GREENLIGHT

July 26, 2016

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned (2.6)%,[1] net of fees and expenses, in the second quarter of 2016, bringing the year-to-date net return to 0.4%. During the second quarter, the S&P 500 index returned 2.5%, bringing its year-to-date return to 3.8%.

For the last couple centuries populations have celebrated the phrase "The British Are Leaving!" In our view, Brexit by itself will not be a significant economic event. Sure, there will be a handful of companies that suffer idiosyncratic issues, but the U.K. economy is simply not big enough for even a devalued British pound to have a large direct impact on global trade.

However, the mere pretense of an event is likely sufficient to entice the global monetary authorities into serving up a fresh course of Jelly Donuts. The Federal Reserve put itself on hold ahead of the vote, so it shouldn't be a surprise if the "leave" vote takes tightening off the table for some time. Other central banks have made various promises to double down on their failing policies as they deem appropriate. Government bond prices have soared, as the market senses that a global monetization of large amounts or even all government debt may be in our future.

The scent of more Jelly Donuts also sent gold prices up from $1,231 to $1,324 an ounce, making gold and gold stocks our largest winners during the quarter. CONSOL Energy was our other significant winner, fueled by a partial recovery in natural gas prices and continued strong well performance. The shares rose 43% and ended the quarter at $16.09.

Most of the quarterly losses came from the short book. An undisclosed oil fracking short (not the Mother-Fracker) was our biggest loser, followed by Amazon, which reported a stronger quarter than we expected.

In the long book, Apple (AAPL) and Macy's were material losers. The earnings estimates for AAPL continue to fall. We mitigated our loss by trading AAPL well – though the stock is down about 9% for the year, we have been nearly break-even on the position in 2016. We sold Macy's for a loss after the company announced a significant reduction in full-year 2016 guidance. This announcement invalidated our thesis that 2016 earnings would benefit from easy comparisons later in the year. We exited the position at $32.08.

In July 2015, DuPont spun off its titanium dioxide (TiO_2) and fluoroproducts businesses into Chemours (CC), which opened at $16 before collapsing (along with TiO_2 prices) to $3 a share in January. We began buying in Q4 2015, believing that TiO_2 prices were at or near the bottom. As the market caught up to our thinking, the shares began a rapid recovery, and we held an incomplete position.

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[1] Source: Greenlight Capital. Please refer to information contained in the disclosures at the end of the letter.

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In June, a short recommendation achieved widespread publicity and caused the shares to temporarily retreat, enabling us to complete purchasing our stake at attractive prices. The report posited that DuPont created CC to offload environmental remediation costs and a sizable litigation backlog over a discontinued product that would cost the company an estimated $5 billion. Calling CC a company that had been “designed to fail,” the report warned that the company would collapse under a pile of debt, environmental liabilities, and especially legal liabilities.

We see an obvious flaw in this analysis: DuPont remains the primary defendant in all the litigation (it has an indemnification from CC) such that bankrupting CC would not relieve it of liability. We enquired directly about the $5 billion estimate, and the author of the report acknowledged there was no math to justify the figure. After considerable work and engaging our own outside experts, who estimate the liability to be only several hundred million dollars, we believe CC’s debt and legal liabilities are manageable.

CC should benefit from the continued recovery of TiO_2 prices. Further, EU regulations are driving adoption of CC’s next-generation refrigerant Opteon, which should increase fluoroproducts profits. Lastly, management can reduce costs and shutter unprofitable businesses now that the company is independent of DuPont. We expect the stock to appreciate as investors refocus on the earnings power of the business, which we think will approach $2.00 in 2017. Our overall average purchase price is $6.58 and CC ended the quarter at $8.24.

On July 3, the Market Abuse Regulation for the European Union (“EU MAR”) went into effect. Among its dozens of provisions, it sets forth uniform regulations throughout the EU regarding insider dealing and market manipulation, but it remains to be seen how local regulators will ultimately interpret and enforce many of its conflicting and ambiguous provisions. Having studied EU MAR and obtained expert advice, we have decided on a cautious approach. In short, we’ll be saying little or nothing about new positions in issuers that are subject to EU MAR for the time being. Accordingly, while we would ordinarily now discuss a new large stake in a European life sciences company, we will not do so at this time. Going forward we will of course monitor how regulators and courts interpret and enforce EU MAR, and will further revise our policies as appropriate.

In addition to Macy’s, we closed out several material positions during the quarter.

We sold:

- American Capital Agency for a small gain after the company announced the acquisition of its external manager. Strangely, the market treated this bad news as good news, so we chose to exit.
- Baxter International at a gain when the shares reached our view of fair value.
- Ingram Micro, a small position that earned a good return, which is being acquired by Tianjin Tianhai.
- Oil States International (OIS) without much recovery for what became a bad investment in Civeo, which was spun out from OIS. The stock fell sharply during the oil commodity

rout and then subsequently bounced on an anticipated recovery. We sold rather than waiting to see if the recovery pans out.

We used the dip created in the aftermath of the Brexit vote to cover several short positions:

- Intuitive Surgical at a loss where we overestimated how quickly competition would materialize.
- Under Amour where we took a second shot at shorting last fall. This time it worked better and we earned a nice profit.
- United Rentals, which was a sizable winner over the last couple years, as the rental rates and demand for heavy equipment rentals fell and the company missed estimates.

Amanda Armstrong, one of our executive assistants, left the firm to move to California. She is the third operations person that we have lost in the last four years to the Golden State, following the spirit of Horatio Alger, the Dodgers, Laverne & Shirley, and Kevin Durant. Good luck, Amanda!

We have added two new hires to the operations team. Daniel McCluskey joins the finance team as an assistant controller. Dan is a CPA who graduated from James Madison University and was a Senior Associate at KPMG for the past three years. We now have two Dans, two Andys, two Davids, and two Harrys at Greenlight. We are still searching for our second Vinit. Welcome Dan!

Christine Bosco joins us as an executive assistant. She spent the past 14 years at Caramoor Center for Music and the Arts where she was most recently the Director of Special Events and Facility Rentals. We now have 39 employees at Greenlight, which is still a lot fewer than the 203 people who live in Creston, Nebraska, where Christine grew up. Welcome Christine!

Finally, we opened a new prime brokerage relationship with Wells Fargo.

At quarter-end, the largest disclosed long positions in the Partnerships were AerCap, Apple, CONSOL Energy, General Motors and gold. The Partnerships had an average exposure of 96% long and 69% short.

“We believe Tesla’s most valuable asset may be the trust
it has built with its providers of capital.”

— Adam Jonas (not one of the Jonas Brothers)

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

Unless otherwise noted, performance returns reflect the dollar-weighted average total returns, net of fees and expenses, for an IPO eligible partner for Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., and the dollar interest returns of Greenlight Capital (Gold), L.P. and Greenlight Capital Offshore (Gold), Ltd. (collectively, the "Partnerships"). Each Partnership's returns are net of the modified high-water mark incentive allocation of 10%.

Performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. Each partner will receive individual statements showing returns from the Partnerships' administrator. Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

All exposure information is calculated on a delta adjusted basis and excludes credit default swaps, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and baskets, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of such figures for investments by Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital (Gold), L.P., and Greenlight Capital Offshore (Gold), Ltd. (excluding the gold backing held by the gold interests) and are the result of classifications and assumptions made in the sole judgment of Greenlight.

Positions reflected in this letter do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Greenlight, affecting the Partnerships.