

OFFERING MEMORANDUM
**AMERICAN TIRE DISTRIBUTORS, INC.
DISTRIBUTION FACILITY**
HUNTSVILLE, ALABAMA

*Bloomberg considers Huntsville
one of “the unlikely cities that will
power the U.S. economy”*



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REPRESENTATIVE PHOTOGRAPH

American Tire Distributors, Inc. Distribution Facility

Huntsville, Alabama

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TABLE OF CONTENTS

Investment Offering & Highlights	3
Property Description, Lease Summary & Returns	4
Cash Flow Analysis	5
Site Plan	6
American Tire Distributors, Inc. (ATD)	7
Regional / City / Area Maps	8
Huntsville, Alabama	11
Aerospace / Redstone Arsenal	12
Aviation - GE Aviation Announcement	13
Biotechnology	14
University of Alabama in Huntsville	15
Google Fiber	16
Transportation	16
Demographics	16
Confidentiality & Disclaimer	17

Investment Offering & Highlights

THE OFFERING

- A new 100,360 ± sq. ft. distribution building located in Huntsville, Alabama 100% leased to **AMERICAN TIRE DISTRIBUTORS, INC. (“ATD”)**.
- ATD is the largest distributor of tires for replacement in the U.S. ATD distributed 40 million tires in 2015.
- The building is under construction and is scheduled be completed in February 2017.
- Price: \$6,646,000 – 6.75% Cap Rate
- Price Per Sq. Ft. - \$66

LEASE

- 10 year lease term.
- 2.25% annual rent increases.
- The lease is net of all expenses except structure (except tenant is responsible for roof maintenance expense).

REAL ESTATE

- Concrete tilt-up construction.
- 28’ clear height.
- Sufficient site area to allow for a 25,000 sq. ft. expansion of the building.

HUNTSVILLE’S HI-TECH ECONOMY

- Huntsville has one of the highest concentrations of engineers in the U.S. relative to its population.
- GE Aviation, attracted by the number of engineers, broke ground in July 2016 on a new \$200 manufacturing plant to produce ceramic components for jet engines, and gas turbines.
- Government entities and corporations with a presence in Huntsville include: Redstone Arsenal (rocket development), NASA, Boeing, Northrup Grumman, Toyota, Lockheed Martin and more.
- HudsonAlpha Institute, a leading source of genomics and genetics research, was founded in 2008. Huntsville now has 25 biotechnology firms.
- The University of Alabama in Huntsville has many engineering and biotechnology programs.

FINANCIAL RETURNS

	<u>All Cash</u>	<u>50% LTV*</u>
• Initial Cash on Cash	6.75%	7.00%
• 10 Year Average Cash on Cash	7.48%	8.45%
• Average Annual Cash Flow Growth	2.25%	4.04%

** subject to actual financing terms*

Property Description, Lease Summary & Returns

PROPERTY DESCRIPTION

Address	6240 Mastin Lake Road, NW Huntsville, Alabama
Lot Size	8.54± acres
Building	
Building Sq. Ft.	100,360± square feet
Office Area	4,500± square feet (4.48% of dist. bldg. area)
Clear Height	28'
Dock Doors	20
Drive-In Doors	1
Exterior	Load bearing precast or tilt-up concrete
Parking Stalls	40 automobiles (0.40 car stalls / 1,000 sq. ft. bldg. area)
Building Expansion Potential	25,000± square feet

LEASE SUMMARY

Premises	Site and Building
Tenant	American Tire Distributors, Inc.
Term	10 years
Commencement (projected)	February 1, 2017
Expiration	January 31, 2026
Rent Commencement	February 1, 2017
Annual Rent	\$448,609
Rent Increases	2.25% Annually
Expenses	NN*
Renewal Options	Two Five-Year
Renewal Rent	The greater of 95% of market or the previous rent.
Building Expansion	Tenant has the right to build 25,000± square feet on site at Tenant's expense.

* The tenant is responsible for all property real estate taxes, property insurance, tenant's liability insurance, and maintenance of the yard, parking, drive and hard surfaced areas. The landlord is responsible for maintenance of the structural portions of the building including the foundation, roof, exterior walls and floor slabs.

