

**Principal Executive Offices**

431 West Seventh Street  
Los Angeles, CA 90014  
(213) 622-1254

# LAACO, LTD.

A CALIFORNIA LIMITED  
PARTNERSHIP

**Officers**

President and Managing Partner  
Karen L. Hathaway  
Chief Financial Officer  
Bryan J. Cusworth  
Secretary and General Counsel  
Charles E. Michaels

**General Partners of LAACO, Ltd.**

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

## FIRST QUARTER REPORT

March 31, 2015

**Registrar and Transfer Agent**

Computershare  
211 Quality Circle, Suite 210  
College Station, TX 77845  
(800) 522-6645  
TDD for hearing impaired: (800) 952-9245  
[www.computershare.com/investor](http://www.computershare.com/investor)



**LAACO, LTD.**  
**A CALIFORNIA LIMITED PARTNERSHIP**  
**CONSOLIDATED BALANCE SHEETS**

	UNAUDITED MARCH 31, 2015	AUDITED DECEMBER 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash .....	\$ 11,461,000	\$ 8,886,000
Accounts receivable, net .....	1,619,000	1,572,000
Inventories .....	216,000	215,000
Prepaid expenses and other current assets .....	1,533,000	1,888,000
Total current assets .....	14,829,000	12,561,000
Property and equipment, net .....	195,210,000	193,074,000
Investment in joint ventures .....	2,692,000	2,554,000
Other assets .....	12,120,000	12,107,000
Total assets .....	<u>\$ 224,851,000</u>	<u>\$220,296,000</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>		
Current liabilities:		
Accounts payable and accrued expenses .....	\$ 5,202,000	\$ 6,413,000
Payroll, sales, and local taxes .....	1,140,000	739,000
Prepaid dues, rentals and deposits .....	3,645,000	2,969,000
Notes payable, current portion .....	1,160,000	1,160,000
Total current liabilities .....	11,147,000	11,281,000
Other long-term liabilities .....	9,728,000	8,719,000
Notes payable, net of current portion .....	27,550,000	27,840,000
Total liabilities .....	48,425,000	47,840,000
Partners' capital (170,418 and 170,312 units at end of period, respectively) .....	176,426,000	172,456,000
Total liabilities and partners' capital .....	<u>\$ 224,851,000</u>	<u>\$220,296,000</u>

**CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL**

	UNAUDITED THREE MONTHS ENDED MARCH 31, 2015	AUDITED YEAR ENDED DECEMBER 31, 2014
Balance, beginning of period .....	\$172,456,000	\$161,172,000
Net income .....	4,416,000	21,157,000
Cash distributions .....	-	(11,073,000)
Partnership unit repurchases .....	(35,000)	(197,000)
Units issued under incentive equity plan .....	206,000	123,000
Other comprehensive income:		
Unrealized (loss) gain on interest rate hedges .....	(617,000)	1,274,000
Balance, end of period .....	<u>\$176,426,000</u>	<u>\$172,456,000</u>

See notes to unaudited consolidated financial statements

**LAACO, LTD.**  
**A CALIFORNIA LIMITED PARTNERSHIP**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**UNAUDITED**

	THREE MONTHS ENDED MARCH 31,	
	2015	2014
Revenues:		
Real property investments and rentals .....	<b>\$11,578,000</b>	\$10,478,000
Club operations .....	<b><u>5,331,000</u></b>	<u>4,850,000</u>
	<b><u>16,909,000</u></b>	<u>15,328,000</u>
Cost and expenses:		
Operating expenses .....	<b>10,550,000</b>	9,317,000
Cost of goods sold .....	<b>442,000</b>	434,000
Depreciation and amortization .....	<b><u>1,549,000</u></b>	<u>1,639,000</u>
	<b><u>12,541,000</u></b>	<u>11,390,000</u>
Operating income .....	<b><u>4,368,000</u></b>	<u>3,938,000</u>
Other income (expense):		
Income from joint ventures.....	<b>138,000</b>	131,000
Interest expense, net.....	<b>(87,000)</b>	(378,000)
(Loss) gain on sale of assets.....	<b>(3,000)</b>	5,000
Income tax expense attributable to subsidiaries.....	<b>-</b>	-
	<b><u>48,000</u></b>	<u>(242,000)</u>
Net income .....	<b><u>\$ 4,416,000</u></b>	<u>\$3,696,000</u>
Net income per unit .....	<b><u>\$25.93</u></b>	<u>\$21.70</u>
Weighted average partnership units outstanding .....	<b><u>170,319</u></b>	<u>170,354</u>

*See notes to unaudited consolidated financial statements*

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited consolidated financial statements are prepared in conformity with generally accepted accounting principles and include all adjustments, which in the opinion of management are necessary for a fair presentation of the results for the periods indicated. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Partnership's latest Annual Report to unitholders. Results for any interim period are not necessarily indicative of results which might be obtained for a full year.

LAACO, Ltd., as a limited partnership, pays no income taxes. Tax on partnership net income is payable by the partners. The club operations (incorporated as wholly owned subsidiaries) are taxed separately on their net income.

The unaudited net income reported in the consolidated financial statements and the estimated partnership taxable income are as follows:

	Three Months Ended March 31,	
	<u>2015</u>	<u>2014</u>
Unaudited net income	<b>\$ 4,416,000</b>	\$ 3,696,000
Tax basis adjustments	<b><u>609,000</u></b>	<u>711,000</u>
Estimated partnership taxable net income	<b><u>\$ 5,025,000</u></b>	<b><u>\$ 4,407,000</u></b>
Per unit <sup>(1)</sup> :		
Unaudited net income	<b>\$25.93</b>	\$ 21.70
Tax basis adjustments	<b><u>3.57</u></b>	<u>4.17</u>
Estimated partnership taxable net income	<b><u>\$ 29.50</u></b>	<b><u>\$ 25.87</u></b>

(1) Unaudited net income per unit and estimated taxable income per unit are computed by dividing the respective amounts by the weighted average number of partnership units outstanding during the period.

Cash distributions are recorded on cash payment dates. A first quarter cash distribution of \$16.00 per unit was paid on April 1, 2015. On April 21, 2015, the Managing General Partner of LAACO, Ltd. declared a second quarter cash distribution of \$16.00 per unit payable on June 1, 2015.

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.otcm Markets.com](http://www.otcm Markets.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.