

GREY VALUE MANAGEMENT, LLC

KIMCO / K-MART TRADE

Kimco (KIM) Trade on K-Mart (KM) Exposure (10/19/01)

Kimco was a once-removed trade on K-Mart's stumble into bankruptcy. I was too late to exploit the KM price decline, but the market had yet to grasp the impact I anticipated that KM, KIM's biggest client, would have on Kimco's bottom line.

Two additional factors contributing to the allure of this trade were:

1. KIM was already trading near an all-time high in terms of valuation; and
2. Based on a one-off transaction KIM executed related to the properties of the defunct Montgomery Ward, there was reason to believe that the Company would have difficulty replacing the revenue resulting from that transaction with recurring revenue from other sources.

Militating against the trade was the fact that KIM was one of the most respected REITs in the business. Also, it seemed unlikely that the price would decline too greatly because the dividend (if assumed reliable) would put a floor under the price. In other words, as the price descended it would eventually reach a level where the dividend yield would drive buyers back into the stock. Thus, it was attractive as a short-term trade only - I held the position for 5 days - but it was very profitable within that window.

It bears mentioning that in hindsight KM's bankruptcy appeared to have little impact on well-managed KIM. However, enough factors were leaning in my favor for the trade to work over the short term.

Average Short Sale Price	\$32
Average Cover (Purchase) Price	\$30.31
Gross Return on Trade	5.3%
Timeframe (2001)	5 days

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