THE BIG MALL

SHORT PARTS 1-6

A DUE DILIGENCE BY

U/THROWAWAYLURKER012

The “Tuesday Morning” Rabbit Hole + Revisiting the CMBS “Bigger Short” Pt. 1: RC’s Tweet, TUEM v. TUES, & 92 Days - Jan. 16, 2022

Due Diligence

The Big (Mall) Short Pt 1: The "Tuesday Morning" Rabbit Hole

TL:DR:

- **After realizing there is no actual "Tuesday Morning" RC Tweet, went down the rabbit hole to find abnormal trading volume on its current stock ticker TUEM (20 million on 1 day recently) & short interest (11% with 13 days to cover).**
- **This was then surpassed by fuckery on its old pre-bankruptcy ticker TUES, including 26% short interest with 92 days to cover.**
- **Tuesday Morning building leases were a part of CMBX.11, a bundle of commercial real estate loans, in one of its 10 biggest slices. These loans are like the CDOs in "The Big Short" (dogshit wrapped in catshit) but for malls & offices instead of houses. GameStop had some of the same financers on certain leases, with some exposure on CMBX.6, a competing CMBS loan package. One research firm mentioned "shorting" CMBX.6 in 2019.**

EDIT 2: Extra TL;DR: Tuesday Morning, the store from all the Superstonk memes, was shorted—potentially naked—so much so it would take 3 months straight to buy back all the shares SHF borrowed before it went bankrupt. It may have also been shorted (along with GME) in bets that malls would fail (think “The Big Short” but malls v. houses) which helped it go bankrupt or helped put GME on death’s door. Its new company ticker may still be being shorted like crazy.

*Read Pt. 1: RC’s Tweet, TUEM v. TUES, & 92 Days*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Read Pt. 2: On Shorting Commercial Real Estate and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Read Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Table of Contents:

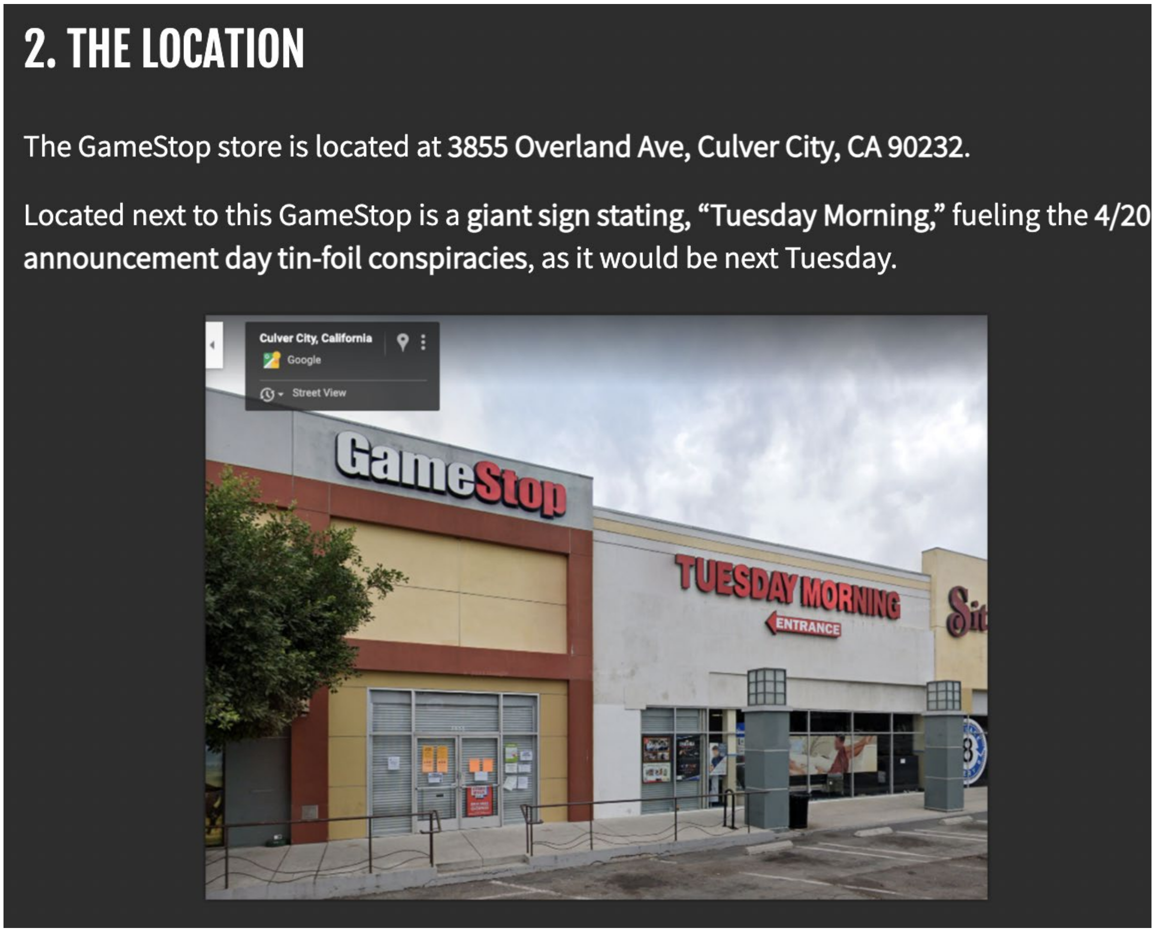
1. Backstory: The “Tuesday Morning” Meme

On Apr. 13th, GME Chairman of the Board Ryan Cohen first posted this picture of a GameStop store in Culver City, CA:

Many GME holders, Superstonk users, and even GMEDD.com researchers jumped on potential connections to GME, including whether it might signal “diamond hands” based on the kid’s Minecraft “diamond sword” toy, the store being close to both SpaceX & SLGG HQ, and more. Later Wu-Tang/PleasrDAO theories touched on RC’s hoodie in this pic (and even that Wu-Tang Day fell on Tues., Nov. 9th last year).

But what I realized in looking into this RC tweet was that with all the “Tuesday Morning” memes, there was no actual tweet by RC featuring a Tuesday Morning storefront. For some reason, I always thought there was but there wasn’t. The

“Tuesday Morning” phrase came when users noticed a pic of the mall that holds that GME store on Google Maps:


2. THE LOCATION

The GameStop store is located at **3855 Overland Ave, Culver City, CA 90232.**

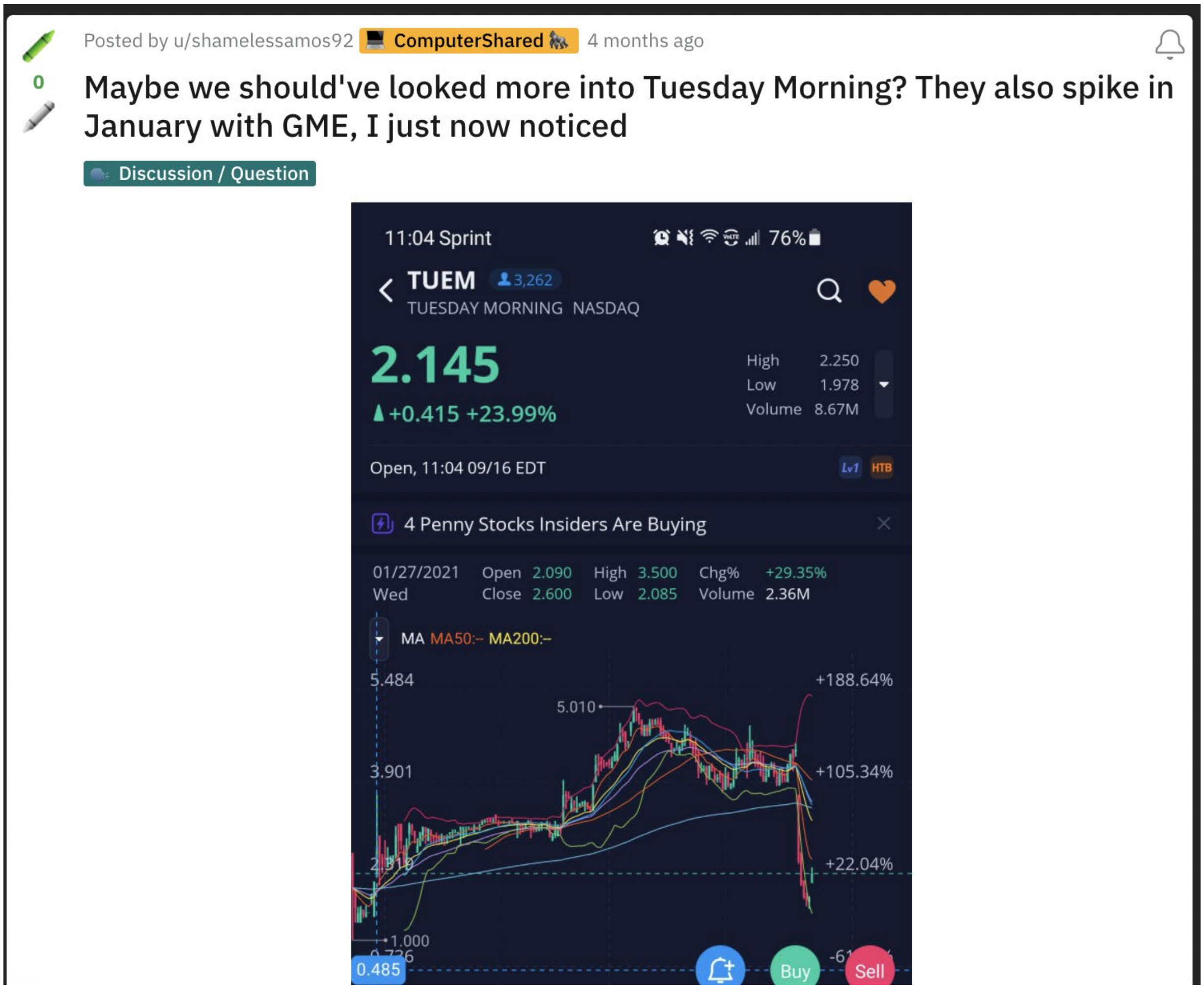
Located next to this GameStop is a **giant sign stating, “Tuesday Morning,”** fueling the **4/20 announcement day tin-foil conspiracies,** as it would be next Tuesday.

From GMEDD.com

Back then, some theories talked about whether the “Tuesday Morning” space might also be expanded into for an e-gaming space, especially after [u/kawstacos]() posted that the store had emptied out:

But, as far as I know, ideas for an e-sports venue there never materialized. This is also when we all found out GameStop already has an e-gaming center in Dallas with Complexity. (Coincidentally, Tuesday Morning is another homegrown Texas retail company (just like GME), and is based out of Dallas.)

I wanted to see if any other Superstonk DD had touched upon any more “Tuesday Morning” connections and stumbled upon this post by u/shamelessamos92:



No idea why this got no eyes on it, much less sticking at 0 upvotes.

As far as I could find, no other Superstonk post made this mention of Tuesday Morning having weird stock movements.

2. Approaching the Rabbit Hole: TUEM’s Abnormal Trading Volume & Price Movement

After seeing shamelessamos’ post, it made me want to dig further. Whether or not RC was trying to signal the company's price movement (which grew increasingly unlikely), it still was a weird enough graph that made me want to dig further, even as I hadn’t even known the company was on the stock market.

What had actually started all of this and first pushed me down this Tuesday Morning rabbit hole on a Saturday night was–in essence–a treasure hunt, with me hunting down examples of abnormal trading volume spikes in meme stocks. I had started by looking into abnormal trading volume spikes in the main meme basket stocks outside of GME & popcorn (EXPR, KOSS, etc.), until I eventually was fanning out and looking at a very different chart for a very different stock after reading up on a list of retail companies hit hard by Covid last year. It made me look up Tuesday Morning and its ticker TUEM:

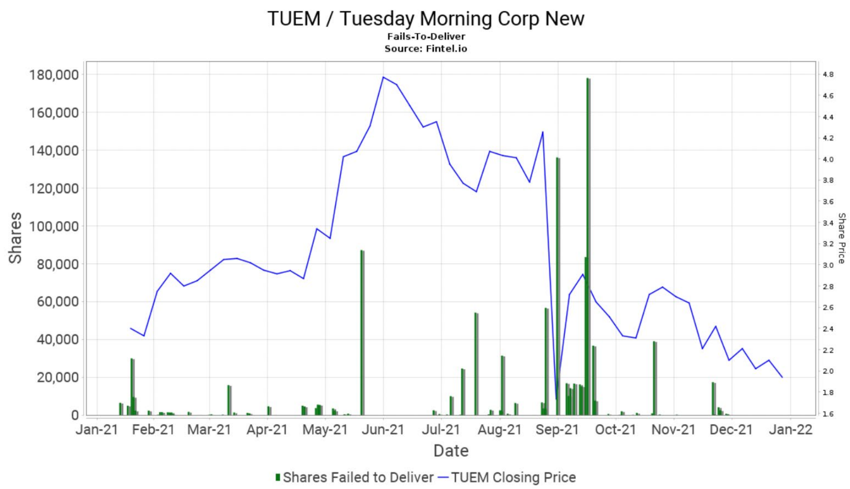
TUEM started trading on January 13th, 2021. It opened with about 200-500K worth of trading volume in mid-January, then its price edged up on 1-2.5 million shares traded between Jan. 21st-27th during the sneeze. Few other days last year also saw 1-2 mil. worth of volume (May 12th, June 14th, Oct. & Nov. 4th) and 2-3 mil. worth (May 6th, Sept. 27th), but those days still caused generally steep climbs or drops in the price.

But let's be honest: those days aren't what stands out most on this chart in terms of abnormal volume.

What **does** stand out are those giant Shrek dildos and red crayons clustered around mid-Sept., where the price flash crashed by half then bubbled back up over a few days. It dropped on nearly 7 million volume on Sept. 9. Everyone's favorite sphincter sommelier MarketWatch addressed it this way:

> Tuesday Morning Corporation (NASDAQ:TUEM) was sure having a rough Thursday morning. The retailer's stock was down by more than 39% on the back of fresh quarterly results.
>
> Tuesday Morning is not followed by many analysts (*fOrGeT Tuesday Morning? Chukumba much?*); Yahoo! Finance lists but a single one…"

TUEM did release quarterly results that week, **but then, in the span of the next few days, millions more traded before finding its biggest day of volume on Sept. 16 at nearly 21 million shares traded (!)** So a quick look at its chart saw that we have a company that just started trading in Jan. 2021 and already has such weird trading volume and–to some degree–price movement, even around the "sneeze". I looked to Fintel for more and saw it offered some answers: current short interest was ~11%, with 13 days to cover (!).



Apart from seeing the spikes in FTDs prop up around the time of that major flash crash, you'll even notice that it almost looks like FTDs existed even before it started trading or near the start of its run. The FTD numbers may not be much in the grand scheme of its float: at 86 million shares outstanding, TUEM's float is a bit above GME's.

One thing that same American apes might also point out is that a good number of apes have seen Tuesday Morning stores exist in malls before 2021. Tell us mayo-fondling Motley Fools, why that's possible?

> **"Also that month, it successfully relisted its stock on the Nasdaq one year after it had been pulled from the exchange due to the bankruptcy."**

That's right. The nearly 50 year old retailer went bankrupt just under a year before trading algos got launched on it again.

3. TUES and Why Did Tuesday Morning Go Bankrupt?

Before it was TUEM, it was TUES.

The discount homegoods retailer shares a lot of similarities with GME, apart from sharing space with it in strip malls and retail centers. Before its death rattle, it had some analysts championing it like their own pseudo-DFVs who raged against the dying of the TUES light after it went under, arguing that it was an "unusual bankruptcy opportunity" for a company with low leverage, growing sales after being flat for years before going under, and with enough cash to walk from leases (like perhaps the one we saw in RC's Culver City tweet).

Company CEO Steve Becker laid bare that TUES really was trying to make big moves before the lights went out, including boosting its supplier base, improving brands &variety, while revamping leadership and its tech side of the company. Becker's pleas here reminded me a bit of GME, both before, as well as after in terms of the turnarounds that

TUES wanted (bigger inventory, SKUs for example) was something GME was able to implement for itself.

So in short, what happened? In part, it could have faced stiff competition from TJX, which owns Marshalls and TJ Maxx, is–and was–one of Tuesday Morning's biggest competitors. Critics of Tuesday Morning said their inventory wasn't particularly "exciting", and that it faced harsh competition from those TJX properties. Looking at charts for companies like TJ Maxx, no immediate or abnormal stock movement stuck out around the time that TUES went under.

Some also said there were major missteps in planning its major distribution center in Phoenix, AZ, or having too many under-performing stores, sometimes far too close together. Other critics said that because its revenue was primarily driven by in-person shopping at its stores vs. online transactions, this had hurt it and was only accelerated by Covid.

One critic stuck out harshest against TUES: Neil Saunders, managing director of GlobalData Retail.

Saunders has commented on other failing businesses in the past, including Toys ‘R Us (*“As the competitive dynamics of the toy market intensified, management failed to respond and evolve. As such, the brand lost relevance, customers and ultimately sales…”*) and Bed Bath after its AH spike (*“Anything with the use of the word ‘marketplace’ and ‘digital sales’ and things like that tends to have a very positive inflationary effect on stock…”*), but not ever directly commented on GME. His words:

> “While consumers do not expect off-price discount retailers to have a perfectly curated selection of merchandise, they do demand that the range is reasonably coherent and contains interesting finds…**Unfortunately, Tuesday Morning often fails to deliver (heh) this. Many stores are not so much an Aladdin’s cave of exciting treasures as a jumbled flea market of whatever buyers could seemingly get their hands on…While the shop floor of off-price retailers may look random, putting together a range requires enormous skill and a certain degree of flair. In our view, Tuesday Morning lacks both.**"

Ouch. You can look here and decide for yourself.

When Covid started in March 2020, Tuesday Morning did furlough workers, but also tried to renegotiate rent (50%) for its leases which 50 buildings allowed. **But the others? Many threatened to terminate TUES’ leases or even lock out Tuesday Morning from its stores.**

Tuesday Morning wasn’t the only one to dive bomb at that time and get hit hard with lease issues: TUES went bankrupt just days after Le Pain Quotidien, a French bakery chain, filed for Chapter 11 bankruptcy as well. But just like TUES wanted to become a beautiful butterfly when it would metamorphose into TUEM, in July 2021, Le Pain Quotidien announced that it was coming back too. This happened after it was able to exit from ~60 leases, in a move the presiding judge saw as “unusual”. (For what reason it was unusual, I’m not sure yet.)

But no matter for both. For Becker &Co., in May 2020, Tuesday Morning went bankrupt.

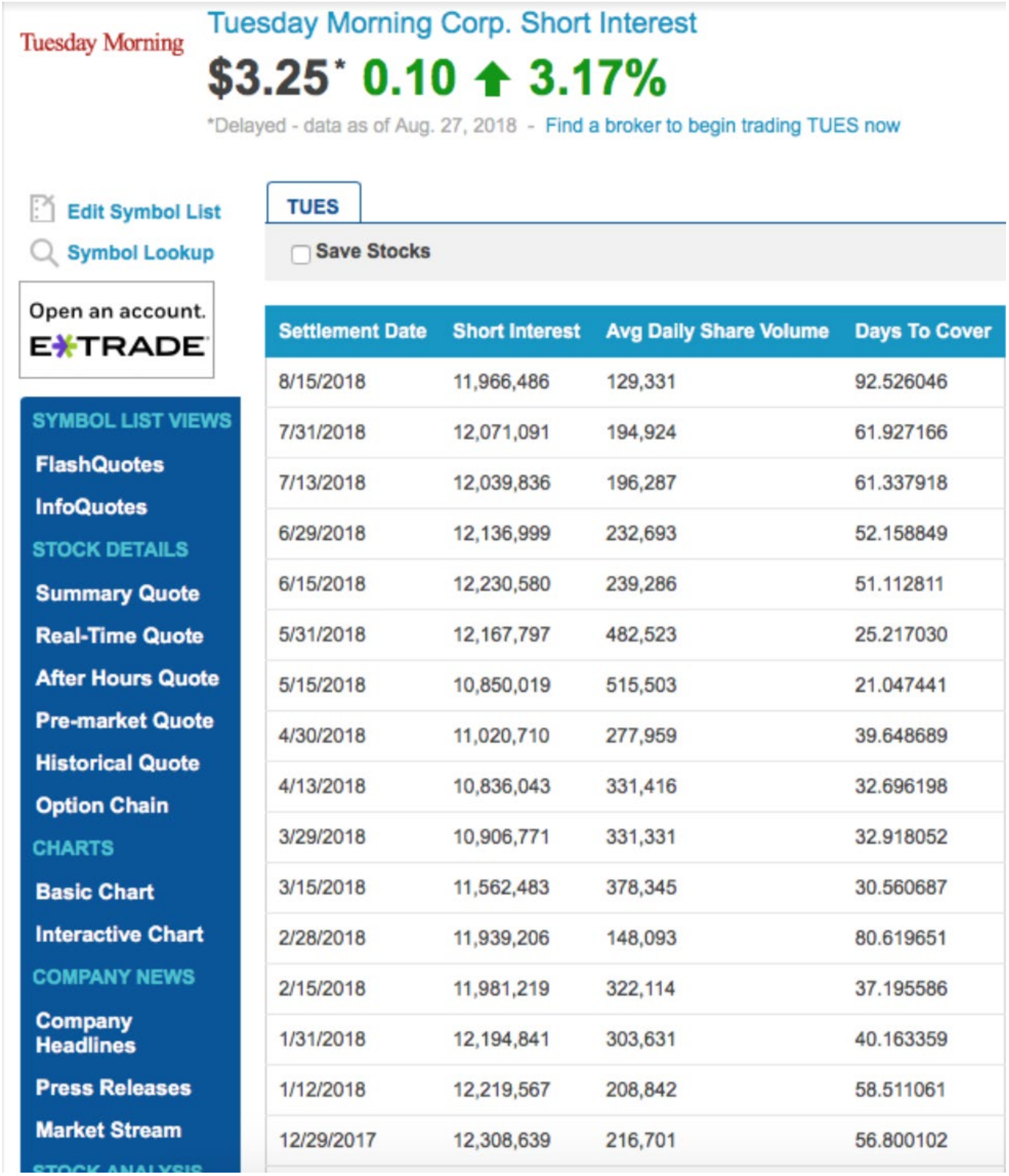
It became the 5th retail company to go under due to Covid since the pandemic hit stateside in March 2020. The company filed for Chapter 11 bankruptcy, saying that long Covid closures of all 700 stores hurt too much even while it got a $55 million loan (“credit facility”, like GME recently got) to help in late March 2020. TUES’ Chapter 11 would help shed debt and liabilities, even as it still hoped to restructure as a stronger company. (Post bankruptcy, now TUEM, Tuesday Morning added 2 Burlington of Burlington Coat Factory executives: Marc Katz (Interim Finance Chief) &Fred Hand (Chief Executive), as part of that restructuring.)

4. “Shorts” Cometh Before the Fall

At this point, many of you are wondering that considering TUEM has such weird movement, maybe TUES did too? And you’d be right.

The stock ultimately stopped trading after being listed on June 5th, 2020, **but not without encountering crazy high volume a few days before, including 50 million shares traded on May 28th (notice how barely visible the average daily volume is on the bottom row of this chart).**

But the biggest potential fuckery callout was found in one SeekingAlpha article:



Tuesday Morning

Tuesday Morning Corp. Short Interest

$3.25* 0.10 3.17%

*Delayed - data as of Aug. 27, 2018 - Find a broker to begin trading TUES now

Edit Symbol List

Symbol Lookup

Open an account. E*TRADE

SYMBOL LIST VIEWS

FlashQuotes

InfoQuotes

STOCK DETAILS

Summary Quote

Real-Time Quote

After Hours Quote

Pre-market Quote

Historical Quote

Option Chain

CHARTS

Basic Chart

Interactive Chart

COMPANY NEWS

Company Headlines

Press Releases

Market Stream

TUES

Save Stocks

Settlement Date	Short Interest	Avg Daily Share Volume	Days To Cover
8/15/2018	11,966,486	129,331	92.526046
7/31/2018	12,071,091	194,924	61.927166
7/13/2018	12,039,836	196,287	61.337918
6/29/2018	12,136,999	232,693	52.158849
6/15/2018	12,230,580	239,286	51.112811
5/31/2018	12,167,797	482,523	25.217030
5/15/2018	10,850,019	515,503	21.047441
4/30/2018	11,020,710	277,959	39.648689
4/13/2018	10,836,043	331,416	32.696198
3/29/2018	10,906,771	331,331	32.918052
3/15/2018	11,562,483	378,345	30.560687
2/28/2018	11,939,206	148,093	80.619651
2/15/2018	11,981,219	322,114	37.195586
1/31/2018	12,194,841	303,631	40.163359
1/12/2018	12,219,567	208,842	58.511061
12/29/2017	12,308,639	216,701	56.800102

From "Tuesday Morning...Why are 12 million shares still sold short?"

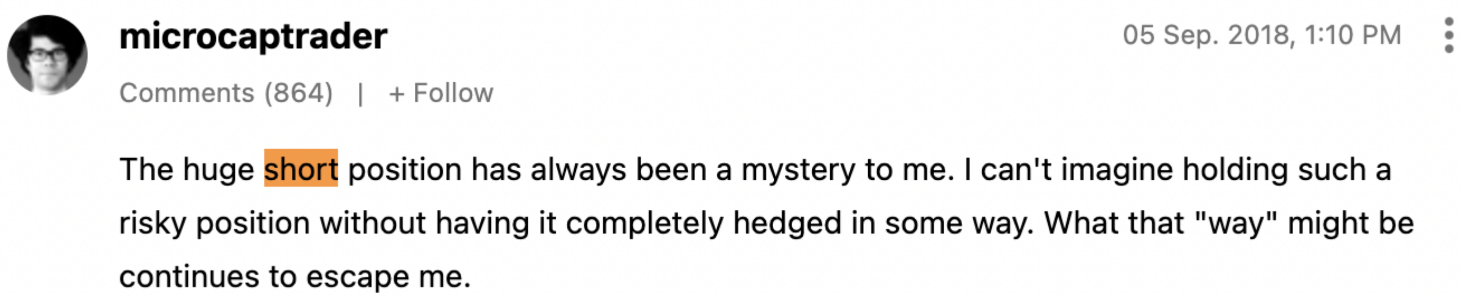
Yes, you read that right. **More than 92 days to cover. Literally nearly 3 months straight needed for SHFs to buy back to make things right.**

A few years before it shut down, that SeekingAlpha writer discussed that yes, shorts might have found one of its biggest Achilles heels in its supply chain (see Arizona distribution center, or trucking deliveries from CA to TX and back) and if it fixed issues like retail peer Olli did (a Wall Street darling that popped from $20 to $88 around that time) then maybeeee it could turn around. Even CEO Becker called out poor foresight in planning stores across both coasts (Olli was mainly on the East Coast), but it was still seen as a “Short Me” sign on its back to hedge funds that gave this insane number especially once it was dropped from market indexes. **But fucking still, you had 26% short interest (!) for ~12 million shares shorted out of a float of ~46 million outstanding shares to trade!**

The comments on that article include some comments ranging from shocked to surprised, but mostly confused:

> Yet you are absolutely right that with improvement expected, **it makes no sense to be short at $3 *($3? A lot like GME)*. But the stock, on a fundamental basis, while modestly undervalued, has become a value trap, of sorts.**

> I'd almost guarantee that this is being looked at. Perhaps Becker has high confidence he can turn TUES around and keep TUES independent, but a buyout is likely a wildcard he's keeping in his pocket. **PS: This is what makes such a huge unhedged short position seem unlikely.**


microcaptrader 05 Sep. 2018, 1:10 PM

Comments (864) | + Follow

The huge short position has always been a mystery to me. I can't imagine holding such a risky position without having it completely hedged in some way. What that "way" might be continues to escape me.

So it seems as if in its worn down history, Tuesday Morning has been shit on by shorts, including as TUES (26% short interest, 92 days to cover) as much as TUEM (11% short interest, 13 days to cover).

5. Tunneling Through to CMBS Loans: Pulling Layers Back From the CMBS Onion

For Tuesday Morning, the rabbit hole I dug into the most included leases, just like the ones Le Pain tried desperately to get out. While researching Tuesday Morning, I ran across an analytics firm called Trepp Analytics that was covering. It mentioned that Tuesday Morning had hoped to sell itself to get out of bankruptcy. Then I came across this chicken nugget:

> **“A large number of CMBS loans are backed by malls with Tuesday Morning as a tenant. ‘An example is the $46.5M Redlands Town Center loan which makes up 4.88% of GSMS 2017-GS6. That deal is part of CMBX 11," Trepp Analytics reported.’**

CMBS? What's that? Well if you remember Ryan Gosling from "The Big Short", he talked about how mortgages could be bundled into towers called CDOs. Banks and hedge funds got rich off these, and then got rich betting against them on the way down once they crashed in 2008.

"Dogshit wrapped in catshit"

Well in 2021, TheIntercept wrote that one of the new CDOs of "dogshit wrapped in catshit" is not mortgages being bundled, but instead offices and commercial real estate. This includes loans to retail companies like Tuesday Morning or Gamestop.

During the crash of 2008, the whole world learned just how dangerously nude Wall Street was. Now evidence is accumulating that suggests that many financial institutions are skinny-dipping once more — via similar types of lending that could lead to similar disasters as the water recedes again due to the Covid-19 pandemic...**A longtime industry analyst has uncovered creative accounting on a startling scale in the commercial real estate market, in ways similar to the "liar loans" handed out during the mid-2000s for residential real estate.**

Now it may be happening again — this time not with residential mortgage-backed securities, based on loans for homes, but commercial mortgage-backed securities, or CMBS, based on loans for businesses. And this industrywide scheme is colliding with a collapse of the commercial real estate market amid the pandemic, which has business tenants across the country unable to make their payments.

Loans for businesses like Tuesday Morning can be found in these loans. In fact, I found a number of property portfolios openly featuring CMBS loans that propped up malls around the US, each featuring Tuesday Morning as a tenant. Whether it was suburban malls in California (Starwood Mortgage Capital (SMC) in a $10 mil. refinancing deal), North Carolina (Absolut Financial's 2016 $11 mil. loan), or Virginia (KeyBank's 2019 $25 mil. loan for a Safeway "anchored" site), several instances existed of CMBS debt being supported or refinanced featuring Tuesday Morning as a tenant (or leading tenant).

And yeah, that Starwood Mortgage Capital (SMC)? Who refinanced CMBS debt at that California suburban mall that leased to Tuesday Morning? Fun fact: they also originated loans for 3 GameStop properties (as far as I know).Many of those are wrapped up in CMBS loans, like the ones that "The Bigger Short"'s whistleblower had warned about.

And how about CMBX 11? Trepp mentioned that Tuesday Morning's leases existed in a CMBS called CMBX 11. Even if it sounds like a new Nvidia graphics card that I can't afford, instead CMBX 11 is a name of a group of CMBS loans, or commercial mortgage backed securities.

Well let's look at CMBX 11, which is a package of loans of commercial mortgage backed securities.

The top 10 loans behind the index are these:

Top 10 Largest Loans Behind CMBX 11

Deal Name	Property Name	Current Loan Balance	City	State	Property Type
CSAIL 2017-CX10	Yorkshire & Lexington Towers	200,000,000	New York	NY	Multifamily
WFCM 2017-C38	General Motors Building	115,000,000	New York	NY	Mixed-Use
BANK 2017-BNK7	General Motors Building	111,900,000	New York	NY	Mixed-Use
BANK 2017-BNK7	222 Second Street	110,000,000	San Francisco	CA	Office
BANK 2017-BNK9	Duane Morris Plaza	105,300,000	Philadelphia	PA	Office
CD 2017-CD5	General Motors Building	100,000,000	New York	NY	Mixed-Use
GSMS 2017-GS8	Worldwide Plaza	100,000,000	New York	NY	Office
MSBAM 2017-C34	222 Second Street	100,000,000	San Francisco	CA	Office
BANK 2017-BNK9	Griffin Portfolio	96,250,000	Various	Multi	Mixed-Use
GSMS 2017-GS6	1999 Avenue of the Stars	95,500,000	Los Angeles	CA	Office

"A large number of CMBS loans are backed by malls with Tuesday Morning as a tenant. 'An example is the $46.5M Redlands Town Center loan which makes up 4.88% of GSMS 2017-GS6." **Now "GSMS 2017-GS6" may sound like word salad, but this loan (bottom row) was considered #10 of the largest loans behind CMBX.11 as of 2020.**

1/5th of all CMBX.11 is retail loans like Tuesday Morning and Tuesday Morning had at least one store, that California store that Trepp mentioned, in CMBX.11.

