



**Alternative Investment Portfolio Update
Second Quarter 2001**

prepared for the

**LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM**



PATHWAY

CAPITAL MANAGEMENT, LLC

Alternative Investment Portfolio Update

Los Angeles City Employees' Retirement System

Second Quarter 2001

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Introduction

Pathway Capital Management, LLC ("Pathway") has assisted the Los Angeles City Employees' Retirement System ("LACERS") in committing \$544.0 million to 41 alternative investment partnerships as of March 31, 2001.¹ LACERS' current allocation to the alternative investment asset class is 8.0% of the total pension fund's market value, or \$568.8 million; the goal is to achieve a 5.0% allocation based on market value. As of March 31, 2001, the alternative investment portfolio had a market value of \$251.4 million, or 3.5% of LACERS' total pension fund's market value.

This report contains an overview of the alternative investment environment and information regarding the investment activity of LACERS' portfolio during the first and second quarter of 2001.²

Portfolio Overview

The following table illustrates the first quarter activity for LACERS' alternative investment portfolio. LACERS committed \$80.0 million to five new alternative investment partnerships during the first quarter of 2001. For a breakdown by partnership, please refer to the Portfolio Summary included in this report.

LACERS' Alternative Investment Portfolio
First Quarter 2001 Activity¹
(\$ in millions)

	No. of Psp ^s . ^a	Commit. ^a	Cum. Cont. ^b	Mkt. Value	Cum. Dist	Total Value ^c	Gain/ (Loss)	Incep. IRR	Qtr. Return ^d
Mar. 31, 2001	41	\$544.0	\$263.7	\$251.4	\$84.1	\$335.6	\$71.9	16.8%	-6.3%
Prior Quarter	36	464.0	247.0	261.0	74.3	335.3	88.3	22.5%	-5.2%
Quarter Change	5	\$80.0	\$16.7	(\$9.6)	\$9.8	\$0.3	(\$16.4)	(5.7%)	

^a As of June 30, 2001, LACERS had committed \$544.0 million to 41 alternative investment partnerships.

^b Includes management fees called outside of LACERS capital commitment.

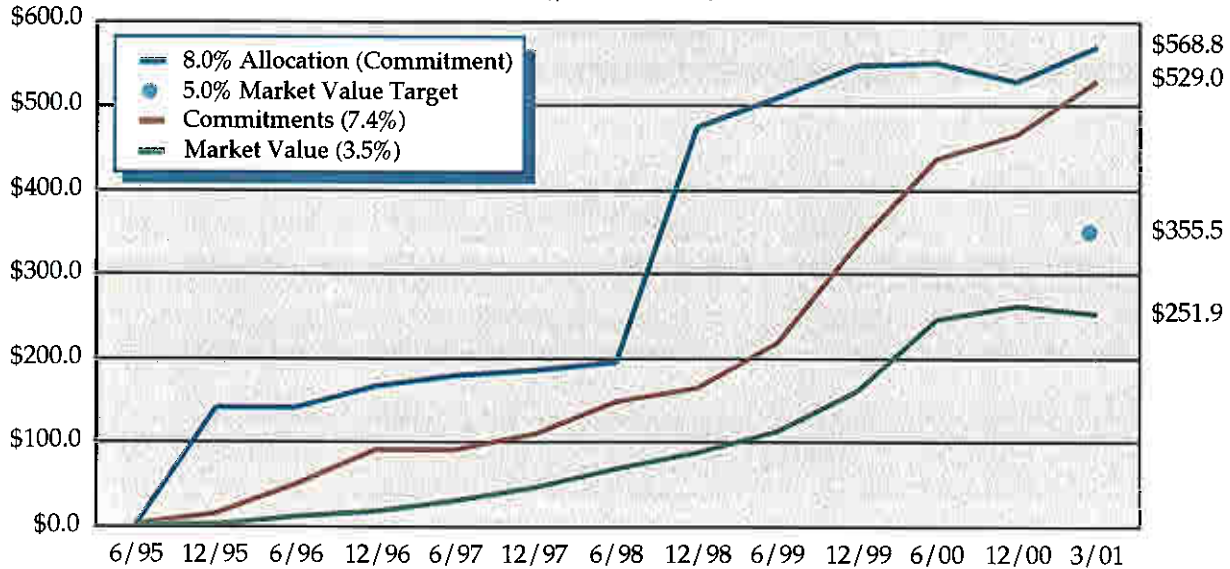
^c The total value is equal to the market value plus cumulative distributions.