Price: \$6,646,000 - 6.75% Return

Cash Flow Analysis

CAPITALIZATION

Price	6.75%	Cap Rate	\$6,646,000
Price Per Sq. Ft.	100,360	Sq. Ft.	\$66

YEAR	1	2	3	4	5	6	7	8	9	10
Rent Increases		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Annual Rent	\$448,609	\$458,703	\$469,024	\$479,577	\$490,367	\$501,400	\$512,682	\$524,217	\$536,012	\$548,073
Cash on Cash Return	6.75%	6.90%	7.06%	7.22%	7.38%	7.54%	7.71%	7.89%	8.07%	8.25%
Avg Annual Cash on Cash Return	7.48%									
Annual Cash Flow Growth		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Avg Annual Cash Flow Growth		2.25%								

CAPITALIZATION

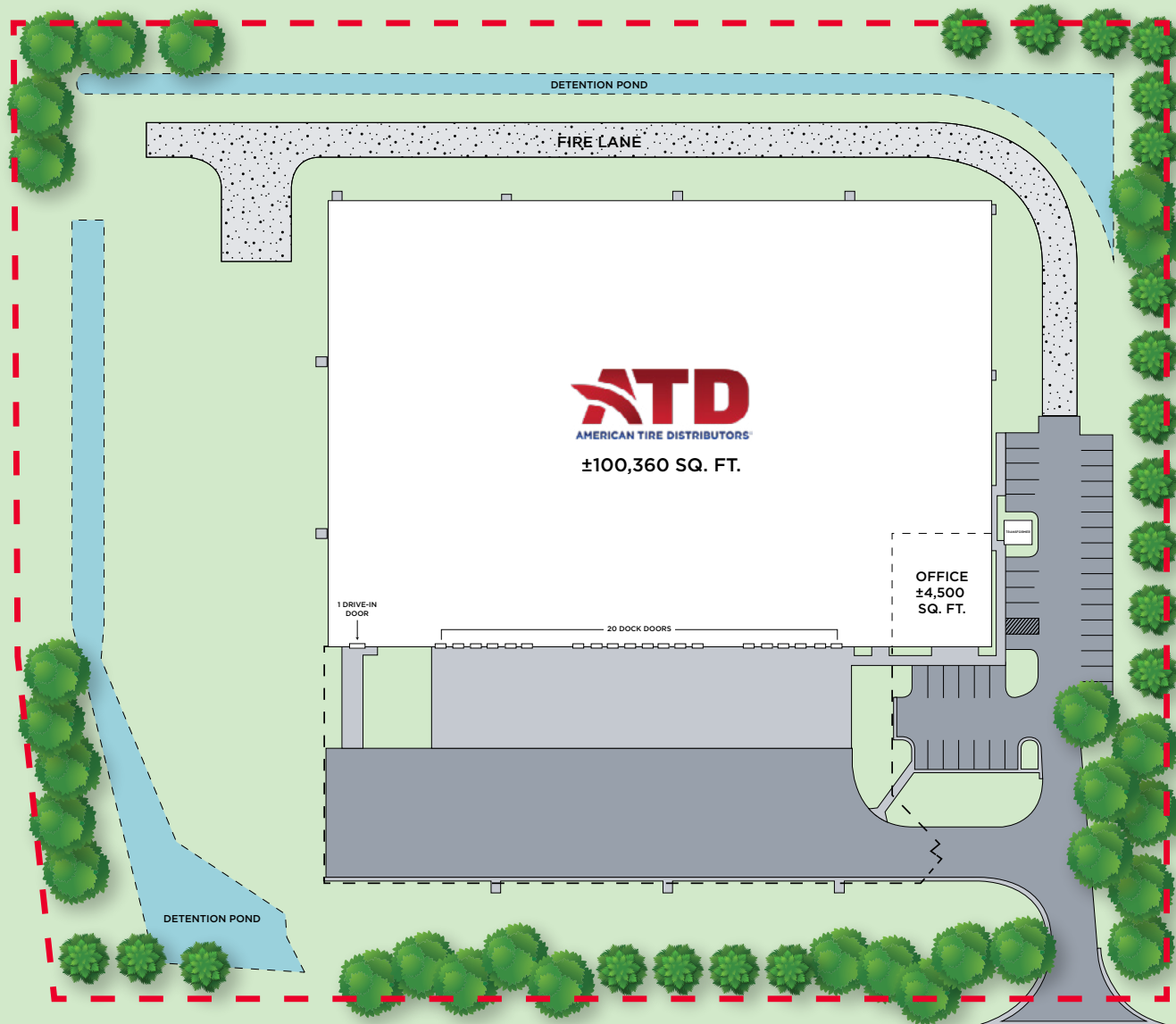
Price	6.75%	\$6,646,000
Loan	50%	<u>(3,323,000)</u>
Equity		\$3,323,000

