

ANNUAL REPORT 2015

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About LAACO, Ltd.

LAACO, Ltd. is a California limited partnership. The Partnership acquires, develops, builds and manages Storage West self-storage facilities. Wholly owned subsidiaries of the Partnership own and operate The Los Angeles Athletic Club and California Yacht Club.

Financial information for LAACO, Ltd. is posted on the web site of OTC Markets Group, Inc. – an independent provider of financial information. To view this information, go to www.otcmarkets.com and enter our symbol "LAACZ." Future financial reports and news releases will be provided to OTC Markets Group for posting on this web site. Financial information for prior years of LAACO, Ltd. is available upon written request at the Partnership's principal offices.

LOS ANGELES ATHLETIC CLUB

StorageWest Here for you

California Yacht Club

LAACO, Ltd. Principal Offices	431 West Seventh Street Los Angeles, California 90014 (213) 622–1254
Registrar and Transfer Agent	Computershare 211 Quality Circle, Suite 210 College Station, TX 77845 800-522-6645 TTY for hearing impaired: 800-952-9245 www.computershare.com/investor
Independent Auditors	Grant Thornton LLP 515 South Flower Street, 7th Floor Los Angeles, California 90071 (213) 627-1717

Officers and General Partners of LAACO, Ltd.

President and Managing Partner	Karen L. Hathaway
Senior Vice President	John K. Hathaway
Senior Vice President	Steven K. Hathaway
Chief Financial Officer	Bryan J. Cusworth
Vice President, Secretary, General Counsel	Charles E. Michaels
Vice President	Carla L. Grose
Vice President	Stuart J. Lava
Vice President	John R. Wolff
Vice President	Fred G. Zepeda

Managing General Partner of LAACO, Ltd.	Stability LLC
Managing Members of Stability LLC	Karen L. Hathaway, Chairman
	Frank G. Hathaway, Vice Chairman
	Christopher J. Harrer
	John K. Hathaway
	Steven K. Hathaway
	Thomas S. Hathaway
	Charles E. Michaels
	Barbara H. Wolff
General Partner of LAACO, Ltd.	The Los Angeles Athletic Club, Inc.

Your Company's management team is pleased to report outstanding results for 2015. Consolidated operating income was up 16% from 2014, to $18.8 million, while consolidated revenues rose 9% to $71.5 million. This strong performance resulted from improved customer demand in our market areas, combined with the continued expansion of our portfolio of properties.

Storage West, your Company's self-storage business, now operates in four states: California, Nevada, Arizona and Texas. At year-end our storage group managed 51 self-storage properties, 49 of which are wholly owned by LAACO and two of which are joint ventures.

While the self-storage business may seem far removed from your Company's roots operating membership clubs, the success of Storage West is attributable to key precepts that have guided LAACO for more than a century. First and foremost of these is creating long-term value for our unitholders. For that reason, the growth of our storage portfolio has been a steady and disciplined process focused on acquiring or developing properties that meet our stringent requirements for location and return on investment, and thus will contribute to the profitability of our portfolio.

We have taken a similarly conservative approach to the financing of this growth. Our early expansion was chiefly funded by the sale of our legacy real estate holdings, maximized through a variety of tax strategies. More recently, the expansion of the Storage West portfolio has enabled us to fund projects from internal cash flow, supplemented from time to time by modest amounts of debt.

This approach, combined with our geographic diversification and careful selection of properties, has reduced our risk. The result is a company that presents a strong balance sheet while generating high-margin net income.

Customer service is another core value that has been key to LAACO's operating approach since your Company was founded. Just as our employees have made generations of Club guests feel welcome and appreciated, so too do our self-storage team members make their tenants and prospective renters understand that at Storage West, customer satisfaction is a priority.

Our facility managers and associate managers, who are the face of our Company to our customers, are important members of our sales team. We train and incentivize our facility staff to provide superior service to current and prospective customers. Today, we also ask our staff to interact with their local community because we recognize that this community engagement facilitates their ability to represent and to sell our product. During 2015 we expanded our training and field support capabilities to ensure a consistently high level of attention to store-level sales throughout the year.

In addition, our Call Center staff, located in Phoenix, provide a second customer service resource as well as experienced sales expertise. The Call Center is increasingly important because for many customers today the Internet is their first point of contact with Storage West – via search results, our website or our social media activities. When these prospective renters want more information, they are likely to reach our Call Center.

A redesign of the Storage West website was begun during the year, to give it a fresh, current look tailored to drive new business, and to add important practical applications that benefit our customers – for example, by making it easier to reserve a unit. The new website, which will launch by mid-2016, incorporates "responsive" design, meaning it will automatically reconfigure its display for optimal readability on whatever platform the site visitor is using, from a small smartphone screen to a tablet, notebook or desktop computer.

Our Web-based marketing activity also includes a robust social media program and proactive reputation management activity. We have significantly expanded our social media platform with the specific goal of driving local business to our facilities. We believe our local social media engagement is among the best in our industry.

We continue to build on the re-branding of Storage West that I first reported to you last year. During 2015 we introduced a new positioning statement, "Here for you," and a new logo. Together they support our brand with modern, clean imagery and impactful text that conveys our customer-centric approach. The new logo appears on the signage at all of our new projects, and continues to roll out at our existing facilities.

The success of these marketing and sales efforts is reflected in the 2015 operating results for Storage West, which were strong in all of our regions. Each of our facilities made gains over the prior year in the key indicators of rent revenue, occupancy and average rent per square foot. We raised rates both for new and existing tenants portfolio-wide throughout the year. In

addition, strengthened customer demand led to a decline in the discounting that had been so prevalent in our industry during the last several years.

We use the metric "same-store results" to track the year-over-year performance of our mature properties, meaning facilities that have been operating for a full two years as of December 31 of the year reported. (Following general industry practice, we exclude joint venture properties). Overall rent revenue increased 11% in 2015 for the 45 facilities included in our same-store results. Average occupancy increased to 87% from the prior year's 83%. Average rent per square foot increased by 4.5% to $14.59.

As part of our goal of reducing risk through geographic diversification, we have focused during the last several years on expanding our self-storage portfolio beyond the western United States. As part of that strategy, we are well underway towards creating a regional presence in Houston through the development or acquisition of multiple storage facilities. We entered that market in 2012 with the purchase of an operating self-storage facility in the greater Houston area. Since then we purchased six parcels of land in prime locations and at advantageous prices, and designed and entitled facilities to be built on these parcels. Two of these projects were completed in 2015, with one opening in August and the second in December. Three more Houston-area facilities are currently under construction, and a sixth project is undergoing final permitting, with an anticipated start of construction in mid-2016. Our investment in each of these projects averages $6.5 million, well below the pricing we are seeing for existing facilities in that market.