^d Quarterly return is not annualized.

1. While the date of this report is June 30, 2001, the most recent partnership financial data available is as of March 31, 2001.
2. In the course of preparing our report, we have relied, without independent verification other than as specifically described herein, upon the accuracy and completeness of financial and other information publicly available or provided to us by the general partners, their professional staffs, and others contacted by us. Our conclusions do not reflect an audit of any portfolio investment by us, and are based on conditions prevailing at the date of this report and known to us.

Target Allocation

**LACERS' Alternative Investment Portfolio
Target Allocation as of March 31, 2001¹**
(\$ in Millions)

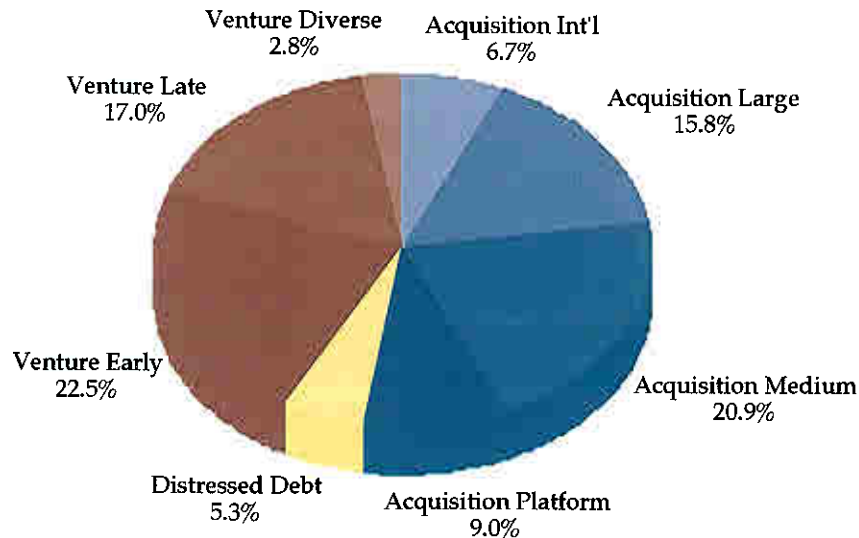


1. Target allocation increased from 7% to 8% during 2001.

Diversification

One of Pathway's objectives is to create an alternative investment portfolio for LACERS that is diversified by investment strategy. Based on March 31, 2001 market values plus unfunded capital commitments, LACERS' exposure to the various investment strategies remained relatively constant during the first quarter of 2001. Specifically, the venture capital strategies decreased slightly from 42.5% at year-end 2000 to 42.3% at March 31, 2001. Additionally, the portion of the alternative investment portfolio comprised of acquisition-related strategies increased from 52.1% at December 31, 2000 to 52.4% at March 31, 2001.

Investment Strategy Diversification
(% of Market Value plus Unfunded Capital Commitments)
As of March 31, 2001



