November 5, 2014

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned (3.9)%,[1] net of fees and expenses, in the third quarter of 2014, bringing the year to date net return to 2.2%. By comparison, the S&P 500 index returned 1.1% during the quarter and 8.3% year to date.

It was a frustrating quarter. We lost a small amount on longs, shorts and macro. We had a typical number of individual losers, but an unusually large number of days with small losses: half the trading days ended with us losing less than 50 basis points. We had the unusual experience of going the entire quarter without a day where we made more than 70 basis points. In fact, looking at the quarter's contribution from profitable positions, we haven't had a quarter this thin in about three years; Apple (AAPL) was our only material winner. Prior to Civeo's (CVEO) September 29th news (discussed further below), nothing particularly bad happened; we just got ground down gradually. In such circumstances, it's not obvious what to do other than stay the course and be patient.

AAPL advanced from $92.93 to $100.75. Consumers are enthusiastic about the new phones and services, and our thesis is playing out. AAPL's iOS platform continues to attract new customers while retaining old ones, without commoditizing the margins. The company's stock buyback is adding several percent to EPS growth. AAPL is expected to grow revenues faster than Amazon.com (AMZN) this quarter. Remarkably, AAPL still trades at less than a market multiple.

We added to our exposure of "Bubble Basket" shorts. AMZN's recent disappointment is notable in that for years, the story has been that AMZN isn't profitable because it is growing so fast. Now growth is slowing, but rather than unleashing higher profits, the slower growth is leading to even greater losses. One of the principal bullish assumptions supporting many bubble stocks is, "*the company is growing too fast to be very profitable*." We think AMZN is just one of many stocks for which this narrative will ultimately prove false.

We had three material losers in the quarter:

1. U.S. Steel (X), a short position, rose from $26.04 to $39.17. Earlier this year, X announced that it was having production problems due to a shortage of raw materials. This led to panic ordering by its customers and a spike in hot-rolled steel prices. X capitalized on the spike and announced better-than-expected

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

results and near-term guidance. Given that domestic steel prices are at a near-record spread over foreign steel prices, we believe that imports will arrive shortly, steel prices will retreat, and X's great third quarter will likely be the best result it reports for a long time.

2. We had a loss in Mallinckrodt (MNK), another short position, whose shares advanced from $80.02 to $90.15 after the company completed its acquisition of Questcor. In our last letter, we elaborated on the many problems facing Questcor's H.P. Acthar Gel. These problems persist. We believe that the instant gratification provided by an accretive acquisition proved too tempting for MNK's CEO, blinding the company to the many risks that come along with it.

3. CVEO, the accommodations business that was spun off from Oil States International in June, saw its stock collapse at the end of September. The purpose of the spin-off was to separate this unit so that it could become a leveraged real estate company that would distribute the majority of its cash flows. The exact structure was to be decided by the board of directors in late September, with most investors believing it would convert to a U.S. REIT. Instead, the company reported a substantial operating shortfall and announced that it would redomicile to Canada without changing its existing capital return policy. We believe that the company's strategic decisions need to be re-evaluated and that the current CEO, who has lost credibility in the marketplace, needs to be replaced. CVEO shares fell from $25.03 to $11.61.

We made new medium-sized long investments in CONSOL Energy (CNX) and EMC Corporation (EMC).

CNX owns significant coal and natural gas reserves. Since its legacy is in coal and CNX is covered mostly by coal analysts, its stock has languished along with other coal stocks. However, CNX is transforming itself into a natural gas company. It is investing in shale gas production, while harvesting cash from its operating coal assets and selling its coal reserves. CNX's natural gas production is growing 30% per year, with substantial acreage in the Marcellus and Utica shale formations and some remaining low-cost domestic thermal coal assets. We believe that as analysts recognize CNX's change in asset mix from coal to gas, the shares should re-rate. Our average entry price is $38.88 and CNX shares ended the quarter at $37.86.

EMC is an enterprise storage systems provider with additional operations in software virtualization via a majority ownership stake in publicly traded VMware (VMW), and emerging cloud infrastructure and application development software via a business called Pivotal. These businesses essentially operate as independent companies, but trade as one under EMC's corporate structure, which we believe has caused EMC to trade at a sizable discount to the sum of its parts. Implicitly, the market values EMC's industry leading storage business at less than 5x EBIT, a significant discount to publicly traded storage peers and most enterprise hardware companies. EMC management acknowledges that the combined business trades at a discount and has recently committed to trying to address it in early 2015. Our average entry price is $25.79 and the shares ended the quarter at $29.26.

We closed out a number of positions including the remainder of our short position in Keurig Green Mountain (GMCR). While it would be tempting to write an entire book on our experience with this ultimately unsuccessful short (our average sale was at $47.59 and our average cover was at $67.02; we had many opportunities to trade this position to a successful result, but failed to do so), we will confine ourselves to a few paragraphs.