CMBX.11 is just one set of mortgage loans that exists. Here's a 2019 report by MP Securitized Credit Partners commenting on one another one:

> CMBX.6:
>
> **Shorting CMBX.6 BB & BBB- rated tranches provides a great opportunity to capitalize on this dislocation…**
>
> **Our thesis for shorting the CMBX.6 is based on the performance of the 17% of mall loans in this index** – a small percentage of loans having such a large impact demonstrates how leveraged the bonds are to the outcome of these properties. Additionally, since a loan cannot pay off above par, any outperformance for the non-mall properties would not offset projected losses on the mall loans. **If the macro economy weakens, we would expect performance on the non-mall loans to be worse than historical averages, which would result in additional upside to the short.**

Malls? CMBX.6? Well, we've just started, but I hope that going into the next post, I can begin to at least pull back some of the layers on the onion that are loans backing commercial, office, and retail spaces–just like what we saw in Tuesday Morning–just like the ones you see in this chart. **Don't forget to look at the company in the second to last row:**

Struggling Retailers Continue to Shrink their Bricks-and-Mortar Presence

Company	Store Brands in CMBX.6 Malls	# in 28 malls	1-month stock change	12-month stock change	Comments
J. C. Penney Company, Inc.	JCPenney	24	-37%	-64%	Increasing risk of bankruptcy.
Macy's Inc.	Macy's	17	-13%	-41%	Closing 13 stores in 2019.
L Brands Inc.	Victoria's Secret, PINK, Bath & Body Works	60	-12%	-34%	Closing 5% of VS stores in 2019.
Foot Locker	Foot Locker, Footaction, Champ's, Kid's Foot Locker	59	-31%	-27%	Closing 5% of stores across brands in 2019.
Signet Jewelers Limited	Kay, Zales, Jared	47	-19%	-56%	Closing 5% of stores across brands in 2019.
Ascena Retail Group	Justice, Lane Bryant, Ann Taylor, LOFT, Maurices*	43	-12%	-68%	Closing up to 15% of stores in 2019 & beyond.
GNC Holdings, Inc.	GNC	26	-37%	-56%	Closing 700 to 900 stores over 3 years.
American Eagle Outfitters Inc.	American Eagle, Aerie	26	-27%	-22%	Closed an estimated 3-4% of stores in 2018.
Zumiez Inc.	Zumiez	21	-26%	-18%	None.
Abercrombie & Fitch Co.	Abercrombie & Fitch, Abercrombie Kids, Hollister Co.	20	-42%	-27%	Closing 5% of A&F stores in 2019.
The Gap Inc.	GAP, Banana Republic, Old Navy	16	-28%	-33%	Closing 230 (~1/3) of GAP stores in 2019.
GameStop	GameStop	18	-12%	-43%	Guiding a 5% to 10% drop in sales for 2019.
Express, Inc.	Express	16	-18%	-65%	Closing or converting to outlets 6% of stores in 2019.

From the 2019 MP Securitized Credit Partners report.

TL:DR:

- **After realizing there is no actual "Tuesday Morning" RC Tweet, went down the rabbit hole to find abnormal trading volume on its current stock ticker TUEM (20 million on 1 day recently) & short interest (11% with 13 days to cover).**
- **This was then surpassed by fuckery on its old pre-bankruptcy ticker TUES, including 26% short interest with 92 days to cover.**

- **Tuesday Morning building leases were a part of CMBX.11, a bundle of commercial real estate loans, in one of its 10 biggest slices. These loans are like the CDOs in "The Big Short" (dogshit wrapped in catshit) but for malls & offices instead of houses. GameStop had some of the same financers on certain leases, with some exposure on CMBX.6, a competing CMBS loan package. One research firm mentioned "shorting" CMBX.6 in 2019.**

EDIT 1: Words, formatting

EDIT 3: Pictures, "Bigger Short" background

EDIT 2: Extra TL;DR: Tuesday Morning, the store from all the Superstonk memes, was shorted—potentially naked—so much so it would take 3 months straight to buy back all the shares SHF borrowed before it went bankrupt. It may have also been shorted (along with GME) in bets that malls would fail (think "The Big Short" but malls v. houses) which helped it go bankrupt or helped put GME on death's door. Its new company ticker may still be being shorted like crazy.

---

*Pt. 1: The Tuesday Morning Rabbit Hole (RC's Tweet, TUEM v. TUES, & 92 Days)*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 2: Shorting Malls and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 4: Pick Your Teams: https://www.reddit.com/r/Superstonk/comments/s9hber/the_tuesday_morning_rabbit_hole_pt_4_pick_your/

The “Tuesday Morning” Rabbit Hole + Revisiting the CMBS “Bigger Short” Pt. 2: On Shorting Commercial Real Estate and Jerica Capital Management - Jan. 17, 2022

Due Diligence

The Big (Mall) Short Pt. 2: Shorting Malls and Jerica Capital Management

TL;DR:

- **Going through the "Bigger Short" fraud that could affect loans tied to leases for commercial real estate (offices, hotels, retail stores like Tuesday Morning & GME), we already find the names of some loan originators (KeyBank & Starwood) tied to both retail stores as being known for overstating income which affects the loans (fraud).**
- **CMBXs are Jenga Towers of bundled 25 wooden blocks, each made up of pooled loans that can be bet it goes up or down (short). CMBX.11 (which contained the Tuesday Morning store from Pt. 1) had its cumulate default rate go up from nearly 0 (early 2019) to 32% (Dec 2020), showing the Jenga towers are teetering.**
- **Reports and talks of shorting CMBX's Jenga Towers can be found since around 2016-2017. Jerica Capital Management is one hedge fund who shorted one such tower (CMBX.4) but got fucked over by Jamie Dimon & JP Morgan Chase during an apparent CMBS short squeeze in Sept. 2021.**

*Read Pt. 1: RC’s Tweet, TUEM v. TUES, & 92 Days*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Read Pt. 2: On Shorting Commercial Real Estate and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Read Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Table of Contents:

1. ELI5: What’s a CMBS?

In my part 1, I closed off by mentioning how leases for businesses like Tuesday Morning & GameStop were found in loans for CMBS, or commercial mortgage-backed securities.

If you’ve ever walked around your neighborhood or a big city and seen a storefront like the one above asking for new tenants to fill a lease for an office space or a store across the Wendy's dumpster, then you probably have seen a peek behind the curtain of commercial mortgage-backed securities.

A commercial mortgage-backed security is a grab bag of loans to different offices, retail stores, and commercial real estate that you can buy or sell, or bet whether the price of all those leases will be paid off as those spaces do business. They’re often tied in with signed leases to these spots. **If many of those offices, retail stores, and commercial real estate spots fail, welp then they can’t pay their lease and the entire grab bag (CMBS) might go down.**

You end up having individual stores (like that Tuesday Morning store in Culver City, CA from RC's tweet, the one which shut down) bundled alongside other stores (Tuesday Morning, GameStop, Express, or otherwise) into a tranche (like TUEM's Redland store being bundled into GSMS 2017-GS6, the 10th biggest bundle in its bigger loan). If you remember "The Big Short", Ryan Gosling's Jared Vennett told Michael Scott that mortgages were bundled into tranches together.

Looking at that Jenga tower above, you might think of that BBB wedge as that bundle containing that Tuesday Morning store from that Redland City mall. **If that mall goes bankrupt or Tuesday Morning's leases can't be paid off, the whole tower gets more unstable. Think of every time that a lease can't be paid off as a small kitten or surly cat slightly nudging the wood wedge containing that property.**

"What's that? The Tuesday Morning store in Culver City, CA just shut down? Looks like that tranche just got fucked!"

And if you've ever played Jenga or any game like that, you'll know obviously that once too many pieces are pushed out, the whole thing collapses.

But this time, it's the American commercial real estate market.

2. More on "The Bigger Short" for CMBS

I talked a little bit about this in Pt. 1, but we were re-introduced to TheIntercept & ProPublica's research on a whistleblower yelling "Fire!" about the fraud and–ahem–"creative accounting" that big banks were using with CMBS. **This fraud resembled the early part of the Jenga tower bundles just like in "The Big Short" that big banks helped finance on the way up then made money betting against them as they crashed on the way down in 2008.**

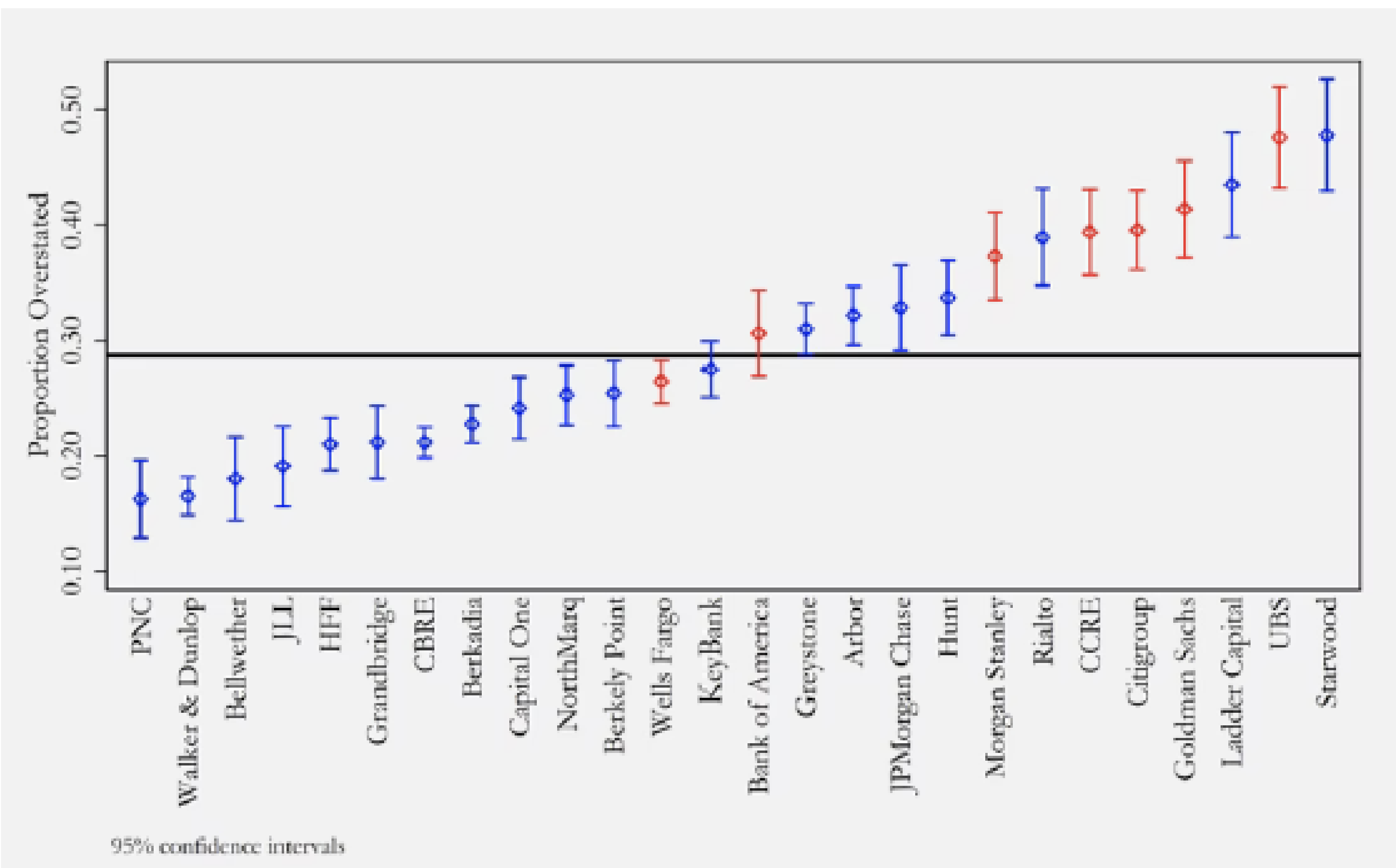
Now I wasn't the first to learn about this article or CMBS (thanks to others like u/Criand, u/laflammaster, u/ozzaiii, and u/jinniu) and many other wrinklier-brained apes have talked about this better than I ever have, but here's a quick rundown of the biggest parts of the fraud per a Majority Report interview with TheIntercept's reporter Ryan Grimm. Here are the big 3 points I see underlying the CMBS house of cards that he & the whistleblower mentioned:

1. **Banks would lie on loan applications, even on addresses.**

   The storefront for lease might be at 103 Strip Mall St., so instead they'd write in the loan app that the loan application is actually for 104 Strip Mall St. This way no price history shows up for 103 Strip Mall St. to maybe accurately price a property or give old lease info, even for the same company that's been leasing at the same place for some time. (The whistleblower found this out by checking square footage on storefronts and then only after lining up these old and new lease "addresses" next to each other. **He realized that the square footage on 103 and 104 Strip Mall St. would match even when he physically couldn't "see" the other address. The only explanation was that they must be referring to the same place and therefore the same lease).**

2. Same loan application would overstate businesses' incomes to approve them.

For example, one loan application says that the incoming company/company applying for a loan makes $100K a month in a year (let's say 2019) for its net operating income and another says for the same company/storefront they have on file they "no, actually make $200K a month in sales that same year of 2019" thus boosting the revenue earned on paper. The whistleblower noticed that the numbers would always scale "up" (meaning if it happening once in a while that numbers were above the truth it could be ok and chalked up to a mistake, but an equal amount of loan applications would have to scale "down" or report lower earnings than what's actually true to balance it out. **Instead, the whistleblower found out all the apps on average seemed to be reporting higher incomes vs. lower, indicating fraud.** You can see examples of how many banks overstated below:)

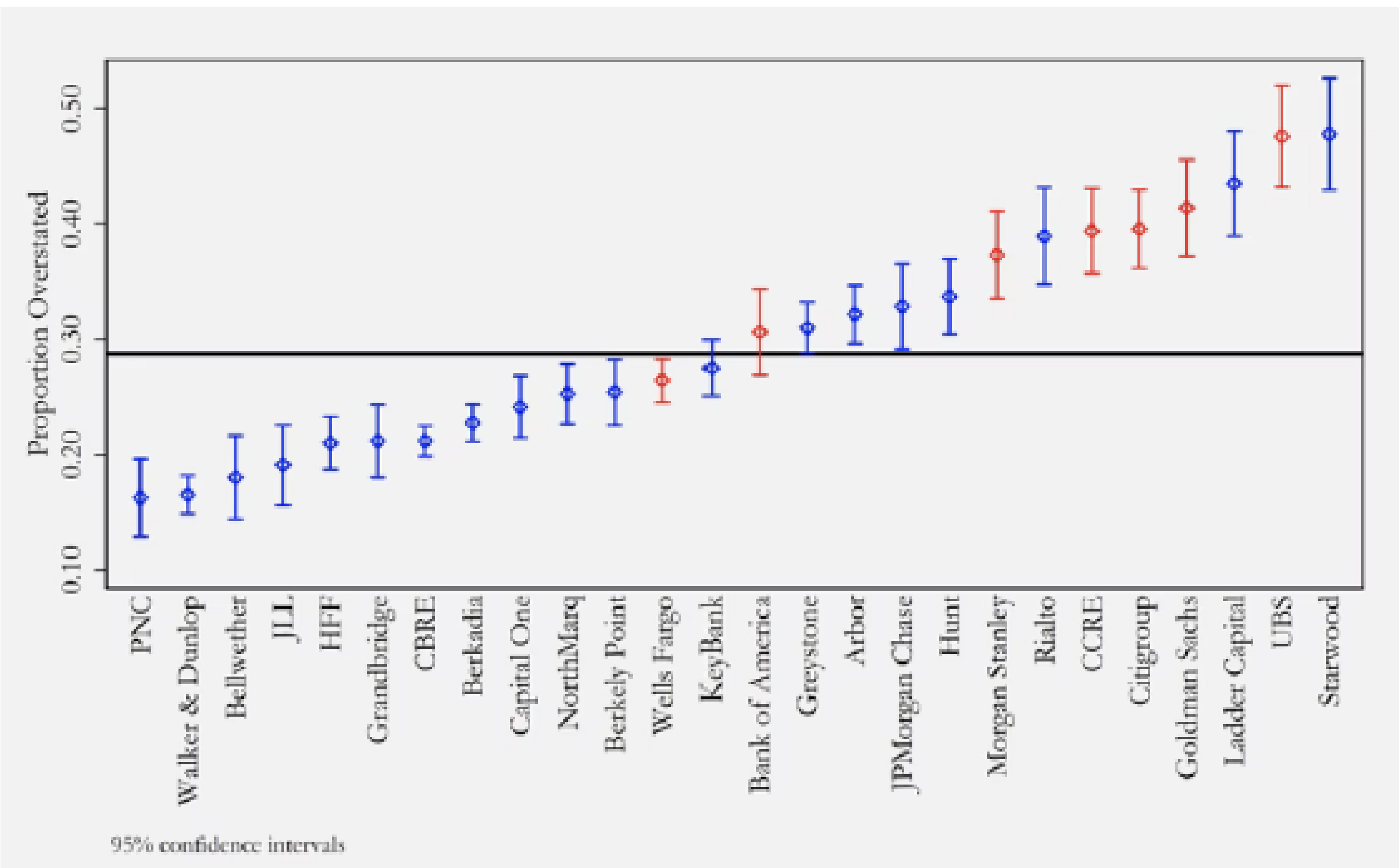


3. 1/3rd or so of all CMBS have 5% of these weird numbers or companies with such overinflated loans as part of their makeup.

So fake addresses to hide lease pricing history, overstating incomes just like home loans in 2008, and a number of these loans making up CMBS loans in strip malls all over the country? Yeah, that sounds like something that big banks would do. Again.

And wait, let's look back at that fucking chart just one second. Remember these quotes from part 1?:

> ***In fact, I found a number of property portfolios featuring CMBS loans that propped up malls around the US, each featuring Tuesday Morning as a tenant. Whether it was suburban malls in California (Starwood Mortgage Capital (SMC) in a $10 mil. refinancing deal)****, North Carolina (Absolut Financial's 2016 $11 mil. loan), or Virginia (****KeyBank's 2019 $25 mil. loan for a Safeway "anchored" site)****, several instances existed of CMBS debt being supported or refinanced featuring Tuesday Morning as a tenant (or leading tenant)...*
>
> ***Remember Starwood Mortgage Capital (SMC)? Who refinanced CMBS debt at that California suburban mall that leased to Tuesday Morning? Fun fact: they also originated loans for 3 Gamestop properties.***



the gang's all here

So apart from “hey, the crime gang’s all here!” for Wells Fargo, JP Morgan Chase, Morgan Stanley, & UBS, we also see KeyBank (who had that $25 million loan with a TUEM location) who had 4 loans that leased to GameStop as well.

But who’s alllllll the way fucking the curve up to the far right? Ah yes, Starwood, who fucked with both Tuesday Morning AND at least 3 GameStop leases. (Hey Starwood, were you fucking over and overstating income for the Chicago, Riverside San-Bernandino (CA), or Liberty (GA) GameStop stores?) It’s not TOO far-fetched that there’s at least then ONE lease for either of those companies where Starwood overstated a store’s income i.e. fraud.

For many of you though, all this information is old. But how about some newer things then?

3. What are CMBX Loans?

In Pt. 1, I mentioned Tuesday Morning was part of a special set of CMBS loans called CMBX:

> A large number of CMBS loans are backed by malls with Tuesday Morning as a tenant: "An example is the $46.5M Redlands Town Center loan which makes up 4.88% of GSMS 2017-GS6. That deal is part of CMBX 11," Trepp Analytics reported.

But wait, before talking about CMBX 11, what in the flying fuck are CMBX loans? Here’s a great rundown from one of my favorite friends through this GME saga: Investopedia.

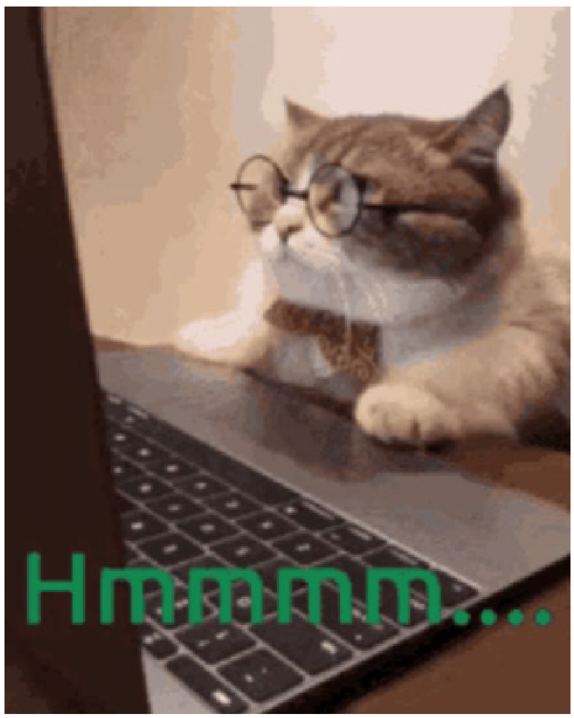
> **CMBX Indices are a group of financial indexes that track the commercial mortgage-backed securities (CMBS) market.** These indexes represent 25 tranches (French word meaning “slice”) of CMBS, each with a different credit rating. Because mortgage-backed securities are illiquid and non-standardized in the over-the-counter (OTC) market, they often lack the transparency and regulation of listed securities. These indexes help provide liquidity and transparency. T**hese indexes enable investors to gauge the market and take long or short positions via credit default swaps, which put specific interest rate spreads on each risk class.** The pricing is based on the spreads themselves rather than on a pricing mechanism.

Think of CMBX indexes as Jenga towers that are 25 wood wedges tall. And these towers are sold & handled by IHS Markit Parktners.

IHS Markit Partners seems to have its hands in most other fuckery. u/funsnacks **found that its recently being bought out by S&P Global in a pending merger** (**fun fact, S&P Global’s head office in NYC is in the same building as the DTCC: 55 Water Street!)**. They also found that–aside from the CMBX indices discussed here–Markit offers LCDX (indices tracking loan-only credit default swaps) that underpins some CLOs (more dogshit wrapped in catshit). Not only that, but for Markit’s LCDX, “which was specifically created by banks in 2007 ahead of the financial crisis to profit from it, [it] actually stopped trading during October 2020 due to low liquidity (which also happened during 2008): https://www.reddit.com/r/Superstonk/comments/s649s0/penultimate_peril_ark_invest_and_the_mechanics_of/

By the end of 2022, 15 separate numbered (numbers 1-15 meaning CMBX.6, CMBX.7, CMBX.8, etc) indices will exist, with the first 5 being created before the 2008 crash. (Note there are other CMBX indices (CMBX.NA for example) and except for initial CMBX indices, each of those other CMBX indices “begin” or reset on October 25th & April 25th (or the next business day).)**You’ve also had firms like Credit Suisse have its hand in these Markit CMBX indices, including CS jumping into CMBX.6 in 2013 (credit to** u/WulfyJJ**). In particular, we’ll revisit CMBX.6 later on for… reasons.**

But all in all, CMBX indices are more hidden away than regular stocks as you can see. One Dec. 2020 paper also mentioned that despite its size ($700 billion) the CMBS market is known for its limited pricing information.



Jenga cat's cousin looking up CMBX loans on ComputerShare. No dice.

Commercial real estate loans & leases connect to CMBX, indexed packages you can find, buy, and sell on Bloomberg Terminals. So this means, apes like you and me can't just hop onto ComputerShare to buy or sell CMBX.

Now retail traders do get to see a little of the CMBS trade; BlackRock also offers a CMBS ETF: CMBS. This ETF tracks exposure to the CMBS market. I also found ^CMBS IV, but I don't know if that means it's an ETF that tracks Implied Volatility for that same CMBS ETF. But remember although CMBS loans can be wrapped in CMBX, not all CMBS =/= CMBX.

If we wanted to look up CMBX loans, instead we'd have to hop on a Bloomberg terminal where we tippy tap and get to this page:

Figure 1: Closing quotes of bid-ask spreads and 1 day changes to mid-market spreads (3/18/2020)

CMBS TRADING

This Message is Firm-forwardable

INDX	19 CMBX.13	CHG	18 CMBX.12	CHG	17 CMBX.11	CHG	16 CMBX.10	CHG
AAA	144/134	+19	133/123	+19	122/111	+18	112/102	+18
AS	255/205	+51	235/185	+44	220/170	+42	205/165	+37
AA	330/280	+66	305/265	+65	310/260	+72	300/260	+76
A	460/390	+89	430/380	+84	410/360	+83	405/355	+89
BBB-	815/755	+142	790/750	+149	740/690	+117	720/670	+104
BB	1200/1050	+215	1350/1100	+345	1150/1000	+204	1200/1050	+207

INDX	15 CMBX.9	CHG	14 CMBX.8	CHG	13 CMBX.7	CHG	12 CMBX.6	CHG
AAA	103/93	+18	96/86	+18	86/86	+22	78/68	+15
AS	200/150	+43	185/135	+43	170/120	+41	150/120	+30
AA	285/235	+69	280/230	+84	255/205	+78	260/210	+65
A	390/340	+95	415/365	+120	375/325	+88	485/435	+88
BBB-	725/670	+105	810/760	+141	800/750	+140	1395/1265	+233

For each column the year of issuance (expressed in two digits, so 19 is 2019, 18 is 2018, etc.) of the CMBX Series and the CMBX Series name are provided. For example, in the top left, 19 CMBX.13 refers to CMBX Series 13 issued in 2019 ('19'). Below each Series column heading are the bid-side and the ask-side of the bid-ask spread, s_t, which bound the mid-market risk premium, S_t, for each of the tranches (Aaa through BB) in the corresponding credit rating rows. Immediately to the right under each column is the 'CHG' which is the change in mid-market spread, ΔS_t, day over day at the close, where $\Delta S_t = S_t - S_{t-1}$. These quotes are for fixed-income risk premia from the market-maker's perspective.

On average, these indices track a grab bag of 25 CMBS conduit deals (conduit just fancy feast words for loans pooled together) issued during a particular year. Notice that the numbering is off, where CMBX.15 is issued in 2022, CMBX.14 is issued in 2021, blah blah blah, where everywhere CMBX index has its number 6-7 years off from when it was created.

They track overall performance of the commercial real estate market and investors can make a bet that it goes up (long) or goes down (short).

4. CMBX.11

So remember, Tuesday Morning was a part of CMBX.11. That #11 had 1/5th of all its loans in retail loans (think stores like Tuesday Morning, with the Redland mall store part of that 10th row tranche below).

The top 10 loans behind the index are these:

Top 10 Largest Loans Behind CMBX 11

Deal Name	Property Name	Current Loan Balance	City	State	Property Type
CSAIL 2017-CX10	Yorkshire & Lexington Towers	200,000,000	New York	NY	Multifamily
WFCM 2017-C38	General Motors Building	115,000,000	New York	NY	Mixed-Use
BANK 2017-BNK7	General Motors Building	111,900,000	New York	NY	Mixed-Use
BANK 2017-BNK7	222 Second Street	110,000,000	San Francisco	CA	Office
BANK 2017-BNK9	Duane Morris Plaza	105,300,000	Philadelphia	PA	Office
CD 2017-CD5	General Motors Building	100,000,000	New York	NY	Mixed-Use
GSMS 2017-GS8	Worldwide Plaza	100,000,000	New York	NY	Office
MSBAM 2017-C34	222 Second Street	100,000,000	San Francisco	CA	Office
BANK 2017-BNK9	Griffin Portfolio	96,250,000	Various	Multi	Mixed-Use
GSMS 2017-GS6	1999 Avenue of the Stars	95,500,000	Los Angeles	CA	Office

Back when the Trepp report featuring this chart came out in Oct. 2020, only ~7% of all loans in CMBX.11 were delinquent, which was (surprisingly) apparently below the average CMBS loan delinquency rate. So…yeah…good on you CMBX.11.

But wait, Oct. 2020? Hm. I wonder if there was any way that we can compare CMBX.11's performance over time…

Let's compare. What did CMBX loans look like just a few years apart? Here's CMBX in March 2019.

DISPLAY 1: THE CMBX.6 HAS RELATIVELY LOW DEFAULT AND SEVERITY RATES

CMBX Series	Origination Year	Cumulative Default	Cumulative Loss	Severity
CMBX.6	2012	1.78%	0.13%	21.60%
CMBX.7	2013	3.30%	0.28%	52.73%
CMBX.8	2014	1.80%	0.12%	42.36%
CMBX.9	2015	1.37%	0.00%	3.06%
CMBX.10	2016	0.23%	0.02%	61.40%
CMBX.11	2017	0.31%	0.00%	N/A
CMBX.12	2018	0.00%	0.00%	N/A

As of March 31, 2019
Source: Intex Solutions and Wells Fargo Securities

Looking good! My man! Slow Down!

Looking nice CMBX.11, even the other loans don't look bad either right! Let's hope that trend holds…why not fast forward about a year forward? Let's say, ohhh end of 2020?

	Issue Year	Cumulative Default %	Cumulative Loss %	Wt Avg Severity %
CMBX13	2019	29.60	5.64	19.05
CMBX12	2018	34.74	6.47	18.63
CMBX11	2017	31.87	6.03	18.93
CMBX10	2016	33.77	7.32	21.69
CMBX9	2015	34.12	8.53	24.99

Source: FTSE Russell Yield Book, December 2020. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Wait, wtf happened?!

Welp, what the flying fuck. CMBX.11 had that total default rate percentage go up (~0 to 32%) and loss percent too (0% to 6%)! Not only that, but pretty much ALL of these CMBX indices tracking loans & leases for offices, hotels, commercial real estate and retail stores like Tuesday Morning & GameStop had reallllly bad numbers.

Now this is a far cry from what everything looked like back in that 2019 chart. Now ironically, I found the 1st figure in "The Real Story Behind CMBX.6: Debunking The Next "Big Short", a 2019 Alliance Bernstein report waving away fears about a 2008-esque crash in CMBS Jenga Towers.

And you might be saying "whoa whoa whoa, wait OP, I thought that Ryan Grimm dude or some newspaper was the first one yelling out the phrase "Bigger Short" or "the next 'Big Short'" about commercial real estate?" No, dear ape, banks and research firms were already talking about this phrase in the context of real estate YEARS ago.

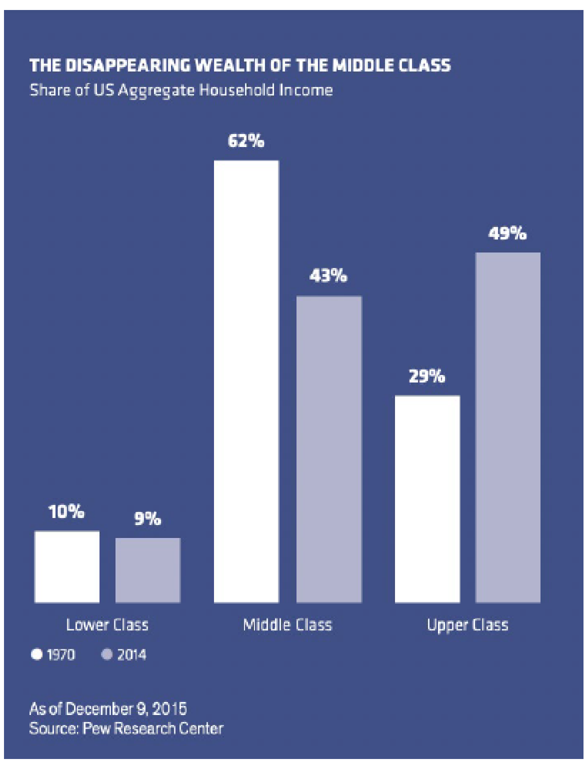
5. The CMBS "Bigger Short" Was Already Churning Around 2016-2017

The incentives for the CMBS "Bigger Short" are obvious: money. Research analysts and firms were already looking into talking about shorting CMBX indices even back then. Trepp, who mentioned that Tuesday Morning store that was in CMBX 11, was even saying it was too early too tell if the bet had paid off back in 2017.