FINANCING

Loan to Value	50%
Interest	4.25%
Amortization	25
Loan Constant	6.50%

YEAR	1	2	3	4	5	6	7	8	9	10
Rent Increases		2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%	2.25%
Annual Rent	\$448,609	\$458,703	\$469,024	\$479,577	\$490,367	\$501,400	\$512,682	\$524,217	\$536,012	\$548,073
Loan Payments	(216,023)	(216,023)	(216,023)	(216,023)	(216,023)	(216,023)	(216,023)	(216,023)	(216,023)	(216,023)
Cash Flow	\$232,586	\$242,679	\$253,000	\$263,553	\$274,344	\$285,377	\$296,659	\$308,194	\$319,989	\$332,049
Cash on Cash Return	7.00%	7.30%	7.61%	7.93%	8.26%	8.59%	8.93%	9.27%	9.63%	9.99%
Avg Annual Cash on Cash Return	8.45%									
Annual Cash Flow Growth		4.34%	4.25%	4.17%	4.09%	4.02%	3.95%	3.89%	3.83%	3.77%
Avg Annual Cash Flow Growth		4.04%								

Site Plan



MASTIN LAKE ROAD NW



American Tire Distributors, Inc.

AMERICAN TIRE DISTRIBUTORS INC. (“ATD”) is the largest distributor of replacement tires in North America based on dollar amount of wholesale sales and number of warehouses. Through ATD’s network of more than 140 distribution centers in the United States and Canada, it offers approximately 60,000 stock-keeping units (SKUs) to more than 80,000 customers. In 2015, ATD distributed more than 40 million replacement tires.

ATD serves a highly diversified customer base across multiple channels, comprised of local, regional and national independent tire retailers, mass merchandisers, warehouse clubs, tire manufacturer-owned stores, automotive dealerships and web-based marketers. During fiscal 2015, ATD’s largest customer and top ten customers accounted for 3.6% and 11.5%, respectively, of its net sales. ATD carries the flag brands from each of the four largest tire manufacturers —Bridgestone, Continental, Goodyear and Michelin — as well as the Cooper, Hankook, Kumho, Nexen, Nitto/Toyo and Pirelli brands.

According to Modern Tire Dealer, the U.S. replacement tire market generated annual retail sales of approximately \$37.7 billion in 2015. From 1955 through 2015, U.S. replacement tire unit shipments increased by an average of approximately 3% per year.

Going forward, ATD believes that long-term growth in the U.S. and Canadian replacement tire markets will continue to be driven by favorable underlying dynamics, including:

- Increases in the number and average age of passenger cars and light trucks;
- Increases in the number of miles driven;
- Increases in the number of licensed drivers as the U.S. and Canadian population continues to grow;
- Increases in the number of replacement tire SKUs;
- Growth of the high-performance tire segment; and
- Shortening tire replacement cycles due to changes in product mix that increasingly favor high-performance tires, which have shorter average lives.

In May 2010, ATD was acquired by Texas Pacific Group (“TPG”), a \$60 billion private equity fund based in Fort Worth, TX, and co-investors. In February 2015, TPG sold 50% of its stake to Ares Capital (NASDAQ: ARCC), a \$9.2 billion private equity investor.

