

OFFERING MEMORANDUM

LKQ CORPORATION DISTRIBUTION CENTER

CULLMAN, ALABAMA



EXECUTIVE SUMMARY

Cushman & Wakefield's Net Lease Group and Graham & Co. have been exclusively retained to offer for sale the 58,181 sq. ft. Keystone Automotive Building on a 7.75 acres site in Cullman, Alabama. The property is fully leased long term to Keystone Automotive Industries, Inc. The lease is guaranteed by the Keystone's parent, LKQ Corporation (NASDAQ: LKQ; S&P: BB).

Price: \$4,850,000 – 6.48% Cap Rate

This offering is an opportunity to acquire a well located industrial building leased long term to an excellent company.

KEY INVESTMENT CONSIDERATIONS



100% Leased to Keystone Automotive Industries, Inc. — The lease is guaranteed by LKQ Corporation, a credit tenant.



12 year lease term with a rent increase.



Strategic Location — Cullman is an ideal location for companies intending to distribute product to the large Birmingham MSA to the south and dynamic Huntsville MSA to the north via Interstate 65. Walmart has a 1.2 million sq. ft. distribution building located in Cullman near the Keystone building.



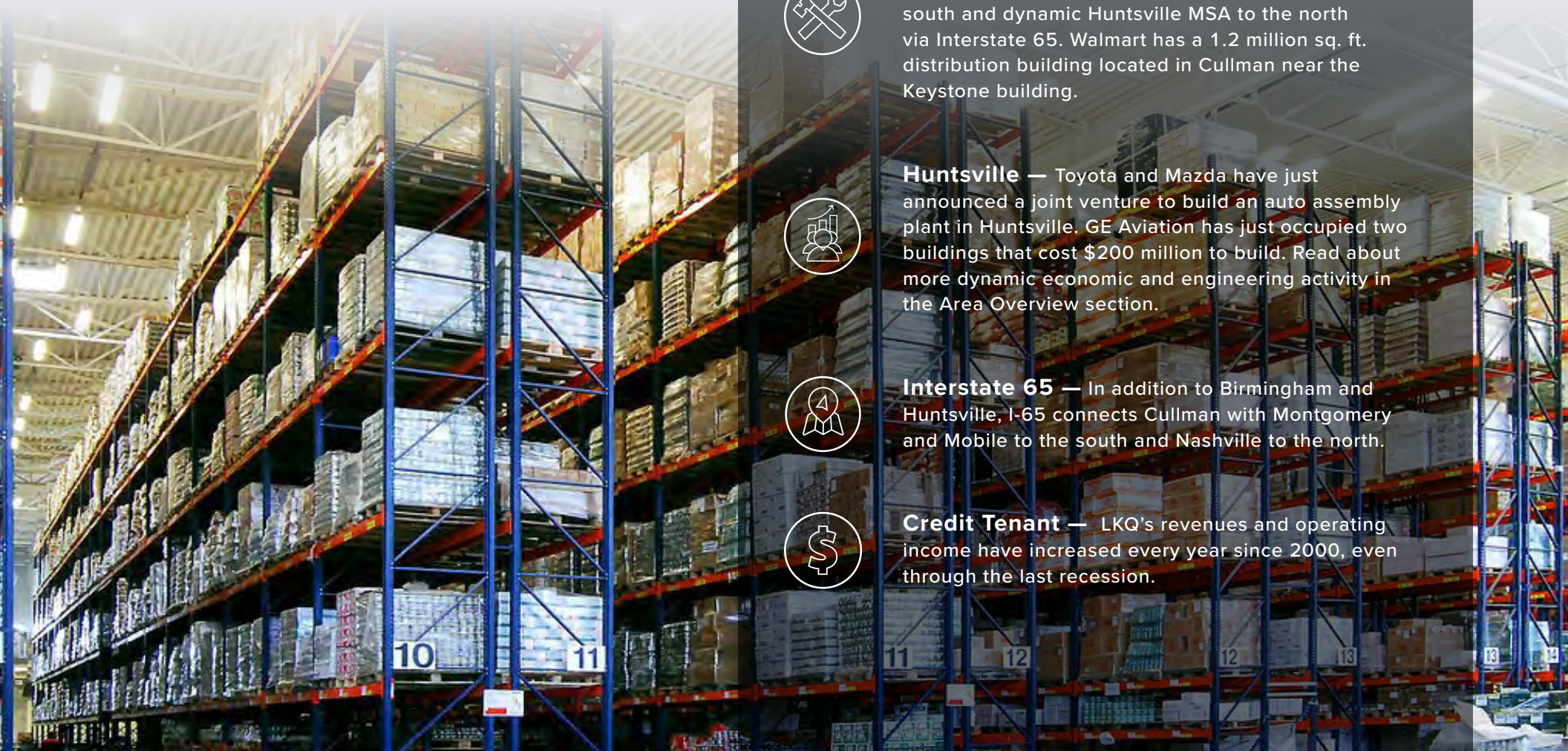
Huntsville — Toyota and Mazda have just announced a joint venture to build an auto assembly plant in Huntsville. GE Aviation has just occupied two buildings that cost \$200 million to build. Read about more dynamic economic and engineering activity in the Area Overview section.