> But has the bet paid off? Not quite. **Retail loans are the most exposed property type for both the CMBX 6 (*here are some of those Credit Suisse reasons!*) and CMBX 7 indices with a 38.24% and 32.4% concentration, respectively.**
>
> But only 1% of the remaining balance of retail assets has been marked as delinquent…So far, only 40 retail loans in deals tied to the CMBX 6 and 7 series have paid off, and four incurred losses totaling $4.3 million."

The only losses affected CMBX.6, none hurt CMBX.7. But they did add that "the number of distressed retail mortgages will likely increase as they inch closer to their scheduled maturity dates and collateral performance continues to deteriorate."

AllianceBernstein's later paper in 2019 also pooh-pooh'ed the idea that the loan was going to pay off, despite pointing out why the CMBS "bigger short" might have made sense given the "disappearing middle class" and its effect on malls:

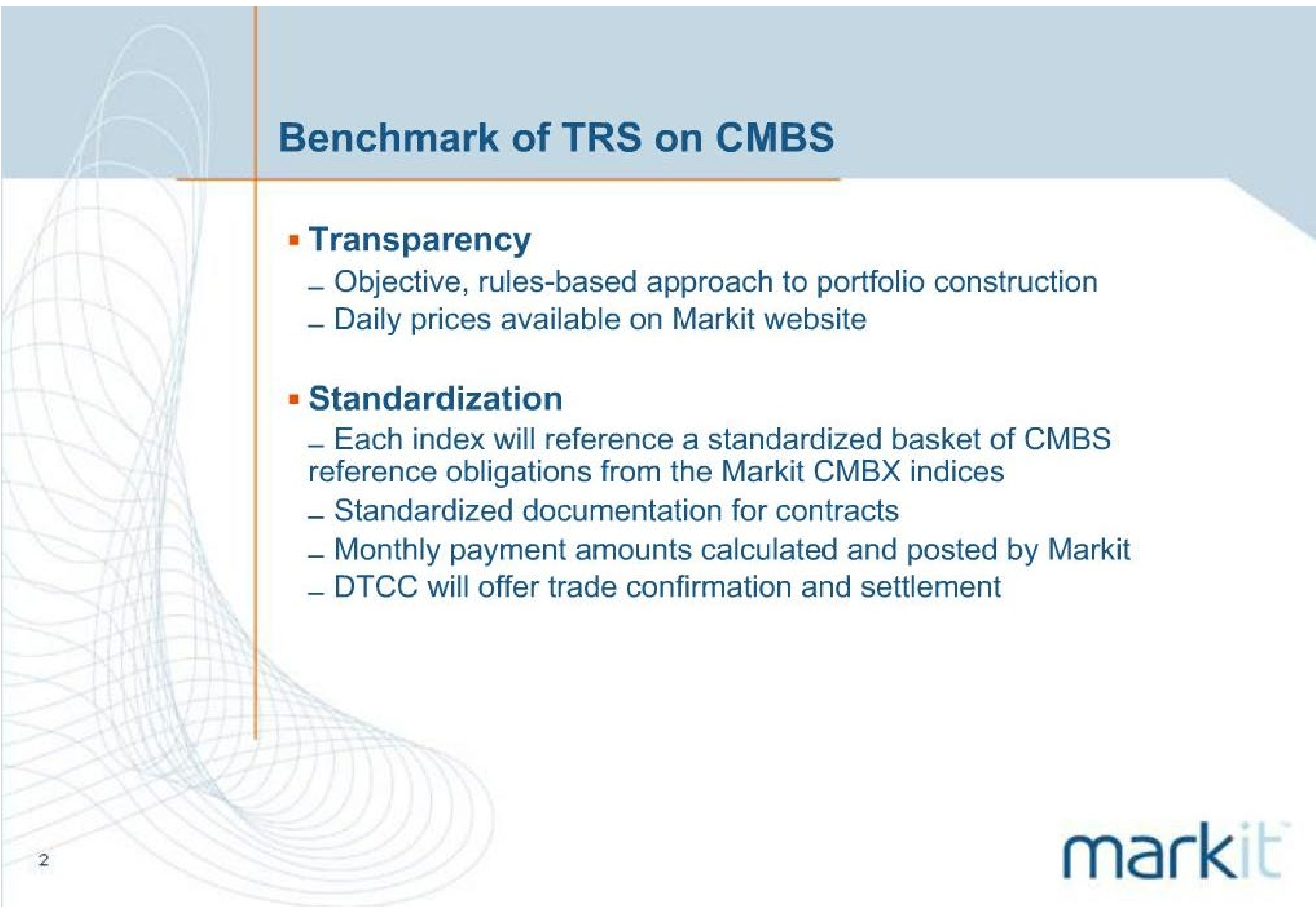


Thanks America?

And they weren't the only ones saying that the model was incomplete: for example, in one 2016 report, Credit Suisse wrote that of 37 Kmart & Sears closures, only 4 of them had any CMBS exposure.

The ones who weren't convinced by reports like the ones above still had the mechanisms to do so. In part, we know that the CMBX indices are how firms can "short" but we also know that, per u/LongJumpingCollege (https://www.reddit.com/r/Superstonk/comments/pfkg12/interesting_how_each_run_started_exactly_15/hb52u0g/?utm_source=share&utm_medium=web2x&context=3) found that in 2016, Credit Suisse created a TRS index:

> "Markit and Trepp have partnered together to a launch a new CMBS derivatives contract dubbed the iBoxx Total Return Swap (iBoxx TRS). The contracts are scheduled to start trading, today, Monday, March 21…The biggest difference between this incarnation and prior total return swap (TRS) contracts, on CMBS, is that the pricing of the index's reference bonds is being provided on a daily basis by Trepp."



Hi DTCC

Ah Trepp, old friend…(Just kidding, we're not friends.) Trepp knows that info about companies like Tuesday Morning, and then gives it to Credit Suisse and Markit (CMBX) to then build giant contracts that can bet commercial real estates goes up or down with those total return swaps. **Even then, Credit Suisse has been selling CLOs (yet more "dogshit wrapped in catshit") as well as CMBS loans to Europeans, even as CMBS sales are the highest since 2013 according to Bloomberg.**

That same report on bets for and against commercial real estate added their worries that that iBoxx TRS "would cannibalize the CMBX market and hurt liquidity there" as volume grew in CMBS trades. (We'll get back to this scenario later by the way.)

So the incentives and mechanisms are there, and despite what we saw in the reports above, we know that people were willing to short these. In Pt. 1, we had MP Securitized Credit Partners still pushing this in 2019. Remember we can see that their report on dwindling brick-and-mortar stores includes GME in the second to last row here:

Struggling Retailers Continue to Shrink their Bricks-and-Mortar Presence

Company	Store Brands in CMBX.6 Malls	# in 28 malls	1-month stock change	12-month stock change	Comments
J. C. Penney Company, Inc.	JCPenney	24	-37%	-64%	Increasing risk of bankruptcy.
Macy's Inc.	Macy's	17	-13%	-41%	Closing 13 stores in 2019.
L Brands Inc.	Victoria's Secret, PINK, Bath & Body Works	60	-12%	-34%	Closing 5% of VS stores in 2019.
Foot Locker	Foot Locker, Footaction, Champ's, Kid's Foot Locker	59	-31%	-27%	Closing 5% of stores across brands in 2019.
Signet Jewelers Limited	Kay, Zales, Jared	47	-19%	-56%	Closing 5% of stores across brands in 2019.
Ascena Retail Group	Justice, Lane Bryant, Ann Taylor, LOFT, Maurices*	43	-12%	-68%	Closing up to 15% of stores in 2019 & beyond.
GNC Holdings, Inc.	GNC	26	-37%	-56%	Closing 700 to 900 stores over 3 years.
American Eagle Outfitters Inc.	American Eagle, Aerie	26	-27%	-22%	Closed an estimated 3-4% of stores in 2018.
Zumiez Inc.	Zumiez	21	-26%	-18%	None.
Abercrombie & Fitch Co.	Abercrombie & Fitch, Abercrombie Kids, Hollister Co.	20	-42%	-27%	Closing 5% of A&F stores in 2019.
The Gap Inc.	GAP, Banana Republic, Old Navy	16	-28%	-33%	Closing 230 (~1/3) of GAP stores in 2019.
GameStop	GameStop	18	-12%	-43%	Guiding a 5% to 10% drop in sales for 2019.
Express, Inc.	Express	16	-18%	-65%	Closing or converting to outlets 6% of stores in 2019.

For example, GameStop was a part of CMBX.6 here and I later found one Cleveland, Missouri GameStop store that was part of this greater CMBX.6 portfolio (it was bundled in a slice/tranche or Jenga piece of it).

But that was 2019. Do we know examples of anyone who took the bet earlier?

We do.

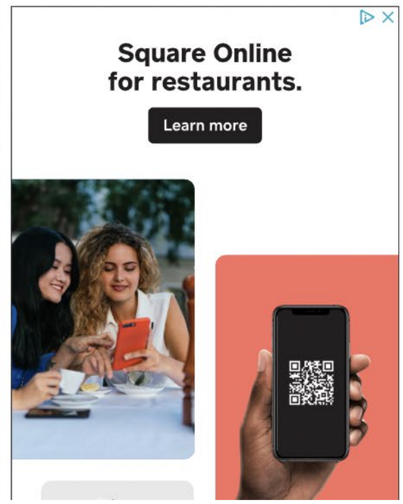
6. Jerica Capital Management

Jerica Capital Management is a hedge fund that bet against CMBS loans. Founded by a commercial real estate veteran, we found out that it bet against the CMBX.4 Jenga Tower due to a lawsuit:

Bet against retail costs investor big-time

Jerica Capital Management, caught in short squeeze, sues its own banker

National / By Rich Bockmann November 03, 2021 07:00 AM



In 2017, Chase & Jerica entered into a $125 million contract to "short a pool of commercial mortgages weighted heavily toward retail properties." And if not for an October 2021 lawsuit in Manhattan, we wouldn't have learned that Dimon does what he does best: fucking over other people:

> "...[Chase] unexpectedly terminated its short contract at the height of the squeeze. Then the bank allegedly made moves to set the price of settling the contract 30 percent higher than it should have been, Jerica asserts."

Chase also set Jerico's collateral at 37%, when it would normally be between 8-12%. More money down for collateral left Jerica open to the squeeze, and pushed them towards default. When JP Morgan terminated the contract, they had to close at market price.

> The fund alleges JPMorgan made two moves that made exiting more costly. One, it terminated the contract on the Thursday before Labor Day, when trading volumes are typically low. And two, Jerica claims the bank half-heartedly closed out its side of the CMBX deal at the "unthinkable" share price of $101, roughly 30 percent higher than Jerica's cost should have been.

So apparently, WHAT THE FUCK there was a CMBS short squeeze then that was never reported on back in Sept. 2021?! And notice that this could tie into both Credit Suisse reporting hugeeeest volumes on CMBS bets since 2013, as well as its Total Return Swap iBoxx index with Markit encountering potential liquidity issues as TRS

swaps "would cannibalize the CMBX market and hurt liquidity there" as more people piled in to short malls.

Now I'm not crying Argentina for Jerico. But let's briefly examine why they may have shorted CMBX.4.

7. The CMBX.4 Short

Jerica decided to short CMBX.4 in 2017, when e-commerce was growing and retail properties backed 51% of CMBX.4 loans.

You can perhaps argue why CMBX.4 made sense to Jerico. In 2010, the US Congressional Oversight Panel was looking at commercial real estate's impact on banks' stability. In that panel, Morgan Stanley's research on CMBX.4 was featured and it mentioned that **"CMBX indices are effectively synthetic CDOs"...**

Sound familiar?

Also, it said loan modifications affected loss projections most strongly for CMBX.4, as well as CMBX 3 & 5. It also mentioned that for CMBX.4 as well as CMBX.5, their more “widely disbursed” loss distributions would also mean their higher-rated classes are more vulnerable to losses. **This is what Jerica was hoping to capitalize on when it got into its deal with Chase in 2017, despite getting fucking over by Dimon & Co.**

And remember all of this is just looking only a tiny bit into CMBX indices.

In Pt. 3, we'll move backwards in time revisit perhaps one of the most important years in the genesis of this entire short. The birth of the "mall short" by hedge funds had one year stand out more than any other: 2017.

TL;DR:

- **Going through the "Bigger Short" fraud that could affect loans tied to leases for commercial real estate (offices, hotels, retail stores like Tuesday Morning & GME), we already find the names of some loan originators (KeyBank & Starwood) tied to both retail stores as being known for overstating income which affects the loans (fraud).**
- **CMBXs are Jenga Towers of bundled 25 wooden blocks, each made up of pooled loans that can be bet it goes up or down (short). CMBX.11 (which contained the Tuesday Morning store from Pt. 1) had its cumulate default rate go up from nearly 0 (early 2019) to 32% (Dec 2020), showing the Jenga towers are teetering.**
- **Reports and talks of shorting CMBX's Jenga Towers can be found since around 2016-2017. Jerica Capital Management is one hedge fund who shorted one such tower (CMBX.4) but got fucked over by Jamie Dimon & JP Morgan Chase during an apparent CMBS short squeeze earlier in Sept. 2021.**

EDIT 1: words, bolding other words

*Pt. 1: The Tuesday Morning Rabbit Hole (RC’s Tweet, TUEM v. TUES, & 92 Days)*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 2: Shorting Malls and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 4: Pick Your Teams: https://www.reddit.com/r/Superstonk/comments/s9hber/the_tuesday_morning_rabbit_hole_pt_4_pick_your/

The “Tuesday Morning” Rabbit Hole + Revisiting the CMBS “Bigger Short” Pt. 3: 2017 - Jan. 18, 2022

Due Diligence

The Big (Mall) Short Pt. 3: 2017

TL;DR:

- **Apollo Global Management had some CMBS exposure back in 2017. Apollo Global later bought Yahoo Finance, had former SEC chair (GG's current job) Jay Clayton join them, and tried to buy GME in 2019.**
- **Ex-Sears & Kmart CEO Eddie Lampert sold off ~230 Sears & Kmart properties to Seritage Growth Properties, who jacked up the rents to new tenants. Some of these jacked-up properties were later bundled into CMBS bundles with Chase.**
- **In CMBS loanspeak, Walmart is often a part of what's called a "Walmart Shadow Anchored Portfolio", a mall that has Walmart as its biggest retail store with little retail stores all around it. Walmart is called an "anchor store".**
- **When "anchor stores" fail--like Macy's, Sears, Dillard's, etc.--then all the retail stores around usually are at higher risk of failing. This affects the CMBS bundles with loans for all those retail stores.**

*Read Pt. 1: RC’s Tweet, TUEM v. TUES, & 92 Days*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Read Pt. 2: On Shorting Commercial Real Estate and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Read Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Note: *Be forewarned this is my least technical of the DD series, and one I try to fancy up a bit with creative writing-y stuff. A good part of it is to also set the scene for Pt. 4: Pick Your Teams.*

Table of Contents

In Pt. 2, we mentioned that 2017 was when many of those who had wanted to short malls, like Jerica--who was later caught in a "mall" short squeeze or CMBS short squeeze by Chase--, were revving up their bets at the table.

If you recall from Pt. 2, CMBS--or commercial mortgage backed securities--are a grab bag of loans to different offices, retail stores, and commercial real estate that you can buy or sell, or bet whether the price of all those leases will be paid off as those spaces do business. They’re often tied in with signed leases to these spots. **If many of those offices, retail stores, and commercial real estate spots fail, welp then they can’t pay their lease and the entire grab bag (CMBS) might go down. These leases can be made to offices or factories, but they can also be made to retail stores like Tuesday Morning or GameStop.**

We also learned before that these loans can be bundled into bigger bundles (think the Jenga towers from "The Big

Short") and can be bought, sold, cut up, or even be bet for or bet against (short). We've been looking at CMBX, which bundles many CMBS loans together. (For example, CMBX.6 contains GameStop, and was shorted against by some.)

Before we move forward in time, let's add to what the retail sector looked like around then in what may have been the most important year leading up to the "Bigger Short" on malls & retail stores like GameStop.

1. Retail in 2017

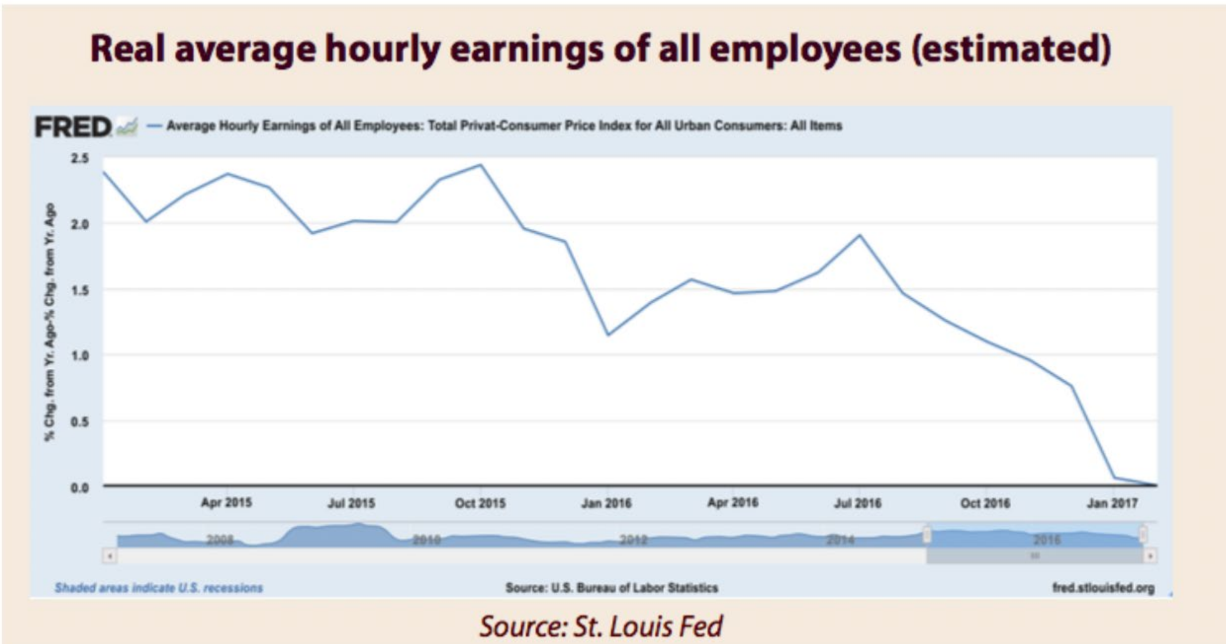
Around 2017, one of the biggest retail company fears was the rise of online shopping, even among clothing retailers (where you normally pretty much need to shop in person, try things on, etc.). Fitch had one specific stress test scenario it shouted a shit ton back then: a sped-up or accelerated 3-year shift in the clothing market where **Amazon's push into clothes could sink JCPenney's, Dillards, and Kohl's stock prices further. This would fan out and hit REITs (real estate investment trusts) and--you guessed it--CMBS loans hard:**

> "This shock would likely fan out broadly across retail real estate…**we estimate that as many as 400 of approximately 1,200 US malls could close or be repurposed as a result of retailer liquidations and square footage reductions. Widespread defaults…would have a significant impact on credit quality for Fitch-rated CMBS transactions. Given the accelerated timeframe of this retail shock scenario, special servicers would be forced to sell lower tier malls at significantly distressed values rather than undertaking normal stabilizing efforts.** We estimate that significant negative ratings migration would occur for 92 of 145 Fitch-rated CMBS classes in

19 deals. These 19 deals have exposure to retail loans exceeding 50% of the current pool.”

Fitch warned nearly 1 in 3 malls could close, and if Amazon powered up at full strength then most malls could barely muster the pocket change to break even on their leases. Some retail critics then added that the US had 5 times the malls in the UK per 100K people (per capita), and 2x Australia’s, adding to the views of failing malls.

For the country at large, back then as now wages were being hurt bad (woo America!):



Source: St. Louis Fed

Rising inflation, rising interest rates, and even a time when “a quarter-point increase in the Fed funds rate will hit consumers with $1.6 billion in extra finance charges on their credit cards” meant retail (you + me = us) would get more and more fucked, and have less and less to spend with retail even if we wanted.

In 2017, around the time that Jerica signed on to short malls with Chase, IHS Markit, who owns the CBMX loan bundles, said that as XRT dropped from poor retail performance, spreads were widening (potentially more money to be made on shorts) especially in BB- (dogshit rated) loans. CLOs with exposure to now-zombie stock Sears hurt hedge funds like Apollo Global Management worst with 30% exposure:

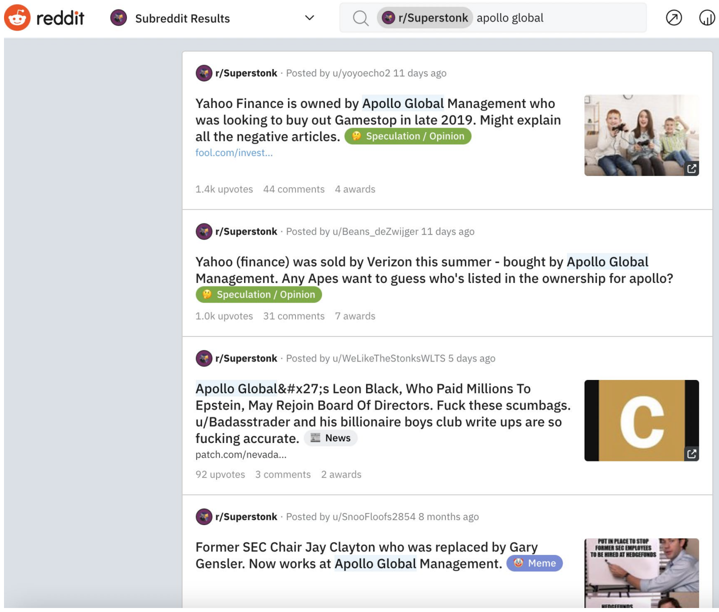
Retail Struggles Continue in CLOs in 2017

Sears CLO Exposure

Manager	Outstanding Sears Balance (USD)	% of Sears CLO Exposure	Number of Deals
Apollo Global Management	24,770,373	30.05%	13
Prudential Financial (Pramerica)	17,695,022	21.47%	15
Carlson Capital	9,880,089	11.99%	5
Seix Advisors	9,761,464	11.84%	2
Guggenheim Partners	8,834,967	10.72%	2
Kramer Van Kirk Credit Strategies	4,681,743	5.68%	2
Garrison	2,817,656	3.42%	2
TPG Capital	2,000,000	2.43%	1
Canyon Capital Advisors	1,105,141	1.34%	1
Marble Point	879,081	1.07%	1

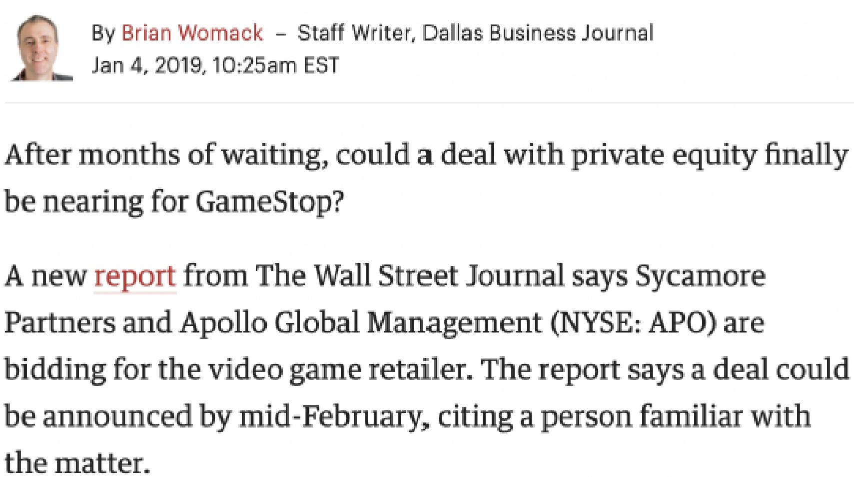
Source: Intex

In case, Apollo Global Management doesn't ring a bell, these posts might help:



Yes, that's right. **Apollo Global, the very same who bought out Yahoo Finance ("NFT marketplace = DoA + al Qaeda!"), where the person who held Gary Gensler's job before–former SEC Chair Jay Clayton—moved to to get a cushy job, with ragged cumtaint Leon Black at the helm, all while driving coal mining companies into the ground and bankruptcy while they suppress worker wages?** Ah yes, that Apollo.

And oh wait, most importantly…**they also tried to buy GME back in 2019**, potentially bidding for the firm back in Feb. 2019 alongside Sycamore Partners for a private buyout.



By Brian Womack – Staff Writer, Dallas Business Journal
Jan 4, 2019, 10:25am EST

After months of waiting, could a deal with private equity finally be nearing for GameStop?

A new report from The Wall Street Journal says Sycamore Partners and Apollo Global Management (NYSE: APO) are bidding for the video game retailer. The report says a deal could be announced by mid-February, citing a person familiar with the matter.

Apollo Global Management & Sycamore Partners. 2019.

So Apollo, at the very least, who we know was trying to buy GME back in 2019 also had an early hand being caught in the mousetrap that was exposure to CMBS loans (specifically Sears) starting to falter back in 2017. (And in case, you're wondering if Apollo Global Management will come up again in this CMBS saga, spoiler alert: they do.)

That same 2017, analyst Crystal Kim mentioned how despite Macy's & JCPenny's being small slice of XRT (2% then), commercial real estate loans in CMBS packages weren't hurt too much.

But by then, Bloomberg was already shouting about Wall Street's "Next Big Short":

“Cracks have started to appear. Prices on the BBB- (dogturd) pool of CMBS have slumped from roughly 96 cents on the dollar in late January to 87.08 cents last week, index data compiled by Markit show…**Many of the malls are anchored by the same struggling tenants, like Sears, J.C. Penney and Macy’s (*all either zombie stocks or meme stocks now)*, and large-scale closures could be ‘disastrous’ for the mortgage-backed securities. In the worst-case scenario, the BBB- tranche could incur losses of as much as 50 percent, while the BB portion might lose 70 percent.”**

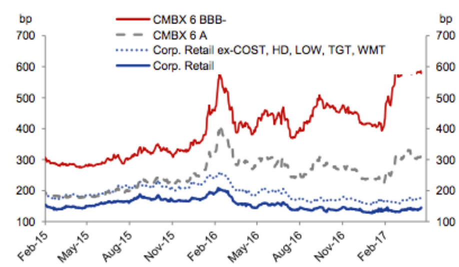
For ETFs that tracked retail, like XRT, it skewed clothing store heavy for a good amount of the years (22% of XRT's weight then).

Despite all this, I couldn't find many direct links between XRT and CMBX or CMBS loans apart from one unruly SeekingAlpha (SA) blogger called “Heisenberg” playing up the potential short in April 2017:

"For instance, [BoFA] recently (and this is a quote from a note out this week) "chalked up the [61,000 retail jobs that were lost over February and March] to a slowdown in consumer activity on weak demand for seasonal goods...**According to Bank of America aggregated credit and debit card data, we see considerable weakness in card spending in department stores** "

Look at this chart which compares CMBX 6 tranches (BBB- has been the short *du jour*) spreads to spreads on corporate credit retail names:

Exhibit 1: CMBX spreads have widened by more than corporate credit retail spreads
Credit spreads, CMBX 6 BBB- and A vs. retail sector corporate bonds



Source: iBoxx, Markit, Goldman Sachs Global Investment Research

Or, you can short CMBX 7 BBB- which, as you can see below, is probably trading *far to tight* versus CMBX 6 BBB-...

He later ended up saying that the 6 trade was old news and if you reallyyyyy wanted to get early you short CMBX.7 instead (if you even could). But since most retail investors couldn’t (remember the whole needing a Bloomberg terminal to even find CMBX?), well…

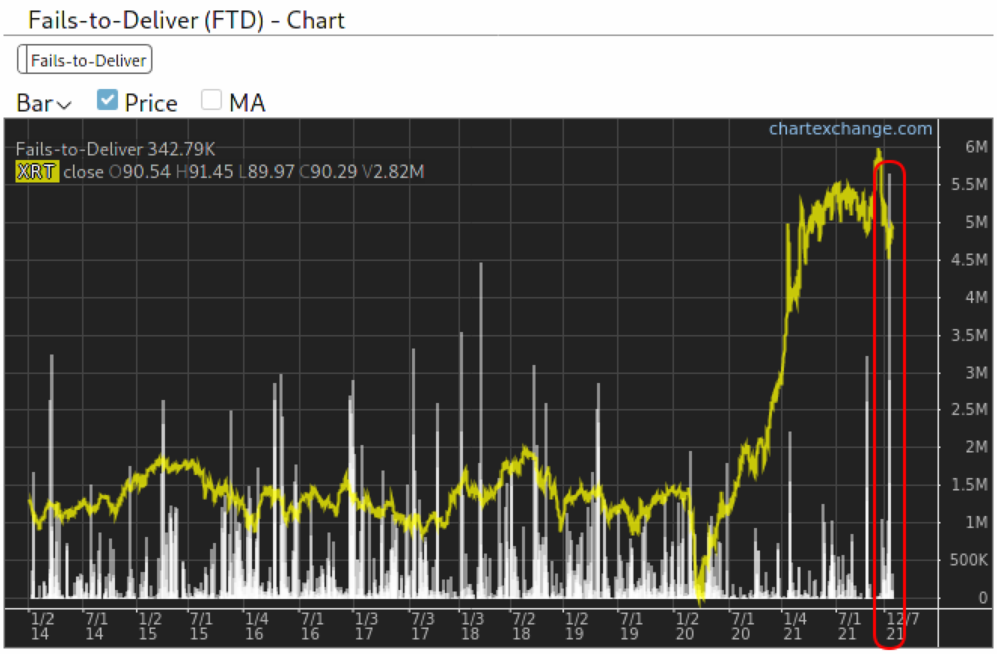
Again, if you're in anything that's tied to brick and mortar (XRT), you need to get out, and get out now. Because as you can see, the writing on the wall couldn't possibly be any clearer.

It is over for brick and mortar. Game. Set. Match.

I don't care how you trade it - pile into the CMBX 6 short, be the guy who shorts CMBX 7 while the getting is good, buy protection on the underlying individual names, buy puts, short the physical retailers. Whatever.

Just don't be the guy/gal who looks up five years from now and wonders what happened!

