

GREENLIGHT CAPITAL RE, LTD.

Form 8-K

September 07, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

August 31, 2010

Date of report (Date of earliest event reported)

GREENLIGHT CAPITAL RE, LTD.
(Exact name of registrant as specified in charter)

Cayman Islands 001-33493 N/A
(State or other (Commission(IRS employer
jurisdiction of file number) identification
incorporation) no.)

65 Market Street,
Suite 1207,
Camana Bay,
P.O. Box 31110,
Grand Cayman,
Cayman Islands
(Address of
principal
executive
offices)

KY1-1205
(Zip code)

(345) 943-4573

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into a Material Definitive Agreement

Greenlight Capital Re, Ltd. (the "Company"), Greenlight Reinsurance, Ltd. ("Greenlight Re"), Greenlight Reinsurance Ireland, Ltd. ("GRIL")¹ and DME Advisors, LP ("DME"), (each a "Participant" and collectively the "Participants"), entered into an amended and restated agreement, effective August 31, 2010, pursuant to which the Participants agreed to create a joint venture for the purpose of managing certain jointly held assets of each of the Participants (the "Agreement"). DME is controlled by David Einhorn, the Chairman of the Company's Board of Directors and the president of Greenlight Capital, Inc. The Agreement amends and restates the agreement dated January 1, 2008 among Greenlight Re, the Company and DME, as amended on February 20, 2009 (the "Prior Agreement").

Pursuant to the Agreement, subject to the investment guidelines adopted separately by Greenlight Re's and GRIL's respective Board of Directors, DME, shall be empowered: (a) to formulate the overall trading and investment strategy of the Participants and (b) to exercise full discretion in the management of the trading and investment transactions and related activities of the Participants.

The term of the Agreement is August 31, 2010 through December 31, 2013. The term of the Prior Agreement was from January 1, 2008 through December 31, 2010. The Agreement renews automatically for successive three-year periods unless at least 90 days prior to the end of the then current term, DME notifies the other Participants, of its desire to terminate the Agreement or any other Participant notifies DME of its desire to withdraw from the Agreement. During the term of the Agreement, neither the Company, Greenlight Re nor GRIL shall engage an investment advisor other than DME (or an affiliate of DME) to manage its investable assets (as defined in the Agreement). Additionally, the Company, Greenlight Re and GRIL have agreed to use commercially reasonable efforts to cause each of their respective current and future subsidiaries to become participants or enter into similar agreements.

DME will receive:

- a monthly payment based on an annual rate of 1.5% of the capital account balance of each Participant; and
- performance allocation based on the positive performance change in such Participant's capital account equal to 20% of net profits calculated per annum, subject to a loss carry forward provision.

The loss carry forward provision allows DME to earn a reduced performance allocation of 10% on profits in any year subsequent to the year in which a Participant's capital account (other than DME) incurs a loss, until all the losses are recouped and an additional amount equal to 150% of the loss is earned. DME is not entitled to a performance allocation in a year in which the investment portfolio incurs a loss.

Each of the Company, Greenlight Re and GRIL has agreed to release DME and its affiliates from, and to indemnify and hold them harmless against, any liability arising out of the Agreement, subject to certain exceptions. Furthermore, DME has agreed to indemnify the Company, Greenlight Re, and GRIL against any liability incurred in connection with certain actions.

The Company, Greenlight Re or GRIL may withdraw as a Participant under the Agreement with at least 90 days notice prior to the end of the then current term and prior to the expiration of the Agreement's term only "for cause," which the Agreement defines as:

- a material violation of applicable law relating to DME's advisory business;

- DME's gross negligence, willful misconduct or reckless disregard of its obligations under the advisory agreement;
- a material breach by DME of Greenlight Re's or GRIL's investment guidelines that is not cured within a 15-day period; or
- a material breach by DME of its obligations to return and deliver assets as any other Participant may request.

In addition, GRIL may withdraw as a Participant under the Agreement prior to the expiration of its term due to unsatisfactory long term performance of DME, as determined solely by the Board of Directors of GRIL on each anniversary date of the Agreement.

1 GRIL is a newly formed, wholly owned subsidiary of the Company incorporated under the laws of Ireland. GRIL has been granted authorization in principle to operate as a reinsurance undertaking as defined in the European Communities (Reinsurance) Regulations 2006, but is not permitted to transact any reinsurance business until a Certificate of Authorization has been issued.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: September 7, 2010

GREENLIGHT CAPITAL RE, LTD.

By: /s/ Leonard
Goldberg
Leonard Goldberg
Chief Executive Officer