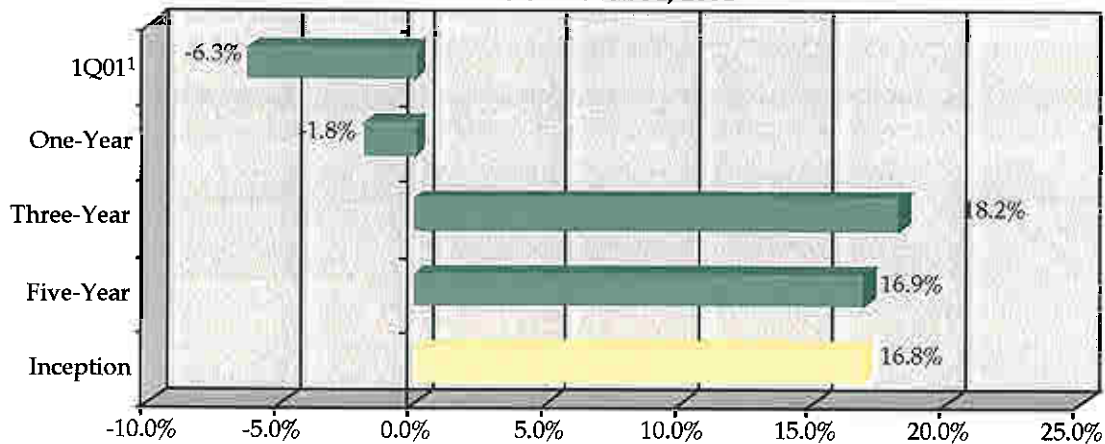
Performance

Due to the long term nature of the alternative investment asset class, Pathway measures performance using a variety of methods, as illustrated in the following charts.

Returns

The following chart illustrates LACERS' quarterly, one-, three-, and five-year, and inception returns as of March 31, 2001. As of March 31, 2001, LACERS' alternative investment portfolio generated an IRR of 16.8% since inception. The portfolio as a whole generated an IRR of -6.3% for the first quarter of 2001. Essex IV, WCAS VII, and WCAS VIII were the partnerships that had the largest impact on the portfolio during the first quarter of 2001.

**Quarterly, One-, Three-, Five-Year, and Inception Net IRRs
As of March 31, 2001**

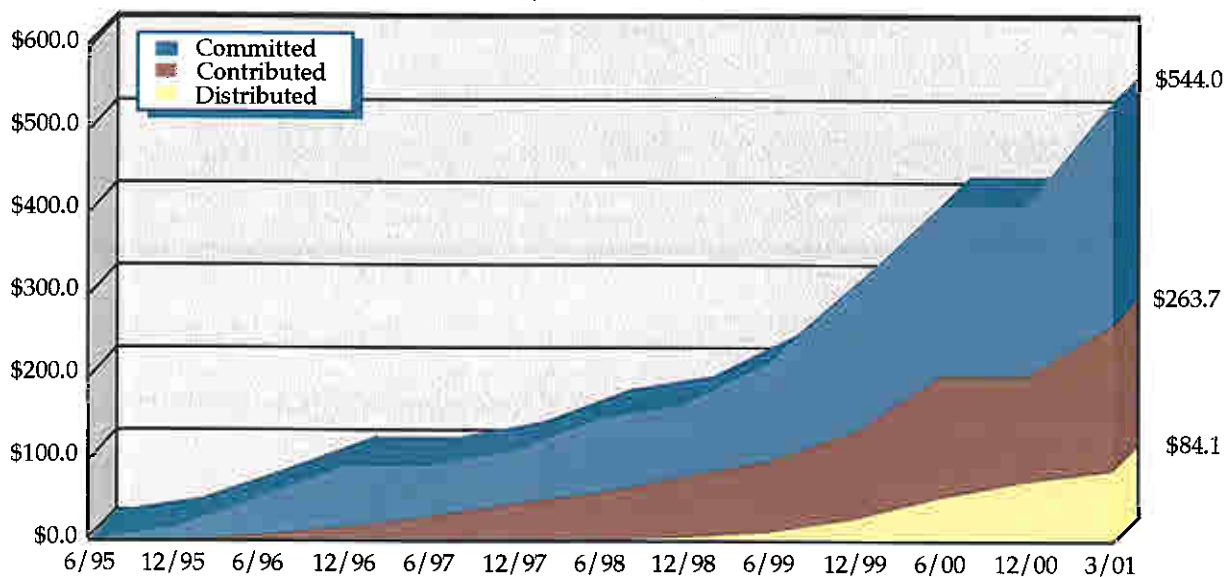


1. Quarterly return is not annualized.

LACERS' Commitments, Contributions and Distributions

The following chart illustrates the amount of capital that LACERS has committed and contributed to 41 alternative investment partnerships as of March 31, 2001, since the inception of the program in 1995. The chart also illustrates cumulative distributions received by LACERS since the inception of its alternative investment program. As of March 31, 2001, LACERS received cumulative distributions totaling \$84.1 million, representing 31.9% of the \$263.7 million LACERS has contributed to date.

