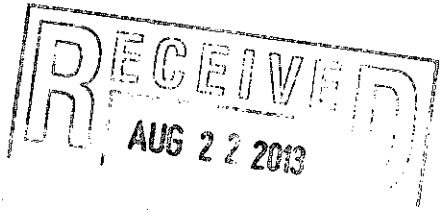


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Received \_\_\_\_\_  
Examined \_\_\_\_\_

**CLASS D  
WATER UTILITIES**

U# \_\_\_\_\_



**2012  
ANNUAL REPORT  
OF**

**MHC Acquisition One, L.L.C**

(NAME UNDER WHICH CORPORATION, PARTNERSHIP, OR INDIVIDUAL IS DOING BUSINESS)

Two North Riverside Plaza, Suite 800 Chicago, IL 60606

(OFFICIAL MAILING ADDRESS)

ZIP

**TO THE  
PUBLIC UTILITIES COMMISSION  
STATE OF CALIFORNIA  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**REPORT MUST BE FILED NOT LATER THAN APRIL 2, 2013**

**PEASLEY, ALDINGER & O'BYMACHOW**  
AN ACCOUNTANCY CORPORATION

MATT A. PEASLEY, CPA  
CHRISTIAN L. ALDINGER, CPA

2120 MAIN STREET, SUITE 265  
HUNTINGTON BEACH, CALIFORNIA 92648

(714) 536-4418  
FAX (714) 536-2039

**INDEPENDENT ACCOUNTANT'S COMPILATION REPORT**

August 20, 2013

MHC Acquisition One, LLC  
Two North Riverside Plaza, Suite 800  
Chicago, IL 60606

We have compiled the balance sheet of MHC Acquisition One, LLC (Santa Cruz Utility Water system) as of December 31, 2012, and the related income statement for the year ended December 31, 2012, included in the accompanying prescribed form. We have also compiled the supplementary information included on page 8 (Schedules B & C), page 9 (Schedules D & E), page 11 (Schedule I), page 12 (Schedule J), page 4 Excess Capacity, page 13 for Facility Fees Data, and pages 5 and 6 of Safe Drinking Water Bond Act/State Revolving Fund Data. We have not audited or reviewed the accompanying financial statements and supplementary schedules and, accordingly, do not express an opinion or provide any assurance about whether the financial statements and supplementary schedules are in accordance with the form prescribed by the Public Utilities Commission of the State of California.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with requirements prescribed by the Public Utilities Commission of the State of California and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

These financial statements (including related disclosures) are presented in accordance with the requirements of the Public Utilities Commission of the State of California, which differ from accounting principles generally accepted in the United States of America.

The supplementary information contained on page 3 (General Information) and page 11 (Schedules G & H) and page 12 (Schedules K, L, M, N & O) of the accompanying prescribed form has not been audited, reviewed, or compiled by us, and, accordingly, we assume no responsibility for that information.

PEASLEY, ALDINGER & O'BYMACHOW  
AN ACCOUNTANCY CORPORATION



Christian L. Aldinger  
Certified Public Accountant

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## **INSTRUCTIONS**

1. Two completed and signed hard copies of this report and one electronic copy must be filed **NOT LATER THAN APRIL 2, 2013**, with:

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS  
ATTN: KAYODE KAJOPAIYE  
505 VAN NESS AVENUE, ROOM 3105  
SAN FRANCISCO, CALIFORNIA 94102-3298  
[kok@cpuc.ca.gov](mailto:kok@cpuc.ca.gov)**

2. Failure to file the report on time may subject a utility to the penalties and sanctions provided by the Public Utilities Code.
3. The Oath on Page14, must be signed by an authorized officer, partner, or owner.
4. The report must be prepared in ink, typed or computer generated.
5. The report must be filled in, and every question answered. **LEAVE NO SCHEDULE BLANK.** Insert the words "none" or "not applicable" or "n/a" when appropriate.
6. Certain balance sheet and income statement accounts flow to supplemental schedules. The totals of the details in the latter must agree with the balances of the accounts to which they refer.
7. Some schedules provide for a "balance at beginning of year." The amount shown should agree with the "balance at end of year" as shown in the report for the previous year. If there is a difference it should be explained by footnote.
8. When there is insufficient space in a schedule to permit a complete statement of the requested information, insert sheets should be prepared and identified by the number of the schedule to which it refers. Be certain that the inserts are securely attached to the report. If inserts are needed, prepare all inserts in one separate electronic file in Microsoft Excel format and file it with the electronic file of this report.
9. This report must cover the calendar year from January 1, 2012, through December 31, 2012. Fiscal year reports will not be accepted.