Speaking of XRT, I also haven’t been able just yet to factor in XRT’s short interest into my research fully, especially from around 2017, as seen in posts like these (credit to u/fastpath7):



XRT Fails-to-Deliver chartexchange.com

Page 1 / 94 Download

Settlement Date[7]	Fails-to-Deliver[8]	Previous Price[9]	T+35 Date[10]	Notional $	FTD Change
2021-12-31	342,788	90.86	2022-02-04	31,145,718	+237,810
2021-12-30	104,978	89.85	2022-02-03	9,432,273	-15,321
2021-12-29	120,299	89.33	2022-02-02	10,746,310	+118,884
2021-12-28	1,415	89.76	2022-02-01	127,010	-124,534
2021-12-27	125,949	88.78	2022-01-31	11,181,752	+124,861
2021-12-23	1,088	87.92	2022-01-27	95,657	-1,168
2021-12-22	2,256	87.77	2022-01-26	198,009	-5,648,427
2021-12-21	5,650,683	85.15	2022-01-25	481,155,657	+2,736,472
2021-12-20	2,914,211	87.99	2022-01-24	256,421,426	+1,367,261
2021-12-17	1,546,950	87.54	2022-01-21	135,420,003	+937,142
2021-12-16	609,808	90.08	2022-01-20	54,931,505	-432,423
2021-12-15	1,042,231	89.37	2022-01-19	93,144,184	+701,391
2021-12-14	340,840	89.44	2022-01-18	30,484,730	+282,287
2021-12-13	58,553	92.43	2022-01-17	5,412,054	+57,946
2021-12-10	607	92.43	2022-01-14	56,105	-82,498
2021-12-09	83,105	94.05	2022-01-13	7,816,025	-183,447
2021-12-08	266,552	94.66	2022-01-12	25,231,812	-170,337
2021-12-07	436,889	92.63	2022-01-11	40,469,028	+410,376
2021-12-06	26,513	90.96	2022-01-10	2,411,622	-219,314
2021-12-03	245,827	92.56	2022-01-07	22,753,747	-435,964

Although there are some noticeable spikes into early 2018 (we don't get short interest like that until now in XRT), I haven't been able to confirm or deny whether more than average short interest began around 2017, when more and more may have been piling into the CMBX short (and for extra spice, shorted XRT alongside).

On another side note, an extra side XRT fact I found: in 2012, the SEC settled over charges of insider trading with ex-Goldman employee Spencer Mindlin and his daddy Arthur. Using info from his old job, Spencer could front run big trades by Goldman employee on stocks that would be added or taken off XRT before it was announced. He'd buy huge chunks before Goldman did, and would short companies before Goldman sold en masse. He "...anticipated Goldman's trades by *calculating the shares that Goldman would need to trade in order to hedge its XRT position." Literally, fraud fuckers everywhere.*

2. Sears & Seritage Growth Properties

So we already knew that as early as 2017, hedge funds and banks thought malls & other business real estate could fail. That included Jerica stepping into CMBX.4 to short it and short malls, and others pushed shorting CMBX.6 through 2019. GameStop was a part of CMBX.6.

Now, I didn't end up finding the MP report from Pt. 1 first in this rabbit hole. I actually found out about GameStop being a part of a CMBX bundle when I looked to see if GME had any exposure to any CMBS loans.

One such example was the Glenbrook Square Mall in Fort Wayne, Indiana.

Glenbrook Mall.

With a $820 million loan first made by Goldman (originator), it was bundled with other malls including one in Lubbock, Texas (tranche).

Both malls had GameStop, Sears, JcPenney, and Claire’s stores among others like Macy’s, Payless & Children’s Place.

Forbes wrote about those stores that “**all…are closing stores or have been identified as being among the most troubled companies on S&P Global’s list of retailers.**”

Then THAT bundle was then passed to Wells Fargo who cut it up (like Jim Cramer cuts up coke) into 3 other bundles: one deal for Goldman, Wells Fargo, and Citi each (CMBS). **With more fuckery included, that Glenbrook mall was owned by Seritage Growth Properties, a spinoff of Sears Holdings made by Sears CEO and hedge fund cunt extraordinaire Edward Lampert back in 2015.**

distended scrotum or ex-Sears & Kmart CEO Eddie Lampert

This Seritage spin off let then Sears CEO Eddie Lampert sell 230+ Sears & Kmart stores to Seritage. Seritage then turned around and leased the SAME space to new tenants with jacked up rents. That $2.8 billion buy was helped wrapped up into a CMBS later with Chase where literally ONE ENTIRE CMBS loan is backed by some of those jacked up rent properties Seritage & Chase worked on together.

A Forbes writer might have been secretly calling out Lampert for this utter bullshit if he was trying to save Sears (which surprise he wasn’t): “**The financial goals of Sears and Seritage, then, are not necessarily aligned, given that Sears closures could potentially damage the retailer yet benefit the REIT spinoff.”**

This means if big stores like Sears or Kmart failed, then lucky him he makes money off their failure when Seritage buys them for cheap, jacks up rent for new businesses filling the space, then makes money AGAIN selling those bundled rents to Chase who sells the bundles AGAIN to other ppl.

This ends up being tricky for malls. If you remember in Pt. 1, KeyBank helped finance a loan for a property that contained Tuesday Morning, but it was “anchored” by a Fairway. Deals like this Indiana one meant if that Sears collapsed, then maybe the GameStop nearby does too.

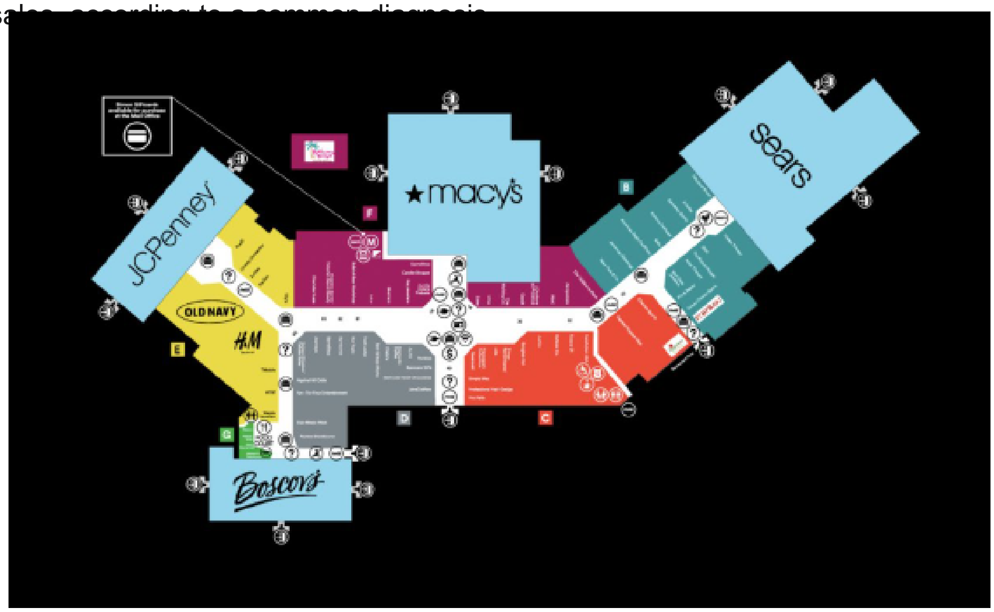
And when that happens, we get a dead mall.

3. Anchor Stores and Dead Malls

For non-US apes, it might not be too obvious but retail–and especially malls–were a huge part of the landscape of the US and even American history. Although you had predecessors to malls that first began in the 1800s like the Arcade above (built in 1828) in Providence, Rhode Island, as cars and car grew culture grew in the US you had malls pushed out from downtowns of major cities to further and further out suburbs and exurbs.

The history of malls itself is fascinating (TIL that carpets were uninstalled from some malls because they thought that the carpet's friction slowed down people from walking around the mall fast!), but its evolution into strip malls–because they're basically a strip of concrete land with shops on them–and bigger retail centers meant shops clustered there, and eventually it became a de facto stand-in for everything missing from downtowns decimated in the 1970s & 1980s: shops, culture, food, community.

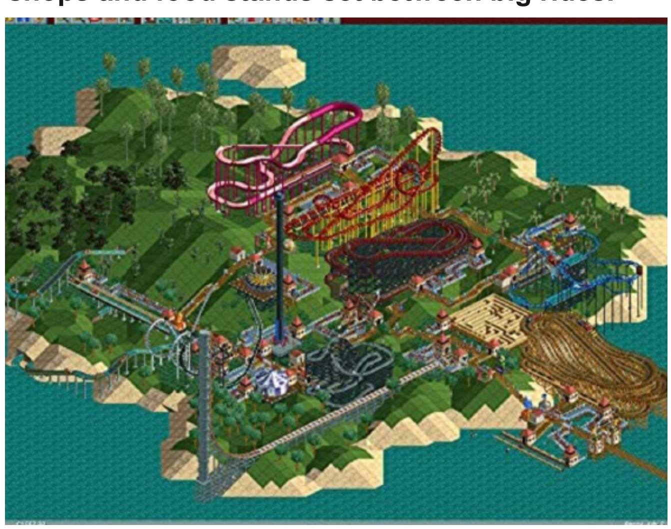
But all good things came to an end, and the structures that were copy-pasted all over the American landscape fell ill to less foot traffic and sales, according to a common diagnosis.



Sample mall map from state of NJ.

One of the things to understand about why it matters that bigger stores like Sears go under can affect a whole mall, or nearby stores like GameStop, and then also hurt CMBS loans is the structure of many malls.

Bigger malls–like Glenbrook or the one above–have "anchor stores": giant stores that increase foot traffic with littler stores and kiosks in between the big ones. It's no different then what you might see in how amusement parks are structured, with little shops and food stands set between big rides.



IYKYK.

In the mall map further up above, notice how you have giant shops like Sears at one edge. One of the jokes for giant failing mall “anchors” is that often it becomes the place where you go for free parking to walk into the mall (no one buying from that anchor store means fewer people = fewer cars = more parking spots).

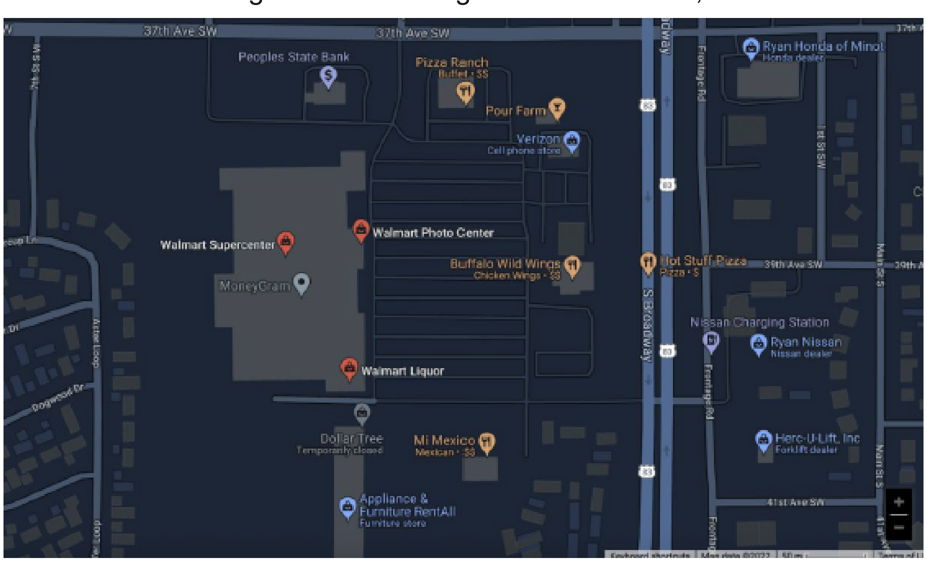
Despite the jokes, once an anchor store goes under then not only does it mean that that company and its workers are fucked, but even the surrounding stores, food shops, etc.This isn’t the only way that a mall can be set up with a large store “anchor”. Another common form includes big box stores.

In my digging, I realized that one of the more common forms of this mall structure hand dropped somewhere in the American landscape is tethered by one of the largest companies in the world: Walmart.

Now this isn’t here to smack talk Walmart (even though I have many many reasons to); they’re also not the only big store that can act as an anchor. But I bring them up as it ends up being super relevant to the rest of the explanations in this series.

Some CMBS loans can be part of what’s called a “Walmart Shadow Anchored Portfolio”. Which is exactly what it sounds like.

Instead of a giant connected mall structure, you might have a giant Walmart looming in the background while other small retail shops are in nearby concrete strips or even across streets and highways. Here’s an example of what a potential “Walmart Shadow Anchored Portfolio” might look like using this town in Minot, North Dakota:



You might notice the Dollar Tree or Buffalo Wild Wings nearby as an example of nearby stores in its “shadow”.

The appeal of these “Walmart Shadow Anchored Portfolio” is–to some degree–obvious given how much foot traffic matters, and you knowing that Walmart won’t go bankrupt anytime soon–perhaps unfortunately–means it’s more a sure thing than perhaps Sears in some ways. You might have companies like this one praising their search for this type of setup:

> “In April, Schostak Bros. & Co. Inc. spent $100 million to acquire a portfolio of 28 properties from Memphis-based Spectra Group Inc. While there have been plenty of more expensive deals this year, Schostak Bros' transaction stands out.
>
> **The reason? Not one of the properties in the deal have anchors**. All sit next to Wal-Mart Supercenters that [they have] absolutely no control over. **The firm instead is building a portfolio entirely based on the concept of shadow anchors. It is consciously looking to buy centers adjacent to stores owned and operated by the world's largest retailer. But it has no interest in being Wal-Mart's landlord. Its strategy is to capitalize on all the benefits of having Wal-Mart as a traffic generator without having the headaches (and meager rents) that come from being a big-box landlord.”**

As I mentioned, Walmart ends up being something that many can hang their hat on, without having to worry about going under. Because what happens when maybe an anchor store does go under, whether from poor sales, mismanagement (Sears), crappy leveraged buyout deals from hedge funds (Toys R Us), or even being (naked) short sold into the fucking ground (GameStop)? You get a dead mall.

Dead malls have come under their own resurgence online due to YouTube channels by people like Dan Bell and his "Dead Mall Series", as well as others who explore dead malls. Myself, a fan of exploring abandoned properties, first learned about his channel actually here through Reddit and have been amazed ever since.

Movie came out in 2014.

For movie and book fans, dead malls factor heavily into the film “Gone Girl”, which is based on a book. I didn’t realize it too much then but the 2014 film is–apart from its main storyline–also seen as a story of the crash of 2008 and the ensuing recession. One famous scene involves the main character seeking out info in a dead mall:

“All of the houses are abandoned in their upper-class neighborhood except very few neighbors because of the crumbling economy in Carthage. Not many people can afford to live in this development, let alone, live in a house at all in this town. Also, the abandoned mall shows signs of decay as well.

As Nick searches for clues regarding Amy’s disappearance, he describes the mall, **“It was suburbia, post-comet, post-zombie, post-humanity” (113). The recession had led to the closure of the town’s mall. This affected the lives of many citizens living in Carthage because they had lost their jobs. The increase of unemployment led people to illegal jobs, such as drug dealing.**

These people were found throughout the abandoned mall. Nick explicates, “Carthage had a bigger drug epidemic than I ever knew: The cops had been here just yesterday, and already the druggies had resettled, like determined flies” (116). For many people living in Carthage, the only means of work is to drug deal in the abandoned mall and not even the police can stop them from making the money it takes to keep themselves alive”

Sometimes dead malls get lifelines, and convert empty space from anchor stores or small retail leased space to fitness centers, churches, senior centers, offices, public libraries, and even medical clinics. For one, medical clinics in malls rose 15% from 2011 to 2016.

But for big malls, losing an anchor store like Dillard’s, or Sears can’t be easily replaced with another, or even another smaller store (you couldn’t cleanly fit a GameStop’s inventory over 3 floors of a Macy’s if you tried and it wouldn’t make sense to pay that big of a lease). So it’s often dying against the light, and you get a dead mall nonetheless.

A dead mall is a symptom, a diagnosis, a crime scene, and symbol all in one.

This was especially the case for accelerating dead malls in the recession, just years after big banks fucked over people in 2008. A dead mall means a lot of things to a lot of people.

GameStop in Bluefield, West Virginia. 2020

Yes, a dead mall means a lot of things to a lot of people.

But a dead mall also means to some, that your entire tower of commercial mortgage backed securities, also just became a little more wobbly.

In Pt. 4, we'll figure out the teams: who wasn't sure about the "mall short" enough to jump in, and who were the ones that went balls deep alongside MP & Jerica.

TL;DR:

- **Apollo Global Management had some CMBS exposure back in 2017. Apollo Global later bought Yahoo Finance, had former SEC chair (GG's current job) Jay Clayton join them, and tried to buy GME in 2019.**
- **Ex-Sears & Kmart CEO Eddie Lampert sold off ~230 some Sears & Kmart properties to Seritage Growth Properties, who jacked up the rents to new tenants. Some of these jacked-up properties were later bundled into CMBS bundles with Chase.**
- **In CMBS loanspeak, Walmart is often a part of what's called a "Walmart Shadow Anchored Portfolio", a mall that has Walmart as its biggest retail store with little retail stores all around it. Walmart is called an "anchor store".**
- **When "anchor stores" fail--like Macy's, Sears, Dillard's, etc.--then all the retail stores around usually are at higher risk of failing. This affects the CMBS bundles with loans for all those retail stores.**

*Pt. 1: The Tuesday Morning Rabbit Hole (RC’s Tweet, TUEM v. TUES, & 92 Days)*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 2: Shorting Malls and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 4: Pick Your Teams: https://www.reddit.com/r/Superstonk/comments/s9hber/the_tuesday_morning_rabbit_hole_pt_4_pick_your/

Edit: words, bolding, extra explanation

The “Tuesday Morning” Rabbit Hole Pt. 4: Pick Your Teams - Jan. 21, 2022

Due Diligence

TL;DR:

- **In early 2017, Eric Yip puts out the "Alder Hill White Paper". Spreads around Wall Street like fire. The thesis? Short malls, betting they will fail. How? Short CMBX.6 (#6).**
- **Yip says most of the malls' debt in #6 that is looking to fail will do so by this year, 2022.**
- **I found a number of GME stores with leases/loans tied to even some of the biggest parts of #6, and the tranches that got shorted. Other meme stocks (Express) show up in these leases/loans.**
- **Many pile in on Wall Street to short America's malls through #6, including Carl Icahn, MP Partners, and Mudrick Capital & Apollo Global. Mudrick has ties to sticky floor stock, and Apollo Global bought out Yahoo! Finance and tried to buy GME in 2019.**
- **Some had to exit the trade in 2019, but the ones who stuck around got a boost from Covid. Fed doesn't end up bailing out CMBS/CMBX loans fully through Covid relief.**

Basic diagram of the CMBX towers and the big "mall" short

In these posts, I talked about how diving into Tuesday Morning being shorted to shit (92 days to cover) on its old ticker made me find its connections to CMBS loans, along with GME's CMBS loans. I mentioned how in Pt. 3, these CMBS loans were teetering over the rise of Amazon and more dead malls, an idea that invaded culture from "Gone Girl" to Dan Bell.

If you recall from Pt. 2, CMBS--or commercial mortgage backed securities--are a grab bag of loans to different offices, retail stores, and commercial real estate that you can buy or sell, or bet whether the price of all those leases will be paid off as those spaces do business. They're often tied in with signed leases to these spots. **If many of those offices, retail stores, and commercial real estate spots fail, welp then they can't pay their lease and the entire grab bag (CMBS) might go down. These leases can be made to offices or factories, but they can also be made to retail stores like Tuesday Morning or GameStop.**

We also learned before that these loans can be bundled into bigger bundles (think the Jenga towers from "The Big Short") and can be bought, sold, cut up, or even be bet for or bet against (short). We've been looking at CMBX, which bundles many CMBS loans together. (For example, CMBX.6 contains GameStop, and was shorted against by some.) We'll find out who they were in this post.

Sections:

1. The Alder Hill White Pap

2. Shorting Malls 1

3. Mudrick Partners & Apollo Global Manageme

4. The Meme Stock Conne

5. Press Start to Join, Ca

6. New Challengers Have Arrive

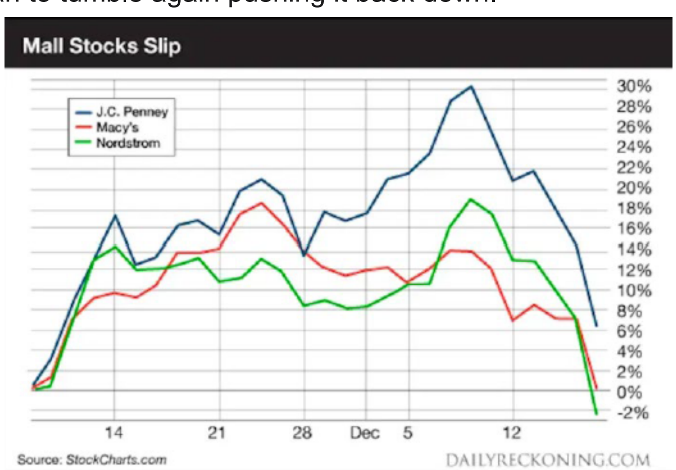
7. March 20

8. Blow the Whist

1. The Alder Hill White Pap

With more and more dead malls growing, the "Bigger Short" on malls–or the "mall short"--was born in 2017.

Just before 2016's New Year's Eve celebrations completed & stepped into the dawning seconds of 2017, BusinessInsider's website splashed a headline that would repeat over and over during the New Year: "Amazon is crushing shopping malls". That article said XRT (the retail ETF) got higher stock prices during a post-election season rally, before major holdings began to tumble again pushing it back down.



The retail landscape looked grim going into 2017. Sears, one of the world's biggest retail stores at one point, was falling off a cliff, selling off pieces of itself and of Kmart to stay alive. **A 2017 Credit Suisse report predicted 20-25% of all malls could close by 2022 (this year, dear apes)**. In May 2017, Susquehanna took a big loss on a CMBS mall loan (while we're here, go eat a bag of dicks Jeff Yass or Jeff Yasss Queen). You even had one Pittsburgh, PA mall, once valued at $190 million, sold at foreclosure for $100, less than the cost of a GME share right now. (Wells Fargo was the buyer.)

Dead malls were dying, and whether due to tangible reasons or manufactured ones, some took notice.

Including Eric Yip.

In January of 2017, Alder Hill Management and its head Eric Yip published a 58-page paper some dubbed the "Alder Hill White Paper". Despite splashing "DO NOT DISTRIBUTE" on the front, as many Wall Streets docs might, it eventually circled around as heads turn to hear the thesis: short CMBX.6.

The newly launched hedge fund knew that Credit Suisse was predicting nearly 1/5th of all malls would close by 2022. Alder Hill had 2 funds it ran, with the smaller one looking at mall debt. Yip called mall debt a "toxic cocktail," with many high-risk loans supporting malls he thought would become dead malls in the next few years. One of the important parts: most of the debt would also mature in 5 years, or by 2022. To some degree, there was limited time to be right and put chips on the table.

CMBX.6 was made in 2012-2013 (arguably a time when they were more optimistic about malls, and perhaps didn't realize online shopping's effect since it didn't exist), terms were generous to make a short better down the road.

Yip and Co. talked about how CMBX.6–which was made of 2000+ bond products–had huge retail exposure, especially its BB- (catshit) tranche. It had more exposure to retail than other CMBXs (#1 through 13, etc), and smaller, regional malls dotting the US would be especially hard hit. **And retail was becoming a bigger chunk of the Jenga tower that could fall**: by 2019, 40% of CMBX.6 (or #6) would be exposed to retail stores in malls.

Top Five Largest CMBX 6 Mall Loans

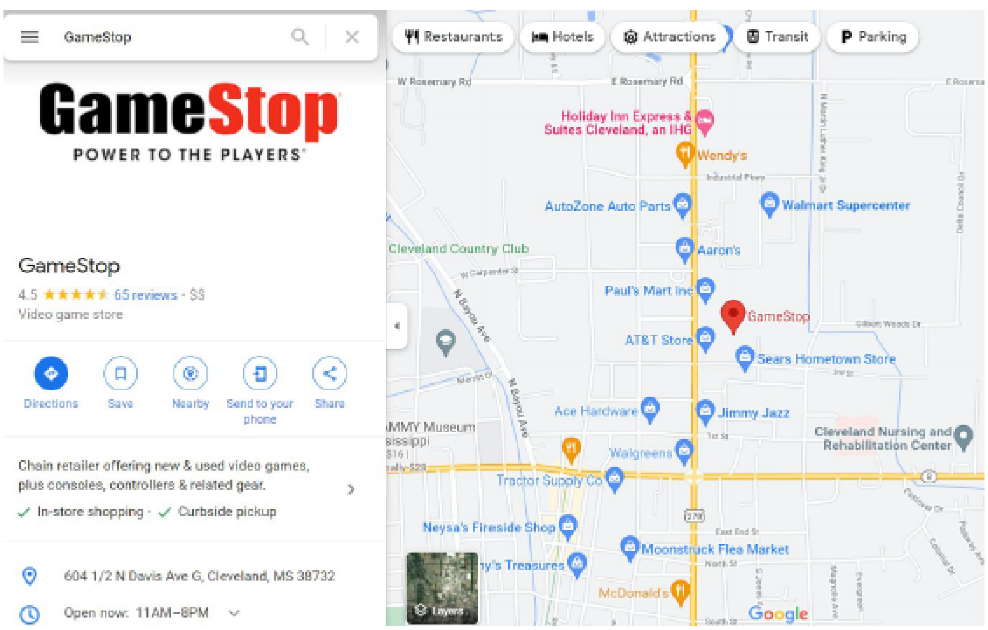
Deal Name	Loan Balance	Property Name	City	State	Maturity Date	DSCR	Occupancy Rate
COMM 2012-CR1, COMM 2012-CR2, COMM 2012-CR3	$266,008,724	Crossgates Mall	Albany	NY	May 2022	1.37	84%
WFRBS 2012-C7, WFRBS 2012-C8	$215,617,204	Northridge Fashion Center	Northridge	CA	Dec 2021	1.61	94%
COMM 2012-CR4, COMM 2013-CR5	$210,000,000	Eastview Mall and Commons	Victor	NY	Sep 2022	2.00	98%
WFRBS 2012-C7	$182,573,098	Town Center at Cobb	Kennesaw	GA	May 2022	1.38	85%
WFCM 2012-LC5	$135,845,882	Westside Pavilion	Los Angeles	CA	Oct 2022	1.40	97%

I found GME stores that were part of rows 1, 2, & 4.

One of the largest mall loans that made up #6, as well as #7, was a mall in Northridge, CA.

A GameStop store in Austin, TX is cut up into part of that 1st row "mall loan" (specifically, the deal name: COMM 2012-CR1) that was originated by Cantor CRE Lending.

I also confirmed another GME store in Cleveland, MS is part of the 2nd & 4th row "mall loan" (deal name: WFRBS 2012-C7) originated by BASIS. Both had Wells Fargo as Master Servicers at one point.

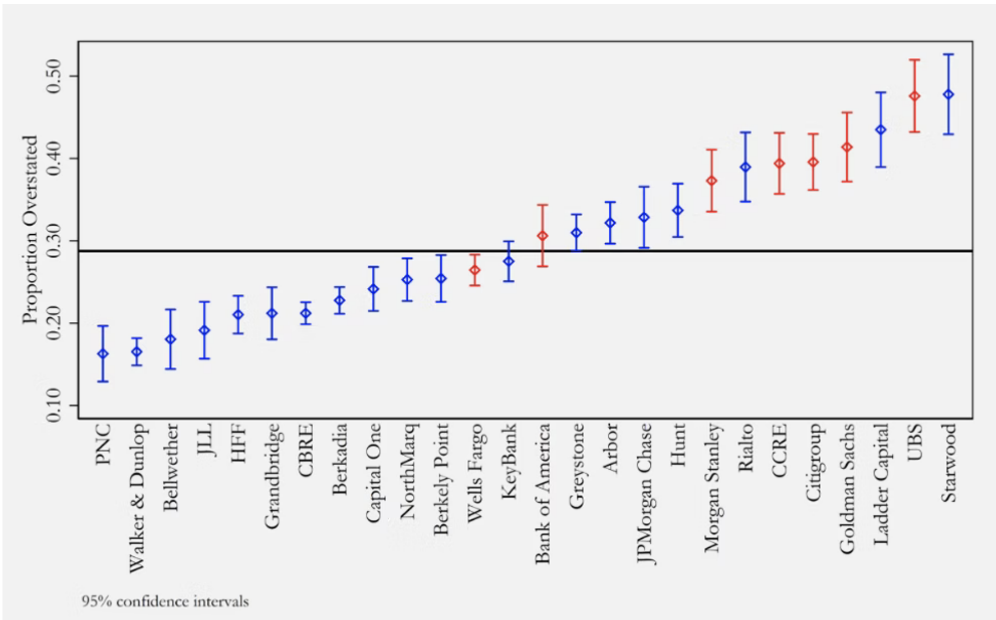


GME store in Cleveland, MS, part of the 2nd & 4th row "tranche".

I couldn’t find GME stores as part of the other 3 deals explicitly, BUT the 5th mall named (Westside Pavilion, Los Angeles) had a GameStop store in it....

...and the 3rd mall named (Eastview Mall in Victor, NY) had a GameStop store in a mall less than a 2 min drive down the road called Victor Commons. A few of the other GameStop stores I found were featured in adjacent loans (meaning a loan ending in C6, not C7) as in #7, but couldn’t prove or disprove if these similar sounding loans were also in #6.

Other examples of CMBX.6 malls including GameStop stores were the Chicago Ridge & Louis Joillet mall, both a stone’s throw from Hellman’s #1 fanboi and Citadel. And guess who ended up helping financing those 2 malls through 2019-2020? Yep, loan overstater extraordinaire Starwood, who we met in Pt. 2:



Looking at all that lying on loan/lease applications. Smells like crimeeeee

2. Shorting Malls 101

Now, if you want to “short malls”--like the ones above that have GameStop– by shorting a CMBX index, it takes a little work:

> **“To short any CMBX index** — there are 13, each tied to a different origination year for commercial mortgages — **investors pay various fees, including an annual amount to hold what is essentially an insurance policy that pays out if the mortgages the index tracks default. Those fees might be $300,000 to $500,000 a year for every $10 million of insurance the investor wants to hold.”**

Remember in “The Big Short” when Burry’s investor came in to his office yelling about the premiums (“I want my fucking money Michael!”). Same here. They had to put down regular monthly payments to keep the trade alive.

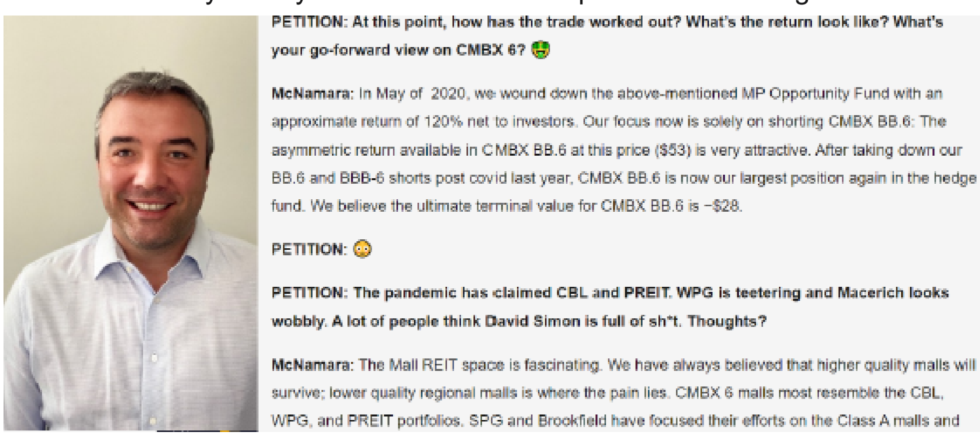
Give me my fucking money back Eric

By March, word of the “Alder Hill White Paper” was picking up on Wall Street. Jerica Capital Management jumped into the “mall short” on CMBX with JP Morgan Chase backing them, but opted to short #4 vs. #6 like Yip suggested. Big banks were taking notice too, and eleven Deutsche & Morgan Stanley were recommending to short retail to some clients.

By the end of 2017, Yip had focused on 2 securities balls deep in risky mall debt and he chose to short them at about $1 billion total. The trade kept catching wildfire, and more piled in.

One person was willing to pay out to short.

A self-described personal fan of Michael Lewis, author of “The Big Short” Daniel McNamara, who was Principal from MP Securitized Credit Partners, had read Yip's paper. McNamara had come from Societe Generale, home of rogue trader Jerome Kerviel, and a bank with a risky history that had also been a part of the housing fraud back in 2008.