Interstate 65 — In addition to Birmingham and Huntsville, I-65 connects Cullman with Montgomery and Mobile to the south and Nashville to the north.



Credit Tenant — LKQ's revenues and operating income have increased every year since 2000, even through the last recession.





**CUSHMAN &
WAKEFIELD**

LKQ CORPORATION CULLMAN, ALABAMA

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INVESTMENT OVERVIEW



Location

215 County Road 490,
Cullman, Alabama



Lot Size

Approximately 7.75 acres –
337,590± square feet



Improvements

A one story, 58,181± square foot metal distribution building with 13 dock high doors and 1 drive-in doors.



Price

\$4,850,000
6.48% Cap Rate

LEASE SUMMARY

Tenant: Leased to Keystone Automotive Industries, Inc. a California corporation

Lease Guarantor: LKQ Corporation, a Delaware corporation (NASDAQ: LKQ; S&P: BB)

Term: Leased until January 31, 2031.

Rent: The current annual net rent is \$314,487 and increases to \$327,323 effective February 1, 2026.

Insurance: The tenant is responsible for procuring the insurance. The tenant has the right to self-insure if the LKQ's consolidated net worth is equal to or exceeds \$100 million.

Maintenance: The tenant is responsible for all maintenance. In the event a capital expenditure (per GAAP rules) exceeds \$20,000, the cost is amortized on a straight line basis over the useful life of the capital improvement and the tenant is responsible for the portion that relates to the amortization over the remaining term of the lease, and any exercised renewal options, and the landlord is responsible for the balance. For example, let's assume a capital expenditure occurred that cost \$30,000 and the improvement had a 10 year useful life. If there was 5 years remaining on the lease term, the tenant and the landlord would each be responsible for one-half of the capital expenditure.

Taxes: Tenant is responsible for payment of the property taxes. In the event the taxes increase as a result of a sale of the property, the tenant is responsible for the lesser of: (i) the actual taxes for the subsequent year or (ii) the previous year's taxes plus three percent (3%). For any subsequent sale, the maximum increase of taxes for which the tenant is responsible shall be 5% in excess of the amount paid the previous year.

Please contact the agent to discuss the property tax determination methodology in Cullman County.

Renewal Options: Four 5-year renewal options

Renewal Rents: The rent shall increase by the lesser of: (i) 12.5% of the previous rent or (ii) the change in the CPI for the South Region over the previous 60 months.

RENTS & RETURNS

Year	1	2	3	4	5	6	7	8	9	10	11	12
Year Ending	Jan-20	Jan-21	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29	Jan-30	Jan-31
Rent	\$314,487	\$314,487	\$314,487	\$314,487	\$314,487	\$314,487	\$314,487	\$327,323	\$327,323	\$327,323	\$327,323	\$327,323
Return	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.48%	6.75%	6.75%	6.75%	6.75%	6.75%

Publicly Traded

NASDAQ: LKQ

Revenues

\$9.7 billion (up 13.48% YoY)

Net Income FY 2017

\$533 million (up 15% YoY)

Total Assets

\$9.36 billion

Credit

S&P BB Bond Rating

Revenue & Operating Income Growth

- LKQ's Revenues and Income from Operations have increased each year since 2000, including during the 2009 Great Recession.
- LKQ's Revenues and Income from Operations have increased at compounded annual rates of 21.66% and 18%, respectively since 2010.