While Houston's economy and job market has certainly been affected by the recent slump in global oil prices, the area continues to be attractive to us. Growth slowed last year, but remained positive, in sharp contrast to the declines the city experienced in oil busts a few decades ago. Metro Houston added over 15,000 net new jobs in 2015, thanks to the area's much more diversified economy that now includes industries such as finance, healthcare, entertainment, construction, petrochemicals, pharmaceuticals and transportation. Oil prices are likely to normalize, as they have following previous declines. In the meantime, our Houston-area Storage West facilities are performing well, and we anticipate there will be ample demand for our product when our four new facilities open for business.

The timeframe for development and lease-up of storage facilities is lengthy. We generally anticipate that the entire process, beginning with identifying land in a prime location, continuing through construction and on to the point when we have achieved 85% occupancy, will take five years. Once open, our new facilities can reach breakeven quickly. But during the first few years of planning, permitting and construction there are carrying costs that are not offset by revenue. When we engage in the development process, we recognize that we forego the immediate revenue stream that would be generated by the purchase of a mature property.

Wouldn't it be faster and easier to simply purchase existing storage properties? Yes, and we will purchase properties that are priced right. But market forces have driven the cost of most available acquisitions to such high levels that we believe future returns would not meet our objectives. In our experience, by developing a ground-up project, even with the delays in realizing revenue, we can expect a return on investment that is three or more percentage points above what we would receive from an acquisition property. Furthermore, by selecting land and designing a facility to our specifications, we can control the quality of our product to maximize customer appeal and minimize maintenance and operating expenses. This approach adheres to our long-held philosophy of focusing on long-term financial strength rather than short-term returns.

While entering new markets is part of your Company's growth strategy, we also continue to make strategic expansions in our established market areas. During 2015 we moved ahead on our plans to expand our Storage West cluster in Phoenix. Two new Storage West facilities are in the pre-construction development phase there. One will be built on land that we have held for development since 2008; and the second will be built on land we acquired in 2015, which had been pre-approved for development of a storage facility. Construction on both projects is scheduled to begin in mid-2016, representing an investment of approximately $11 million.

Redevelopment of some of our well-located older facilities is also an important way for us to grow revenue. Redevelopment gives us the opportunity to upgrade our facilities with such desirable features as climate control, enhanced security and large-capacity elevators. We can also increase the number of rental units within a facility by constructing new buildings on the property and by adding second stories to existing buildings. One such project, which included a new

single-story building and the addition of a second story on an existing structure, was completed during 2015 at a Phoenix Storage West facility. Two redevelopment projects are underway in Orange County, California; one, which included construction of a state-of-the-art 3-story building, is near completion, and the other is in the design phase.

Inevitably, the construction activity involved in a redevelopment project will be somewhat disruptive to ongoing operations, and may require some of our storage customers to vacate their units. For these reasons, we exclude projects undergoing disruptive redevelopment from our same-store results. Once the redevelopment project is completed, however, we have found that these facilities generate enhanced returns that impute a value well beyond the costs of redevelopment.

At year-end 2015, the Company had $7 million outstanding under its $20 million line of credit and $27.8 million outstanding in long-term debt, giving the Company a healthy debt to market cap ratio of 12%. In addition, the Company had $25 million of additional long-term debt commitments to support our current growth and expansion program. All of the long-term debt matures in 2024.

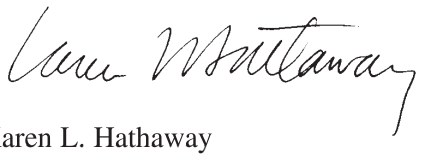
Turning to our legacy Club business, The Los Angeles Athletic Club continues to enjoy the attention of Angelenos who have rediscovered downtown Los Angeles and the vibrant amenities it has to offer. In 2015, both The Los Angeles Athletic Club and its sister club, California Yacht Club, experienced modest increases in membership over 2014. Both Clubs are operated by a wholly-owned subsidiary of your Company that is responsible for paying its own income taxes. The Clubs' financial results are included in the consolidated income statements of LAACO.

The building that houses The Los Angeles Athletic Club is owned by your Company and is leased to our club subsidiary. During 2015 the Athletic Club made extensive improvements to the locker rooms and associated areas as part of its ongoing program of upgrading its facilities. This is a multi-year project because of the size and age of the building and the fact that the Athletic Club is a 24-hour operation. The majority of improvements are the responsibility of the club subsidiary, which is financing them through a combination of cash flow from club operations and an $8 million loan from LAACO.

Our real estate holdings in Los Angeles also include an 8-story public parking garage that is adjacent to the Los Angeles Athletic Club building. This 50-year-old garage was retrofitted in 2015 for seismic strengthening, additional parking for disabled patrons, and upgrading of space used for some back-office operations.

As our growing portfolio has generated increased income, we have sought ways to address the impact of taxable income on our unitholders. The capital spending associated with our growth plan results in several tax benefits. These do not appear in the Company's financial statements, but they inure to unitholders and are reflected on the annual K-1 statements unitholders receive. Of particular continuing importance in this regard for federal tax purposes are accelerated depreciation and bonus depreciation. These deductions permit us to reduce the current taxable income that would otherwise be incurred by unitholders in any year that a newly constructed facility is opened. We estimate that these provisions delivered a benefit to unitholders of nearly $15 per unit for 2015. In combination with our quarterly and year-end special cash distributions, these benefits contribute to total returns in 2015 that are among the highest in our Company's history.

While we are gratified by the results for 2015, we recognize that challenges lie ahead. The slowing global economy, its impact on the domestic economy, and the outcome of the 2016 U.S. presidential election present uncertainties that all businesses must consider. However, with well over a century of operating history, LAACO is not new to facing challenges. Supported by the demonstrated resilience of our business model, and a proven management team, we anticipate continuing to expand our portfolio and our revenues to create additional value for our unitholders.