Please contact the agents for tenant financial information.

Regional Map



HUNTSVILLE



City Map



ALABAMA A&M UNIVERSITY

OAKWOOD UNIVERSITY

MADISON SQUARE MALL

THE UNIVERSITY OF ALABAMA IN HUNTSVILLE

HUNTSVILLE

REDSTONE ARSENAL



Area Map



53

ARDMORE HIGHWAY



SPRINGFIELD ROAD NW



PLUMMER ROAD NW

MASTIN LAKE ROAD NE

53



Huntsville, Alabama

- *Forbes Magazine reported the following on February 24, 2015: “At the top of the list [of the best cities for engineers] is “The Rocket City” Huntsville, Alabama. The city is home to a NASA flight center and an Army arsenal, and scores big with the trifecta of a high concentration of engineers, a high average salary of \$102,766.07, and low median gross rent of \$725 per month.”*
- *Bloomberg reported the following on September 3, 2015: A May 2014 Bloomberg analysis of Labor Department statistics showed that 16.7 percent of workers in the [Huntsville]metropolitan area held a job in science, technology, engineering, or mathematics—STEM, for short—making it the third most technical workforce in the country after San Jose, Calif., and Framingham, Mass.*
- *GE Aviation broke ground in July 2016 on two plants at a cost of \$200 million to manufacture high tech parts for jet engines and land-based gas turbines for electric power.*
- *Bloomberg published the following story on September 3, 2015: Richard Myers, the director of the Department of Genetics at the Stanford University School of Medicine, where he enjoyed the fruits of a rich endowment and his pick of faculty members and graduate students, left behind some befuddled scientists in Palo Alto, Calif. in 2008 and moved to Huntsville, AL to launch an independent research lab, the HudsonAlpha Institute.*



Huntsville, Alabama (cont)

Huntsville is the fourth largest city in Alabama and is located at in the northern part of the state. Huntsville is situated 115 miles south of Nashville, 180 miles northwest of Atlanta, 102 miles north of Birmingham, and 216 miles east of Memphis. Huntsville has a population of 180,105. Huntsville is part of the Huntsville-Decatur-Albertville, AL Combined Statistical Area, which is the most populated sub-region of North Alabama and is the second fastest growing region in the State of Alabama, with a population of 679,743.

Huntsville has a remarkable engineering history and future outlook that positions it exceptionally well for the 21st Century. Its diverse technology sectors are highlighted below.

AEROSPACE / REDSTONE ARSENAL

The roots of Huntsville's engineering prowess started in 1950 when 1,000 personnel were transferred from Fort Bliss, Texas, to Redstone Arsenal to form the Ordnance Guided Missile Center (OGMC). Central to this effort was a group of German scientists and engineers led by Wernher von Braun that had originally been brought to America by Colonel Holger Toftoy under Operation Paperclip. As the Korean War started, the OGMC was given the mission to develop what eventually became the Redstone Rocket. This rocket set the stage for America's space program and major Army missile programs to be centered in Huntsville. Toftoy, then a brigadier general, commanded OGMC and the overall Redstone Arsenal. In early 1956, the Army Ballistic Missile Agency (ABMA) under Major General John Medaris was formed.

Huntsville is nicknamed "The Rocket City" for its close association with U.S. space missions. On January 31, 1958, ABMA placed America's first satellite, Explorer 1, into orbit using a Jupiter-C launch vehicle, a descendant of the Redstone. This brought national attention to Redstone Arsenal and Huntsville, with widespread recognition of this being a major center for high technology.

On July 1, 1960, 4,670 civilian employees, associated buildings and equipment, and 1,840 acres (7.4 km²) of land transferred from ABMA to form NASA's George C. Marshall Space Flight Center (MSFC). Wernher von Braun was MSFC's initial director. On September 8, President Dwight D. Eisenhower formally dedicated the MSFC.