**Total Capital Committed, Contributed, and Distributed
As of March 31, 2001
(\$ in millions)**



First Quarter 2001 Significant Events

- **WCAS VIII**

LACERS' investment in WCAS VIII experienced the largest decrease in value during the first quarter of 2001. The \$4.4 million decrease was due to the decline in value of several portfolio company investments. Most significantly, the Partnership's \$303.3 million investment in Winstar Communications was written-off during the quarter, due to a loss of funding and the general downturn in the telecommunications industry. The company subsequently filed for bankruptcy protection under Chapter 11 on April 18, 2001. Additionally, WCAS VIII's \$210.7 million investment in Centennial Communications declined by \$350.3 million, due to a 43.3% drop in the company's stock price during the first quarter of 2001. WCAS VIII generated a net IRR of -9.6% at March 31, 2001, compared with 16.4% at December 31, 2000.

- **Essex IV**

During the first quarter of 2001, LACERS' investment in Essex IV declined in value by \$2.0 million, mostly due to the decrease in value of several of the portfolio's publicly traded companies. Most significantly, the stock price of Cell Therapeutics closed at \$17.94 per share at March 31, 2001, a 60.2% drop from the December 31, 2000, closing price of \$45.06 per share. Additionally, the Partnership sold part of its investment in Cell Therapeutics at a price lower than the year-end 2000 value of the securities sold. The net return for Essex IV decreased from 100.1% at December 31, 2000, to 35.5% at March 31, 2001.

- **WCAS VII**

LACERS' investment in WCAS VII decreased by \$2.0 million during the first quarter of 2001, due primarily to the decline in the stock price of Amdocs. Specifically, the company's stock price fell by 27.7% during the quarter, closing at \$47.90 per share on March 31, 2001. Additionally, a portion of the Partnership's investment in Amdocs was realized at a price lower than the December 31, 2000, value of the investment. This resulted in a loss of \$197.8 million for the Partnership during the first quarter of 2001. WCAS VII generated a net return of 20.1% at March 31, 2001, down from 23.6% at year-end 2000.

Second Quarter 2001 Amendments and Consents

- **Navis V**

Date of Approval:	May 25, 2001
Subject:	The General Partner is requesting an extension of the final closing date of the Fund from May 31, 2001, to June 30, 2001.
Reason for Approval:	Pathway approved this amendment to allow more investors the opportunity to participate in the Fund without any measurable impact to LACERS.

Second Quarter 2001 Significant Distributions

- **Menlo VII**

On April 4, 2001, Menlo VII distributed 5.0 million shares of CIENA, representing the majority of CIENA shares the Partnership received after the company's March 29, 2001, acquisition of Cyras Systems. The shares distributed were collectively valued at \$174.5 million, of which \$163.9 million was considered gain. LACERS received 82,594 shares of CIENA, valued at \$2.9 million, compared with a cost of \$210,020. As of June 30, 2001, LACERS had received \$22.4 million from Menlo VII, representing 448.0% of its \$5.0 million commitment to the Fund.

• **WCAS VII**

WCAS VII distributed 1.9 million shares of Amdocs on May 8, 2001, valued at \$118.0 million, or 21.1 times the realized cost basis of \$5.6 million. LACERS received 16,450 shares of Amdocs common stock, valued at \$1.0 million, compared with a cost of \$59,334. This brings cumulative distributions received by LACERS from WCAS VII to \$13.9 million as of June 30, 2001.

Recent Commitments

Trident Capital Fund V, L.P.

LACERS' Commitment:	\$15.0 million
Fund Size:	\$658.1 million
LACERS' Ownership:	2.3%
Partnership Closing Date:	January 17, 2001
Investment Strategy:	Venture capital - Early
Industry Focus:	Communications and internet companies
Geographic Focus:	Diversified

Austin Ventures VIII, L.P.

LACERS' Commitment:	\$15.0 million
Fund Size:	\$1.5 billion
LACERS' Ownership:	1.0%
Partnership Closing Date:	January 29, 2001
Investment Strategy:	Venture capital - Early
Industry Focus:	Internet, communications and semiconductor companies
Geographic Focus:	Southwestern United States

Whitney V, L.P.