Karen L. Hathaway
President and Managing Partner

Financial Highlights

	2015	2014	2013	2012	2011
Operating Data:					
Revenues	**$71,526,000**	$65,470,000	$61,203,000	$57,015,000	$53,372,000
Operating income	**18,831,000**	16,275,000	14,911,000	13,749,000	13,317,000
Other income (expense)	**155,000**	4,882,000	(1,072,000)	(1,236,000)	(1,721,000)
Net income	**18,986,000**	21,157,000	13,839,000	12,513,000	11,596,000
Balance Sheet Data:					
Investment in storage properties at cost	**$264,687,000**	$246,279,000	$232,898,000	$231,068,000	$215,078,000
Total assets	**234,392,000**	220,296,000	206,935,000	206,110,000	199,653,000
Total liabilities	**57,647,000**	47,840,000	45,763,000	49,173,000	47,034,000
Partners' capital	**176,745,000**	172,456,000	161,172,000	156,937,000	152,619,000
Cash Flows Data:					
Net cash provided by operating activities	**$25,804,000**	$21,616,000	$22,604,000	$18,887,000	$17,906,000
Cash distributions to partners	**13,622,000**	11,073,000	9,554,000	8,073,000	8,095,000
Per Unit Data:					
Net income	**$ 111.49**	$ 124.20	$ 81.07	$ 72.84	$ 67.31
Cash distributions to partners	**80.00**	65.00	56.00	47.00	47.00
Partners' capital at end of year–historical basis	**1,039.85**	1,012.59	945.99	915.70	886.93

Forward Looking Statements

This Annual Report contains forward-looking statements within the meaning of federal securities laws. Statements other than historical facts should be considered as forward-looking statements. Words such as "anticipate," "plan," "expect," "continue," "believe," and "aim" and other similar expressions identify forward-looking statements that refer to plans and objectives for future operations, future financial performance, forecasts or other predictive statements. Such statements involve known and unknown risks, uncertainties, and other factors, which may cause actual results and the performance of the Company to be materially different from those expressed in the forward looking statements contained in this report.

You should consider risk factors that may impact the Company's future results, performance and cash flows including, but not limited to, general risks associated with the ownership and operation of clubs and real estate, including difficulties in acquiring, developing, remodeling, constructing, integrating or managing acquired self-storage properties; risks associated with the affects of downturns in the national or local economies in which we invest in or operate, including delays in development and decreased revenues, and the economic health of our customers; the impact of storage competition which could affect rents, occupancy levels and other aspects of operations; customer and employee related claims; environmental risks and various hazards, such as earthquakes, hurricanes, flooding, windstorms, environmental contamination, and fires; difficulties in managing information technology, or system failures, or the disruption of operations through security breaches; the impact of adverse governmental actions or changes in tax, real estate and zoning, licensing, leasing or regulatory environment and compliance including adverse changes in tax law, such as the taxation of publicly traded partnerships, or a failure to qualify as a partnership for tax purposes, or other changes in taxes or corporate or personal tax rates which could increase expenses and reduce profitability and cash flows; and difficulties in raising capital at a reasonable cost, which would impede the Company's ability to grow or reduce its access to credit markets.

We disclaim any obligation to publicly release any revisions to these statements that may reflect new estimates or circumstances after the date of this report, except where expressly required by law. Accordingly, you should use caution in relying on any forward-looking statements to anticipate future results.

Report of Independent Certified Public Accountants

To the Managing General Partner
and Partners of LAACO, Ltd.

We have audited the accompanying consolidated financial statements of LAACO, Ltd. and subsidiaries (collectively, the "Company") which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income and comprehensive income, changes in partners' capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the Untied States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of LAACO, Ltd. and subsidiaries as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

GRANT THORNTON LLP



Los Angeles, California
March 31, 2016

Consolidated Balance Sheets

	December 31, 2015	2014
ASSETS		
Current Assets:		
Cash	**$ 2,933,000**	$ 8,886,000
Accounts receivable, less allowance for doubtful accounts (2015 - $427,000; 2014 - $382,000)	**1,525,000**	1,572,000
Inventories	**326,000**	215,000
Prepaid expenses and other current assets	**1,987,000**	1,888,000
Total Current Assets	**6,771,000**	12,561,000
Property and equipment, net	**212,355,000**	193,074,000
Investment in joint ventures	**2,470,000**	2,554,000
Other assets	**12,796,000**	12,107,000
Total Assets	**$234,392,000**	$220,296,000
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 8,017,000**	$ 6,413,000
Payroll, sales and local taxes	**1,111,000**	739,000
Prepaid dues, rentals and deposits	**3,345,000**	2,969,000
Credit line payable	**7,000,000**	–
Notes payable, current portion	**1,160,000**	1,160,000
Total Current Liabilities	**20,633,000**	11,281,000
Other long-term liabilities	**10,334,000**	8,719,000
Notes payable, net of current portion	**26,680,000**	27,840,000
Total Liabilities	**57,647,000**	47,840,000
Commitments and contingencies – see notes		
Partners' capital: 169,972 and 170,312 units outstanding, respectively	**176,745,000**	172,456,000
Total Liabilities and Partners' Capital	**$234,392,000**	$220,296,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

	For the years ended December 31, 2015	2014
Revenues		
Real property investments and rentals	**$48,759,000**	$43,852,000
Club operations	**22,767,000**	21,618,000
	71,526,000	65,470,000
Cost and Expenses		
Operating expenses	**44,476,000**	40,763,000
Cost of goods sold	**1,831,000**	2,064,000
Depreciation and amortization	**6,388,000**	6,368,000
	52,695,000	49,195,000
Operating Income	**18,831,000**	16,275,000
Other Income (Expense)		
(Loss) gain on sale of assets	**(66,000)**	6,969,000
Joint venture income	**601,000**	508,000
Interest expense, net	**(303,000)**	(1,336,000)
Unrecovered development costs	**–**	(430,000)
Settlement of interest rate swaps	**–**	(766,000)
Income tax expense attributable to subsidiaries	**(77,000)**	(63,000)
	155,000	4,882,000
Net Income	**18,986,000**	21,157,000
Other Comprehensive Income		
Unrealized (loss) gain on interest rate hedges	**(902,000)**	1,274,000
Total Comprehensive Income	**$18,084,000**	$22,431,000
Net Income per Unit	**$111.49**	$124.20
Weighted Average Partnership Units Outstanding	**170,288**	170,351