**CLASS D WATER UTILITIES**  
(HAVING LESS THAN 500 SERVICE CONNECTIONS)

**MHC Acquisition One, L.L.C.**

(Name under which corporation, partnership or individual is doing business)

**Two North Riverside Plaza, Suite 800 Chicago, IL 60606**

(Official mailing address)

**Santa Cruz, Santa Cruz County**

(Service Area - Town and County)

Telephone Number: (312) 279-1486 Fax Number: (312) 279-1839

Email Address: N/A

**GENERAL INFORMATION**

(Attach a supplementary statement, if necessary)  
RETURN ORIGINAL TO COMMISSION, NO PHOTOCOPIES.

1. If a corporation show: **N/A**  
(A) Date of organization August 19, 1996 incorporated in the State of **Delaware**  
(B) Names, titles and addresses of principal officers:
  
2. If unincorporated provide the name and address of the owner(s) or the partners:  
**Marguerite Nader, President and CEO; Paul Seavey, Senior VP, CFO and Treasurer**  
**Roger Maynard, Exec. VP- Asset Management**  
**Larisa Drake, Senior VP- Marketing**  
**Kenneth Kroot, Senior VP- General Counsel and Secretary**  
**Patrick Waite, Senior VP- Property Management**  
**Walter Jaccord, Legal and Assistant Secretary**
  
3. Name, title, and telephone number of:  
(A) One person listed above to receive correspondence: **Marguerite Nader (312) 279-1486**  
(B) Person responsible for operations and services: **Jennifer McClellan (831) 423-8660**
  
4. Were any contracts or agreements in effect with any organization or person covering service, supervision and/or management of your business affairs during the year? (Yes or No) **Yes**  
If so, what was the nature and the amount of each payment made under the agreement, to whom were payments made, and to what account was each payment charged?  
**Equity Lifestyles Properties, operating labor: \$1,931 acct 601, billing services: \$3,225 acct 630, professional: \$5,941 acct 631.**
  
5. State the names of associated companies or persons which, directly or indirectly, or through one or more intermediaries, control, or are controlled by, or are under common control with respondent:

**MHC Acquisition QRS, Inc.; MHC Operating Limited Partnership**  
**Equity Lifestyles, Inc.**

**PUBLIC HEALTH STATUS**

6. Has state or local health department inspection been made during the year?
7. Are routine laboratory tests of water being made?
8. Has state health department water supply permit been obtained? (Indicate date)
9. If no permit has been obtained, state whether application has been made and when.
10. Show expiration date if state permit is temporary.

Yes	No	Latest Date
	<b>X</b>	
	<b>X</b>	
	<b>X</b>	
	<b>X</b>	
	<b>X</b>	

11. List Name, Grade, and License Number of all Licensed Operators:

**Geo H. Wilson Plumbing Contractor # 00056172**

**Excess Capacity and Non-Tariffed Services**

NOTE: In D.00-07-018, D.03-04-028, and D. 04-12-023, the CPUC set forth rules and requirements regarding water utilities provision of non-tariffed services using excess capacity. These decisions require water utilities to: 1) file an advice letter requesting Commission approval of that service, 2) provide information regarding non-tariffed goods/services in each company's Annual Report to the Commission.

Based on the information and filings required in D.00-07-018, D.03-04-028, and D.04-12-023, provide the following information by each individual non-tariffed goods and services provided in calendar year 2012:

Applies to All Non-Tariffed Goods/Services that require Approval by Advice Letter											
Row No.	Description of Non-Tariffed Good/Service	Active or Passive	Total Revenue Derived From Non-Tariffed Goods/ Services (by account)	Revenue Account Number	Total Expenses Incurred to Provide Non-Tariffed Goods/ Services (by Account)	Expense Account Number	Advice Letter and/or Resolution Number Approving Non-Tariffed Goods/ Services	Total Income Tax Liability Incurred Because of Non-Tariffed Goods/ Services (by Account)	Income Tax Liability Account Number	Gross Value of Regulated Assets Used in the Provision of a Non-Tariffed Goods/ Services (by Account)	Regulated Asset Account Number
	NA										

**FOR ALL WATER COMPANIES  
SAFE DRINKING WATER BOND ACT/STATE REVOLVING FUND DATA**

Please provide the following information relating to each Safe Drinking Water Bond Act (SDWBA) or Safe Drinking Water State Revolving Fund loan surcharge collection for the calendar year. Please use one page per loan.