PETITION: At this point, how has the trade worked out? What's the return look like? What's your go-forward view on CMBX 6? 🤑

McNamara: In May of 2020, we wound down the above-mentioned MP Opportunity Fund with an approximate return of 120% net to investors. Our focus now is solely on shorting CMBX BB.6: The asymmetric return available in CMBX BB.6 at this price ($53) is very attractive. After taking down our BB.6 and BBB-6 shorts post covid last year, CMBX BB.6 is now our largest position again in the hedge fund. We believe the ultimate terminal value for CMBX BB.6 is ~$28.

PETITION: 😳

PETITION: The pandemic has claimed CBL and PREIT. WPG is teetering and Macerich looks wobbly. A lot of people think David Simon is full of sh*t. Thoughts?

McNamara: The Mall REIT space is fascinating. We have always believed that higher quality malls will survive; lower quality regional malls is where the pain lies. CMBX 6 malls most resemble the CBL, WPG, and PREIT portfolios. SPG and Brookfield have focused their efforts on the Class A malls and

for whatever reason, this interview with him on Substack has the interviewer responding with emojis

MP was the firm that put out that chart from Pt. 1 saying to “short CMBX.6 too” a few years later in 2019. He and his coworker Catie McKee–who had interned at UBS and later went on to work for BoFA– went on road trips looking at malls to short.

They eventually took road trips to malls where their boss, Marc Rosenthal, was actually fucking happy about what they were doing:

> "He was like a little kid in a candy store," McNamara remembered. Rosenthal told his employees that he wanted to drive deeper into Connecticut, to check out another struggling mall. He pulled out his phone. "It's only an hour away," Rosenthal said, pointing to his screen. "Let's go!""

Pretty much what I expect with McNamara & Rosenthal in the back prob with a shit-eating grin

MP coworkers Katie and Eric thought since the bonds matured closer to 2022, they might have to wait longer for it to trade and the timing might not be right. They later said. "Our take was, 'We agree with your thesis, but we think you are a bit early.'" **But they did think that if they placed their bets now that vacant storefronts and owners going bankrupt by 2022 meant a big payday.**

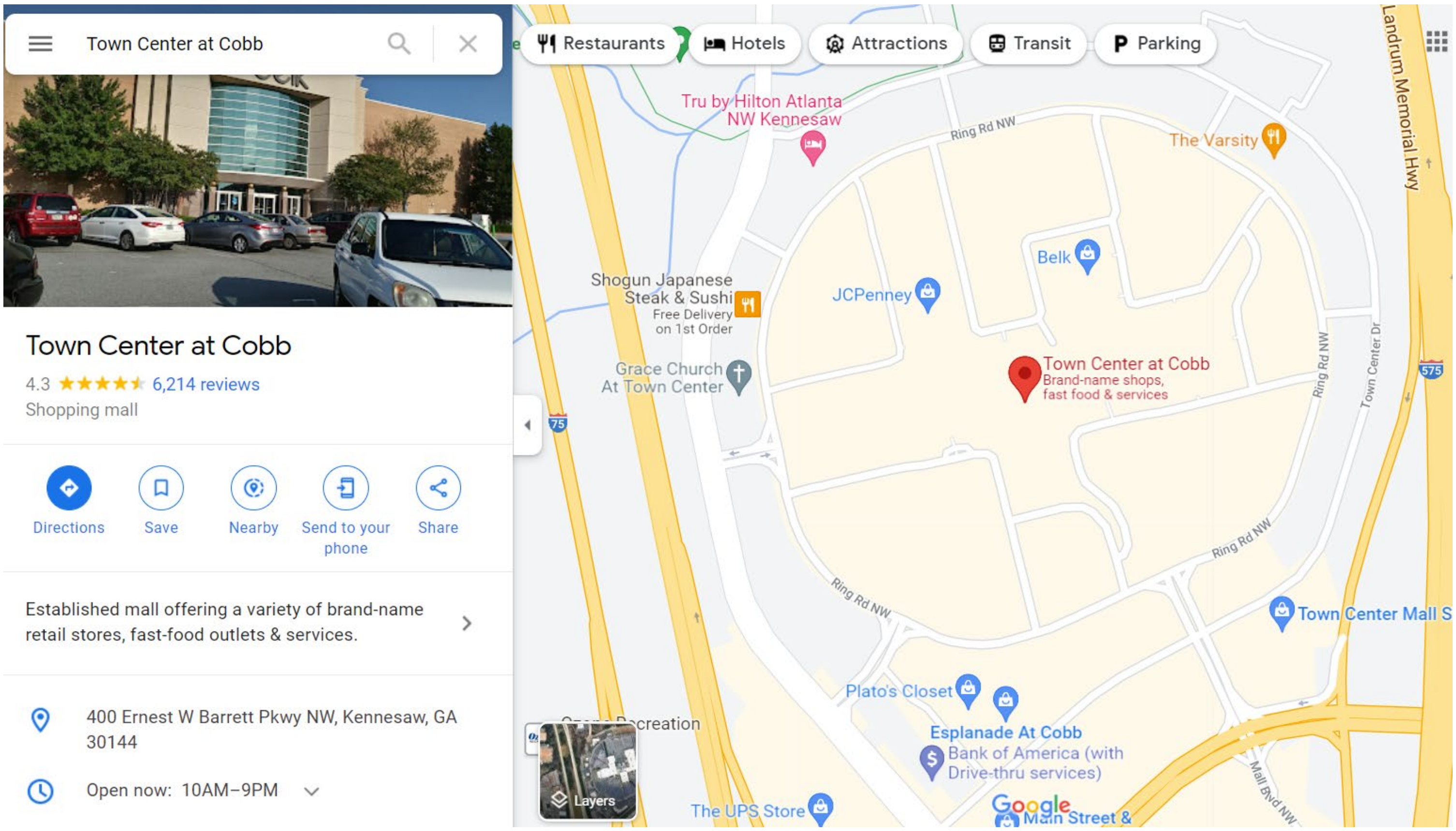
3. Mudrick Partners & Apollo Global Manageme

Some bit down while MP was still debating. Jason Mudrick, of NY hedge fund, Mudrick Capital, put $500 million down on his #6 short in 2017.

Mudrick Capital, described by some as a "contrarian hedge fund" (ugh), was led by Jason Mudrick, who left his old firm Contrarian in 2008 after Lehman Bros. shit the bed, then formed Mudrick Capital instead to capitalize off all that distressed debt made by the 2008 crash (seriously fuck you dude).

He had his team walk all 39 malls in CMBX 6. For example, one walkabout included LA's Northridge Fashion Center, part of the chart above of biggest #6 loans, which contained GameStop, anchor stores in Macy's, JCPenneys, and Dick's, as well as fellow meme stock Express, and now-bankrupt GNC, Aldo, Children's Place, & Build a Bear Workshop.

They also visited the Town Center in Kennesaw, GA (4th row in the chart above), which has anchor stores in Macy's, JCPenney's and Belk. That GA mall also has Express and the now-bankrupt Claire's.



Who knows, if you were there at either mall in 2017, you might have seen a group of hedge fund New Yorkers perhaps cautiously trying to blend in with Georgia locals as they took notes & snapped photos while walking the mall. Some security guards even called them out for taking photos and hassled them for it. (Who knows, Mudrick's fiends might have passed by MP's Pokemon Snap enthusiasts at some point since they both visited a mall in Waterport, CT around the same time).

Remember, going into the next year, there was another metric that stood out, whether it was for Apollo Global, Mudrick, or even Yip from Alder Hall. Yip, for example, was betting the house in 2018 because he learned there was likelihood that **the debt on 25 of 40 mall loans in #6 could go tits up by 2022. More and more, 2022 seemed like cash out time.**

On the other side, you had Apollo Global Management, led by Leon Black (who stepped down around the time of the "sneeze" last year for being found out to paying $150 million to Jeffrey Epstein for advisory services), who had looked at the trade. The flagship fund, led by John Zito, wanted in. Unlike Mudrick, it more quietly settled into shorting CMBX.6, only announcing more after the trade was all done.

4. The Meme Stock Connect

Now those last 2 firms, Mudrick & Apollo, may sound familiar. In the case of Mudrick Capital, Mudrick some might know took a gold mine called Hycroft public with a SPAC deal in 2020.

Also, if Mudrick sounds familiar, its because this emaciated elephant balloon knot, is connected to the popcorn part of the saga.

While popcorn was originally owned by Chinese Wanda Group in 2013, Mudrick saw its distressed loan borrowing as a chance to jump in around April 2020 (he was also looking at Travelport Worldwide for this). Mudrick approached popcorn CEO AA in late 2020 to give $100 million and set up $2.6 billion worth of debt restructuring. **He was aiming for "death spiral financing" for the stock, especially since his firm's strategy prefers "acquire a controlling stake in the company through loans, as opposed to owning a majority stake of the company's stock."**

How does that death spiral financing work? Well, popcorn used low interest loans to quickly expand worldwide pre-Covid. Debt-heavy it bled cash during the pandemic and needed to restructure its debt. For some hedge funds, this means money from bankruptcy. Borrowing from a common hedge fund playbook **("You need money? Sure! Here's a shit ton of high interest loans, where bankruptcy court pays me before stockholders!")**

SHFs also hedge by adding "convertibility" features, meaning if the stock goes back up, they can easily switch their position from money they lent to shares and ride the wave back up. **But this convertibility also can be used in that "death spiral financing”. This is where lenders keep converting their positions to shares, then sell right away, diluting the stock, selling their stake next, driving the price down even further.**

What’s perhaps interesting is who this attracts, like flies to a shitstain: **“This value depreciation attracts short sellers who add even more selling pressure, causing long-term investors to cut their losses, and even further compounding the problem.”**

This can maybe incentivize SHFs like Mudrick to be like “Ok ok bby, I didn’t mean to hurt you. You still need money that you’re worth less now? Ok, how about another loan…with more convertibility thrown in? Aww don’t cry…It’s this or…you go bankrupt.’ Then firms are pretty much forced to say yes, before firms like Mudrick go “Great!” and do more conversions, more selling, and more shorts (some naked?) pile in.

This happened to popcorn: after it got downgraded, AA needed to stupidly borrow another $125 million from Mudrick, and even one weekend negotiated to buy 8.5 million shares from AA over the weekend before promptly fucking selling them all on Monday and making themselves $100s of millions due to the price difference. Some theories say that this could have been market manipulation to help keep his calls below a $40 strike at the time.

All in all, Mudrick apparently did some other bullshit despite its $200 million gains on popcorn shit **(apparently it also got money from call options on GME**) which I won’t really go into here.

But of course, remember I’m not just here for Mudrick. Remember Apollo?

By Brian Womack – Staff Writer, Dallas Business Journal
Jan 4, 2019, 10:25am EST

After months of waiting, could a deal with private equity finally be nearing for GameStop?

A new report from The Wall Street Journal says Sycamore Partners and Apollo Global Management (NYSE: APO) are bidding for the video game retailer. The report says a deal could be announced by mid-February, citing a person familiar with the matter.

Apollo Global Management had been looking to buy GME in 2019 alongside Sycamore Partners. Cue spinchter sommelier MW:

> “This isn't the first time Sycamore and Apollo have been mentioned as possible suitors. Bloomberg reported the two were interested last September [2018], which followed GameStop's earlier announcement it was pursuing strategic initiatives that could include a sale.
>
> In November's [Q3] earnings release, GameStop followed up by saying it "continues to engage with third parties regarding a possible transaction as part of the comprehensive review of strategic and financial alternatives currently being undertaken by the company's board of directors."

Price bumped up a bit that day for GME ($15, goddamn wish I could buy more at $15). GME later pulled a Consuela in early 2019 to both, saying **"GameStop's Board has now terminated efforts to pursue a sale of the company due to the lack of available financing on terms that would be commercially acceptable to a prospective [buyer].”**

Wut mean? WSJ took it as the deal wasn't gonna work out. Publicly, GME said because Apollo was worried about their business model for physical disks in the face of growing digital downloads but ho knows.

The big point in all this, of course, is the obvious: isn’t it a little curious that 2 big hedge funds who wanted to buy 2 of the biggest meme stocks around the same time (Apollo Global for GME, Mudrick for popcorn) were also shorting “malls” had an open short position or bet against the very malls they were in?

5. Press Start to Join, Carl

MP Katie Mckee, so called "Queen of Malls"

While McKee & her MP colleagues took road trips and was asked to delete her own pics from mall security guards, she kept logging what she saw similar to Mudrick’s foot soldiers and what they were doing.

By Oct. 2018, Sears had declared bankruptcy. **With many malls–just like the malls in Pt. 2 that had anchored GameStop–now losing their big anchor,, they realized it was now or never.**Just like Yip, MP saw #6 (specifically BB and BBB- catshit tranches) as the worst with $2 billion in mall debt.

They bought insurance policies (credit default swaps) to short the towers, and would make bank whether #6 went tits up completely or even partly: **“even if the tranches decreased in value, MP’s insurance would be worth more and they could sell the swaps for a profit. In any case, it was an asymmetric bet: the downside risk was confined to what they’d have to pay to hold the insurance, but the potential payout was many multiples of that amount—theoretically in the billions.”**

In 2018, MP joined the fray with their short. **Now who bought MP’s shorts on CMBX.6? Goldman, Citi, and Credit Suisse. By this point, nearly all the big players (Chase, Deutsche, Morgan Stanley) were directly or indirectly aware of such a “mall short”.**

As 2019 dragged on, McKee got an opportunity. McKee by this point had earned the title of “the Queen of Malls” due to her presence on the trade. By October 2019, it was her who eventually got a chance to take a long elevator ride up a sprawling office building and meet with a finance heavyweight to discuss the “mall short” idea. **That man, sitting inside his shitty looking wood-paneled boardroom in a NYC skyscraper, was Carl Icahn.**

The former corporate raider from the 1980s, **Icahn had already had a similar idea of shorting malls, thought malls were over built, and heard her out.** A colleague of Icahn’s put them in touch. In part, he later said he also heard of the idea directly from Yip. While looking over Central Park, she had helped to convince Icahn to join in “the mall short”. McNamara preferred to call it “The Big Short 2.0”.

Carl iCahn-t stop betting against America

"We periodically do shorts, and this is one of the best that I've ever seen." Mr. Icahn said in an interview. **He put down $5 billion on the short. Once news got out that Icahn had put cash down, others perked their heads up a bit more.**

6. New Challengers Have Arrived!

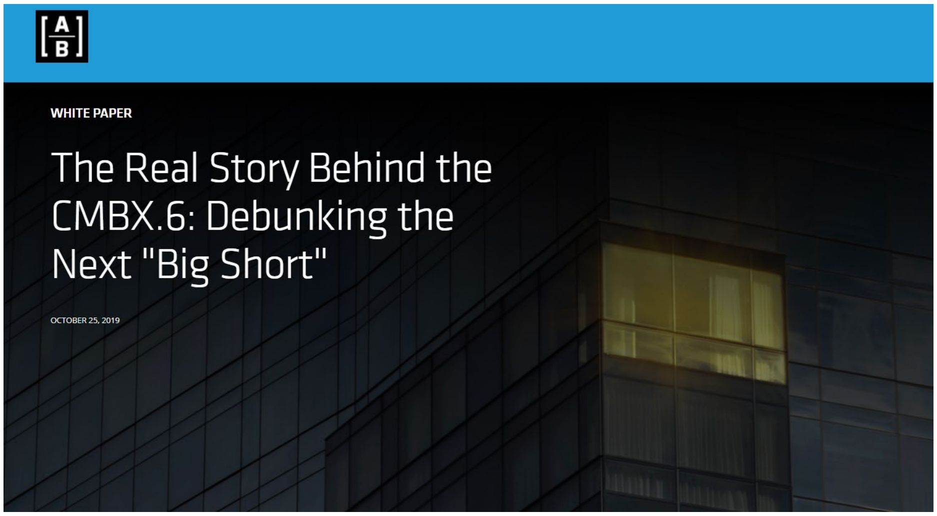
Citi, at this point, said the "mall short" trade was overcrowded. Despite the growing list of names wanting to short "malls", there were some that were wary and stood on the other side of the bet. The biggest names on that list were Alliance Bernstein and Putnam Investments.

In Pt. 2 I mentioned that Alliance Bernstein had put out a report in 2019 called "Debunking the Big Short 2.0", opening with "The CMBX.6. The acronym has splashed across headlines and become a source of controversy on Wall Street, [but] our research shows that the American shopping mall is evolving, not dying." **Alliance dropped their report just 4 mere months after MP dropped their 2019 pro-"mall short" piece, pissing off McKee**.

Both Alliance & Putnam had $6 billion on the other side of the trade, thinking malls could survive Amazon and bigger changes in the economy. MP wasn't a fan and said it drove some away from the short:

> "[Alliance & Putnam] made up a huge share of the market, so they were able to push the price around," McKee said,

adding that she and McNamara went around to large institutional investors and pitched their side of the trade, hoping they'd flex their muscles in the market. "We needed more soldiers to fight this battle," she said. But they were rebuffed. In their minds, it was too risky a position to carry."



MP kept calling out Putnam, saying they were probably lying about how the mall debt was probably higher than they were willing to disclose. Alliance & Putnam kept dodging their punches, while MP either complained about it at drinks over the 1st floor bar of their firm.

And it worked for some time. Sorin Capital Management, who was also shorting malls, returned money to investors in 2019. **Eric Yip–perhaps the father of the "idea"--saw Alder Hill close after losing on its bet, ironically shutting down before the malls they bet against, hoping that they would shut down first. By this point, some of the "mall shorts" were failing and losing cash on their big bet**.

As a brief side note, one of the few things that I was unable to find was whether the "mall short" above approaching Sept. 2019 helped lead to banks like Chase, Deutsche, and Wells Fargo seek a bailout for the Fed. Although it does involve derivatives at the end of the day, I was unable to definitely prove or find anything, though the timelines seem to line up (of having to close shorts, costing more and more right as a bailout is sought).

7. March 2020

A few months later, in Feb. 2020, McKee's firm MP eventually launched the MP Opportunity Fund I to short CMBX.6, which was created "...entirely to short CMBX 6 and to take advantage of the massive mis-pricing." They were calling up investors, literally yelling "I need the money!" to buy up new credit default swaps for that fund.

But just a few weeks later at the end of Feb., the news out of Wuhan had manifested from footnote to worldwide panic: Covid-19 had been decimating the globe and had reached NYC. By Feb. 28, McKee had been moving to a new apt. **In NYC as she and her MP colleagues were frantically trying to short CMBX.6 before the Covid news fully struck:**

> She ducked outside and frantically called Rosenthal. "'We are going to miss it! Where is the wire?!" she yelled. "We are going to miss it!'" She was terrified that, if they waited too long, the tranches' price would drop and they'd lose their opportunity to put on the trade.
>
> "We are not going to miss it, Catie," Rosenthal told her. "It's going to zero, don't you worry."
>
> **The money came in just before the market closed. McNamara immediately called Goldman Sachs and used every penny they had to buy credit default swaps on the CMBX.6 tranches**. **"They didn't think I was crazy this time around," McNamara said. Everyone at MP was confident that the market's fear of COVID-19 would make these bonds go bust—and fast. They were right**.

Over the next few months, as Covid killed millions worldwide, economic fallout continued. Trepp reported CMBS delinquencies climbed nearly 500% after Covid made landfall in the US. McKee mentioned how the pandemic only "...sped up the rate of demise for CMBX 6 malls by being the final straw for a lot of struggling retailers and mall owners." The news seemed to be in the shorts' favor:

> Large retailers like Gap stopped paying rent; Neiman Marcus, J.Crew, Brooks Brothers, Ann Taylor, Loft, Pier 1 Imports, GNC, and JCPenney (among many others) filed for bankruptcy; Victoria's Secret was closing hundreds of stores and Lord & Taylor announced it was closing its doors for good and liquidating inventory; TJX and Macy's recorded losses of $5 billion and $2.5 billion, respectively**; **foot traffic for shopping malls plummeted to basically zero****; and, in April, clothing sales fell 79 percent, the largest drop on record. "The economy has declared war on your aunt's wardrobe," Scott Galloway, marketing professor at New York University, mused on his podcast Pivot. As for Crystal Mall, Simon Property Group, its landlord, defaulted on the mortgage and is planning on handing over the keys to their special servicer.

Others went even darker, with dark dreams of dead malls that only Yip could dream of looking at 2022, but this was for 2021. **Green Street Advisors thought 1 out of every 2 department stores in malls would close by 2021 (anchor stores), and CenterSquare thought Covid could shut down as many as 80% of all malls once all was said and done.**

Remember, by March 2020 (yes, that March 2020–the beginning of Covid), Crain had reported nearly $11 billion of shorts were stacked against the CMBX.6 tower. This was worth more 6x the cost of the actual debt itself (!) This was as "mortgage servicers cited Covid-19 in commentaries on more than 600 commercial real estate deals that were delinquent in April, according to data tracked by Bloomberg."

Alliance and Putnam’s bet that malls was shitting the bed, losing them over $1 billion. **When May 2020 had come and gone, MP closed out some of its shorts and got nearly $120 million profit.**

One anonymous commenter on WallStreetOasis stated that Anchorage (one of the hedge funds that went under last year) may have also been short on CMBX.6 but failed to get anything out of it.

By Aug. 2020, many had made out like bandits. Jason Mudrick of Mudrick Capital had made $100 million on shorting CMBX.6. Apollo Capital made over $100 million too. Icahn, who once told reporters “he had billions and billions on the short side of this,” made at least 1.3 billion shorting American malls and retail stores. Their attack on BBB- especially, one step above junk, was printing.

And remember kids, if we know Mudrick and Apollo made bank on it in 2020, then their "mall short" woulda been open while they were aiming to help popcorn and GME...

8. Blow The Whist

One Sept. 2020 mentioned hey guess what: “More importantly, some of these investors haven’t closed their bet.” I haven’t yet been able to find much proof, but for those still willing to short retail, it seemed likely to keep the “mall short” going.

Due to the pandemic crash, one of the biggest mall landlords, Simon Property Group got its CMBS tranches teetering. Simon tried to moonwalk out of a $28 million mortgage in Springfield, MA, that was part of CMBX.7. It lost $10 million more from when the CMBS was first issued in 2013. Simon also had a $150 million loss CMBS investors for a mall was sold in a foreclosure sale, **which, at the time was “the largest loss ever incurred by a retail CMBS loan.””**

Brookfield Property Partners had 11 malls seeking debt relief on at least $2 billion in debt, **and Starwood Capital Group (remember them, #1 in overstating loans i.e. fraud? Who also originated for at least 3 GME stores) was delinquent on 17 of its 30 retail properties, also worth $2 billion.**It could have been stories like this that led to June 2020, where 100 members of Congress wrote to the executive branch and the Fed to keep CMBS loans from going more underwater. A CMBS bailout.

In the face of all this, perhaps had it been not for Covid, then perhaps we might not have ever heard of John Flynn in 2021. **We talked about him in Pt. 2, where he talked with ProPublica & TheIntercept about how he called bullshit on loan originators like Starwood, Wells Fargo, Chase and more. He called bullshit on big banks overstating CMBS property values & borrower’s credit worthiness to give them bigger loans than they should normally get, which meant a lot now that many of these overstated loans had the same banks asking for CMBS bailout money.**

There was a worry of uptick in lawsuits due to the CMBS crashing out from Covid. Despite the Fed’s willingness to inject billions (JPow go brrrr), rescue efforts largely avoided CMBS loans except triple A rated ones. This is due to TALF 2.0:

“The fault lines created by these weaknesses in underwriting standards (*what John Flynn found and told ProPublica & TheIntercept*) exist and may be revealed in periods of stress. **Government subsidies to support the CMBS industry may delay the discovery of serious problems by shoring up all originators, including those who are relying on heavily overstated NOI and appraisals. Or they may exacerbate the crisis by putting taxpayer money behind the most appealing loans, those which are based on the most inflated numbers and therefore the most risky.”**

Wut mean? If fuckers like Wells Fargo & Starwood lied on CMBS loan applications, then the Fed bailing them out keeps us from discovering more CMBS fuckery AND puts taxpayer money into the hands of crime fuckers who will put it into the most inflated (fraud on loan paperwork), most risky "mall" loans.

So it puts us in an interesting pickle: we know a shit ton of “mall shorts” were opened up by Jerica, MP, Carl Icahn, Apollo Global, & Mudrick. But they were also supported by big banks (Chase, Goldman) who were aware of fraud on the loans backing those malls in the first place?

And even more important, it's 2022. Are there still mall shorts open?

TL;DR:

- **In early 2017, Eric Yip puts out the "Alder Hill White Paper". Spreads around Wall Street like fire. The thesis? Short malls, betting they will fail. How? Short CMBX.6 (#6).**
- **Yip says most of the malls' debt in #6 that is looking to fail will do so by this year, 2022.**
- **I found a number of GME stores with leases/loans tied to even some of the biggest parts of #6, and the tranches that got shorted. Other meme stocks (Express) show up in these leases/loans.**
- **Many pile in on Wall Street to short America's malls through #6, including Carl Icahn, MP Partners, and Mudrick Capital & Apollo Global. Mudrick has ties to sticky floor stock, and Apollo Global bought out Yahoo! Finance and tried to buy GME in 2019.**
- **Some had to exit the trade in 2019, but the ones who stuck around got a boost from Covid. Fed doesn't end up bailing out CMBS/CMBX loans fully through Covid relief.**

--

*Pt. 1: The Tuesday Morning Rabbit Hole (RC’s Tweet, TUEM v. TUES, & 92 Days)*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 2: Shorting Malls and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 4: Pick Your Teams: https://www.reddit.com/r/Superstonk/comments/s9hber/the_tuesday_morning_rabbit_hole_pt_4_pick_your/

--

EDIT: words, formatting

The Big (Mall) Short: Pt. 5 Blast Radius - Jan. 23, 2022

Due Diligence

TL;DR: (in order of importance)

- **39 malls make up CMBX.6, the bundle of mall loans that was shorted between 2017 to 2021. Of the 39 malls, GME stores were INSIDE (77%) or ACROSS THE STREET (5%)....a huuuuge number. Nearly all CMBX.6 malls had a GME store within a 2-10 min. drive (97%), and there were more GME stores (30) inside malls then the next biggest store (anchor store Macy's). More reason to believe connection to the "mall short" and GME's naked shorting. (SKIP TO SECTION 6 FOR JUICY PARTS)**
- **Fellow meme stocks SKT and Macerich had a high number of FTDs both before the Covid crash, as well as after Covid struck in March 2020. Both companies dealing in real estate spiked in volume through the sneeze and on/off through 2021.**

(Edit 3: parts 1 through 4 are linked at the bottom, my comment if you wanna read how we got here/to this post)

If you've been following this now FIVE part saga (lol) I opted for a cleaner title going forward. Hopefully that makes the whole post less unenticing and gets some more eyes on it...

This is the Big Mall Short.

In the previous posts, I talked about how diving into Tuesday Morning being shorted to shit (92 days to cover) on its old ticker made me find its connections to CMBS loans, along with GME's CMBS loans. I mentioned how in Pt. 3, these CMBS loans were teetering over the rise of Amazon and more dead malls, an idea that invaded culture from "Gone Girl" to Dan Bell. In Pt. 4, we pulled back the curtain and figured out who was shorting American malls using CMBS loans in a bundle called CMBX.6. This included Carl Icahn, Apollo Global (who tried buying GME in 2019), Mudrick (with ties to the Hollywood security), and MP Partners.

If you recall from Pt. 2, CMBS--or commercial mortgage backed securities--are a grab bag of loans to different offices, retail stores, and commercial real estate that you can buy or sell, or bet whether the price of all those leases will be paid off as those spaces do business. They're often tied in with signed leases to these spots. **If many of those offices, retail stores, and commercial real estate spots fail, welp then they can't pay their lease and the entire grab bag (CMBS) might go down. These leases can be made to offices or factories, but they can also be made to retail stores like Tuesday Morning or GameStop.**

We also learned before that these loans can be bundled into bigger bundles (think the Jenga towers from "The Big Short") and can be bought, sold, cut up, or even be bet for or bet against (short). We've been looking at CMBX, which bundles many CMBS loans together. (For example, CMBX.6 contains GameStop, and was shorted against by some.) In this post, we figure out the blast radius of shorting CMBX,6 affecting real estate investment trusts, and figure how balls deep GME was a part of #6.

Sections:

1. **Double or Nothing**
2. **Lucky Number 7**
3. **Aw, Skeet Skeet Skeet SKT SKT**
4. **Return of the Ma... c**
5. **Collateral Damage**
6. **Balls Deep**

1. Double or Nothing

By the end of Dec. 2017, **nearly a full year after Eric Yip and Alder Hill said "Do you wanna short malls?! Motherfucking short CMBX.6!**" and everyone–Carl Icahn, MP Partners, Mudrick Capital & Apollo Global–did, the mall short was still seen as overcrowded.

But CMBX.7 (#7) wasn't seen as overcrowded.

*****

Goldman Sachs, Morgan Stanley, & Deutsche (more like Douche Bank AMIRITE?) analysts told clients "It's not too late to bet against retail by shorting CMBX.7!" They said CMBX **#7 had high exposure to malls, though not as**

much as #6: CMBX.6 had 38% retail exposure to 32% for #7.

They said shorting #7 had its upsides(that the BBB- catshit tranche for #7 had a higher price/cost than #6 so maybe there was "more room to fall" from a higher price on the way down, mainly interest-only loans, and the window for those #7 loans being a year longer) and made it worthwhile.

PLUS, because #7 was underwritten in 2013 (vs. 2012 for #6) this was when underwriting standards started going down faster than Kenny G on a Hellman's exec (poorer underwriting standards? Gee thanks, only 5 years after the 08 crash you fucksticks). **In fact, underwriting standards in #7 were starting to get so bad that in 1 case they sold a deal to investors, took their money, and then were like "OH SHIT OUR BAD THIS MORTGAGE WASN"T GOOD AFTER ALL TEE HEE" and fucking pulled the loan from the loan bundle.**

So some shorted #7, even while shorting #6 was on the table. But before we move back to why #6 made most sense in our saga and the collateral damage it could cause, let's look more at #7.

2. Lucky Number 7

Now remember, GME isn't JUST in CMBX.6, the Jenga Tower that got shorted by Carl Icahn, MP, Apollo Global & Mudrick. For example, check out CMBX.8 (#8) in late 2020:

Top 10 Largest Loans Behind CMBX 8

Deal Name	Property Name	Current Loan Balance	City	State	Property Type
MSBAM 2014-C18	300 North LaSalle	244,400,000	Chicago	IL	Office
WFRBS 2014-C22	Bank of America Plaza	150,000,000	Los Angeles	CA	Office
WFRBS 2014-C24	St. Johns Town Center	146,500,000	Jacksonville	FL	Retail
CGCMT 2014-GC23	28-40 West 23rd Street	140,000,000	New York	NY	Mixed-Use
COMM 2014-CR18	Bronx Terminal Market	135,000,000	Bronx	NY	Retail
COMM 2014-UBS4	State Farm Portfolio	128,000,000	Various	Multi	Office
WFRBS 2014-C22	Columbus Square Portfolio	121,240,156	New York	NY	Mixed-Use
COMM 2014-LC17	Loews Miami Beach Hotel	120,000,000	Miami Beach	FL	Lodging
COMM 2014-CR20	Gateway Center Phase II	120,000,000	Brooklyn	NY	Retail
WFRBS 2014-C23	Bank of America Plaza	116,670,000	Los Angeles	CA	Office

GameStop had these stores in CMBX.8:

- ROW #1: 1 store (Pineville, LA).
- ROW #2 & 7: 1 store (Mansfield, OH)
- ROW #10: 2 stores (Spring Lake, NC & Kenner, LA)

But you can tell there isn't that much retail exposure in #7. **It had 28% retail, compared to 32% in CMBX #7, and 38%**

in #6 (the “mall” short).**

Now look at #7 to show how just more GME stores show up:

Largest Loans Behind CMBX 7

	Deal Name	Property Name	Loan Balance	City	State	Property Type
	GSMS 2013-GC13	11 West 42nd Street	150,000,000	New York	NY	Office
	GSMS 2013-GC14	11 West 42nd Street	150,000,000	New York	NY	Office
3	WFRBS 2013-C18	Garden State Plaza	150,000,000	Paramus	NJ	Retail
	COMM 2013-CR12	175 West Jackson	142,246,795	Chicago	IL	Office
	COMM 2013-CR12	Miracle Mile Shops	141,705,907	Las Vegas	NV	Retail
	COMM 2013-CR11	Miracle Mile Shops	141,705,907	Las Vegas	NV	Retail
7	WFRBS 2013-C18	The Outlet Collection | Jersey Gardens	140,000,000	Elizabeth	NJ	Retail
8	GSMS 2013-GC13	Mall St. Matthews	133,973,372	Louisville	KY	Retail
9	WFRBS 2013-UBS1	The Outlet Collection | Jersey Gardens	130,000,000	Elizabeth	NJ	Retail
10	MSBAM 2013-C13	Stonestown Galleria	126,700,024	San Francisco	CA	Retail

If you look at the list of malls above, I’d like to point out that just like #6, this bundle STILL had GME exposure.