About LKQ Corporation (NASDAQ: LKQ; S&P: BB) (The Lease Guarantor)

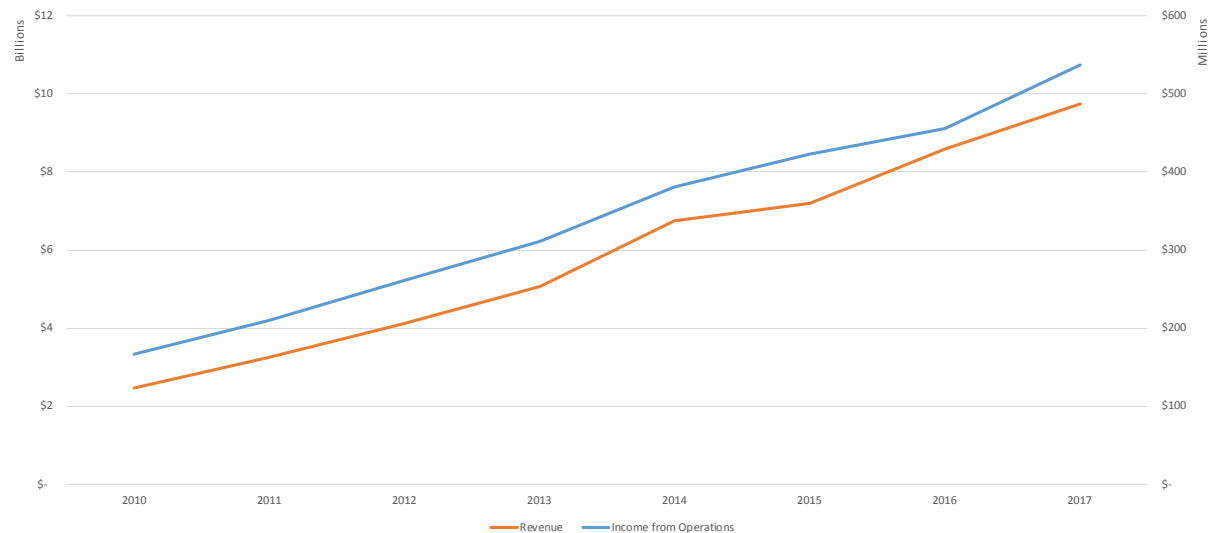
Founded in 1998, LKQ sells and distributes a variety of products to collision and mechanical repair shops, including aftermarket collision and mechanical products, recycled collision and mechanical products, refurbished collision replacement products such as wheels, bumper covers and lights, and remanufactured engines. LKQ obtains the majority of its aftermarket inventory from automotive parts manufacturers and distributors. LKQ recycles automotive products by purchasing salvage vehicles sold at salvage auctions, and then dismantling and inventorying the parts. LKQ has similar operations in Canada, Europe and Taiwan.

About Keystone Automotive Inc. (The Tenant)

Keystone Automotive Inc. is a subsidiary of LKQ Corporation. LKQ acquired Keystone in 2007. At that time, Keystone was the leading domestic distributor of aftermarket products, including collision replacement products, paint products, refurbished steel bumpers, bumper covers and alloy wheels. Platinum Plus is Keystone's exclusive product line of aftermarket products. The aftermarket products Keystone distributes are purchased from independent manufacturers and distributors.

REVENUES

INCOME FROM OPERATIONS



Insurance Companies Drive Business to LKQ

In exchange for offering drivers lower premium costs for auto insurance, insurance companies require their insurance customers to use aftermarket and recycled auto parts for repairs. This drives significant business to LKQ.

LKQ Environmental Benefits

LKQ should be regarded as a poster child for the environmental movement for a variety of reasons. LKQ's recycled automotive products provides an alternative to the manufacture of new products, which utilizes resources and energy, and generates pollution during the manufacturing processes. In addition, LKQ saves landfill space because the parts that it recycles would otherwise be discarded. LKQ collects materials, such as metals, plastics, fuel and motor oil from the salvage vehicles that it procures, and uses them in its operations or sells them to other users. For example, LKQ takes gasoline from its salvage cars and uses it in its delivery trucks. Auto liquids taken from cars and not used in its own operations are stored above ground and then removed by third party service companies.

Financial Information

In FY 2017, LKQ's Total Revenue \$9.736 billion, 13.48% higher than in 2016. Its Net Income was \$533 million, 15% higher than in 2016. At yearend 2017, LKQ's Total Assets were \$9.36 billion and its Shareholders' Equity was \$4.19 billion.

LKQ Investor Relations Website

<http://investor.lkqcorp.com/investor-relations/overview/default.aspx>

LKQ Corporation History

1998

LKQ was formed in 1998 through the combination of a number of wholesale recycled products businesses located in Florida, Michigan, Ohio and Wisconsin. It subsequently expanded through internal development and over 220 acquisitions of other suppliers.

