

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
Karen L. Hathaway, Chairman
Frank G. Hathaway, Vice Chairman
Jennifer L. Bayer
Christopher J. Harrer
John K. Hathaway
Steven K. Hathaway
Thomas S. Hathaway
Charles E. Michaels
The Los Angeles Athletic Club, Inc. (General Partner)

FIRST QUARTER REPORT

March 31, 2017

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



LAACO, LTD.
A CALIFORNIA LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS

| | <u>UNAUDITED</u> <u>MARCH 31, 2017</u> | <u>AUDITED</u> <u>DECEMBER 31, 2016</u> |
|---|---|--|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 6,179,000 | \$ 9,181,000 |
| Accounts receivable, net | 1,433,000 | 1,751,000 |
| Inventories | 286,000 | 292,000 |
| Prepaid expenses and other current assets | <u>896,000</u> | <u>1,642,000</u> |
| Total current assets | 8,794,000 | 12,866,000 |
| Property and equipment, net | 235,350,000 | 230,219,000 |
| Investment in joint ventures | 2,339,000 | 2,374,000 |
| Other assets | <u>14,026,000</u> | <u>13,852,000</u> |
| Total assets | <u>\$ 260,509,000</u> | <u>\$ 259,211,000</u> |
| LIABILITIES AND PARTNERS' CAPITAL | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 5,955,000 | \$ 8,873,000 |
| Payroll, sales, and local taxes | 1,062,000 | 1,394,000 |
| Prepaid dues, rentals and deposits | 3,887,000 | 3,372,000 |
| Notes payable, current portion | <u>2,160,000</u> | <u>2,160,000</u> |
| Total current liabilities | 13,064,000 | 15,799,000 |
| Other long-term liabilities | 11,482,000 | 11,172,000 |
| Notes payable, net of current portion | <u>48,980,000</u> | <u>49,520,000</u> |
| Total liabilities | 73,526,000 | 76,491,000 |
| Partners' capital (169,684 and 169,648 units at end of period, respectively) | <u>186,983,000</u> | <u>182,720,000</u> |
| Total liabilities and partners' capital | <u>\$ 260,509,000</u> | <u>\$ 259,211,000</u> |

CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

| | <u>UNAUDITED</u> <u>THREE MONTHS ENDED</u> <u>MARCH 31, 2017</u> | <u>AUDITED</u> <u>YEAR ENDED</u> <u>DECEMBER 31, 2016</u> |
|--|--|---|
| Balance, beginning of period | <u>\$ 182,720,000</u> | \$176,745,000 |
| Net income | 4,011,000 | 20,205,000 |
| Cash distributions | - | (13,588,000) |
| Partnership unit repurchases | (131,000) | (798,000) |
| Units issued under incentive equity plan | 206,000 | 171,000 |
| Other comprehensive income: | | |
| Unrealized gain (loss) on interest rate hedges | 177,000 | (15,000) |
| Balance, end of period | <u>\$ 186,983,000</u> | <u>\$ 182,720,000</u> |

See notes to unaudited consolidated financial statements

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

| | THREE MONTHS ENDED | |
|--|----------------------------|---------------------|
| | MARCH 31, | |
| | <u>2017</u> | <u>2016</u> |
| Revenues: | | |
| Real property investments and rentals | \$13,436,000 | \$ 12,589,000 |
| Club operations | 5,632,000 | 5,670,000 |
| | <u>19,068,000</u> | <u>18,259,000</u> |
| Cost and expenses: | | |
| Operating expenses | 12,440,000 | 11,178,000 |
| Cost of goods sold..... | 419,000 | 460,000 |
| Depreciation and amortization..... | 2,069,000 | 1,764,000 |
| | <u>14,928,000</u> | <u>13,402,000</u> |
| Operating income | <u>4,140,000</u> | <u>4,857,000</u> |
| Other income (expense): | | |
| Income from joint ventures | 154,000 | 159,000 |
| Interest expense, net | (283,000) | (108,000) |
| Gain on sale of assets | - | 27,000 |
| Income tax expense attributable to subsidiaries..... | - | (20,000) |
| | <u>(129,000)</u> | <u>58,000</u> |
| Net income | <u>\$ 4,011,000</u> | <u>\$ 4,915,000</u> |
| Net income per unit..... | <u>\$23.65</u> | <u>\$28.92</u> |
| Weighted average partnership units outstanding | <u>169,631</u> | <u>169,955</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, | |
|--|---------------------------------|--------------|
| | 2017 | 2016 |
| Unaudited net income | \$ 4,011,000 | \$ 4,915,000 |
| Tax basis adjustments | (24,000) | 354,000 |
| Estimated partnership taxable net income | \$ 3,987,000 | \$ 5,269,000 |
| Per unit ⁽¹⁾ : | | |
| Unaudited net income | \$ 23.65 | \$ 28.92 |
| Tax basis adjustments | (0.15) | 2.08 |
| Estimated partnership taxable net income | \$ 23.50 | \$ 31.00 |

(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 \$20.00 per unit was paid on April 3, 2017. On April 18, 2017, the Managing General Partner of LAACO, Ltd. declared a second quarter cash distribution of \$20.00 per unit payable on June 1, 2017.

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.