Consolidated Statements of Changes in Partners' Capital

	For the years ended December 31, 2015	2014
Balance at beginning of year	**$172,456,000**	$161,172,000
Net income	**18,986,000**	21,157,000
Cash distributions to partners	**(13,622,000)**	(11,073,000)
Partner contribution	**375,000**	–
Partnership unit repurchases	**(754,000)**	(197,000)
Units issued under incentive equity plan	**206,000**	123,000
Other comprehensive income:		
Unrealized (loss) gain on interest rate hedges	**(902,000)**	1,274,000
Balance at end of year	**$176,745,000**	$172,456,000

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

	For the years ended December 31, 2015	2014
Cash Flows From Operating Activities:		
Net income	**$18,986,000**	$21,157,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on sale of assets	**66,000**	(6,969,000)
Joint venture income	**(601,000)**	(508,000)
Unrecovered development costs	**–**	430,000
Settlement of interest rate swaps	**–**	766,000
Depreciation and amortization	**6,388,000**	6,368,000
Incentive equity based compensation accrual	**176,000**	206,000
Deferred tax expense	**86,000**	171,000
Decrease (increase) in accounts receivable, net	**47,000**	(24,000)
Increase in prepaid expenses and other current assets	**(272,000)**	(270,000)
Increase in other assets	**(605,000)**	(844,000)
Increase in accounts payable, accrued expenses and other current liabilities	**748,000**	513,000
Increase in other long-term liabilities	**785,000**	620,000
Net Cash Provided by Operating Activities	**25,804,000**	21,616,000
Cash Flows From Investing Activities:		
Expenditures for property and equipment	**(24,878,000)**	(14,816,000)
Proceeds from sale of property and equipment	**1,180,000**	7,141,000
Distributions from joint ventures	**685,000**	605,000
Net Cash Used in Investing Activities	**(23,013,000)**	(7,070,000)
Cash Flows From Financing Activities:		
Proceeds from long-term borrowing	**–**	29,000,000
Payment of debt issuance costs	**(208,000)**	(427,000)
Repayment of notes payable	**(1,160,000)**	(28,506,000)
Cash paid to settle interest rate swaps	**–**	(766,000)
Net borrowings under credit line	**7,000,000**	–
Cash distributions to partners	**(13,622,000)**	(11,073,000)
Partnership unit repurchases	**(754,000)**	(197,000)
Net Cash Used In Financing Activities	**(8,744,000)**	(11,969,000)
Net (Decrease) Increase in Cash	**(5,953,000)**	2,577,000
Cash:		
Beginning of year	**8,886,000**	6,309,000
End of year	**$ 2,933,000**	$ 8,886,000
Supplemental Cash Flow Information:		
Cash paid for interest	**$ 400,000**	$ 1,530,000
Cash paid for income taxes	**330,000**	–
Supplemental disclosures of non-cash activities:		
Unrealized (loss) gain on interest rate hedges	**$ (902,000)**	$ 1,274,000
Units issued under incentive equity plan	**206,000**	123,000

The accompanying notes are an integral part of these consolidated financial statements.

NATURE OF OPERATIONS:

LAACO, Ltd. (the "Partnership") is a California limited partnership formed in December 1986. The Partnership's principal business activities include the acquisition, development, ownership and operation of self-storage facilities, which offer storage spaces for rent, usually on a month-to-month basis, for personal and business use. As of December 31, 2015, the Partnership had direct and indirect equity interests in 51 operating self-storage facilities under the "Storage West" registered trade name in Southern California, Arizona, Nevada and Texas. In addition, one facilitiy was under construction and five facilities were in pre-construction development in Texas and Arizona. The Company also has one other parcel of land held for future development.

In addition, to a lesser extent, the Partnership has interests in other real estate activities. The Partnership owns land, buildings and marina facilities that are leased to two, wholly-owned subsidiaries of the Partnership: The LAAC Corp., which operates The Los Angeles Athletic Club (LAAC) (a membership club consisting of athletic facilities, food and beverage operations and a 72-room hotel) and California Yacht Club Inc., which operates California Yacht Club (a membership club consisting of sports facilities, food and beverage operations and a 300-slip marina). At December 31, 2015, the Partnership also had interests in two parking facilities located adjacent to the LAAC building. The Partnership and its subsidiaries are collectively referred to as the "Company."

ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements include the accounts of the Partnership and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Inventories

Inventories, which consist primarily of self-storage merchandise, food and beverage and club merchandise, are stated at cost (first-in, first-out) which is not in excess of market.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Costs associated with the development, construction and improvement of property and equipment are capitalized. Interest and property taxes incurred during the construction period are also capitalized. Capitalized interest during the years ended December 31, 2015 and 2014 was $166,000 and $59,000, respectively. In 2014, in response to changing market conditions, the Company significantly revised its redevelopment plans for two self-storage facilities in California and one in Arizona. As a result of this decision, certain previously incurred development costs for these projects were written off in 2014, resulting in one-time impairment charges of $430,000. No impairment charges were recognized in 2015. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the asset, which are generally 15 to 40 years for buildings and improvements and 3 to 7 years for furniture and equipment.

When a self-storage facility is acquired, we allocate the net acquisition cost (consisting of cash paid to third parties and the fair value of any liabilities assumed) to the underlying land, buildings, equipment and identified intangible assets based upon their respective individual estimated fair values. In 2014, the Company acquired one self-storage facility in Arizona for $6,511,000 in cash. The fair value of the identified intangible assets acquired was not material.

Impairment of Long-lived Assets

Long-lived assets are reviewed for impairment whenever events or changes indicate that the carrying value of the assets

may not be recoverable. The assessment is performed based on the undiscounted future net operating cash flows compared to the assets' net carrying values. If the net carrying value of the assets exceeds the future cash flows, an impairment loss would be recorded. There were no significant impairment charges incurred in 2015 and 2014.

Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of its financial instruments for disclosure purposes:

Grantor trust: The carrying amount for the grantor trust approximates its fair value due to the relatively short period to maturity of this investment.

Short- and long-term debt: The carrying amounts of the Company's notes payable approximate their fair value based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Interest rate hedge agreements: The fair value of the interest rate hedge agreements are the amounts at which they could be settled based on market data at December 31, 2015 and 2014, respectively.

Revenue Recognition

Revenue on real property investments, store rentals and slip rentals is recognized on a straight-line basis over the applicable rental period. The majority of our customers rent under month-to-month rental agreements and revenue is recognized at the contracted rate for each month occupied. Revenue related to customers who sign longer period rental agreements is recognized ratably over the term of the rental period given appropriate consideration to any promotional rentals. Revenue from monthly club membership fees are recognized as earned. Revenue from club registration fees is recognized when payment is received. Other club revenues, consisting primarily of guest room rentals and food and beverage sales, are generally recognized as services are performed. Taxes assessed on sales by various governmental authorities are not recognized in revenues.