During the 1960s, the major mission of MSFC was in developing the Saturn boosters used by NASA in the Apollo Lunar Landing Program. For this, MSFC greatly increased its employees, and many new companies joined the Huntsville industrial community. The Cummings Research Park was developed just north of Redstone Arsenal to partially accommodate this industrial growth.

The emergence of the Space Shuttle, the International Space Station, and a wide variety of advanced research in space sciences led to a resurgence in NASA-related activities that has continued into the 21st century. In addition, new Army organizations have emerged at Redstone Arsenal, particularly in the ever-expanding field of missile defense.

Three of the Redstone Arsenal's current and future operations are listed below:

- Space operations and missile defense to support the nation's exploration and defense capabilities;
- Intelligence and homeland defense conducting threat analysis and explosives training and research; and
- Research, development, test, and evaluation to continue the innovative application of sciences and technologies into systems and equipment.

The Redstone Arsenal will continue to grow as the U.S. explores space, upgrades its defense systems, and deals with Russian aggression and terrorist threats.

The Redstone Arsenal's importance to the country is further underscored by Raytheon's recent construction of a new \$100 million, state of the art, and missile manufacturing plant on the Arsenal's grounds.

Huntsville, Alabama (cont)

AVIATION - GE AVIATION ANNOUNCEMENT

GE Aviation plans to build two adjacent factories on a 100-acre site in Huntsville to mass-produce silicon carbide (SiC) materials used to manufacture ceramic matrix composite components (CMCs) for jet engines and land-based gas turbines for electric power. GE will invest \$200 million in these plants. The plants are scheduled to be completed in the first half of 2018. These plants are expected to employ 300 people.

One of the Huntsville plants will produce silicon carbide (SiC) ceramic fiber. It will be the first such operation in the United States. Today, the only large-scale SiC ceramic fiber factory in the world is operated by NGS Advanced Fibers in Japan.

The Huntsville plants are GE Aviation's second significant factory investment in Alabama in recent years. Since 2013, GE Aviation also invested more than \$100 million in a 300,000-square-foot factory in Auburn, near Auburn University, where the company is engaged in jet engine component manufacturing (super-alloy machined parts) as well as establishing the world's highest-volume additive manufacturing center.

The use of lightweight, heat-resistant CMCs in the hot section of GE jet engines is a breakthrough for the jet propulsion industry. GE's best-selling LEAP engine is the first commercial jet engine to use CMCs in the high-pressure turbine section. The LEAP engine, with more than 10,500 orders and commitments, is currently completing certification testing. It is scheduled to enter airline service next year powering the Airbus A320neo and in 2017 powering the Boeing 737 MAX. The LEAP engine will cut fuel consumption by 17% and lead to longer engine lives with less maintenance.

GE has a pattern of locating its aviation plants near universities in engineering centers like Huntsville.





Huntsville, Alabama (cont)

BIOTECHNOLOGY

There are over 25 biotechnology firms in Huntsville due to the Huntsville Biotech Initiative. The HudsonAlpha Institute for Biotechnology is the centerpiece of the 150-acre Cummings Research Park Biotech Campus, part of the 4,000-acre Cummings Research Park which is second only to the North Carolina's Research Triangle Park in land area. The non-profit HudsonAlpha Institute has contributed genomics and genetics work to the Encyclopedia of DNA Elements (ENCODE). For-profit business ventures within the Biotech Campus focus on areas like infectious disease diagnostics, immune responses to disease and cancer, protein crystallization, lab-on-a-chip technologies and improved agricultural technologies.

Here is a list of the largest government entities and engineering dependent companies and their employee number in the Huntsville area.

Redstone Arsenal	35,000
NASA	6,500
Boeing	2,750
SAIC	2,277
Camber Corporation	2,125
ADLAN, Inc.	1,549
PAR	1,350
Northrup Grumman Corp.	1,200
Toyota Motor Manufacturing	1,150
Wyle CAS Group	1,085
Lockheed Martin Corp	1,084
Jacobs ESSSA Group	850
Teledyne Brown Engineering	794
PPG Aerospace	750

Huntsville, Alabama (cont)

UNIVERSITY OF ALABAMA IN HUNTSVILLE

The University of Alabama in Huntsville (UAH) is one of three public universities in the University of Alabama system. The other two campuses are in Tuscaloosa and Birmingham. UAH has 8,496 students and 479 faculty members. UAH offers 83 degree-granting programs, including 38 bachelor's degree programs, 29 masters' degree programs, and 16 PhD programs through its nine colleges: Business; Engineering; Education; Arts, Humanities, & Social Sciences; Nursing; Science; Graduate Studies; Honors; and Professional & Continuing Studies.