1. Current Fiscal Agent: **N/A**

Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Phone Number: \_\_\_\_\_  
 Account Number: \_\_\_\_\_  
 Date Hired: \_\_\_\_\_

2. Total surcharge collected from customers during the 12 month reporting period:

\$ \_\_\_\_\_

Meter Size	No. of Metered Customers	Monthly Surcharge Per Customer
3/4 inch		
1 inch		
1 1/2 inch		
2 inch		
3 inch		
4 inch		
6 inch		
Number of Flat Rate Customers		
<b>Total</b>		

3. Summary of the bank account activities showing:

Balance at beginning of year \$ \_\_\_\_\_  
 Deposits during the year \_\_\_\_\_  
 Interest earned for calendar year \_\_\_\_\_  
 Withdrawals from this account \_\_\_\_\_  
 Balance at end of year \_\_\_\_\_

4. Reason or Purpose of Withdrawal from this bank account:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**FOR ALL WATER COMPANIES  
SAFE DRINKING WATER BOND ACT/STATE REVOLVING FUND DATA (Continued)**

5. Plant amounts included in Schedule A-1a, Account No. 101--Water Plant in Service which were funded using SDWBA or SRF funds: **N/A**

Line No.	Acct. No.	Title of Account (a)	Balance Beginning of Year (b)	Plant Additions During Year (c)	Plant Retirements During Year (d)	Other Debits* or (Credits) (e)	Balance End of Year (f)
1		<b>NON-DEPRECIABLE PLANT</b>					
2	301	Intangible plant					
3	303	Land					
4		Total non-depreciable plant					
5		<b>DEPRECIABLE PLANT</b>					
6	304	Structures					
7	307	Wells					
8	317	Other water source plant					
9	311	Pumping equipment					
10	320	Water treatment plant					
11	330	Reservoirs, tanks and standpipes					
12	331	Water mains					
13	333	Services and meter installations					
14	334	Meters					
15	335	Hydrants					
16	339	Other equipment					
17	340	Office furniture and equipment					
18	341	Transportation equipment					
19		Total depreciable plant					
20		Total water plant in service					



**SCHEDULE A - BALANCE SHEET (AS OF DECEMBER 31, 2012)**

<b>Line</b>	<b>Acct.</b>	<b>Assets</b>	<b>Balance</b>
1	101	Water Plant In Service	195,549
2	103	Water Plant Held for Future Use	
3	104	Water Plant Purchased or Sold	
4	105	Water Plant Construction Work in Progress	
5	108	Accumulated Depreciation of Water Plant	(151,533)
6	114	Water Plant Acquisition Adjustments	
7	121	Non-water Utility Property and Other Assets	
8	124	Other Investments	
9	131	Cash	(110,540)
10	141	Accounts Receivable - Customers	(356)
11	151	Materials and Supplies	
12	174	Other Current Assets	10,641
13	180	Deferred Charges	157,213
14			
15			
		<b>Total Assets</b>	<b>100,974</b>
<b>Line</b>	<b>Acct.</b>	<b>Equity and Liabilities</b>	<b>Balance</b>
16	201	Common Stock (for corporations only)	
17	211	Other Paid-in Capital (for corporations only)	
18	215	Retained earnings (for corporations only)	17,585
19	218	Proprietary Capital (for proprietorships and partnerships only)	
20	224	Long-Term Debt	
21		Current Liabilities	79,732
22	252	Advances for Construction	
23	253	Other Deferred Credits	3,657
24	255	Accumulated Deferred Investment Tax Credits	
25	282	Accumulated Deferred Income Taxes - ACRS Depreciation	
26	283	Accumulated Deferred Income Taxes - Other	
27	271	Contributions in aid of constructions	
28	272	Accumulated amortization of contributions	
29			
30			
		<b>Total Equity and Liabilities</b>	<b>100,974</b>