Advertising Costs

The Company incurs advertising costs primarily attributable to online digital marketing campaigns, print media and other advertising which are expensed as incurred. The Company recognized $1,236,000 and $1,018,000 in advertising expense for the years ended December 31, 2015 and 2014, respectively.

Income Taxes

Under the Internal Revenue Code, in order to continue to be treated as a partnership for tax purposes, the Partnership must derive at least 90 percent of its total gross income from income related to real property, interest and dividends. For the fiscal years ended December 31, 2015 and 2014, the Partnership was in compliance with the gross income test, and no special measures are expected to be required to enable the Partnership to maintain its partnership status and associated tax treatment.

Effective January 1, 1998, the Company incorporated its club operations into wholly-owned subsidiaries. Under this structure, profits from the subsidiaries are taxed separately. The subsidiaries account for income taxes in accordance with ASC Topic 740 "Income Taxes." The provisions for income taxes include amounts currently payable and amounts deferred to or from other years as a result of differences in the timing of income or expenses for financial reporting and tax purposes. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that is more likely than not to be realized.

ASC Topic 740 also requires the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our financial statements at December 31, 2015 and 2014, respectively. Interest and penalties related to uncertain tax positions will be recognized in income tax expense when incurred. As of December 31, 2015 and 2014, the Company had no interest and penalties related to uncertain tax positions.

COMPREHENSIVE INCOME

Total comprehenisve income represents net income, adjusted for unrealized gains and losses on interest rate hedges, as reflected on our Consolidated Statements of Income and Comprehensive Income. The accumulated other comprehensive loss at December 31, 2015 and 2014 was $(1,532,000) and $(630,000), respectively.

NET INCOME PER PARTNERSHIP UNIT

Net income per partnership unit is based on 170,288 and 170,351 weighted average units outstanding during 2015 and 2014, respectively.

SUBSEQUENT EVENTS

The Company has evaluated subsequent events through March 31, 2016, the date this Annual Report was issued.

RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued ASU No. 2016-02, *"Leases (Topic 842)."* which is intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arangements. A lessee will be required to recognize on the balance sheet the assets and liabilities of leases with lease terms of more than 12 months. Accounting by lessors will remain largely unchanged from current U.S. generally acepted accounting principles. The amendments in this update are effective for the Company as of January 1, 2019. Early application of this update is permitted. The Company is currently assessing the impact of this update on our consolidated financial statements.

OTHER DISCLOSURES:

THE GENERAL PARTNERS

The managing general partner of the Partnership is Stability LLC (a Delaware limited liability company) and the general partner is The Los Angeles Athletic Club, Inc. Under the terms of the Partnership agreement, Stability LLC is paid general partner management fees of one percent of the aggregate annual amount of cash distributions made to holders of LAACO, Ltd. units and an additional one half of one percent of the gross revenues of the Partnership. The Partnership also reimburses Stability LLC for certain management, legal and administrative costs incurred by Stability LLC related to Partnership matters. Certain management, legal and administrative services are provided to Stability LLC at no charge. General partner management fees and reimbursement of expenses totaled $597,000 and $547,000 for the years ended December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the Company had not yet paid $117,000 and $92,000, respectively, to Stability LLC which amounts are included in "accounts payable and accrued expenses" in the accompanying Consolidated Balance Sheets.

BUSINESS SEGMENTS

The Company has two principal business segments: real property investments and rentals, and club operations.

	Revenues		Net Income	
	2015	2014	**2015**	2014
Real property investments and rentals	**$49,563,000**	$44,547,000	**$18,710,000**	$20,998,000
Club operations (a)	**22,767,000**	21,618,000	**276,000**	159,000
Less intercompany transactions (b)	**(804,000)**	(695,000)	**–**	–
	$71,526,000	$65,470,000	**$18,986,000**	$21,157,000

(a) The 2015 and 2014 net income for club operations is after income tax expense of $77,000 and $63,000, respectively.
(b) Intercompany transactions relate principally to real property rents charged by the Partnership to club operations and interest on intercompany borrowings by club operations.

	Assets		Capital Expenditures		Depreciation and Amortization	
	2015	2014	**2015**	2014	**2015**	2014
Real property investments and rentals	**$221,801,000**	$213,769,000	**$19,180,000**	$13,824,000	**$5,836,000**	$5,553,000
Club operations	**12,591,000**	6,527,000	**5,698,000**	992,000	**552,000**	815,000
	$234,392,000	$220,296,000	**$24,878,000**	$14,816,000	**$6,388,000**	$6,368,000

Property and Equipment

Property and equipment at December 31, 2015 and 2014, consist of the following:

	2015	2014
Land	**$ 82,016,000**	$ 81,151,000
Buildings and improvements	**186,374,000**	171,124,000
Furniture and equipment	**30,675,000**	26,759,000
Construction in progress	**10,622,000**	5,972,000
	309,687,000	285,006,000
Less accumulated depreciation and amortization	**(97,332,000)**	(91,932,000)
	$212,355,000	$193,074,000

Investment In Joint Ventures

The Partnership is the managing member of two limited liability companies (the "LLCs") formed in 2001. The other limited liability member of each LLC is an unrelated California real estate development company. That limited liability member contributed the land and other improvements to each LLC and, in exchange, received a 50% interest in the LLC based upon a formula and the fair value of the property, as set forth in the LLC agreements. The Company contributed cash to construct one self-storage facility for each LLC in exchange for its 50% interest. The Company operates and manages the facilities, and receives a management fee for its services. Major operating decisions affecting the LLCs require the agreement of both parties.

As of December 31, 2015 and 2014, the Company's investment was $2,470 000 and $2,554,000, respectively, in these joint ventures. As of December 31, 2015 and 2014, total assets (unaudited) of these two joint ventures were $5,109,000 and $5,264,000, respectively. For the year ended December 31, 2015 and 2014, total revenues and net income (unaudited) for these two joint ventures were $2,209,000 and $2,085,000 and $1,202,000 and $1,016,000, respectively.

The Company's pro rata portion of joint venture income was $601,000 for the year ended December 31, 2015 and $508,000 for the year ended December 31, 2014. The Company evaluates its joint venture arrangements under ASC Topic 810, "Consolidation," on an annual basis. The Company accounts for the joint venture arrangements under the equity method as they do not meet the criteria for consolidation.