It's no surprise that UAH is known for engineering and science programs, including astrophysics, atmospheric science and aerospace engineering. UAH scientists managed the first "commercial," non-government rocket programs (Consort and Joust) in the U.S., the first "high-temperature" superconductor was discovered at UAH and the first U.S. experiment flown aboard the Soviet Mir space station was from UAH. UAH is a Space Grant university, and has a history of cooperation with NASA at the Marshall Space Flight Center, and the U.S. Army Aviation and Missile Command at Redstone Arsenal. In conjunction with helping NASA reach its goals, UAH makes NASA's research and technology available to all of Alabama's colleges and universities. The National Space Science and Technology Center is on the UAH campus.

The UAH Propulsion Research Center (PRC) promotes interdisciplinary research opportunities for graduate and undergraduate students. Popular Science cited the PRC as the third "most awesome" college lab in the United States. The PRC was founded by Dr. Clark W. Hawk in 1991 and has since provided support for NASA, the Department of Defense, and the Department of Energy. Research topics explored include air-breathing propulsion, solid, liquid & hybrid propellant combustion, magneto inertial fusion, electric propulsion, high temperature materials, and space and terrestrial power systems.

Research in nanotechnology and micro fabrication is administered by the Nano and Micro Devices Center.

Compared with similar-sized public universities with approximately 7,500 students, UAH ranks #1 in research expenditure in the nation. UAH usually partners with surrounding government agencies, like NASA, the U.S. Army, and other Department of Defense agencies and their associated contractors

In the 2014 National Science Foundation federal research fundings rankings, UAH had five programs ranked in the top 20 in the nation. The top programs were 5th in federally funded R&D in aeronautical/astronautical engineering; 11th in federally funded atmospheric science; 12th in federally funded computer sciences; No. 16 in business and management research; and No. 17 in astronomy. UAH ranks 13 in the nation in NASA-sponsored research and 19th in Dept. of Defense research.

UAH created a doctoral program in biotechnology to help develop scientists to support Hudson Alpha in addition to the emerging biotechnology economy in Huntsville. The university's strategic plan has biotechnology as one of its emerging thrusts for future education and research.

Huntsville, Alabama (cont)

GOOGLE FIBER

Huntsville is one of the next cities to receive **Google Fiber** service. The equipment is currently being installed now. Google fiber is a high speed internet service business that Google is gradually rolling out in selected small and medium size communities. **Google Fiber** provides an Internet connection speed of up to one gigabit per second (1,000 Mbit/s) for both download and upload which is roughly 100 times faster access than what most Americans have. Customers can also receive TV service through their internet connections. Google Fiber has been rolled out in Atlanta, Austin, Charlotte, Kansas City, Nashville, Provo Salt Lake City, and the North Carolina “Triangle”, which includes, Raleigh, Durham and Chapel Hill.

TRANSPORTATION

Huntsville is served by several U.S. Highways, including 72, 231, 431, and an interstate highway spur, I-565, that links the Huntsville with Interstate 65. I-65 extends from Gary, Indiana near Chicago, down to Mobile, Alabama on the Gulf Coast and passes through Indianapolis, Louisville, Nashville, Birmingham and Montgomery.

Huntsville International Airport (HSV)

HSV is serviced by American, Delta, GLO, and United.