2007

LKQ acquires Keystone Automotive Industries, Inc., a leading domestic distributor of auto parts.

2011

LKQ acquires Euro Car Parts Holdings Limited ("ECP"), an aftermarket parts distributor in the United Kingdom.

2013

LKQ acquires Sator Beheer B.V. ("Sator"), an aftermarket parts distributor operating in the Netherlands, Belgium and Northern France.

2014

LKQ acquires Keystone Specialty, which distributes specialty vehicle aftermarket equipment and accessories.

2016

LKQ acquires Pittsburgh Glass Works LLC ("PGW"), a leading global distributor and manufacturer of automotive glass products.

LKQ acquires Andrew Page Limited, a United Kingdom automotive parts distributor.

LKQ acquires Rhiag-Inter Auto Parts Italia S.p.A, a leading distributor of aftermarket parts in Italy, Czech Republic, Switzerland, Hungary, Romania, Ukraine, Bulgaria, Slovakia, Poland and Spain.

2017

LKQ agreed to acquire the aftermarket business of Warn Industries, Inc., a leading designer and manufacturer of high performance vehicle equipment and accessories.

LKQ signed an agreement to acquire Stahlgruber GmbH ("Stahlgruber") a distributor of parts in Germany, Austria, the Czech Republic, Italy, Slovenia, and Croatia.