As many of you recall, GMCR was the subject of our October 2011 presentation titled "GAAP-uccino" at the Value Investing Congress. The gist of our thesis was that the company had engaged in various accounting shenanigans, the market opportunity would prove smaller than the bulls thought, and the 2012 patent expirations on K-cups would attract competition, limiting growth and margins.

As far as we can tell, everything we said about the shenanigans is unrefuted and accurate. In any case, time has passed and these misdeeds are now dated. The SEC spent four years looking into the allegations – or, rather, four years passed between when it opened an investigation and closed it.

Relating to the market opportunity and sales growth, we have been largely correct. The market is now saturated, and sales growth has steadily decelerated the last four years from 95% to 46% to 13% to 7%. 2014 earnings that were implicitly expected to exceed $5.00 per share when we presented, will be closer to $3.80 per share when the dust settles.

However, the core of our thesis was that the company would lose its monopoly position upon expiration of the K-cup patents in 2012, and this has proven to be incorrect. After expiration, there was a raft of competition which, in the short term, took substantial share of the market. In response, GMCR management developed a clever strategy to re-close the system and preserve its monopoly position.

It announced (and recently launched) a new brewer. While GMCR claims that the next generation brewer is for the consumer's benefit, the principal new feature is that it recognizes and refuses to brew coffee from competitors' K-cups. (Ironically, GMCR added the ability to make a full 'carafe' of coffee. For years, GMCR justified the high cost of its K-Cup coffee by promoting the single-serve aspect.) It's hard to see why a consumer would choose the new brewer, which offers fewer coffee choices at higher prices.

Recognizing that its customers are the large retailers rather than consumers, GMCR scared the retailers, advising them that selling incompatible K-cups would lead to user complaints. GMCR then convinced the retailers to pressure competitive brands to buy licenses from GMCR, which they did in order to maintain retail distribution. GMCR won back several private label accounts for the same reason. The result is that GMCR's monopoly is largely restored and our core thesis is defeated. The company recently announced a 9% price increase on November 1. We congratulate the bulls.

We closed out several other positions during the quarter including:

Computer Sciences Corporation (long), bought at $27.89 and sold at $51.04. Starting in early 2012, new management (led by CEO Mike Lawrie) executed a successful turnaround by cutting overhead and selling non-core assets, leading to higher operating margins, better free cash flow and a more shareholder-friendly capital allocation policy. With the shares having appreciated substantially to reflect the much improved performance, we exited our successful multi-year investment.

Tempur Sealy International (long), bought at $39.81 and sold at $59.46. We expected the company would see increased North American revenue, driven by new products, following several quarters of decline. We were also attracted to Tempur's synergy potential from its Sealy acquisition along with the overall benefit from industry consolidation. Our thesis proved correct and we exited as the stock approached fair value.

Bell Alliant (short), sold at CAD 26.53 and covered at CAD 31.24. This was a deteriorating business that was acquired by Bell Atlantic at a small premium.

Galenica AG (short), sold at CHF 914.78 and covered at CHF 836.17. We suspected its new products would not meet lofty market expectations and were proven correct.

Joy Global (short), sold at $66.72 and covered at $62.35. We prefer to be long joy, but in this case we shorted JOY because of our bearish view on Chinese steel production, which we thought would impact global demand for its coal and iron ore mining equipment. We covered at a modest profit because, though earnings declined sharply, investors seemed to be willing to assign higher valuations to industrial companies that are possible M&A targets.

Lululemon Athletica (short), sold at $65.14 and covered at $55.75. The company had many issues during our investment including product quality, marketing, management and competition. Results deteriorated, and the company repeatedly missed expectations.

Under Armour (short), sold at $25.76 and covered at $40.65. This was a busted thesis from 2013 when the company worked through apparent inventory issues. We covered most of it last year but hoped for a better exit for the last piece. We gave up on waiting.

Euler?... Euler?... Euler?... We are pleased to announce that Joe Euler has joined Greenlight Masters as an analyst. Joe previously worked at Novus Partners and Cambridge Associates, where he helped evaluate hedge funds and develop tools to analyze their performance. Joe graduated from Duke University where he majored in marine biology. This should allow him to help us catch some good fish.

Please mark your calendar for our Nineteenth Annual Partner Meeting, scheduled for Tuesday, January 20, 2015. The meeting will be held at the American Museum of Natural History in New York. We will be sending out formal invitations shortly.

At quarter-end, the largest disclosed long positions in the Partnerships were Alpha Bank, Apple, gold, Marvell Technology, Micron Technology, Resona Holdings and SunEdison. The Partnerships had an average exposure of 114% long and 75% short.

"As I hurtled through space, one thought kept crossing my mind - every part of this rocket was supplied by the lowest bidder."

– John Glenn

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 series returns of Greenlight Capital (Gold), L.P. and Greenlight Capital Offshore (Gold), Ltd. (collectively, the "Partnerships"). Each Partnership's returns are net of the standard 20% incentive allocation.

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 returns from the Partnerships' administrator. Reference to an index does not imply that the Partnerships 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, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of 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. 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.

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