GameStop stores were literally IN the malls this for this loan bundle in rows #3, 7-10

- Row #3, 7 (WFRBS-2013 C18): GME store inside the mall (Garden State Plaza (NJ))
- Row #8 (GSMS 2013-GC13): GME store inside the mall (Mall St. Matthews (KY))
- Row #9 (WFRBS-2013-UBS1): GME store inside the mall (Jersey Gardens (NJ))
- Row #10 (MSBAM 2012-C13): GME store inside the mall (Stonestown Galleria (San Francisco, CA))

On the other side, malls in rows #5-6 had GME stores about a 5-10 min drive away.

By the way, you can also notice some of the CDO fuckery they did in 2008 even here**. Notice how the Miracle Mile (NV) and Jersey Gardens Malls (NJ) are cut in half, and one Jersey half is glued to another mall (Garden State Plaza Mall (NJ)). On the other side, a Miracle Mile shop is paired with a Chicago mall in 173 West Jackson? Literally, shit is cut like Cokerat Cramer snorting lines off washboard abs (or some other metaphor, I’m too lazy).**

*****

As a heads up, bundle #7 had more [Hollywood silverscreen security place] exposure. Now we won't cover sticky floor in this post, but we'll cover later some of its exposure like the Waterfront Mall West Homestead Mall (PA) and Clifton Commons Mall (NJ) which had popcorn as anchors. The nearest GME store for each was 5-15 min. away.

And remember, if you shorted #7, like we saw in Pt. 4 (and "The Big Short") **you WOULD BE PAYING PREMIUMS FOR ANOTHER YEAR IF YOU WAITED. If you wanted to short retail & malls, you wanted it done HARD & FAST**

because more time waiting = less money. So by the time thought of shorting #7, more piled into shorting #6. By late 2019, Canyon Partners joined the chat, and put down $1 billion to bet against CMBX #6.

And it wasn't just malls. If the "sneeze" taught us anything, shorts wanted to take out more than just strictly malls.

3. Aw, Skeet Skeet Skeet SKT SKT

Tanger Outlets, ticker SKT

Back when the sneeze popped off (pop pop?), there were a shit ton of other stocks that sneezed too. Weird ones were all over the place if you look hard enough, from bankrupt stocks (Sears, fuck you Eddie Lampert) to odd ones out like Ligand Pharm. **One of those was Tangers (SKT), alongside Macerich but we'll get to them here later.**

What's one of the ways that we can cross-check that these stocks were a part of the squeeze? Well, let's look at some of the puts of the finest trader of his generation!

Melvin Capital Put Positions as of Sept 30, 2020

Company	Value	Shares Equivalent	Position
Bed Bath & Beyond Inc	48,385	3,230,000	Put
Dillards Inc	7,304	200,000	Put
Elanco Animal Health Inc	46,643	1,670,000	Put
Gamestop Corp	55,080	5,400,000	Put
GSX Techedu Inc	148,682	1,650,000	Put
Hannon Armstrong	16,908	400,000	Put
IRobot Corp	37,950	500,000	Put
Iron Mountain	27,058	1,010,000	Put
Ligand Pharmaceuticals Inc	57,192	600,000	Put
Mallinckrodt Pub Ltd Co	1,411	1,450,000	Put
Martin Marietta Matls Inc	61,194	260,000	Put
Mylan	110,632	7,460,000	Put
National Beverage Corp	54,408	800,000	Put
Ollies Bargain Outlet Hldgs	34,067	390,000	Put
Tanger Factory Outlet Ctrs I	6,030	1,000,000	Put
Trinity Inds Inc	26,325	1,350,000	Put
Viacomcbs Inc	17,926	640,000	Put

Gabe Plotkin can fondle a bag of dicks for the dexterity practice on his F3 key

So by the end of 2020, while the “mall shorters” were still in, perennial mayo JV student-athlete and office-in-need-of-a-2nd-printer fuckstick Gabe Plotkin had puts on Tanger. So at this point, you can probably answer this question easy as fuck: how does this relate to our story? Well, you wrinkly brained BAMFs, **we know that Tanger was ALSO deep in the mall space.**

Tangers was–and still is–a REIT or real estate investment trust. **Think of it as a pool of money that’s used to buy real estate. And it's publicly traded on the stock market,so ppl can then trade on your company.**

Tanger pooled together its money to buy malls, everywhere from outside casinos to suburbs. By the time New Year’s rolled around at the end of 2019–and as Covid was beginning to race around the world while the big “mall shorters” stuck around–Tangers owned 32 shopping centers.

Now Tangers had a tricky history more recently. Back in 2017, even Redditors were talking about shorting Tangers. *(P.S. This is where I woulda copy-pasted their post but whoever you are fuck you for deleting your username and your post about your dad wanting to short Tangers…I will find you(r post) I find it curious it deleted over the past 24 hrs now lol)*. Tricky became bad going into the end of 2018.

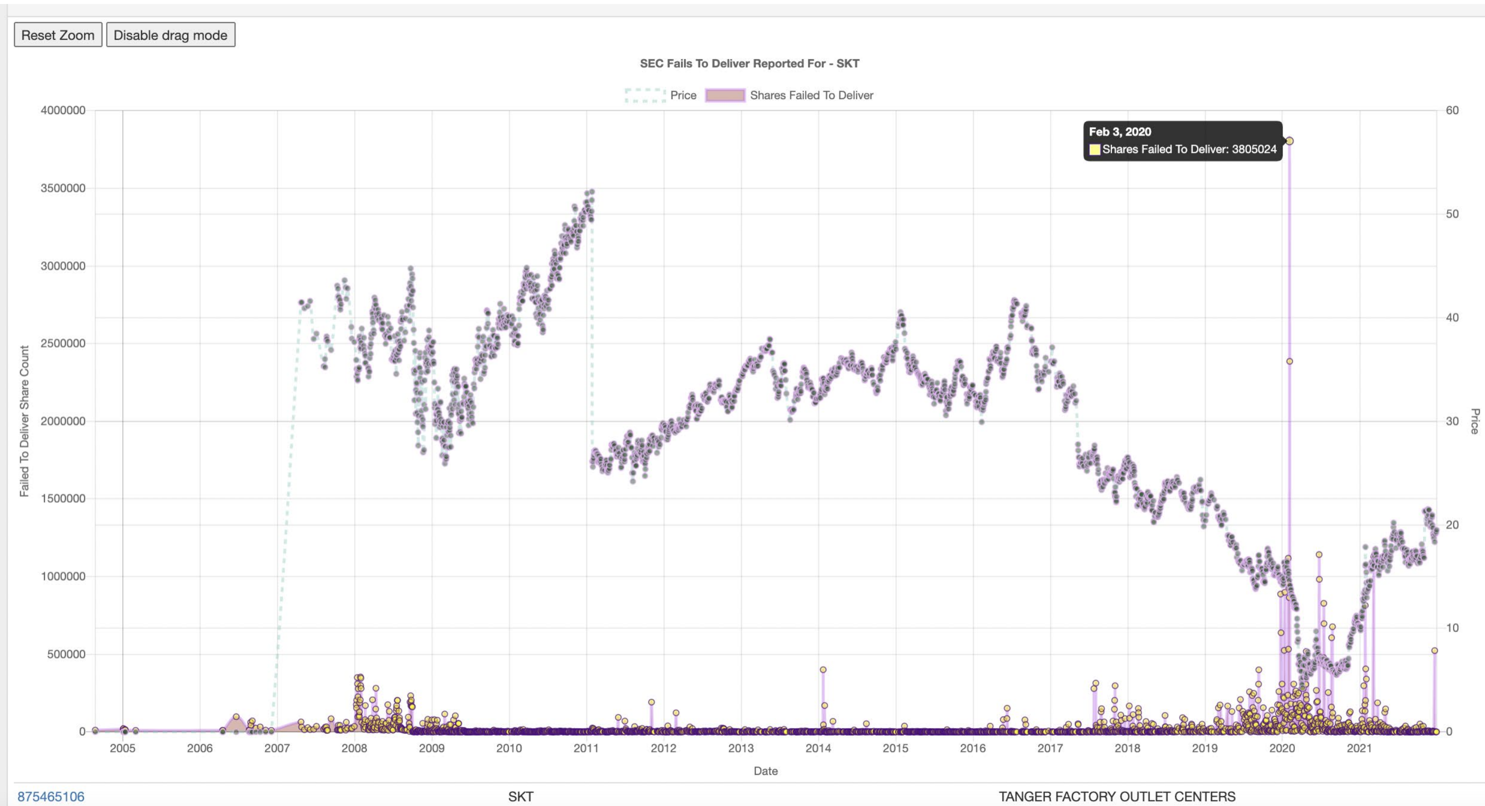
By 2019, bad got worse. Here’s a chart showing its rating starting to sink into near BBB- catshit territory:

Retail			
Simon Property	A2	A	A
Federal Realty Investment	A3	A-	
Realty Income	A3	A-	BBB+
Kimco Realty	Baa1	BBB+	BBB+
National Retail Properties	Baa1	BBB+	BBB+
Regency Centers	Baa1	BBB+	
Weingarten Realty	Baa1	BBB	
Agree Realty	Baa2		
RioCan		BBB	
Store Capital	Baa2	BBB	BBB
Tanger Factory Outlet Centers	Baa2	BBB	
EPR Properties	Baa2	BBB-	BBB-
Retail Opportunity Investments	Baa2	BBB-	
Spirit Realty	Baa3	BBB	BBB
SITE Centers	Baa3	BBB-	BBB
Brixmor	Baa3	BBB-	BBB-
Four Corners Property			BBB-
Getty Realty			BBB-
Kite Realty	Baa3	BBB-	
Retail Properties of America	Baa3	BBB-	
Vereit	Baa3	BBB-	BBB
Brookfield Property REIT	Ba2	BB+	
Washington Prime	Caa1	B-	BB-
CBL & Associates	Caa3		CC

McNamara from MP–who was shorting “malls” through CMBX.6–thought #6 malls could resemble “...CBL, WPG, and PREIT portfolios”. If you notice, those are dead last in this chart. **So perhaps SKT wasn’t as dogshit as those, but it was getting there.**

In April 2019, a Chinese finance reporter said SKT was one of the most exposed REITs due to tenant problems. **Goldman Sachs (who was telling clients they should “mall short” on CMBX.6) kept recommending avoiding REITs like SKT to its clients:** “Scotiabank analyst Nicholas Yulico said that since 2017, about 40 retailers have gone bankrupt, 60% of which are in the apparel category, and four are listed as the top tenants of REITs**, and he said the actual risk may be more than estimated even larger.”**

Now Forbes said the shorts weren't as much of a problem for SKT as everyone thought. However, this chart shows just how much shorts had piled in. **Check the fucking FTDs climbing, then peaking going into Feb. 3 2020:**



This was coming off a year where, once Covid hit, Tanger had to "draw down “substantially all of its capacity under the $600 million unsecured lines of credit” **and say it was stopping its dividend for the first time in 27 years.**

But remember, those FTDs came due BEFORE Covid hit the US.

******

Let’s compare (not super technical). Of the CMBX.6 malls (many containing GameStop stores), Tangers had at least 3 out of its 32 or stores directly competing against #6 malls based on the MP report.

Those SKT-backed shopping centers included:

- Tanger Outlets Branson (rated B, #6 competitor had B+),...
- Tanger Outlets Charleston (rated B+, #6 competitor had B)....
- Tanger Outlets Grand Rapids (rated B+ vs. #6 competitor of A-).

So not much proof, but at least in this suuuuuper small sample size (2 of 3) Tangers malls were rated WORSE than CMBX 6 malls.

******

I tried to find more direct connection between the "mall shorters" (apart from analysts at Goldman telling SKT essentially go fuck yourselves), but couldn't find much.

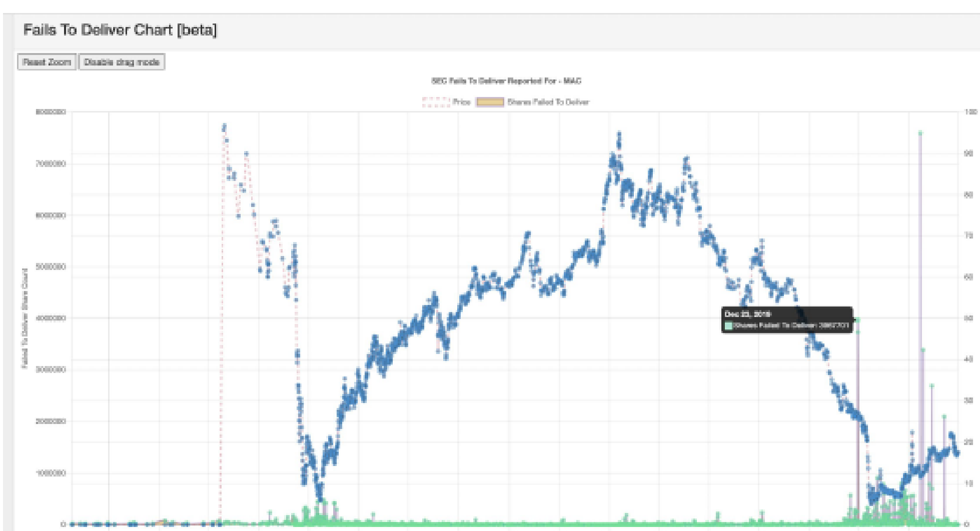
The closest find was that Carl Icahn (who shorted malls in #6) had been fighting with local unions over the now closed Former Guy President Plaza in Atlantic City, NJ. By this point, Icahn had controlled the closed casino space as of 2016, and was going to let Tangers Outlets expand into it. At the very least then, Icahn had to know they were expanding while he was shorting #6. **Also, Icahn begrudgingly approved executive Ms. Ryan Berman to the Rubbermaid company Newell (NWL); Ms. Berman served on Tanger's Board of Directors.**

Eventually, e saw post-Covid that ex-Simon Outlets (of Simon Property Group) Chief Yalof would lead Tanger Outlets as it had seemingly avoided most of the meme stock post-sneeze hysteria…as far as we know…

4. Return of the Ma...c

Tanger wasn't the only mall "meme" stock in the REIT space that spiked during the squeeze. That credit also to Macerich.

It spiked on Jan. 27th and had some weird movement afterwards for sometime throughout 2021.



Its 2nd biggest FTD spike was on Dec. 23, 2019, it's biggest ever FTD dildo was on Mar. 29, 2021 a bit after the sneeze, nearly double its last all time FTD high.

Macerich owns 47 malls, compared to Tanger's 32. Many of its deals had started to get bad runs over time:

- It had done a lot of single borrower deals (only them buying, 1 person buy = 1 deal), like its Feb. 2013 ($500 million) at Kings Plaza Mall (which contained fellow meme stocks Macy's, EXPR, plus JCPenney).
- A month earlier, it bought the 2-floor Green Acres Mall in Valley Stream, NY (~$510 million) located in COMM 2013-GAM. That mall was **"secured by the single property and, therefore, is more susceptible to single-event risk related to the market, sponsor, or the largest tenants occupying the property." Curious what stores are inside that mall? Why not fellow meme stock Macy's, and OH YEAH…GameStop. Fitch downgraded this later.**
- But perhaps its biggest shitshow deal was one specific LA deal that began to sour in 2017, around the time it was trying to find $600 million in financing for other 4 malls. **It started getting hit hard on the $140 million deal (which it signed on the dotted line for back in 2012 too) for the West LA mall (Westside Pavilion) that got sent to special servicer Rialto "due to imminent monetary default**. The 10-year loan was due 2022 (DING DING DING) and was worth little more than 1/10th of the $700 million WFCM 2012-LC5.****
- It also owned the Queens Center mall–near the Elmhurst epicenter of where Covid began in NYC–(QCMT 2013-QC).
- At one point, 2020 investors were concerned that it "violated debt covenants on its $1.5 billion in credit due in July 2021, or that it will have to pay off $800 million worth of mortgages in [2021] we believe these are non-issues."
- It got in a court case over a food court developer (COMM 2010-C1).
- On Dec. 2019, Macerich had $300 million due on a Santa Monica mall deal it inked in 2017 (WFCM 2017-SMP). **It had to extend the due date and guess what's the last year it could possibly be extended to? YUP…2022 just like when everyone said all the malls would fail, like we saw in Pt. 4**

This was all BEFORE Covid stuck, and could have factored into even the heavy FTDs showing up in Dec. 2019.

****

As Covid ravaged the world, in March 2020, the Ontario Teacher's Pension Plan sold its entire 16% stake in Macerich. **In April 2020, one loan (COMM 2013-SFS) transferred to forbearance ("special servicing") due to "imminent monetary default as a result of the coronavirus pandemic"**. It also worried about later cost recouping due to stores damaged in looting in May of the same year. Modell's, a big tenant, went bankrupt and managed to stay rent-free in certain malls, only adding to the hurt.

This was a far cry from their $95 per share buyout in 2015. By pre-sneeze times, things looked bad for them.

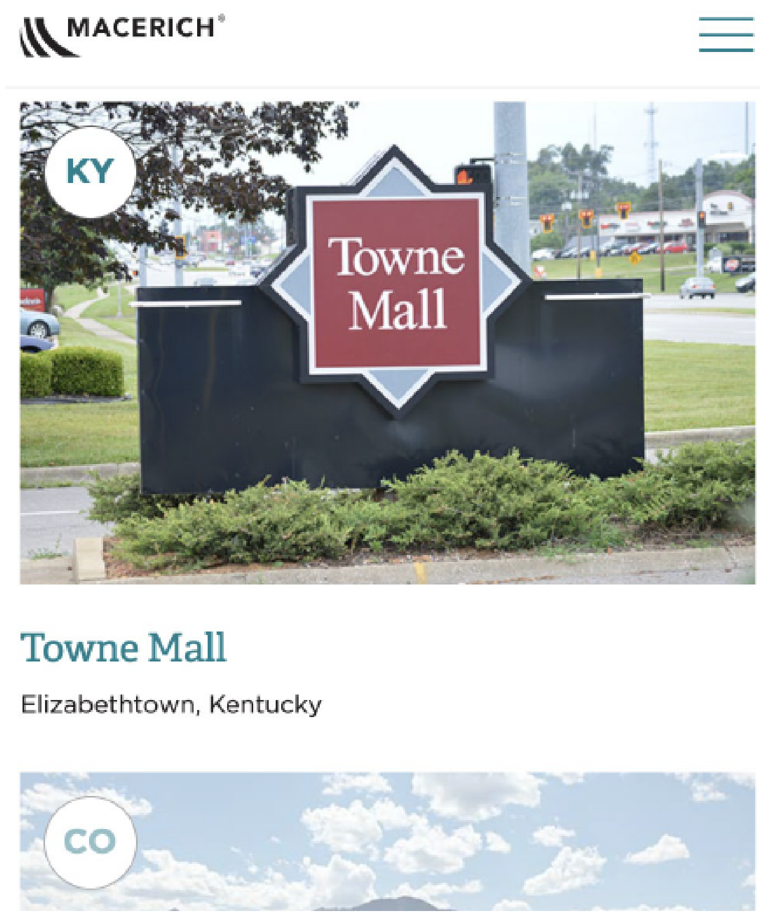
Remember McNamara, from MP Partners who drove to all the malls in #6 then shorted them all? His interviewer asked him that Macerich looked “wobbly” and the Burry cosplayer McNamara said higher quality malls might survive...so maybe Macerich had a chance? BUT in his team's report, he argued that lots of REITS were defaulting (like Maverich) and often handed over the keys to the properties to survive...

So just like SKT, there was a huge spike in their FTDs just before Covid hit, but then an even bigger spike in the tail end of March after it had continued its course around the world and the US.

5. Collateral Damage

So we see that there are some “meme” REIT stocks that also got shorted.

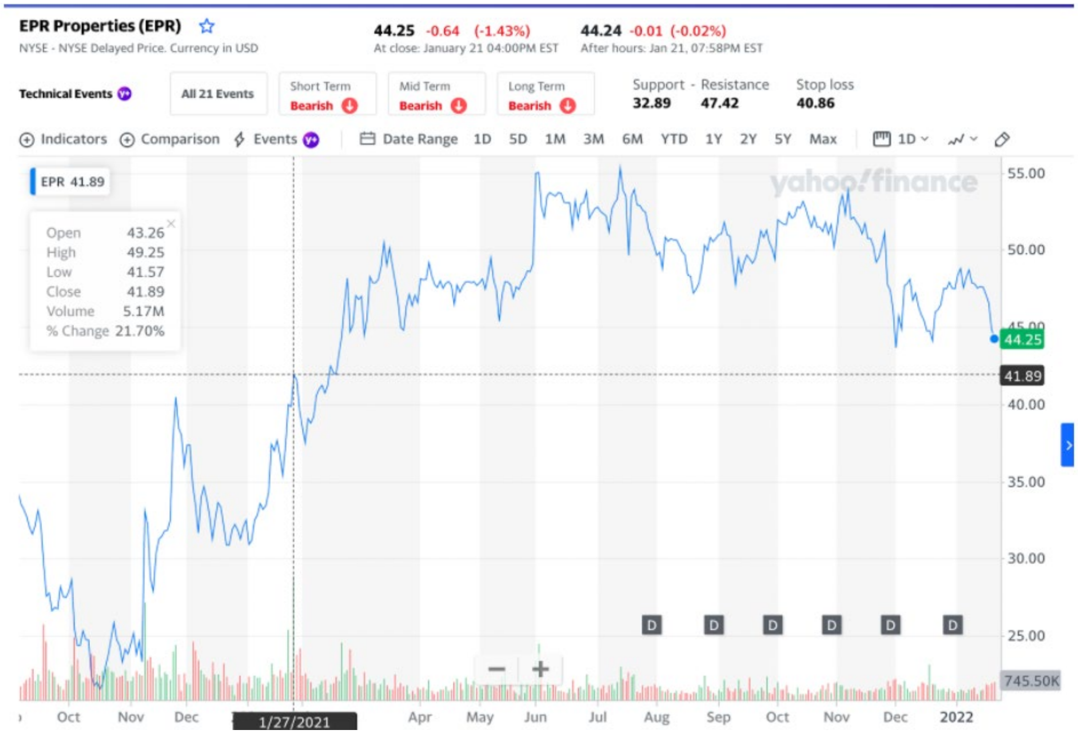
As a side note on CMBX.6--the mall short--**Macerich sponsored 1 mall in that bundle: the Towne Mall in KY.**



Remember, these are just TWO REIT stocks we looked at.

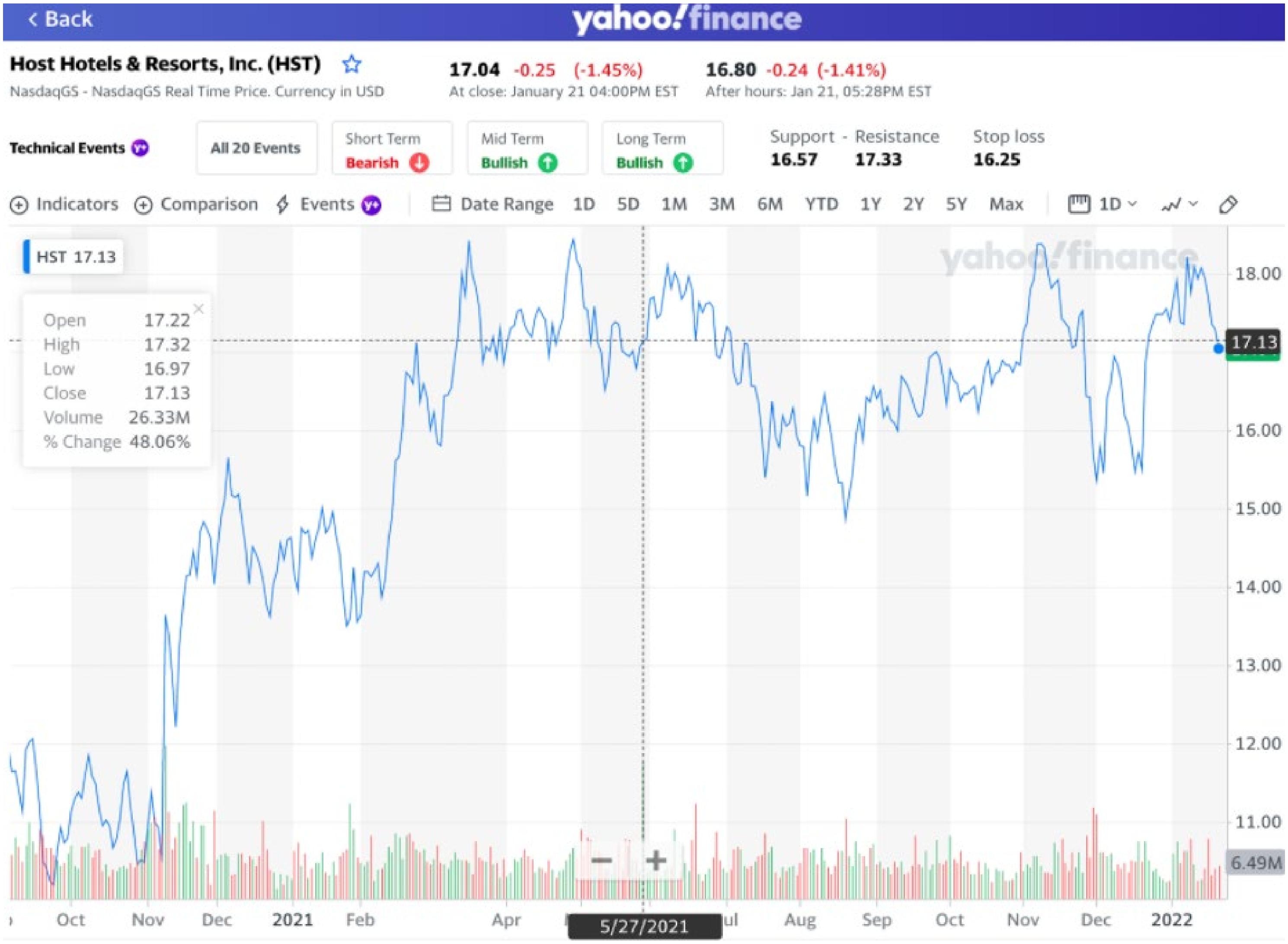
I looked into some of the shittier (BBB to C, kangaroo shit wrapped in koala turds) non-meme REITs on the chart further up. Not all had weird graphs, but some had some weird volume spikes on these dates:

- EPR Properties: Dates (3/1/18)



- **Vereit–Now BANKRUPT–Dates: (9/24/19, 6/19/20, 12/21/20, 4/29/21)**

- Four Corners Property–Dates (6/19/20, 6/25/21)
- Site Centers (6/30/20, 3/2/21)
- Spirit Realty (7/5/2019)
- Getty Realty (6/19/21)
- Retail Properties of America (6/25/20) **Oct. 20 21 (BANKRUPT SHORTED, check the crazy volume before it went under)**
- Kite Realty Group (10/20/21)
- Corporate Office Properties Trust Income (6/25/21)
- **HST (5/27/21, shit ton of volume in this spike)**



Remember, if there really WAS any REIT fuckery like we saw in SKT and Macerich (and, if it was on purpose), then these REIT shorts may have been running parallel to the #6 mall short.

****

So we know that CMBS loans included some REIT shit (including the KY Town Center), and also knew CMBS had tons of liquidations and **$1-2 billion of ACTUAL losses on CMBS loans leading into 2021.**

Overall though, CMBX.6 malls tended to be worse off than REITs. One mall in #6 mall got to be so bad it got auctioned off at $1.5 million. Sounds nice right? **Well, it was originally said to have had a worth of $125 million back in 2012 when #6 loans were written. That's a fucking 95% drop!**** (That mall debt was later bundled into COMM 2012-CR4. I can't say it's due to crime, actual drops in performance metrics (low foot traffic, poor sales, etc.), or whatnot... just that it happened.)

CMBX.6 is a big bundle and I can't obviously go through everything. But one thing I CAN do is go through the obvious.

I mentioned GME was in CMBX.6 malls…so just how much was it?

How deep was GME in CMBX.6, the "mall short" that every fucker piled into?

6. Balls Deep

So, we knew that CMBX had GME stores in it…but how much?

Well, first I started here with this chart (thank you MP!):

9. Appendix: 39 Enclosed Malls in CMBX.6

Property Name	Location	Total Loan Size ($mm)	Number of Anchor Boxes	Anchors
Animas Valley Mall	Farmington, NM	45.77	3	Sears, JCPenney, Dillard's
Arbor Place Mall	Douglasville, GA	106.22	6	Sears, JCPenney, Macy's, Dillard's, Belk, Regal Cinema
Battlefield Mall	Springfield, MO	116.67	5	Sears, JCPenney, Macy's, Dillard's, Dillard's Men's Store
Bellis Fair Mall	Bellingham, WA	82.39	5	JCPenney, Macy's, Kohl's, Dick's, Target
Chesterfield Towne Center	North Chesterfield, VA	99.64	4	Sears, JCPenney, Macy's, At Home
Chicago Ridge Mall	Chicago Ridge, IL	80.00	3	VACANT, Sears, Kohl's
Concord Mills	Concord, NC	234.90	5	Bass Pro Shops, Burlington, AMC, Dave & Buster's, T.J. Maxx
Crossgates Mall	Albany, NY	267.67	7	JCPenney, Macy's, Regal, Dick's, Best Buy, Burlington, Forever 21
Crystal Mall	Waterford, CT	87.02	4	VACANT, JCPenney, Macy's, Bed Bath & Beyond
Cumberland Mall	Vineland, NJ	43.25	3	Dick's, Burlington, Boscov's
Dayton Mall	Dayton, OH	79.66	5	VACANT, VACANT, JCPenney, Macy's, Dick's
Eastview Mall and Commons	Victor, NY	210.13	5	VACANT, JCPenney, Macy's, Lord & Taylor, Von Maur
Emerald Square Mall	North Attleboro, MA	101.71	4	Sears, JCPenney, Macy's, Macy's Home Store
Fashion Outlets of Las Vegas	Primm, NV	64.70	0	None
Fashion Square	Saginaw Township, MI	34.98	3	Sears, JCPenney, Macy's
Florence Mall	Florence, KY	90.00	4	VACANT, JCPenney, Macy's, Macy's Home Store
Greenwood Mall	Bowling Green, KY	61.07	4	VACANT, JCPenney, Dillard's, Belk
Hilltop Mall	Kearney, NE	9.79	2	VACANT, JCPenney
Jefferson Mall	Louisville, KY	62.78	4	VACANT, JCPenney, Dillard's, Round1 Entertainment
Louis Joliet Mall	Joliet, IL	85.00	4	VACANT, VACANT, JCPenney, Macy's
Midland Park Mall	Midland, TX	74.72	3	JCPenney, Dillard's East, Dillard's West
Newgate Mall	Ogden, UT	58.00	5	VACANT, Dillard's, Burlington, Downeast Home, Cinemark
Northridge Fashion Center	Northridge, CA	217.17	5	Sears, JCPenney, Macy's, Macy's Men & Home, Pacific Theatres
Northwoods Mall	North Charleston, SC	64.60	4	JCPenney, Dillard's, Belk, Burlington (partial vacant)
Pierre Bossier Mall	Bossier City, LA	42.68	4	VACANT, VACANT, JCPenney, Dillard's
Poughkeepsie Galleria	Poughkeepsie, NY	141.91	7	Sears, JCPenney, Macy's, Dick's, Target, Best Buy, Regal
RiverTown Crossings Mall	Grandville, MI	136.77	7	VACANT, Sears, JCPenney, Macy's, Kohl's, Dick's, Cele. Cinemas
Rogue Valley Mall	Medford, OR	51.76	4	JCPenney, Macy's, Macy's Mens/Backstage, Kohl's
Salem Center	Salem, OR	30.23	4	VACANT, JCPenney, Macy's, Kohl's
Shoppes at Buckland Hills	Manchester, CT	115.14	5	Sears, JCPenney, Macy's, Macy's Men & Home, Dick's
Solano Mall	Fairfield, CA	105.00	4	VACANT, JCPenney, Macy's, Edward's Cinema
Southland Center Mall	Taylor, MI	70.09	3	JCPenney, Macy's, Cinemark
Southpark Mall	Colonial Heights, VA	59.21	5	VACANT, JCPenney, Macy's, Dick's, Regal
Town Center at Cobb	Kennesaw, GA	183.74	5	Sears, JCPenney, Macy's, Macy's Men & Home, Belk
Towne Mall	Elizabethtown, KY	20.67	3	VACANT, JCPenney, Belk
Visalia Mall	Visalia, CA	74.00	2	JCPenney, Macy's
West County Center	Des Peres, MO	177.16	4	JCPenney, Macy's, Dick's, Nordstrom
Westgate Mall (MN)	Brainerd, MN	7.16	1	VACANT
Westgate Mall (SC)	Spartanburg, SC	33.44	4	VACANT, JCPenney, Dillard's, Belk

Source: Bloomberg, Original Deal Documents, Online mall directories

Notes: Loan balances as of May 2019. Four malls have split loans with pari passu debt outside of CMBX.6. Balances reflect the total loan balance. Anchors generally defined as over 50,000 SF and part of the enclosed mall.

