Restricted Positions. The remaining \$85 million of exposure is derived from positions that cannot currently be sold due to various legal and regulatory restrictions (e.g., required holding periods and resale registration statements in progress) or lack of trading liquidity. As time passes, we anticipate that these conditions will ease, allowing these assets to be sold. In any event, some of these restricted investments will mature over the next year or so and thus will not need to be sold. To put this group of positions in context, this exposure represented less than 1% of the Funds’ peak NAV.

Designated Investments. Each Fund’s portfolio still includes a small number of “side pocket” or Designated Investments (“DI”). Because investors had the right to “opt-out” of DIs at the time of their initial subscription, these DIs are not applicable to all investors. For Amaranth Partners, there are two investments in oil & gas producing assets in the United States. One of the two has been sold, and we hope to have an agreement in place to sell the other property by the end of the first quarter. For Amaranth Capital Partners and Amaranth International Limited, the DIs include private equity investments in financial services companies in the U.S. and India and in a reinsurance company, as well as a reinsurance “side-car” investment. These investments remain to be liquidated, and we believe that if we were to attempt to sell these positions now, the market would not appropriately recognize their full value. As such, we plan on holding onto these investments for the near term and retaining the services of certain Amaranth portfolio managers to ensure continuity in the process of monitoring and liquidating these investments.

Fortress. I wanted to take a moment to thank Fortress for their help and assistance--they have been instrumental in the process of ensuring an orderly and fair disposition of the positions. Our contract with them expires on January 31<sup>st</sup>, and we both agree the small

number of remaining investments will not warrant their continued participation beyond the original term of the contract.

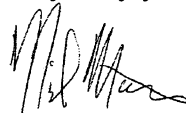
Reserves. As many of you are aware, the Funds have significant reserves to cover contingent, uncertain or other potential liabilities. Currently, the single largest reserve as of year-end is for leasehold obligations, which approximate \$40 million. We have entered into term sheets to dispose of three of our largest remaining leases, specifically in Greenwich, Toronto and Singapore. If we are able to successfully complete these transactions, a significant portion of the \$40 million of reserves will be reversed, with a corresponding increase in NAV. We continue to work on disposing of the minor leases that remain. One source of reserves that could be established in the future is anticipated indemnification expenses. Although no litigation against the Funds or any party indemnified by the Funds has been commenced, we continue to evaluate the need for, and magnitude of, potential indemnification-related reserves.

Personnel. Many of you have asked about the number of remaining personnel. We have retained nearly 30 employees (down from around 420 employees at our peak) through the end of the first quarter of 2007. The remaining personnel are primarily concentrated in technology, accounting and legal. Needless to say, even after the remaining Amaranth personnel depart at the end of the first quarter, I will continue to oversee whatever efforts are needed to dispose of all investments and distribute all remaining capital, as and when appropriate, and I will secure whatever assistance is necessary through the use of consultants and other professional advisors to help me accomplish this.

Further Distributions. We anticipate another round of significant mandatory redemptions/withdrawals during the first quarter, after which there will be a small remaining capital balance in your General Account and, for participating investors, the DIs.

As always, if you have any questions, please feel free to contact us at +1 (203) 422-3333 or [investorrelations@amaranthllc.com](mailto:investorrelations@amaranthllc.com). Also, Jim Glynn, our CFO, will be available for questions at (203) 422-3310.

Very truly yours,



Nick Maounis