Credit Line

In September 2014, the Company entered into a new $20 million uncollateralized credit line available for purchase, construction and improvement of self-storage facilities, repayment of existing debt and for short term working capital needs. The credit line, which accrues interest at Libor plus 1.00%, expires in September 2016. There are no commitment fees or loan points associated with this credit facility. The credit line agreement contains customary representations, warranties and events of default and requires the Company to comply with various affirmative and negative covenants including certain financial ratios such as, minimum EBITDA, minimum net worth, etc. At December 31, 2015, the Company had $7 million outstanding under the credit line at an average interest rate of 1.41%, and was in compliance with all covenents. As of December 31, 2014, the Company had no outstanding borrowings under the credit line.

NOTES PAYABLE

Notes payable at December 31, 2015 and 2014, consists of the following:

	2015	2014
Mortgage note payable	**$27,840,000**	$29,000,000
Less current portion	**(1,160,000)**	(1,160,000)
	$26,680,000	$27,840,000

In December 2014, the Company entered into a $29 million, ten-year mortgage note payable with a bank, proceeds of which were used principally to repay other mortgage notes payable. Principal and interest payments are due monthly with any unpaid principal and interest due December 2024. Interest is at a variable rate based on the Libor rate plus 1.25% (1.49% at December 31, 2015).

The Company has three interest rate hedging agreements with the bank to effectively hedge the interest rate of this mortgage note:

The first hedge agreement is an interest rate corridor/cap agreement transferred from a mortgage note repaid in December 2014. This agreement had a notional amount in December 2015 of $3,709,000 and effectively hedges the variable rate debt at different thresholds through November 2019. If the Libor rate is less than 4%, the Company will pay variable interest rates based on Libor plus 1.25%. If the Libor rate is between 4% and 6%, the Company will pay interest at 5.25%. If the Libor rate is between 6% and 12%, the Company will pay variable interest rates based on Libor minus .75%. If the Libor rate is greater than 12%, the Company will pay interest at 11.25%.

The second hedge agreement is an interest rate cap agreement with a notional amount in December 2015 of $24,131,000 that places a cap of 4% on the Libor rate through December 2016, resulting in an interest rate that will not exceed 5.25%.

The third hedge agreement is a forward-start interest rate swap agreement commencing December 2016 for the remaining 8 year term of the mortgage note payable. This agreement effectively fixes the interest rate of the variable rate debt at 4.02%.

In December 2014, the Company also entered into a $20 million draw-down mortgage note payable with the same bank, which was increased to $25 million in August 2015. Under the terms of this note payable, the Company is permitted to borrow, on a non-revolving basis, up to $25 million through December 2016, at which time the outstanding balance on the note payable will convert to an eight-year mortgage note payable. Monthly interest-only payments are required through December 2016, followed by monthly principal and interest payments, with any unpaid principal and interest due December 2024. The Company had no outstanding amounts under this note payable as of December 31, 2015 and 2014.

The Company has four interest rate hedging agreements with the bank to effectively hedge the interest rate of this draw-down note:

The first hedge agreement is an interest rate corridor/cap agreement with the bank which effectively hedges the interest rate on $15 million of the draw-down note at different thresholds beginning December 2016. Through November 2016, the Company will pay a variable interest rate based on Libor plus 1.25%. Beginning December 2016, if the Libor rate is less than 4%, the Company will continue to pay a variable interest based on Libor plus 1.25%. If the Libor rate is between 4% and 6%, the Company pays interest at 5.25%. If the Libor rate is between 6% and 8%, the Company will pay a variable interest rate based on Libor minus .75%. If the Libor rate is greater than 8%, the Company will pay interest at 7.25%.

The second hedge agreement is a forward-start interest rate swap agreement on $5 million of the draw-down note commencing December 2016 for the remaining 8 year term of the draw-down note payable. This agreement effectively fixes the interest rate of the variable rate debt at 3.745%.

The third and fourth hedge agreements are on the last $5 million of the draw-down note and were entered into in January 2016. The Company has an interest rate cap agreement that places a cap of 4% on the Libor rate from December 2016 through December 2018, resulting in an interest rate that will not exceed 5.25%. The Company has a forward-start interest rate swap agreement commencing December 2018 for the remaining 6 year term of the draw-down note payable. This agreement effectively fixes the interest rate of the variable rate debt at 3.45%.

The mortgage note payable, draw-down mortgage note payable and the forward-start swap agreements are collateralized by six self-storage properties with a total net book value of $22,003,000 at December 31, 2015.

The scheduled repayments of notes payable outstanding at December 31, 2015, are summarized as follows:

2016	$ 1,160,000
2017	1,160,000
2018	1,160,000
2019	1,160,000
2020	1,160,000
thereafter	22,040,000
	$27,840,000

Derivative Financial Instruments

The Company follows the guidance under ASC Topic 815 "Derivatives and Hedging" in accounting for derivative instruments and hedging activities included in its consolidated financial statements.

Derivative financial instruments are recorded as either assets or liabilities on the balance sheet and re-measured at fair value at each reporting date. The fair value adjustments will affect either other comprehensive income or net income depending on whether the derivative instrument qualifies as a hedge for accounting purposes and, if so, the nature of the hedging activity.

In the normal course of business, the Company is exposed to the effect of interest rate changes. The Company limits these risks by following established risk management policies and procedures including the use of derivatives. For interest rate exposures, derivatives are used primarily to hedge against exposure to floating interest rates and manage the cost of borrowing obligations. The Company does not engage in any derivative instrument trading activity. Credit risk associated with the Company's derivatives is limited to the risk that a derivative counterparty will not perform in accordance with the terms of the contract. Exposure to counterparty credit risk is considered low because these agreements have been entered into with institutions with strong credit ratings, and they are expected to perform fully under the terms of the agreements.

In December 2014, in connection with the refinancing of its long-term debt, the Company paid $766,000 to terminate three interest rate swap agreements, which amount is included in "settlement of interest rate swaps" in the accompanying Consolidated Statements of Income and Comprehensive Income. Under the terms of the those interest rate swaps, the Company made quarterly fixed rate payments to the counterparty calculated based on the notional amount at a fixed rate (5.551% or 5.86%) while the counterparty was obligated to make quarterly floating rate payments to the Company based on the Libor rate.