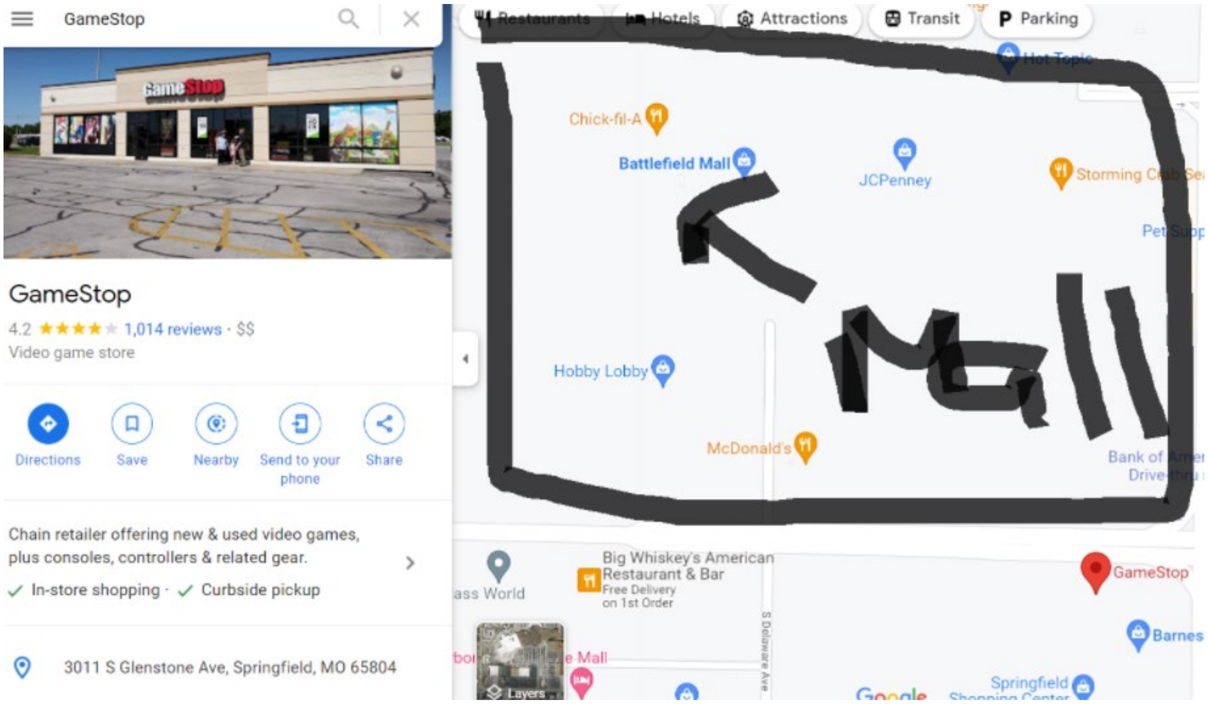
All the malls contained in "the big mall short"

This has a **list of all 39 malls that Mudrick and MP walked back then as of May 2019**. These were the malls that helped make up CMBX.6.

THEN, I decided to figure out if GME stores were inside the malls according to a specific metric:

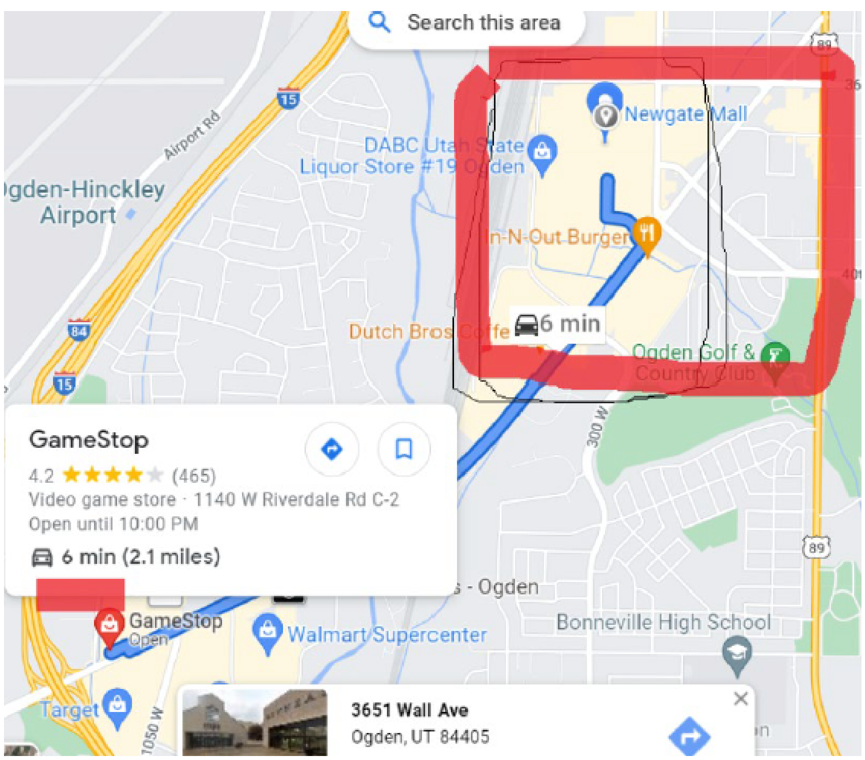
- **IN**: Literally inside the fucking mall or part of the space. I'd have to be a smoothbrain to not get this from a picture

- **ACROSS STREET**: Did I stutter? Since these were harder to tell if part of the same complex or nearby shadow/satellite mini-mall, I made it its own thing.

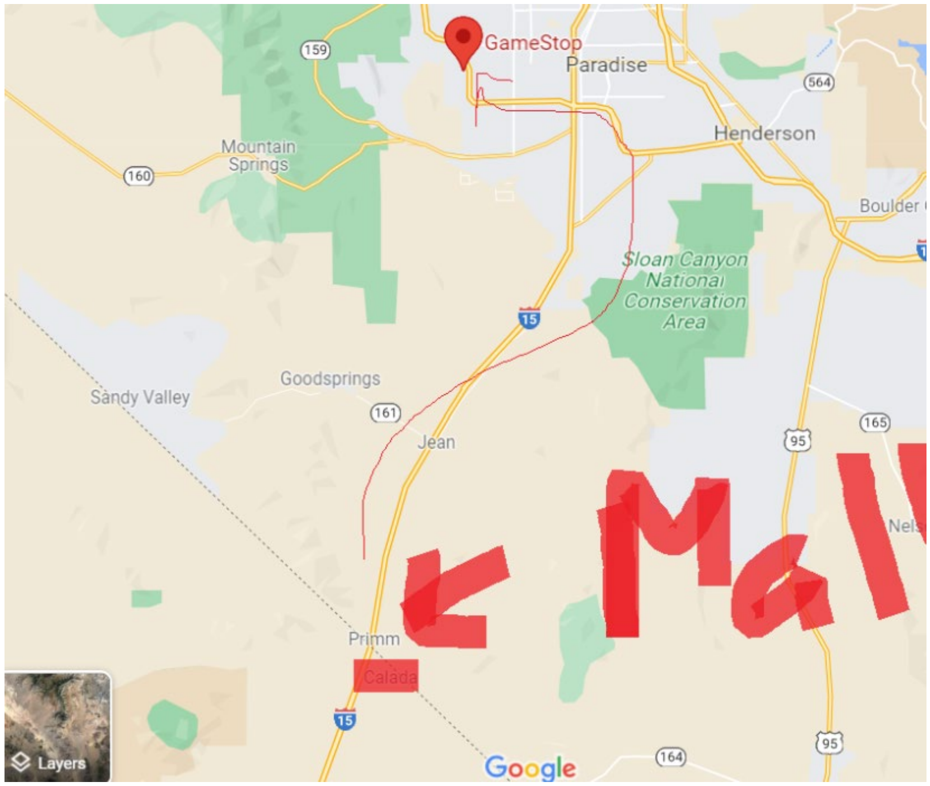


Notice how the GameStop store isn't IN the mall, but across the street?

- **NEAR:** Usually anywhere from literally a 2-10 min. drive, with most on the lower end (2-5 min drive). Here's an example of one GameStop literally down the road from a #6 mall, in one of those "Walmart Anchored Store Portfolios" we talked about in Pt. 3.



- **X(NOPE or FAR):** Literally fucking nowhere near a GameStop store. Might as well be on the surface of the fucking mooooon. Only one fit this mold. See if you can tell why it's a fucking NOPE.



Like a 30 min. drive, no traffic

So before I go on, there were definitely some interesting things I saw looking at these GME stores in malls one by one.

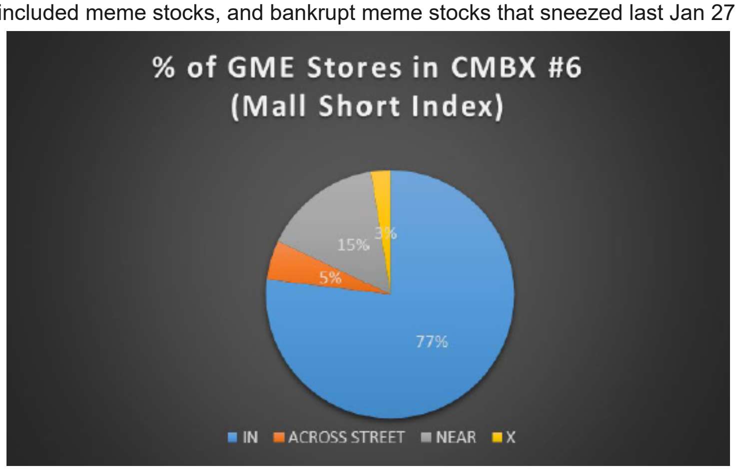
For one, there was definitely some smart moves by new execs to cut down excess storefronts, which is why I'm glad RC cut stores down in some ways. Look at this smoothbrain expansion decision (thankfully the only 1 of this kind I found), they're across the street from each other so damn close:

Shoutout to the name "Afishonados" but WHY THE FUCK would you have had 2 GME stores across the street from each other

Anyways, drumroll please:

GME Stores in The Big (Mall) Short's Malls							
Mall	State	GME Store	Meme Stock Anchors + Retail				
Animas Valley Mall	NM	IN	SHDLQ	Dillard's			
Arbor Place Mall	GA	NEAR	SHDLQ	Dillard's	Macy's		
Battlefield Mall	MO	ACROSS STREET	SHDLQ	Dillard's	Macy's	EXPR	BBW
Bellis Fair Mall	WA	IN	Macy's				
Chesterfield Towne Center	VA	IN	SHDLQ	Macy's			
Chicago Ridge Mall	IL	IN	SHDLQ				
Concord Mills	NC	IN	AMC				
Crossgates Mall	NY	IN	Macy's	EXPR			
Crystal Mall	CT	NEAR	Macy's	BBBY			
Cumberland Mall	NJ	IN					
Dayton Mall	OH	ACROSS STREET	Macy's				
Eastview Mall and Commons	NY	IN	Macy's	BBBY			
Emerald Square Mall	MA	IN	SHDLQ	Macy's			
Fashion Outlets of Vegas	NV	X					
Fashion Square	MI	IN	SHDLQ	Macy's			
Florence Mall	KY	IN	Macy's				
Greenwood Mall	KY	IN	Dillard's				
Hilltop Mall	NE	NEAR					
Jefferson Mall	KY	IN	Dillard's				
Louis Joliet Mall	IL	IN	Macy's	EXPR			
Midland Park Mall	TX	IN	Dillard's				
Newgate Mall	UT	NEAR	Dillard's				
Northridge Fashion Center	CA	IN	SHDLQ	Macy's			
Northwoods Mall	SC	IN					
Pierre Bossier Mall	LA	IN	Dillard's				
Poughkeepsie Galleria	NY	IN	SHDLQ	Macy's	EXPR		
RiverTown Crossings Mall	MI	IN	SHDLQ	Macy's			
Rogue Valley Mall	OR	IN	Macy's				
Salem Center	OR	IN	Macy's				
Shoppes at Buckland Hills	CT	NEAR	SHDLQ	Macy's			
Solano Mall	CA	IN	Macy's	BBW			
Southland Center Mall	MI	IN	Macy's	BBBY			
Southpark Mall	VA	IN	Macy's				
Town Center at Cobb	GA	IN	SHDLQ	Macy's	ThinkGeek		
Towne Mall	KY	IN					
Visalia Mall	CA	IN	Macy's				
West County Center	MO	IN	Macy's				
Westgate Mall	MN	NEAR					
Westgate Mall	SC	IN	Dillard's	BBBY			

C'est la. I also included meme stocks, and bankrupt meme stocks that sneezed last Jan 27 from each mall



That’s right: In the worst-performing CMBS loan bundle (#6) that everyone from Apollo Global (WHO FUCKING TRIED TO BUY GME IN 2019) to Mudrick (WHO GAVE POPCORN DEATH SPIRAL FINANCING) to Carl Icahn to MP Partners had shorted to kingdom come, GME was 77% INSIDE each of those malls!

If you bump up to those special “across street” cases, then nearly 80+% of all CMBX.6 malls had a GME within a 2-10 min. drive.

PLUS you can arguably say that were more GME stores (30) than next biggest number which was Macy’s stores (24) in these malls (though obviously caveat since Macy’s is an anchor so that’s a little different I can see).

So wut mean? If you are shorting the malls, in general, WHY NOT SHORT THE RETAIL STORE THAT CAME UP MOST OFTEN IN THOSE VERY SAME MALLS?

****

The numbers don’t lie. GME was fucking BALLS DEEP inside CMBX.6.

We talked about how BOTH MP Partners AND Apollo Global (who tried to buy GME in 2019) walked all 39 malls. So they must have had in their notes that GME was a huuuuuuge part of these malls.

Hell, even if we expand to the outside of the malls, like our “across street” scenarios, GME was stil a big part. In Esquire’s “The 2 Billion Mall Rats”, MP Partners talked about visiting that “X” mall with the far away everything: '

> Rosenthal and McNamara, meanwhile, convinced Josh Nester, MP’s residential mortgage specialist to visit Fashion Outlets in Primm, Nevada, 30 minutes south of Sin City. When Nester arrived, he instinctively took out his phone to take a picture of his rental car so he could remember where he parked before looking around to discover he was the only car in the lot. **“I go in, and I don’t see anybody for five minutes—an employee, a customer, nobody,” Nester said. “I joked that I should’ve gotten hazard pay to go to this place. It was like something out of a zombie [Hollywood media object].”**

That was the odd man out.

Now what if you had even MP or even Apollo (or someone else?) walking back to their car on a dark cold night in Dayton, Ohio, or a balmy Springfield, Missouri day…with dreams in your head of shorting malls, wondering whether any of those potential “dying brick and mortars” in there were public (Claire’s–for example--showed up in these malls a lot but was private and not on the stock market), that you know had bad financials, on the way down...

Only to briefly look at the big box to your top left, click open the lock on your car and look up to your top right to see…

Top left. Top right.

TL;DR: (in order of importance)

- **39 malls make up CMBX.6, the bundle of mall loans that was shorted between 2017 to 2021. Of the 39 malls, GME stores were INSIDE (77%) or ACROSS THE STREET (5%)....a huuuuge number. Nearly all CMBX.6 malls had a GME store within a 2-10 min. drive (97%), and there were more GME stores (30) inside malls then the next biggest store (anchor store Macy's). More reason to believe connection to the "mall short" and GME's naked shorting. (SKIP TO SECTION 6 FOR JUICY PARTS)**
- **Fellow meme stocks SKT and Macerich had a high number of FTDs both before the Covid crash, as well as after Covid struck in March 2020. Both companies dealing in real estate spiked in volume through the sneeze and on/off through 2021.**

EDIT: Had to repost this like fucking 6 times because of auto mod lol

EDIT 2: Words, pics, boldings, edited to make it flow a wee bit clearer

-----

The rest of the series (so far):

*Pt. 1: The Tuesday Morning Rabbit Hole (RC's Tweet, TUEM v. TUES, & 92 Days)*https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

*Pt. 2: Shorting Malls and Jerica Capital Management*https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/
*Pt. 3: 2017*https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 4: Pick Your Teams: https://www.reddit.com/r/Superstonk/comments/s9hber/the_tuesday_morning_rabbit_hole_pt_4_pick_your/

The Big Mall Short #6: Amazon and How Jeff Bezos Helped Main Street America to Shoot Itself in the Dick - Jan. 30, 2022

Due Diligence

TL;DR:

- **Bezos' Amazon has links to Apollo Global ("mall shorter") with their air logistics network (Amazon Air).**
- **For years, Amazon/Bezos have taken advantage of subsidies/tax to the order $4 Billion. One trick involves opportunity zones, which Amazon can buy warehouses and wealthy investors (hedgies?) can invest in to not pay capital gains. An incoming fulfilment center can give 0 net jobs to a community.**
- **The hunt for a second headquarters HQ2, caused 238 cities to give up their data to Amazon, which it can now use to aggressively buy real estate and capitalize on more free money & tax subsidies, using this data against those very same cities.**

This is the Big Mall Short.

In previous posts, I talked about how diving into Tuesday Morning being shorted to shit (92 days to cover) on its old ticker made me find its connections to CMBS loans. In Pt. 4, we figured out who was shorting American malls using a short bet against CMBX.6. This included Carl Icahn, Apollo Global (who tried buying GME in 2019), Mudrick (with ties to sticky floor), and MP Partners. I**n Pt. 5 we made the discovery of balls deep GME exposure in CMBX.6: arguably over 77% of #6 malls had GME stores in them, adding more credence to that GME's naked shorting could have tied into the "big mall short".**

If you recall from Pt. 2, CMBS--or commercial mortgage backed securities--are a grab bag of loans to different offices, retail stores, and commercial real estate that you can buy or sell, or bet whether the price of all those leases will be paid off as those spaces do business. They're often tied in with signed leases to these spots. **If many of those offices, retail stores, and commercial real estate spots fail, welp then they can't pay their lease and the entire grab bag (CMBS) might go down. These leases can be made to offices or factories, but they can also be made to retail stores like Tuesday Morning or GameStop.**

We also learned before that these loans can be bundled into bigger bundles (think the Jenga towers from "The Big Short") and can be bought, sold, cut up, or even be bet for or bet against (short). We've been looking at CMBX, which bundles many CMBS loans together. (For example, CMBX.6 contains GameStop, and was shorted against by some.) I**n this post, we circle back to a company and owner we are all very aware of, and how they might be gaming the whole system of commercial real estate to their benefit, all while fellow Americans looking out for their towns and cities ended up hurting themselves, all none the wiser. We can't tell the story of Amazon and malls, without telling the story of Amazon and commercial real estate first.**

Sections

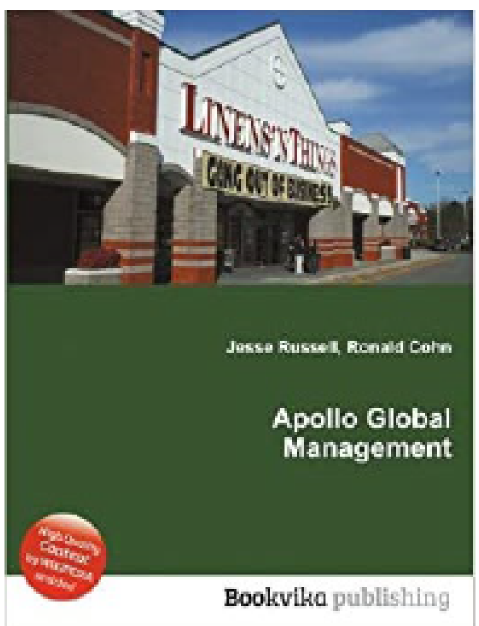
1. Bezos Buddies

In Pt. 4, we saw how Carl Icahn and hedge funds looked to bet against CMBX.6, or "shorting" the malls inside ("the big mall short"). From that cast of characters, I did try to dig to see if there were any commercial real estate (or even retail CMBS links) that connected the "mall shorters" to Amazon outside of what we know many rich & hedge funds do: invest in Amazon's stock to make their balance sheet look good, or just to keep Marge from calling.

Now sorry to disappoint in many ways. They all pretty much didn't have any links. The second closest I could find was Mudrick Capital (who tried to "death spiral finance" sticky floor while it had its "mall short" position open) and its acquisition of Topps through its "MUDS" SPAC (special purpose acquisition company). Topps is a #10 retail item on Amazon's website…and that's it. That's the only link I found. Sad face.

But remember, I said “second closest”. So let’s step back from Mudrick and turn our eyes to someone else: Leon Black’s Apollo Global. If you’re wondering whether Amazon has any links to this SHF betting on “the big mall short”, then you bet your sweet candy buttcheeks they are.

2. Amazon & Apollo, Sitting in a Tree



Apollo Global–who tried buying GME in 2019 with Sycamore, tried to “help” finance sticky floor with Mudrick Capital and D1 Partners, and was shorting malls in CMBX.6–had, at one point, been competing with Amazon in the web server space back in the day. Apollo Global bought Rackspace out from under Amazon’s nose back in 2016 as AWS was trying to expand.

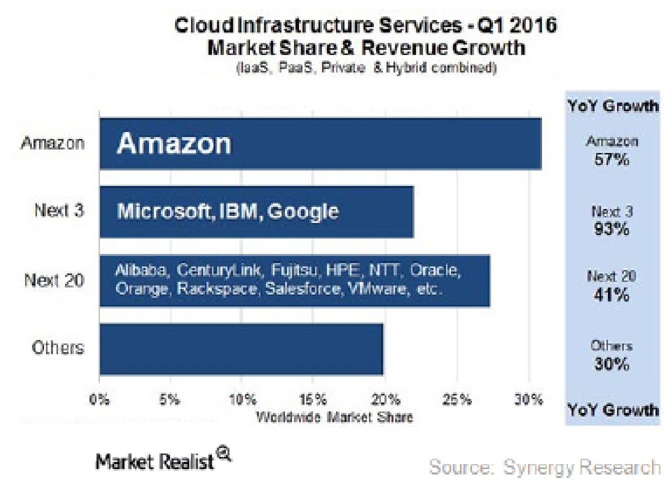
While Amazon bought out Whole Foods, Apollo tried to turn around FreshDirect & Sprouts. Apollo also pulled Amazon’s Carletta Ooton for their ESG.

Apollo Global–who tried buying GME in 2019 with Sycamore, tried to “help” finance sticky floor with Mudrick Capital and D1 Partners, and was shorting malls in CMBX.6–had, at one point, been competing with Amazon in the web server space back in the day. Apollo Global bought Rackspace out from under Amazon’s nose back in 2016 as AWS was trying to expand.

While Amazon bought out Whole Foods, Apollo tried to turn around FreshDirect & Sprouts. Apollo also pulled Amazon’s Carletta Ooton for their ESG.

But Apollo Global and Amazon don’t always compete, especially recently. After Apollo recently threw nearly 2 billion at another grocer, Albertson’s, in the US, in July 2021 Apollo was eyeing UK foodshop Morrison’s, who partnered with Amazon.

In June 2021 (a month after that bid for Morrison’s, Apollo also set up $750 million in credit facilities (money to lend) in part for aggregators of Amazon’s 3rd-party sellers. **And remember Rackspace? Turns out in 2020, rumors began that Amazon might buy a minority stake in the company. Those rumors grew as of a few months ago into rumors that Amazon might engage in a wholesale buyout of Rackspace from Apollo Global. Rackspace, for your reference, is a huge player in Amazon's Web Services, which makes Bezos & co. more money than pretty much anything else Amazon offers, including Prime.**



So surprisingly, there’s a shit ton of wine-ing, dining, and 69'ing between these two recently. But this pairing's true heart lies in the backscreen of Amazon's operations. For these two, it was logistics. And that logistics came in the form of an airline.

3. Amazon Air

"Wee here I come Jeffy babe!"--Leon Black, Apollo Global

Between 2019 to 2020, Amazon settled on a partnership deal with airline Sun Country, which is owned by Apollo Global. Sun Country, which went public last year so that it could trade on the stock market, had to originally delay its IPO due to Covid. Sun Country was a smaller low-cost & cargo regional airline. Most people have never heard of it, but a lot of you might know of at least one link to it. Remember that Braniff airplane at the end credits of old South Park episodes? Fun fact, it was former Braniff airlines staff actually came together to form Sun Country in the 80s.

You can kinda see the similarity with Sun Country's old plane above

Sun Country teamed up with Amazon to accelerate its air shipping distribution in Amazon Air, as it continued to deliver keep retail competitors on the ropes. Sun Country would use its 10 Boeing 737s to support Amazon's package delivery, while Amazon Air continued to expand.

It was in the midst of that expansion that the Treasury Dept. also gave $45 million to Amazon & Apollo's Sun Country during the pandemic in an emergency aid loan. **(And this is all while Apollo Global also benefited from at LEAST 1 other bailout during Covid.)** Sun Country's loan was part of the emergency airline aid package approved in March 2020. It had applied for the money so it wouldn't have to ask Apollo Global and Amazon for money (ugh), but being fair, it eventually paid back this loan about a year later.

Well fuck's sake, so we at least know there is some perhaps benefit to someone like Apollo Global in "the big mall short". If it's bet turned out right, it was positioned to help Amazon speed up its retail overthrow through Amazon Air & Sun Country speeding up its deliveries. This was while looking at more and more Prime orders, adjusting the logistics ever so much as you might need to send a package from a California warehouse to a Texas one to be able to get it to someone's front door. But of course, we're here to talk commercial real estate, so let's start with where commercial real estate and Amazon mainly collide: fulfillment centers.

4. The Network

If Amazon Air has become the new airborne mech warrior exoskeleton of Amazon & Prime's logistic network (courtesy of Apollo and Sun Country), then its fulfillment center network--including its trucking and distribution arms--has been its spine and nerves.

Amazon has been BALLS DEEP in expansion across the US countryside, inching across like a retail-killing Akira blob while snapping up commercial real estate at every turn. For starters: about right now in the US, it's standing at about 338 fulfillment centers for packing, 666 delivery station networks for distributing, 80 Prime Now hubs, 101 regional sortation centers, alongside its Amazon Air-affiliated 18 airport hubs & 34 inbound cross docks.

Now most US apes are familiar with fulfillment centers either from seeing them from a distance at home or on a drive, or–unfortunately, more often–when things go wrong. Whether it’s Amazon shuttling down unions outside its gates or keeping its workers from escaping an oncoming tornado at its Edwardsville, IL site (STL6) in a horrendous tragedy and loss of life, knowledge of Amazon’s fulfillment stores have permeated the news cycle in ways that other retailers' distribution networks might not have.

The biggest takeaway of the fulfillment center network and its growing grid of commercial real estate is that there’s a method to Bezos’ fulfillment center madness, no matter how nondescript they seem: most are purposely located near places where people have more extra/discretionary income to order from Prime, with many warehouses clustered near highway arteries between big cities.

These warehouses are purposely clustered near places with more Prime subscribers, and ALL warehouses are located within a 20 minute drive from a major highway. In some cases, it’s even less than a ONE minute drive from a highway. And with our talk of the Apollo-aided Amazon Air, across the entire country the average Amazon truck can get to an airport that can service its deliveries in less than 35 minutes.

Now I tried looking at what I THOUGHT was the full list of fulfillment centers to figure what details I could track from its commercial real estate history. But from my small sample of 110, I found that most fulfillment centers were built in all different spaces, be it completely empty land lots, or spaces up for sale such as medical buildings, ranchland, old storage space, or even nursing homes.

So whether razing a private school (Opa Locka, FL) or a golf course combo country club (Livermore, NY), they weren’t propping up JUST in a specific type of place (even if I wanted it to be JUST malls to feed my confirmation bias).But in my research it's easy to see that these fulfillment centers, spilling off the spokes of Amazon Air's flight patterns, all connected into a grander view of Amazon's angle of attack into commercial real estate. And the story of how many of these acquisitions for Amazon's fulfillment centers come to be led me to the great Vinnie from “The Big Short”s grand philosophical question...

Hey Amazon, how are you fucking us?

5. How They’re Fucking Us: Racks on Racks on Racks, No Tax No Tax No Tax

Look, I–as well as most of you apes–could write a fucking 2000 page book if we wanted on just how bad Bezos and Amazon has been fucking the US and the world if we wanted to. And there are 6969696969 more reasons than this one (j**fc I mean another story literally just dropped while I was writing this about child labor/slavery in China for how Amazon makes its Echo devices)**. But I’m here to focus on commercial real estate, and show you just how Bezos liked to fuck us there with no mayo lube for years.

Here's one of the biggest ways that Bezos and commercial real estate intersect: free money & no tax. And guess how and where that eventual missing tax comes from to balance the books from all that commercial real estate SWAG Amazon gets? People like you.