Louisville

KENTUCKY

VIRGI

Nashville

TENNESSEE

Knoxville

Greensboro

NORTH CAROLINA

Memphis

HUNTSVILLE

Greenville

Charlotte



CULLMAN

MISSISSIPPI

SOUTH CAROLINA

Birmingham

Atlanta

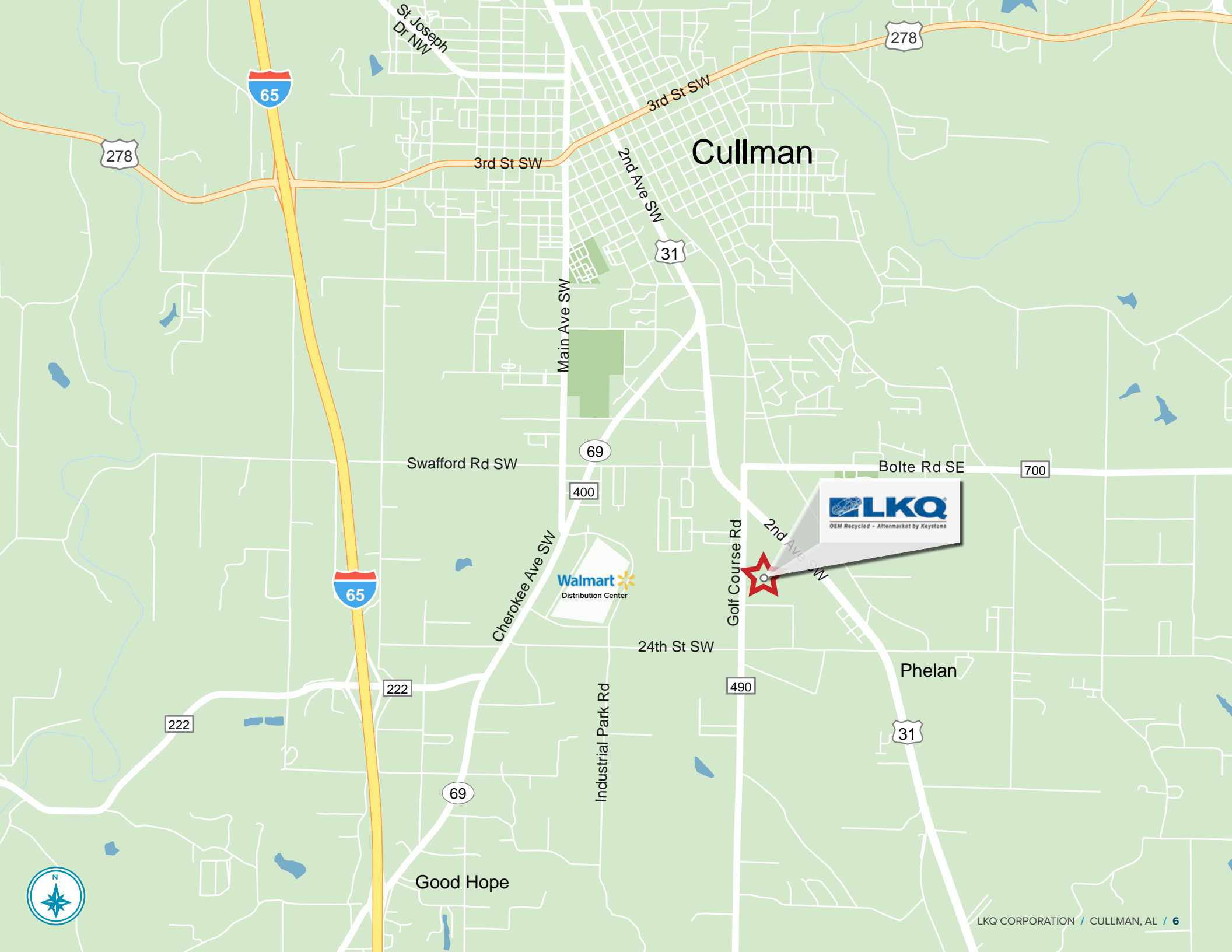
ALABAMA

GEORGIA

Jackson

FLORIDA

Jacksonville



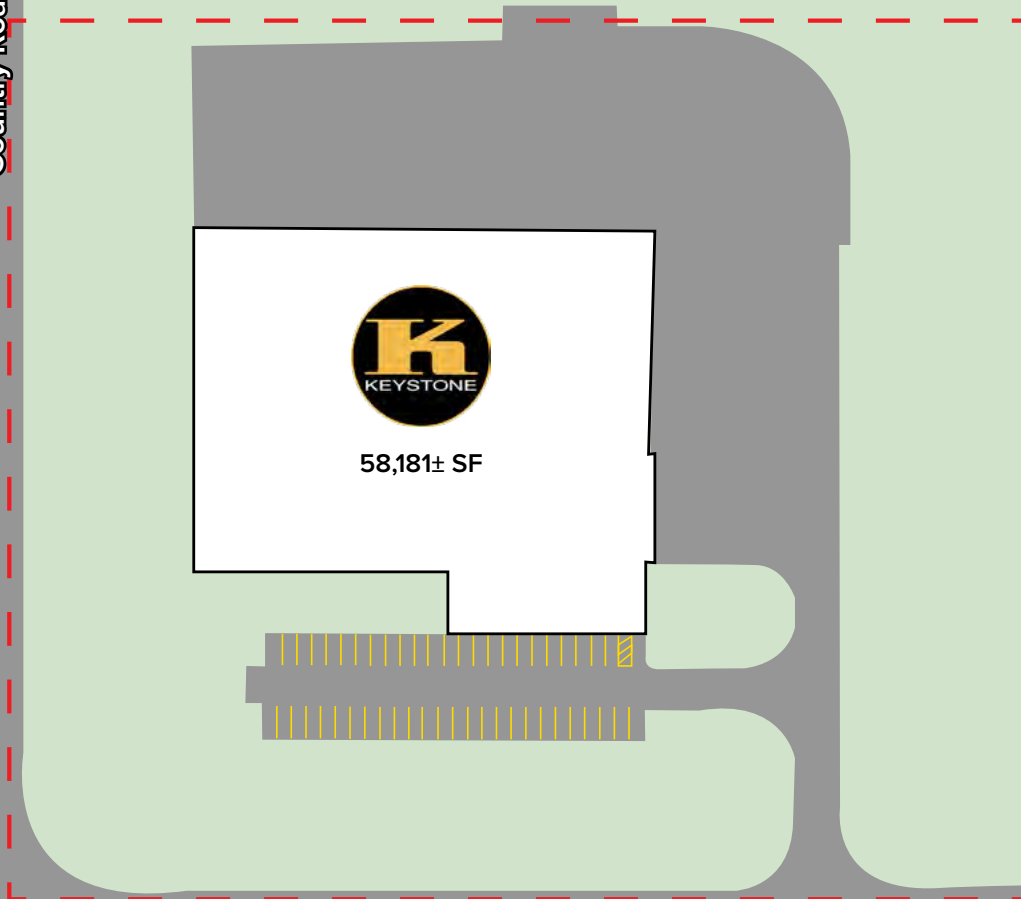
Cullman



Walmart
Distribution Center

Site Plan

Country Road 490 (Golf Course Road)



CULLMAN, ALABAMA

AREA OVERVIEW

Cullman is a city located in Northern Alabama along Interstate 65, approximately 55 miles south of Huntsville AND 50 miles north of Birmingham. Cullman is the county chair of Cullman County (which is also the Cullman micro statistics area). The county has a population of approximately 82,005.