In 2014, 2015 and 2016, the Company entered into new interest rate hedges to manage exposure to interest rates on all of its variable rate long-term debt. At December 31, 2015, the Company had five interest rate hedging agreements to manage its exposure to interest rates on its outstanding variable rate debt. In 2016, the Company added two additional interest rate hedging agreements:

(a) Under the terms of two interest rate corridor agreements and two interest rate cap agreements, the Company makes quarterly interest payments to the bank based on Libor plus 1.25%. If the Libor rate exceeds 4%, the counterparty will be required to make quarterly interest payments to the Company based on the level that Libor exceeds 4.00%.

(b) Under the terms of three forward-start interest rate swap agreements, the Company will make monthly fixed rate payments to the counterparty, commencing in December 2016, calculated based on the notional amount at a fixed rate ranging from 3.45% to 4.02% while the counterparty is obligated to make monthly floating rate payments to the Company based on the Libor rate.

The notional amount of each of the outstanding interest rate hedge agreements is scheduled to decline over the related terms of the loan agreements consistent with the scheduled principal payments.

These interest rate hedge agreements are designated as cash flow hedges. In 2014, the fixed interest rates under the terminated interest rate swap agreements exceeded the variable interest rates paid to the bank. Accordingly, the interest rate swaps resulted in additional interest costs of $1,074,000, which was recognized as additional interest expense. At December 31, 2015 and 2014, the Company recorded a liability of $1,219,000 and $413,000, respectively, as the fair value of the interest rate swaps, which amounts are included in "other long-term liabilities." At December 31, 2015 and 2014, the Company recorded an asset of $187,000 and $328,000, respectively, as the fair value of the interest rate corridor/cap agreements, which amount is included in "other assets." The Company applies the hypothetical derivative method for testing effectiveness of these cash flow hedges. For the years ended December 31, 2015 and 2014, no derivative ineffectiveness was identified.

Changes in unrealized gains and losses of the interest rate hedge agreements are recognized as "other comprehensive income" and reflected in Partners' Capital. Any future ineffectiveness in the Company's derivative investments designated as cash flow hedges would be reported in earnings in the period it was recognized. The Company does not expect to reclassify any amounts from other comprehensive income to earnings within the next 12 months.

The following table summarizes the notional values, fair values and other characteristics of the Company's derivative financial instruments at December 31, 2015. The notional value at December 31, 2015 provides an indication of the extent of the Company's involvement in these instruments at that time, but does not represent exposure to credit, interest rate, or market risk.

	Notional Value	Rate	Maturity Date	Fair Value (Liability)/Asset
Interest rate swap agreement	$23,201,000	4.02%	12/19/24	$(1,079,000)
Interest rate swap agreement	5,000,000	3.745%	12/19/24	(140,000)
				$(1,219,000)
Interest rate corridor/cap agreement	$ 3,709,000		11/01/19	$ 4,000
Interest rate cap agreement	24,131,000		12/19/16	–
Interest rate corridor/cap agreement	15,000,000		12/19/24	183,000
				$ 187,000

FAIR VALUE MEASUREMENTS

The Company follows the guidance under ASC Topic 820, "Fair Value Measurements," which establishes a framework for measuring fair value by providing a standard definition of fair value as it applies to assets and liabilities. ASC Topic 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value. ASC Topic 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observed for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ASC Topic 820 also expands disclosures about instruments measured at fair value.

The following tables set forth by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2015 and 2014. As required by ASC Topic 820, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgement, and may affect the valuation of fair value of assets and liabilities and their placement within the fair value hierarchy levels.

	At Fair Value as of December 31, 2015			
Recurring Fair Value Measurements	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Interest rate swap agreements	–	$(1,219,000)	–	$(1,219,000)
Interest rate corridor/cap agreements	–	187,000	–	187,000
Grantor trust	$2,981,000	–	–	2,981,000

	At Fair Value as of December 31, 2014			
Recurring Fair Value Measurements	Quoted Prices in Active markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Interest rate swap agreement	–	$(413,000)	–	$ (413,000)
Interest rate corridor/cap agreements	–	328,000	–	328,000
Grantor trust	$2,880,000	–	–	2,880,000

The interest rate swap agreements are valued at fair value based on dealer quotes using a discounted cash flow model. The interest rate corridor/cap agreements are valued at fair value based on market data inputs using the Black Scholes option pricing model. Each of these models reflect the contractual terms of the derivative instruments, including the period to maturity and debt repayment schedule, and market-based parameters such as interest rates and yield curves. These models do not require significant judgement, and the inputs are observable. Thus, the derivative instruments are classified within Level 2 of the valuation hierarchy. The Company does not intend to terminate any of the interest rate hedge agreements prior to their expiration dates. The grantor trust is valued at fair value based on quoted market prices for the securities held in the grantor trust and thus is classified within Level 1 of the valuation hierarchy.

Deferred Compensation

The Company maintains three nonqualified deferred compensation plans (collectively, the "Plans") into which certain members of management are eligible to defer a portion of their salary and management bonus. Two of the Plans were closed to new deferrals as of December 31, 2004. The third Plan allows deferrals beginning January 1, 2012. The amounts deferred under these Plans are credited with earnings based on crediting rates established annually by the

Company in accordance with the Plans. The crediting rates for 2015 and 2014, ranged from 3.36% - 6.37%. and 3.52% - 6.67%, respectively. Under one of the Plans, the Company is also obligated to pay in certain cases a survivor benefit on the 15th anniversary of the commencement of retirement payments or the participant's death, if later. Although benefits under these Plans are obligations of LAACO, Ltd., the Company has purchased life insurance that is estimated to be sufficient to cover the distributions to be made under the Plans plus the cost of capital to the Company. The Company can borrow against the cash surrender value of certain of the life insurance policies at specified rates (5.05% at December 31, 2015) for use in its operations. The Company did not borrow additional amounts against the policies in 2015 and 2014. As of December 31, 2015, the Company has the capacity to borrow an additional $4.7 million against the cash surrender value of the life insurance policies.

The Company also has a grantor trust to provide additional security for obligations to be paid under one of the Plans. At December 31, 2015 and 2014, the fair value of trust assets totaled $2,981,000 and $2,880,000, respectively, which were invested in government securities. Grantor trust assets and cash surrender values, net of policy loans, are included in "other assets" and deferred benefits are included in "other long-term liabilities" on the accompanying Consolidated Balance Sheets.