As of 2021, US states and cities have given $4.2 BILLION USD–and counting!--in subsidies (think "free money") to Amazon. For Bezos, this rapid fuckery of tax greediness began exactly 10 years ago, ironically the same year that the CMBX.6 "mall bundle" was first made:

> **The company's aggressive behavior seeking tax breaks and subsidy deals took off in 2012**, when it hired a veteran incentives consultant and created an office within its public policy department to specialize in getting "corporate welfare." **Before 2012, Amazon had not received more than three awards per year; since 2012, it has averaged 19 per year.**

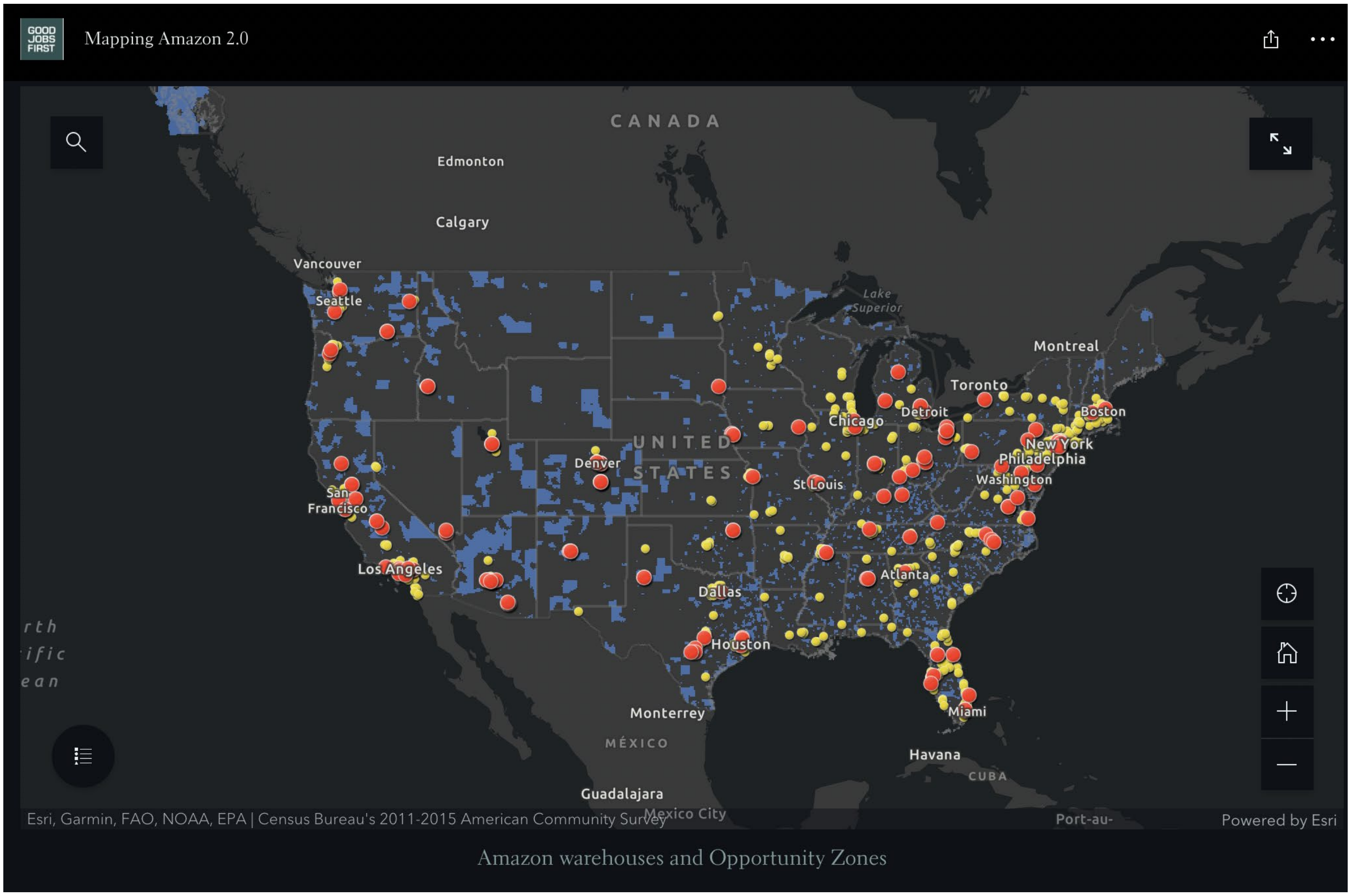
Saying Amazon "grew" over time puts it lightly, especially without mentioning this little wrinkle. All this no tax to Amazon comes from during its massive metric fuck ton of expansion, specifically in commercial real estate.

Just how much expansion was it? I**n just TWO YEARS, it went from about 470 warehouses in Dec. 2019 to over 1200 as of last month.** (This effectively doubled how much square footage they cover in the country.) **So it nearly TRIPLED the number of warehouses (fulfillment centers & distribution centers) during the pandemic all while taking advantage of billions of tax subsidies.**

Literally, Jeff should be THANKING YOU AMERICAN TAXPAYER APES FOR HELPING PROP UP HIS COMPANY DURING A PANDEMIC: **About 1/10th of those 1200 sites helped Amazon by can kicking Amazon's property tax, sales tax, income tax, fast-tracked its approvals, and even gave ol' Jeffrey discounts on the land & commercial real estate he bought up.**

And this was part of the game plan pretty much from Amazon's day-one transition to 2-day delivery and faster. **In 2012, for example, Amazon would purposely put fulfillment centers in places where it could safely avoid having to give up sales tax in those states. It fiercely resisted this until it could no longer under the huge burst of Prime orders, even running up a tab of $269 million in uncollected taxes in Texas (!)** But once 2017 kicked in, Amazon had to start paying sales tax for orders from states with sales tax. So were they ok with paying? FUCK NO. They quickly sought every opportunity they could.

Guess where some salvation came? **In a 2017 federal tax credit bill that unleashed lavish gift baskets to Bezos & friends, all thanks to commercial real estate and CMBS shit.**



Amazon warehouses and Opportunity Zones

A**mazon located at least 171 (!) of its newest or upcoming warehouses in Opportunity Zones (OZ) throughout the US. These opportunity zones in over 30 states, which are usually meant to spur "investment", are INSTEAD often used to hide capital gains for companies and investors like those of Amazon . When these zones first started, nearly $2.3 trillion by the wealthy was hidden away in them under the guise of "investing in real estate and business projects".**

So rich fucks–like Apollo Global, Mudrick, Stevie Cohen, Yass, or Ken Cordelle Griffin–can theoretically make capital gains (sometimes from crime shit as we've seen). Now if the same rich fucksticks reinvest those gains back into these zones, guess what? Your tax rate goes down even more! You can kick the can on when you pay it too! And the winner? Any NEW capital gains from those second round of reinvestments are COMPLETELY TAX-FREE! So that means as long as your cash gains respawn in one of these zones like a Call of Duty Vantage map at least twice, pretty much no IRS visit at all! And imagine how much cheaper this is to do and take advantage of a law during a pandemic, when fucking the price of EVERY commercial real estate asset–malls, land, offices–has fallen a shit ton?

> "Amazon has elevated industrial in the eyes of investors…Once the 'ugly duckling' of the CRE space, industrial is now the top asset class and draws global investors, not just market specific investors. ...Investors want assets with stable tenants that will grow and produce strong returns. Buildings with tenants such as Amazon…it that bill and are in hot demand."

How fucked is this? Remember that Illinois tornado? W**ell, the state of Illinois ALONE has given nearly fucking $742 MILLION in tax subsidies to Amazon, a company that literally did nothing as it had locked its citizens inside and left them to die. In fact, that state is sooo bad that Illinois' tax subsidies to Amazon are nearly 1/5th to 1/6th of ALL US state and local gimmes to Amazon.**And it's not just Illinois of course. Here's how bad Fresno, California did:

> "The three [Amazon] facilities shown here are located in an "industrial triangle," with easy access to California's Central Valley region via three major highways. The w**arehouse is less than a mile from a highway entrance and 15 minutes from the nearest airport. Nevertheless, Fresno approved up to $30 million in tax rebates and discounts for Amazon. That's 30 years of sales tax revenue plus a 90% property tax abatement lost to one of California's neediest cities**…**With its insatiable appetite for public subsidies, Amazon is disinvesting communities for short-term profits**,...But because Opportunity Zone investors are mostly secret and undisclosed, we cannot estimate the direct or indirect subsidies to Amazon created via OZs."**

So to add to the fuckery, not only is Amazon grabbing a shit ton of free money in small town to big US federal subsidy tricks, which most of us DIDN'T EVEN KNOW EXISTED, but we don't even know WHO IN THE WEALTHY FUCK is helping invest in these to get out of capital gains taxes or even get collateral on their books in the form of commercial real estate?

Amazon now holds more than $58 million worth of land and buildings, more than any other public company except Walmart.

6. HQ2: The Greatest Trick That Jeff Bezos Ever Pull

In Pt. 3, we talked about how important the year 2017 was to the "big mall short". It was the year everyone piled in, including Alder Hill, Mudrick, Carl Icahn, MP Partners, and Amazon's airline buddy Apollo Global. But we now know it was just as important a year for the sheer amount of essentially hand-holding in tax shit that state, local, and federal governments all handed to Amazon on a mile-long gold platter made of billions of lesser gold platters.

But it was also the year of the hunt for HQ2.

TECHNOLOGY

The New York Times

Subscribe for $1/wee

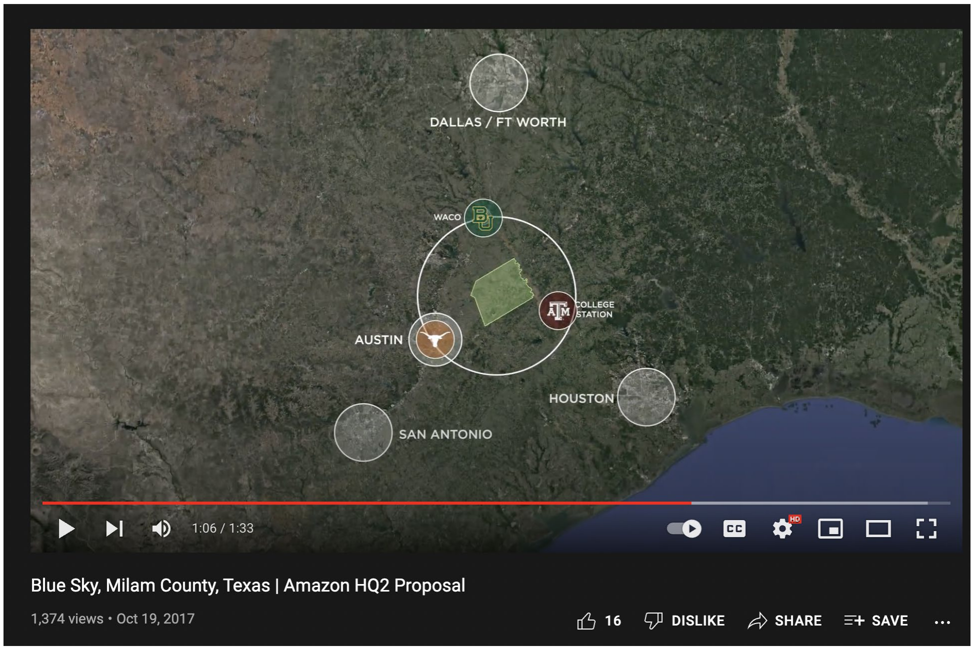
Amazon Plans Second Headquarters, Opening a Bidding War Among Cities

754

Amazon's headquarters in Seattle. Stuart Isett for The New York Times

In 2017, Amazon poured across all the headlines with a simple statement: “We’re building a new, 2nd headquarters! But sowwy, we don’t know where we wanna put it! Help us figure it out!”

It dangled the carrot of nearly $5 billion in investment for the winner, up to 50K new jobs in some places. **And 238 cities and regions, under the guise of perhaps–too much faith–fought in a race to the bottom to appease Amazon even further than the 2017 tax credit already was (remember, this tax credit shit was BARELY reported on).** Newark, NJ, home to Amazon subsidiary Audible, offered $7 billion in incentives, while Columbus, Ohio said ol’ Jeffrey could gave 100% absolutely no property tax for the new HQ site if it was built there in O-H-ten.



And remember it wasn’t just small towns. Cities and towns from all over the country poured in, with some teaming up together to put together bigger bids, like Milam County in Texas. The calls for Amazon to come were the common refrains: “More jobs! Save a dying tax base! Build out our tech hubs!”

Some caught onto the obvious bad effects of this countrywide “wild goose chase”, like a race to the bottom for better and better tax incentives for Amazon. Remember, know you know many of which we saw Amazon was already taking full advantage of in the same year without many US citizens being none the wiser. Parts of the country snapped back at each other, like NH saying that Boston was a bad pick due to its traffic congestion and more:

“Choose Boston and next year when you leave your tiny $4,000-a-month apartment only to sit in 2 hours of traffic trying to make your way to an overburdened airport, you’ll be wishing you were in New Hampshire. Or ... choose New Hampshire and invest in your high-growth future.”

But eventually, the game stopped as Amazon eventually whittled down a shortlist of candidates, then offered to split its 50K jobs between 2 sites: Long Island City in Queens, NYC and Arlington, VA, home of its actual new HQ2 site (and conveniently, near Bezos’ new mansion in DC). **For its Arlington location, it bought out a CMBS property as part of Blackstone’s REIT (BREIT). This deal was signed off on by Amazon’s shell company Acorn Development LLC, the secretive company that’s run ahead of them to do many of their real estate deals, including there at HQ2.** (I’ve only been able to find some information about Acorn.)

But what can we learn from the HQ2 race? Well, the obvious was that competition had these cities and towns knowingly or unknowingly racing to the bottom in order to give Bezos the best deal.

******

You had some handwashing after the fact of course once all over. “Amazon Unbound”, a book that partly covered the hunt for HQ2, said that Philadelphia could have even been rejected due to an Amazon exec being a NY Giants fan, rival to the local hometown Eagles. The Philadelphia Citizen tried its best to make juice out of lemons:

> Also, by all accounts, the HQ2 bid exercise within city government had some helpful internal benefits for bringing together a good team across departments and breaking down silos, which some city employees say has had some lasting positive effects. And the exercise also resulted in a lot of helpful research and marketing materials for the city that can be reused for non-Amazon economic development work.

Yay? But here, dear apes, is the part that I wanted to focus on. **It’s the part that made me go “oh shit” for a moment while researching all this.**

And it comes down to one word: data.

Where the fuck did the HQ2 data go?

IN THESE TIMES

ABOUT SUBSCRIBE DONATE

POLITICS LABOR INVESTIGATIONS CLIMATE

The HQ2 Scam: How Amazon Used a Bidding War to Scrape Cities’ Data

The news of the lucky winners—New York and Virginia—exposes the bad faith of Amazon's much-hyped search.

DAVID DAYEN NOVEMBER 9, 2018

this Wish-brand Lex Luthor can go fuck himself

And yes, of course, dear apes, I wasn’t obviously the only one to think of this actual underhanded scenario:

Amazon gained a huge perk from its HQ2 contest that's worth far more than any tax break…It has also given Amazon something that's potentially far more valuable than any subsidies it may have gleaned: a trove of data.

"**Amazon has a godlike view of what's happening in digital commerce, and now cities have helped give it an inside look at what's happening in terms of land use and development across the US,"** said Stacy Mitchell, a director of the Institute for Local Self-Reliance, a think tank based in Washington, DC. "**Amazon will put that data to prodigious use in the coming years to expand its empire."**

Amazon could use this data to aid in future expansion as it selects sites for new stores, warehouses, data centers, fulfillment centers, and other brick-and-mortar needs.In some cases, the bids could help Amazon get a leg up over its competitors, because the data they contain might not be publicly available.

"This is an incredibly valuable trove of data that 238 cities spent time compiling and submitting to Amazon," Mitchell said. "At the end of the day, it may well be that the data is the most valuable thing that Amazon has gotten out of this.

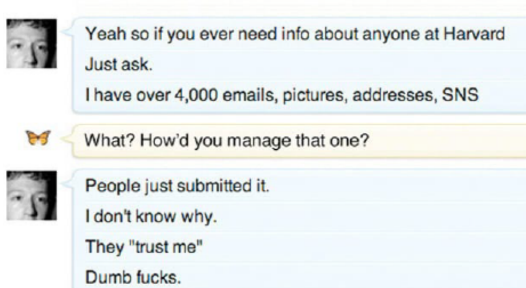
With all that was given, it was something that was echoed by many. **It was never about the wild goose chase, but the leverage it could eventually take advantage of in the form of all of this data:**

"**I think they had this in mind from day one,"** Richard Florida, a University of Toronto urban studies professor who tracked the HQ2 process, told CBS News. **"This was about crowdsourcing data ... This was never about an individual HQ2."**

Florida called the bidding process a "game" that gave Amazon leverage on cities it could use for future business opportunities, even if those cities had little chance of winning the second headquarters… Indeed, some smaller cities that didn't meet the company's criteria for HQ2, such as a having population of at least 1 million people, submitted bids ...And some cities that made the list of 20 finalists...did not meet requirements like mass transit, **but Amazon still engaged them through the final parts of the process and collected more information.**
In the landscape of the Amazon behemoth chipping away at retail and more commercial real estate (as it grew into buying up more warehouses too or data centers), some of the 238 cities and towns potentially gave what you would normally pay millions to research firms to find. And…they just gave it up…for free…

Remember, there had been some murmurings that Jeff Bezos (C-E-O en-tre-pre-neur, born in 1964) ALREADY KNEW where he wanted to go pick their new HQ2 spot since it was near his new mansion and his newspaper.

If, for example, Bezos ever wanted to pair his exhaustive customer data from Prime or Echo Dot services, he could easily pair that with the shit ton of demographic research that these places gave out, perfectly ready for Bezos to cross-reference and use.



I'm sure some of you remembered this story from a fellow Lex Luthor billionare and friend of data privacy

Here’s just a sample of some of the questions asked (and answered) by NYC:

REQUEST FOR INFORMATION

Project Clancy

TALENT

A. Big Questions and Big Ideas1**. Population Changes and Key Drivers.****a. Population level - Specify the changes in total population in your community and state over the last five years and the major reasons for these changes. Please also identify the majority source of inbound migration.**

d. Specialized tech talent availability and growth - Please provide specialized tech talent availability... **Please also describe the companies in your community currently employing that talent. (i) Please also describe the companies in your community currently employing that talent and where their future growth will be.**

3**. Venture Capital.**

a. Current efforts - What is your community currently doing to support venture capital investment? Please include the presences of venture capital firms in your community...

"i**f your software developer location quotient is low enough to suggest that a tech employer might struggle to recruit, but it is rapidly increasing and employers are having great success recruiting to your community right now, tell us that.** *(fucking really Jeffrey? "Tell us that?")*

Provide data on the median earnings, unemployment, home ownership, educational attainment, and undergrad enrollment gaps for underrepresented minorities in your community.

Now remember not EVERY question is bathed in potential fuckery; sure, lots of other questions exist about what they hope to do to help support STEM programs at high schools, or racial initiatives. **But in New York City’s case, it gave Bezos 253 pages (!) worth of free fucking data and field research without them lifting a finger. Hell, he had asked some of these cities to tell THEM what the cost of a coffee at Starbucks cost in their area, or how much an avocado or some shit cost at Whole Foods (something fucking Bezos should know if he fucking owns that company), but these cities DID ALL THE RESEARCH FOR HIM.**

Other proposals are more secret. **In the wake of HQ2 being given to DC, the city's report heavily redacted many parts of what it told Amazon.**

More redaction in other parts

And remember, in this post, we're talking commercial real estate and tax shit. Did we see things like that here? YOU FUCKING BET.

REAL ESTATE

3. Location

Easements, Licenses, Rights of Way

9. Acquisition Cost (if an
Please describe if all or a portion of Site will be made available at no or a reduced cost to the Project.

c. Estimated cost of dark fiber lease/ownersh

F. Transportati

1. A

a. Nearest Airport: name, distance to Site, number of passenger carrier service providers. Also inclu any planned, funded and approved capital improvements to the airport.

From the Chula Vista, CA proposal

Planning, zoning, blah blah blah all tied up in a bow for Bezos and Amazon. **For a company trying to expand its logistics monster, strategically picking sites that help give it the biggest tax breaks, sit between wealthier Prime users, and logistically set up warehouses can do everything from be 30 min to an airport or 1 min from a highway, Amazon just maliciously warp-speeded its expansion protocol under the guise of "yay you get jobs!"**

APPENDIX I

Modifications In Determining NYS/NYC Taxable Income

The following list identifies selected items that modify personal income and tax liability for New York City personal income tax purposes. These items are primarily federal exclusions from income and State modifications that pass through in determining City taxable income.

Federal Exclusions from Income

IRA and Keogh Contributions and Earnings Exclusion
Income Earned Abroad by U.S. Citizens
Passive Losses on Rental Real Estate
Capital Gains on Home Sales
Scholarship and Fellowship Income
Employee Meals and Lodging
Public Assistance Benefits
Veterans Benefits
Employer Contributions for Medical or Long-Term Care Insurance
Employer Contributions for Employee Pensions
Workers' Compensation Benefits
Employer-Provided Tuition Assistance
Employer-Provided Child Care
Certain Employer-Provided Transportation Benefits
Benefits and Allowances to Armed Forces Personnel
Accelerated Death Benefits
Contributions to Health/Medical Savings Accounts
Self-Employed Persons' Health and Long-Term Care Insurance
Employer-Provided Adoption Assistance
Employer-Paid Premiums on Life, Accident and Disability Insurance
Interest on Life Insurance Policy and Annuity Cash Value
Interest on Qualified New York State and Local Bonds
Oil and Gas Exploration and Development Costs
Accelerated Depreciation
Amortization of Business Start-Up Costs
Capital Gains at Death
Farmers' Expensing of Capital Outlays
Capital Asset Treatment of Certain Timber Income and from Ore and Coal Royalties
Expensing of R&D Costs
Expensing of Certain Depreciable Business Property
Social Security and Railroad Retirement Benefits (Partial Exclusion)

So now we can project: in the same year that Amazon was already making off like a bandit from using falling real estate prices–like from malls dumping in CMBS loans during the "big mall short"–to advantageous Opportunity Zone fuckery from the 2017 tax credit bill, Bezos still wanted more and fucking got it.

7. The Akira Blob

And expand it does. Many industrial spaces wouldn't care and still don't care, knowing there was a chance that Bezos might pay out 50-60% more per square foot, especially for industrial space. T**he Amazon commercial real estate Akira blob looms over the US: of the 10 largest industrial projects this year, EIGHT are Amazon. The total space of just those 8 projects could cover a space the size of Central Park end to end. By the end of 2021, 7% of all commercial real estate sales were from Amazon**:

And so where does that put us? There is a possibility that certain things might exist that we might not see (and I can't find in my research yet). This could be shit like:

- **We might eventually see how HQ2 data might be used if we track cities like Worcester, MA who both offered up a proposal to host HQ2, then was denied only for a few years later to have its Greendale Mall torn down in preparation for a new Amazon site**. This was all while it dangled a heavy carrot for Amazon, including $500 million in local real estate tax saving.

- **As we see how Amazon is weaponizing opportunity zones, like Census Tract 1523.03 in Euclid, Ohio, which we'll see is one of the first dead malls that Amazon has started to convert to fulfillment centers.**

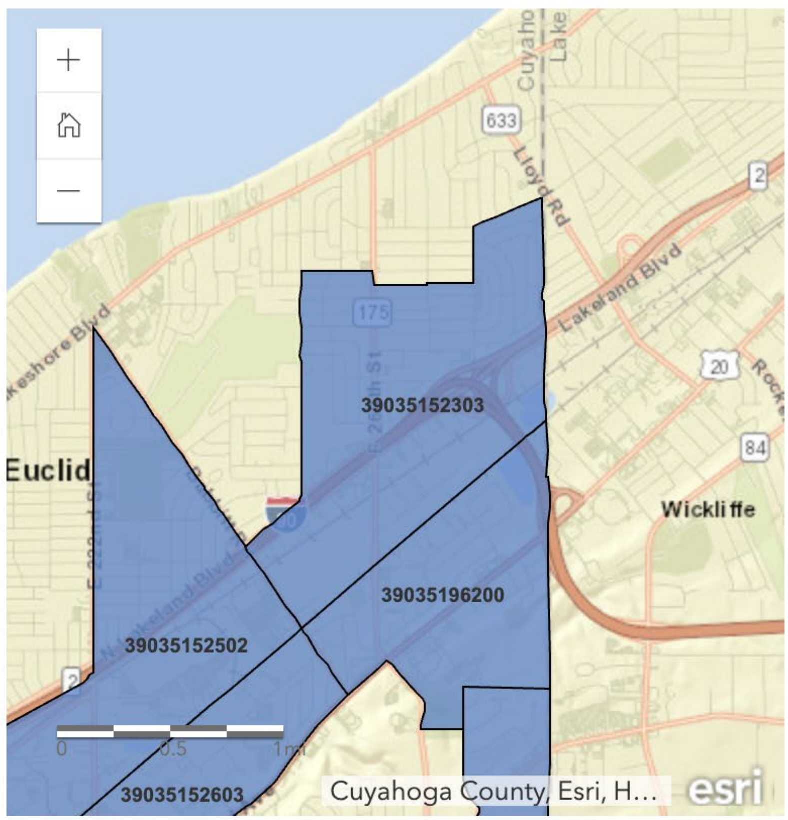
Census Tract 1523.03, Euclid, Ohio

Census Tract 1523.03 is a **Low-Income Community** Opportunity Zone located in **Euclid, Ohio**.

This **1.3 square mile** census tract has a population of approximately **3,400** and is one of 64 Opportunity Zones in **Cuyahoga County**.

The adjacent map shows the location of this Opportunity Zone in Ohio.

- Opportunity Zone Demographics
- Ohio OZ Funds
- List of Similar Opportunity Zones



View larger map

- We might continue to see how it works through some investment deals, whether with Cerberus Capital Management or Blackstone, who set them up with their HQ2 site.

This all happens in the background of false promises from the giant. GoodJobsFirst's stellar tracker shows how bad these "job" promises are:

> “This…tallies state and local economic development subsidy deals given to Amazon.com, Inc. for its warehouses, data centers, and film productions, and to its subsidiaries…**Since we began collecting and exposing subsidies the company has received, we have encountered greater secrecy surrounding the packages awarded to Amazon. This sometimes makes calculating such costs difficult. Secret project names, non-disclosure agreements, and a reluctance by public officials to fully disclose costs -- even after a deal has been awarded -- suggests Amazon and public officials know these deals have become controversial.”**

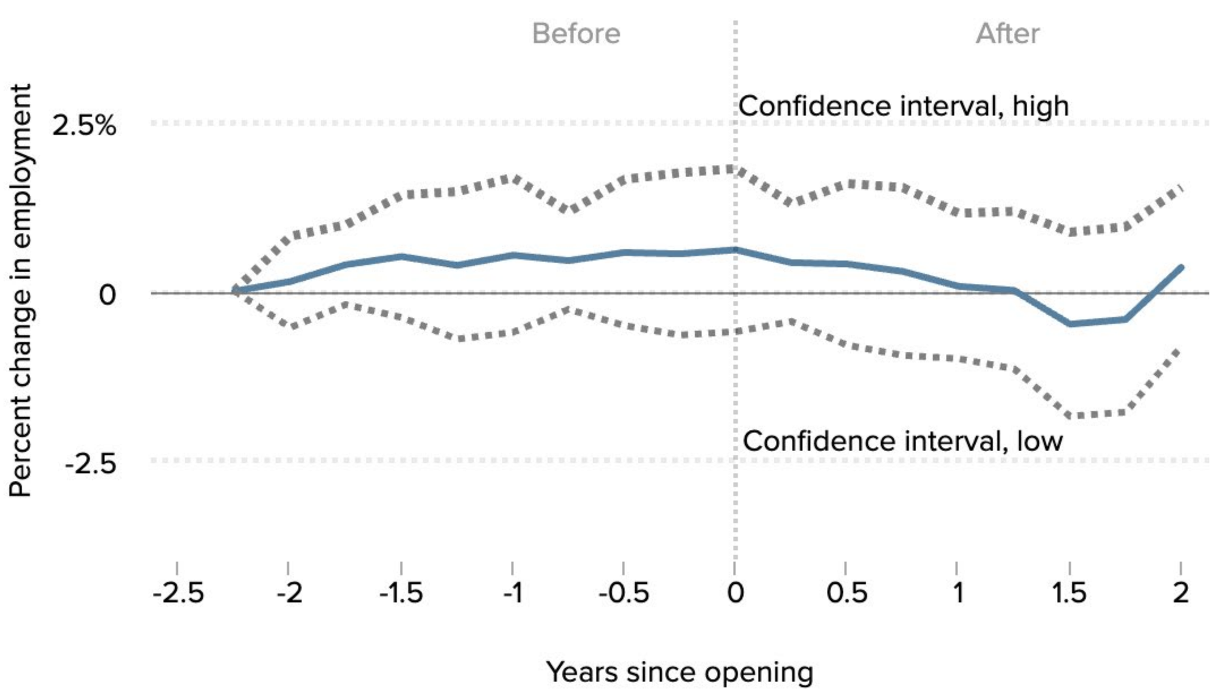
So remember this is all happening to these cities, these towns, is unbelievable.

Under the false promises of expansion, Ohio is one state that unfortunately got to fucking over its own statespeople the most. **For Amazon’s workers, even though its only the 53rd biggest employer in Ohio, nearly 1 in 10 of them are on food stamps. A three data center deal for Amazon in Ohio gave it no taxes for 15 years ($77 million)**. **This is all as one EPI report said that an Amazon fulfillment center does nothing really for local employment, is wholly inefficient for job growth…all it does is replace 1 person working at a local spot for a job at an Amazon warehouse, giving near net-zero gain:**

FIGURE C

Amazon fulfillment centers do not increase overall county employment

Change in overall county employment before and after opening an Amazon fulfillment center, using state-specific time fixed effects model



98% Upvoted

Comment as zedinstead

Comment

So adding it a bit altogether, we know that hedge funds like Apollo can not only short its competitors (GME), bet against everyday American's malls, all while along with Amazon its makes money hand over fisting all of us from billions in free tax giveaways, all while using tricks to give itself even more free tax giveaways?

This is the dark shadow that we'll all have had to have known hovers in the background to our continued story of CMBS and commercial real estate, to see how Amazon's gain is helped by retailer's loss, whether anchor stores, or yes, even GameStop.

TL;DR:

- **Bezos' Amazon has links to Apollo Global ("mall shorter") with their air logistics network (Amazon Air).**
- **For years, Amazon/Bezos have taken advantage of subsidies/tax to the order of $4 Billion. One trick involves opportunity zones, which Amazon can buy warehouses and wealthy investors (hedgies?) can invest in to not pay capital gains. An incoming fulfilment center can give 0 net jobs to a community.**
- **The hunt for a second headquarters HQ2, caused 238 cities to give up their data to Amazon, which it can now use to aggressively buy real estate and capitalize on more free money & tax subsidies, using this data against those very same cities.**

P.S. For this post, have to give a fucking huge **shoutout to GoodJobsFirst.org for their fucking amazing resources on Amazon.** A lot of this referenced them, and here are their main links I used:

https://storymaps.arcgis.com/stories/144d21045a794cf8b7834b0c49fdd0c0
https://www.goodjobsfirst.org/amazon-tracker
https://www.goodjobsfirst.org/news/amazon-thriving-thanks-taxpayer-dollars

This is the Big Mall Short.

In the previous posts, I talked about how diving into Tuesday Morning being shorted to shit (92 days to cover) on its old ticker made me find its connections to CMBS loans, along with GME's CMBS loans.

So far, we found how loans to offices and retail stores like GameStop could have been bundled into loans, and shorted (just like "The Big Short") by Carl Icahn, Apollo Global (who tried buying GME in 2019), Mudrick (with ties to the Hollywood security), and MP Partners. This was while GME had super deep exposure in the shorted bundle CMBX.6, and Amazon used different means to expand its commercial real estate empire.Here's the rest of the series...so far:

Pt. 1: The Tuesday Morning Rabbit Hole (RC's Tweet, TUEM v. TUES, & 92 Days)

https://www.reddit.com/r/Superstonk/comments/s5o8ok/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 2: Shorting Malls and Jerica Capital Management

https://www.reddit.com/r/Superstonk/comments/s6ff2r/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 3: 2017

https://www.reddit.com/r/Superstonk/comments/s7h25l/the_tuesday_morning_rabbit_hole_revisiting_the/

Pt. 4: Pick Your Teams: https://www.reddit.com/r/Superstonk/comments/s9hber/the_tuesday_morning_rabbit_hole_pt_4_pick_your/

Pt. 5: Blast Radius

https://www.reddit.com/r/Superstonk/comments/sbajaz/the_big_mall_short_pt_5_blast_radius/