

1 Demas Table No. 1

Property	Staff Assumptions Source: Staff Data Request No. 5 Response, May 23 and 28, 2014				Company Analysis Source: Exhibit JD-43			
	Debt percentage	Equity percentage	Cost of Debt	Return on equity	Debt percentage	Equity percentage	Cost of Debt	Return on equity
1150 3 rd Ave- Comm	93.67%	6.33%	1.93%	12.52%	0%	100%	NA	15%
950 3rd Ave – Covered Parking	93.67%	6.33%	1.93%	12.52%	75.34%	24.66%	2.635 %	15%
1150 3 rd Ave- Outside parking	93.67%	6.33%	1.93%	12.52%	0%	100%	NA	15%
Warehouse	53.80%	46.20%	4.28%	13.1%	40.99%	59.01%	5.27%	15%
4 parcels N. of MRF	93.67%	6.33%	1.93%	12.52%	0%	100%	NA	15%
657 W. Scott, Woodland	93.67%	6.33%	1.93%	12.52%	0%	100%	NA	15%

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16 **Q. AND WHAT WERE SOME OF YOUR THRESHOLD OBSERVATIONS?**

17 **A.** As can graphically be seen from the above, Staff assumed that all properties except the
18 warehouse properties were subject to the capital structure of HBI. The warehouse
19 properties were assumed to be the same as the capital structure of HBII.

20 **Q. WHY IS THIS INCORRECT?**

21 **A.** Commission Staff's assumption that any of the properties rented by WCI are subject to
22 HBI and HBII capital structure is erroneous in that Staff is using the capital structure for
23 entities that carry a large amount of debt for projects and investments that have no
24 bearing on the actual properties being leased to WCI. HBI financed the building of a
25 transfer station and is heavily leveraged as a result as is normal for large capital projects.