	December 31,	
	2015	2014
Cash surrender value of life insurance	**$ 9,286,000**	$ 8,571,000
Grantor trust assets	**2,981,000**	2,880,000
Less policy loans	**(21,000)**	(21,000)
	$12,246,000	$11,430,000
Deferred benefits	**$8,622,000**	$7,823,000

INCENTIVE RETIREMENT PLANS

The Company sponsors two 401(k) Incentive Retirement Plans; one for eligible employees of LAACO, Ltd. and California Yacht Club, Inc. and the other for the employees of The LAAC Corp. In 2015 and 2014, total Company matching contributions to the Plans were $304,000 and $281,000, respectively.

UNIT REPURCHASE PROGRAM

The Managing General Partner of the Partnership has authorized the repurchase of up to $7 million of Partnership units through April 22, 2016. During 2015 and 2014, the Partnership repurchased 475 and 166 units, respectively, for total consideration of $754,000 and $197,000, respectively. As of December 31, 2015, a total of 6,335 units have been repurchased for total consideration of $6,625,000. An additional 50 units have been repurchased in 2016 for total consideration of $84,000. The Company retired 3,832 of the repurchased units, with the remaining repurchased units being held in treasury or reissued under the Equity Incentive Plan.

EQUITY INCENTIVE PLAN

In 2012, the Company adopted the LAACO, Ltd. Equity Incentive Plan which provides officers of the Company with awards of restricted and unrestricted limited partnership units of the Partnership. The maximum number of units that may be issued under the plan are equal to the number of units acquired after January 1, 2012, pursuant to the Unit Repurchase Program. As of December 31, 2015, a total of 400 units have been issued under the plan and there are 2,103 units that are still issuable under the plan. All units awarded under the plan are valued at the fair market value of the Partnership units on the date of grant.

In March 2015, officers of the Company were awarded 100 units of the Partnership as a grant and certain of these officers acquired 35 additional units of the Partnership in lieu of a portion of their cash management bonus. All 135 units awarded in March under the plan were valued at the fair market value of the Partnership units on the date of

grant ($1,525 per unit), were fully vested and are subject to certain restrictions on transfer of the units. The Company accrued total compensation expense of $206,000 in 2014 for the units issued in March 2015.

In March 2016, officers of the Company were awarded 100 units of the Partnership as a grant. All 100 units awarded under the plan were valued at the fair market value of the Partnership units on the date of grant ($1,710 per unit), were fully vested and are subject to certain restrictions on transfer of the units. The Company accrued total compensation expense of $171,000 in 2015 for the units issued in March 2016.

Leases

The Company owns commercial properties (self-storage facilities, retail stores, and other properties) that it rents to tenants. The minimum future rental income as of December 31, 2015, under noncancelable leases with terms of one year or longer for each of the five succeeding years are: 2016–$943,000; 2017–$868,000; 2018–$801,000; 2019–$725,000; 2020–$448,000. The Company leases certain real estate for its own use pursuant to long-term operating leases. Rental expense for 2015 and 2014 was $1,502,000 and $1,411,000, respectively, of which $1,262,000 and $1,185,000, respectively, is for rent paid to the County of Los Angeles for a land lease on which the California Yacht Club building and marina facilities are constructed. The lease, which expires July 2022, requires monthly minimum rent payments ($71,000 at December 31, 2015) plus a percentage rent payment based on the gross revenues of California Yacht Club. Total minimum annual rental commitments are: 2016–$1,045,000; 2017–$1,046,000; 2018–$920,000; 2019–$856,000; 2020–$856,000;and later years–$1,284,000.

Other Commitments and Contingencies

The Company has certain contingent liabilities with respect to litigation, claims and contractual agreements arising from the ordinary course of business. In the opinion of management and based on consultation with legal counsel, such contingent liabilities will not result in any loss which would materially affect the Company's financial position, results of operations or cash flows. The Company maintains cash at various financial institutions in excess of federally insured limits; however, the Company believes it places its cash balances with quality financial institutions which limits its credit risks.

Income Tax Expense and Deferred Income Taxes

LAACO, Ltd., as a limited partnership, is not a taxable entity. As noted in Accounting Policies – Income Taxes, the Company's subsidiaries are corporations subject to federal and state income taxes. The subsidiaries account for income taxes in accordance with ASC Topic 740 "Income Taxes." The provision for income taxes include amounts currently payable and amounts deferred to or from other years as a result of differences in the timing of income or expenses for financial reporting and tax purposes. For the year ended December 31, 2015, the subsidiaries recognized income tax expense of $(77,000) consisting of a current benefit of $9,000 and a deferred provision of $(86,000). For the year ended December 31, 2014, the subsidiaries recognized income tax expense of $(63,000) consisting of a current benefit of $108,000 and a deferred provision of $(171,000).

A reconciliation of the subsidiaries' income tax expense at statutory rates to the recognized income tax expense for the years ended December 31, 2015 and 2014, is as follows:

	2015	2014
Statutory income tax expense	**$(120,000)**	$(76,000)
State income tax expense, net of federal benefit	**(15,000)**	(46,000)
State tax credits	**39,000**	39,000
Other	**19,000**	20,000
Income tax expense attributable to subsidiaries	**$ (77,000)**	$(63,000)

The tax effect of each type of temporary difference that gives rise to deferred tax assets and (liabilities) of the subsidiaries at December 31, 2015 and 2014, are as follows:

	2015	2014
Deferred tax assets:		
Accrued expenses	**$ 162,000**	$ 146,000
State tax credits	**445,000**	358,000
Other	**54,000**	52,000
	661,000	556,000
Deferred tax liabilities:		
Prepaid expenses	**(172,000)**	(123,000)
Depreciation	**(854,000)**	(742,000)
Deferred state taxes	**(112,000)**	(82,000)
Net deferred tax liability	**$(477,000)**	$(391,000)

As of December 31, 2015, the subsidiaries have state tax credit carryforwards of approximately $445,000 for California income tax purposes which will begin to expire in 2023.

CASH DISTRIBUTIONS PER UNIT:

For the year ended December 31, 2015		For the year ended December 31, 2014	
Distribution date	**Per Unit**	Distribution date	Per Unit
April 1, 2015	**$16.00**	April 1, 2014	$15.00
June 1, 2015	**16.00**	June 2, 2014	15.00
September 1, 2015	**19.00**	September 2, 2014	15.00
December 21, 2015	**29.00**	December 22, 2014	20.00
	$80.00		$65.00