Cullman is attractive to distributors that look to serve both Birmingham and Huntsville. Walmart has a large distribution center 2 miles west of the LKQ Keystone building.

Cullman has a rapidly growing residential base due to its excellent school system, and proximity to both Birmingham and Huntsville, which makes commuting to these larger cities practical.

The total population of the Cullman MSA, Huntsville MSA and Birmingham MSA exceeds 1.66 million people. Since Birmingham and Huntsville have strong influences on Cullman, each area is discussed below.

TRANSPORTATION

Interstate 65 Starts in Northern Indiana 30 miles south of Chicago and connects Lafayette (Indiana), Indianapolis, Louisville, Nashville, Huntsville, Cullman, Birmingham, Montgomery and Mobile at the Gulf Coast.

Birmingham is served by three major railroad freight companies, the Norfolk Southern Corporation, CSX Transportation, and the BNSF Railway.

Huntsville International Airport and Birmingham-Shuttlesworth International Airport provide flights throughout the Southwest, Midwest and East Coast.

HUNTSVILLE, ALABAMA

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

Mazda Motor Corp. and Toyota Motor Corp. have announced the establishment of a joint-venture company, Mazda Toyota Manufacturing USA, Inc., to start construction in 2019 on a new \$1.6 billion auto assembly plant. The project is scheduled for completion in 2021 and will employ 4,000 people. The plant will also attract other auto parts vendors to Huntsville. The plant will turn out 300,000 cars per year with half being Mazda brands and half being Toyota cars.

GE Aviation has just occupied two new plants at a cost of \$200 million to manufacture high tech parts for jet engines and land-based gas turbines for electric power.

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, 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% 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.

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.

AEROSPACE / REDSTONE ARSENAL

The roots of Huntsville’s engineering prowess dates back to 1950 when 1,000 personnel were transferred from Fort Bliss, Texas, to Redstone Arsenal to form the Ordnance Guided Missile Center. In 1956, Army Ballistic Missile Agency (ABMA) was formed at Redstone and in 1958, ABMA placed America’s first satellite, Explorer 1, into orbit using a Jupiter-C launch vehicle, a descendant of the Redstone rocket. This brought national attention to Redstone Arsenal and Huntsville, with widespread recognition of this being a major center for high technology. 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’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.

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.

The Huntsville MSA has an estimated population of 455,631 people.

BIRMINGHAM, ALABAMA

Birmingham is the largest city in the state, with a population of 212,237. The surrounding Birmingham-Hoover MSA has a population of about 1,130,047, which is approximately one quarter of Alabama's population. Birmingham is one of the strongest, most diversified economies in the Southeast. The different sectors that contribute to the economy are automotive manufacturing, steel production, rail service, financial services and education.

Birmingham is virtually the center of the Southeast's auto manufacturing industry. Mercedes, (34 miles southwest of Birmingham), Honda (45 miles to the east) and Hyundai (93 miles to the south) each have plants that manufacture over 300,000 cars per year each. Mercedes has recently announced plans to spend \$1 billion at its Alabama plant to build a 1 million sq. ft. battery manufacturing plant and to manufacture hybrid versions of its SUV models at the plant.

STEEL

Steel product manufacturers American Cast Iron Pipe Company (ACIPCO) and McWane are based in the Birmingham. Several of the nation's largest steelmakers, including CMC Steel, U.S. Steel, and Nucor, have a major presence in Birmingham. In recent years, local steel companies have announced approximately \$100 million worth of investment in expansions and new plants in and around Birmingham.

FINANCIAL SERVICES

BBVA Compass, Protective life, Infinity Property & Casualty, Pro Assurance and Liberty National have headquarters in Birmingham.

BEVERAGE BOTTLERS

Two of the largest soft-drink bottlers in the United States, each with more than \$500 million in sales per year, are located in Birmingham. The Buffalo Rock Company is a major bottler for the Pepsi Cola Company. The Coca-Cola Bottling Company United, Inc. is the third-largest bottler of Coca-Cola products in the U.S. and the second largest privately held Coca-Cola bottling company not owned by The Coca-Cola Company.

EDUCATION

Noteworthy higher education institutions in greater Birmingham include the University of Alabama at Birmingham (UAB), Samford University (includes the Cumberland School of Law), Birmingham School of Law, Miles College, and the independent Miles Law School.



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REPRESENTATIVE PHOTOGRAPH