**SCHEDULE B - WATER PLANT IN SERVICE (AS OF DECEMBER 31, 2012)**

Line	Acct	Title of Account	Balance Beg of Year	Plant Additions During year	Plant Retirements During year	Other Debits or (Credits)	Balance End of year
1	301	Intangible Plant	10,000				10,000
2	303	Land	-				-
3	304	Structures	-				-
4	307	Wells	-				-
5	311	Pumping Equipment	-				-
6	317	Other Water Source Plant	-				-
7	320	Water Treatment Plant	-				-
8	330	Reservoirs, Tanks and Standpipes	-				-
9	331	Water Mains	97,400				97,400
10	333	Services and Meter Installations	23,562				23,562
11	334	Meters	36,022				36,022
12	335	Hydrants	9,898				9,898
13	339	Other Equipment	18,667				18,667
14	340	Office Furniture and Equipment	-				-
15	341	Transportation Equipment	-				-
16		Total water plant in service	195,549				195,549

\* Debit or credit entries should be explained by footnotes or supplementary schedules

**SCHEDULE C - RESERVE FOR DEPRECIATION OF UTILITY PLANT (AS OF DECEMBER 31, 2012)**

Line	Item	Account 108 Water Plant	Account 108.1 SDWBA Loans	Water Plant Funded by Prop 50 (For information only)	
1	Balance in reserves at beginning of year	144,110			A. Method used to compute
2	Add: Credits to reserves during year				depreciation expense
3	(a) Charged to Account No. 272				(Acct. 403) and rate.
4	(b) Charged to Account No. 403	7,423			COMPOSITE 3.80%
5	(c) Charged to Account No. 407				B. Amount of depreciation expense
6	(d) Salvage recovered				or to be claimed on utility property
7	(e) All other credits				in your federal income tax return
8	Total credits	7,423			for the year covered by this
9	Deduct: Debits to reserves during year				report \$ N/A
10	(a) Book cost of property retired				
11	(b) Cost of removal				C. State method used to compute
12	(c) All other debits				tax depreciatio N/A
13	Total debits				
14	Balance in reserve at end of year	151,533			
15	(1) Explanation of all other credits				
16	(2) Explanation of all other debits				

**SCHEDULE D - CAPITAL STOCK OUTSTANDING (AS OF DECEMBER 31, 2012)**

Line	Description	Shareholder Name	Number of Shares	Par Value
1	Common Stocks	list persons owning more than 5% of outstanding	N/A	N/A
2	Common Stocks	stock and number of shares owned by each:		
3	Common Stocks	N/A		
4	Common Stocks			
5	Common Stocks			
6	Common Stocks			
7	Common Stocks			
8	Common Stocks			
9	Common Stocks			
10	Common Stocks			
11	<b>Total - Common Stocks</b>			
12	Preferred Stocks	N/A	N/A	N/A
13	Preferred Stocks			
14	Preferred Stocks			
15	Preferred Stocks			
16	Preferred Stocks			
17	<b>Total - Preferred Stocks</b>			
18	Total annual dividends declared and/or paid to common stockholders			\$ N/A
19	Percentage of total annual dividend to common stockholders as a percentage of total net income (%)			N/A
20	Total annual dividends declared and/or paid to preferred stock shareholders			\$ N/A
21	Percentage of total annual dividend to preferred stockholders as a percentage of total net income (%)			N/A

**SCHEDULE E - LONG-TERM DEBTS**

Line	Class	Date of Issuance	Date of Maturity	Principle Amount Authorized	Interest Rate (%)	Accrued Interest for Current Year	Interest Paid for Current Year	Outstanding Balance as of 12/31/2012
1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2								
3								
4								
5								
6								
7								
8								
9								
10								
11	<b>Total</b>							