DEMOGRAPHICS

2016 Summary	10 miles	20 miles	30 miles
Population	267,397	438,766	611,736
Households	108,191	175,182	243,484
Families	67,919	116,545	164,382
Average Household Size	2.39	2.44	2.46
Owner Occupied Housing Units	67,021	119,575	168,268
Renter Occupied Housing Units	41,170	55,607	75,216
Median Age	37.3	38.6	39.2
Median Household Income	\$56,182	\$56,633	\$52,610
Average Household Income	\$78,009	\$77,501	\$72,148
2021 Projected Summary	10 miles	20 miles	30 miles
Population	281,384	464,089	639,922
Households	114,076	185,528	254,713
Families	71,279	122,873	171,124
Average Household Size	2.39	2.44	2.46
Owner Occupied Housing Units	70,872	126,846	176,225
Renter Occupied Housing Units	43,204	58,681	78,488
Median Age	38.4	39.7	40.4
Median Household Income	\$62,868	\$63,423	\$58,109
Average Household Income	\$85,133	\$84,757	\$79,049

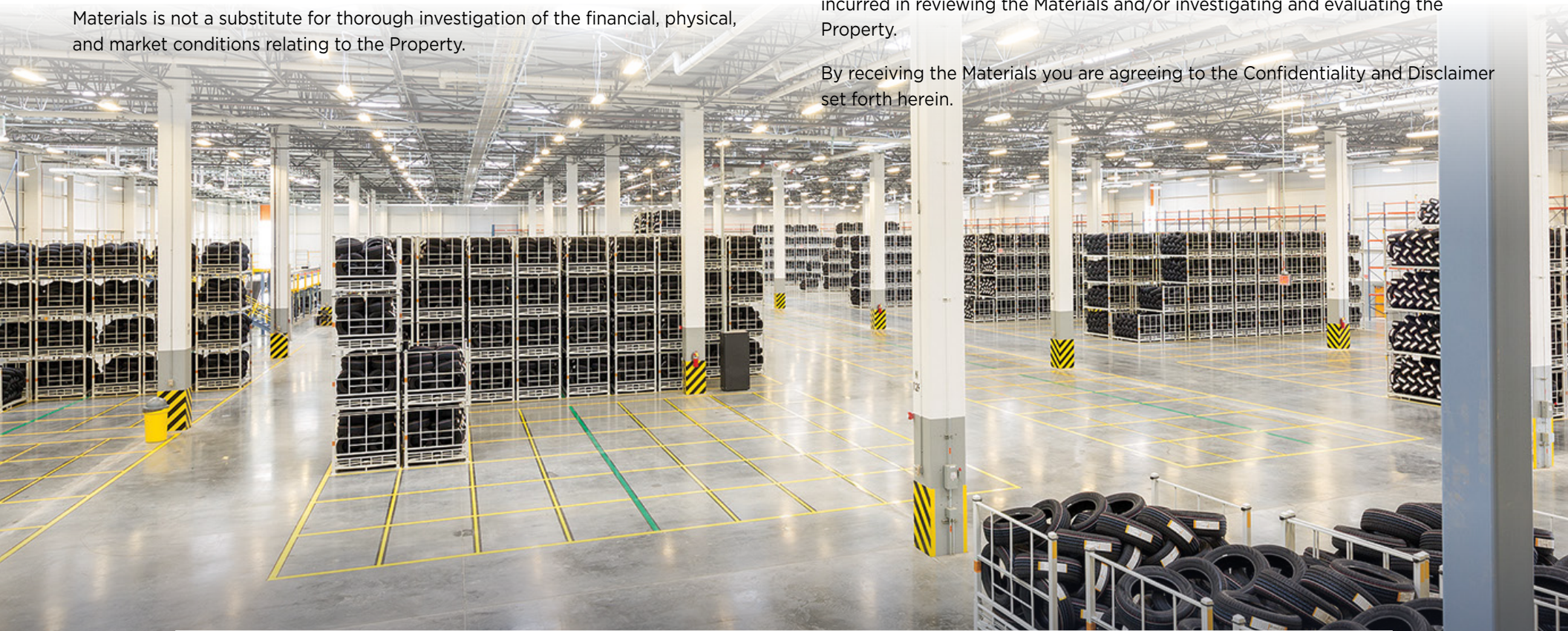
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