**Note: Please use duplicate page(s) to meet your company's needs if more lines are needed.**

**SCHEDULE F - INCOME STATEMENT**

<b>Line</b>	<b>Acct.</b>	<b>Description</b>	<b>Balance</b>
1		<b>Operating Revenues:</b>	
2	460	Unmetered Water Revenue	
3	462	Fire Protection Revenue	
4	465	Irrigation Revenue	
5	470	Metered Water Revenue	53,010
6	475	Approved Total Surcharge Revenue(s)	
7	480	Other water revenue	
8		<b>Total Revenue Received</b>	53,010
9		Less: Revenue Deductions	
10		SDWBA/SRF Surcharge Revenue	XXXXXXXXXX
11		<b>Total Operating Revenue</b>	53,010
12		<b>Operating Expenses:</b>	
13	610	Purchased Water	89,410
14	615	Power	
15	618	Other Volume Related Expenses	
16	630	Employee Labor	5,156
17	640	Materials	
18	650	Contract Work	
19	660	Transportation Expense	
20	664	Other Plant Maintenance Expenses	
21	670	Office Salaries	
22	671	Management Salaries	
23	674	Employee Pensions and Benefits	
24	676	Uncollectible Accounts Expense	
25	678	Office Services and Rentals	
26	681	Office Supplies and Expense	0
27	682	Professional Services	9,364
28	684	Insurance	148
29	688	Regulatory Commission Expense	0
30	689	General Expense	4,310
31		<b>Total Operating Expenses</b>	108,388
32	403	Depreciation Expense	7,423
33	407	SDWBA/SRF Loan Amortization Expense	
34	408	Taxes Other Than Income Taxes	993
35	409	State Corporate Income Tax expense	800
36	410	Federal Corporate Income Tax Expense	
37		<b>Total Operating Revenue Deductions</b>	117,604
38		<b>Utility Operating Income</b>	(64,594)
39	421	Non-utility Income	-
40	426	Miscellaneous Non-utility Expense	399
41	427	Interest Expense	
42		<b>Net Income</b>	(64,993)



SCHEDULE J - ADVANCES FOR CONSTRUCTION	
Balance beginning of year	
Additions during year	N/A
Subtotal - Beginning balance plus additions during year	
Refunds	
Transfers to Acct. 271 - Contributions in Aid of Construction	
Balance end of year	

SCHEDULE K - TOTAL METERS AND SERVICES (Active and Inactive)		
Size	Meters	Services
5/8 x 3/4-in		
3/4-in	201	201
1-in		
1.5-in		
2-in		
4-in		
Total	201	201

SCHEDULE L - METER-TESTING DATA	
Number of meters tested during year	N/A
1 Used, before repair	
2 Used, after repair	
3 Fast, requiring refund	
Numbers of meters in service requiring test per General Order No. 103	

SCHEDULE M - SERVICE CONNECTIONS AT END OF YEAR								
Classification	Active			Inactive			Total connections	
	Metered	Flat	Total	Metered	Flat	Total	Metered	Flat
Residences	198		198				198	
Industrial/Commercial								
Irrigation								
Fire Protection (public)								
Fire Protection (private)								
Other (specify)	3		3				3	
Total	201		201				201	0

NOTE: Total connections (metered plus flat) should agree with total services in Schedule K.

SCHEDULE N - STORAGE FACILITIES			SCHEDULE O - FOOTAGES OF PIPE (EXCLUDING SERVICE PIPES)					
Description	No.	Combined capacity in gallons	Description	2" and under	2 1/4 to 1/4	4"	Other sizes (specify)	Total
Concrete			Cast Iron					
Earth	N/A		Welded steel					
Wood			Standard screw					
Steel			Cement-asbestos					
Other			Plastic					
			Other (specify)	4,858	50	4,943		9,851
Total	0	-	Total	4,858	50	4,943		9,851

**FACILITY FEES DATA**

Please provide the following information relating to Facility Fees collected for the calendar year 2012, pursuant to Resolution No. W-4110.

1. Trust Account Information: N/A

Bank Name: \_\_\_\_\_  
 Address: \_\_\_\_\_  
 Account Number: \_\_\_\_\_  
 Date Opened: \_\_\_\_\_

2. Facilities Fees collected for new connections during the calendar year:

**A. Commercial**

NAME	AMOUNT
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$

**B. Residential**

NAME	AMOUNT
_____	\$
_____	\$
_____	\$
_____	\$
_____	\$

3. Summary of the bank account activities showing:

	AMOUNT
Balance at beginning of year	\$
Deposits during the year	_____
Interest earned for calendar year	_____
Withdrawals from this account	_____
Balance at end of year	_____

4. Reason or Purpose of Withdrawal from this bank account:

\_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

**DECLARATION**

**(PLEASE VERIFY THAT ALL SCHEDULES ARE ACCURATE AND COMPLETE BEFORE SIGNING)**

I, the undersigned OFFICER  
Officer, Partner, or Owner (Please Print)

of MHC Acquisition One, LLC (Santa Cruz Water Utility)  
Name of Utility

under penalty of perjury do declare that this report has been prepared by me, or under my direction, from the books, papers and records of the respondent; that I have carefully examined the same, and declare the same to be a complete and correct statement of the business and affairs of the above-named respondent and the operations of its property for the period of January 1, 2012, through December 31, 2012.

CAO  
Title (Please Print)

[Signature]  
Signature

312 279 1516  
Telephone Number

8/21/2013  
Date