LACERS' Commitment:	\$10.0 million
Fund Size:	\$1.1 billion
LACERS' Ownership:	0.9%
Partnership Closing Date:	January 31, 2001
Investment Strategy:	Venture capital - Late
Industry Focus:	Communications, financial, healthcare, information technology, and transforming industries
Geographic Focus:	United States, Europe and Asia

Madison Dearborn Capital Partners IV, L.P.

LACERS' Commitment:	\$25.0 million
Fund Size:	\$4.0 billion
LACERS' Ownership:	0.6%
Partnership Closing Date:	January 31, 2001
Investment Strategy:	Acquisition - Medium
Industry Focus:	Diversified
Geographic Focus:	Diversified

CVC European Equity Partners III, L.P.

LACERS' Commitment:	\$15.0 million
Fund Size:	\$3.5 billion
LACERS' Ownership:	0.4%
Partnership Closing Date:	January 31, 2001
Investment Strategy:	Acquisition - International
Industry Focus:	Diversified
Geographic Focus:	Pan-European

Common Holdings

<u>Company</u>	<u>Partnerships</u>
AFR Holdco, Inc.	OCM, OCM II
Alliance Data Systems, Inc.	WCAS VII, WCAS VIII
Amatek	CVC, CVC II
AntFactory Ltd.	CVC II, J.H. Whitney IV
Carolina Broadband, Inc.	Chisholm IV, J.H. Whitney IVI
Centennial Cellular Corp.	WCAS VII, WCAS VIII
ClearSource, Inc.	Chisholm IV, J.H. Whitney IVI
Colo.com	Menlo VII, Menlo VIII
Conseco, Inc.	OCM II, OCM III, Tom Lee IV
Control Delivery Systems	Essex IV, Essex V
Council Tree Hispanic Broadcasters	Madison Dearborn III, Madison Dearborn IV
ePeople	Menlo VII, Menlo VIII
Eurotunnel Finance Limited	OCM, OCM II
Finova Capital	OCM II, OCM III
FirstMark Communications Europe	KKR 1996, WCAS VIII, WCAS IX
Global Knowledge Network	WCAS VII, WCAS VIII
Grande Communications	Austin VII, J.H. Whitney IV
GST Telecommunications	OCM II, OCM III
Headstrong	WCAS VIII, WCAS IX
HealthMarket	Chisholm IV, J.H. Whitney IV
ICO Global Communications	OCM II, OCM III
InPhase Technologies	Madison Dearborn III, Madison Dearborn IV
Integrated Health Services	OCM II, OCM III
Laidlaw	OCM II, OCM III
Lantern Communications, Inc.	Madison Dearborn III, Menlo VIII
Legerity, Inc.	Austin VII, TPG III
Loewen Group International	OCM II, OCM III
Loews Cineplex Entertainment Corp.	OCM II, OCM III
Lukinter Finance B.V.	OCM, OCM II
Maidenform, Inc.	OCM, OCM II
Mariner Post-Acute Network	OCM II, OCM III
Medcath Corporation	KKR 1996, WCAS VII

New Lecta	CVC, CVC II
nTelos (fka CFW Comm.)	WCAS VIII, WCAS IX
Pacific Aircorp	OCM, OCM II
Payless Cashways	OCM, OCM III
Penn Traffic	OCM, OCM II
PeopleFirst.com	Madison Dearborn III, Richland III
Premium Standard Farms	OCM, OCM II
PT Indah Kiat Pulp and Paper Corp.	OCM, OCM II
Reeves Industries	OCM, OCM II
Risk Management Alternatives	GTCR V, GTCR VI
SAVVIS Communications	WCAS VII, WCAS VIII
Select Medical Corp.	GTCR V & VI, Thoma, Cressey VI, WCAS VII
Service Corporation International	OCM II, OCM III
SHPS, Inc.	WCAS VIII, WCAS IX
SIMCALA	CGW III, OCM II
Spalding Holdings Corp.	KKR 1996, OCM
Sunbeam Corp.	OCM II, OCM III
U.S. Loyalty Corp.	WCAS VII, WCAS VIII
Valor Telecommunications Southwest, LLC	WCAS VIII, WCAS IX
Waxman Industries, Inc.	OCM, OCM II
Wyndham International, Inc.	Apollo IV, Tom Lee IV
Zhone Investors V, LLC	KKR 1996, Madison Dearborn III

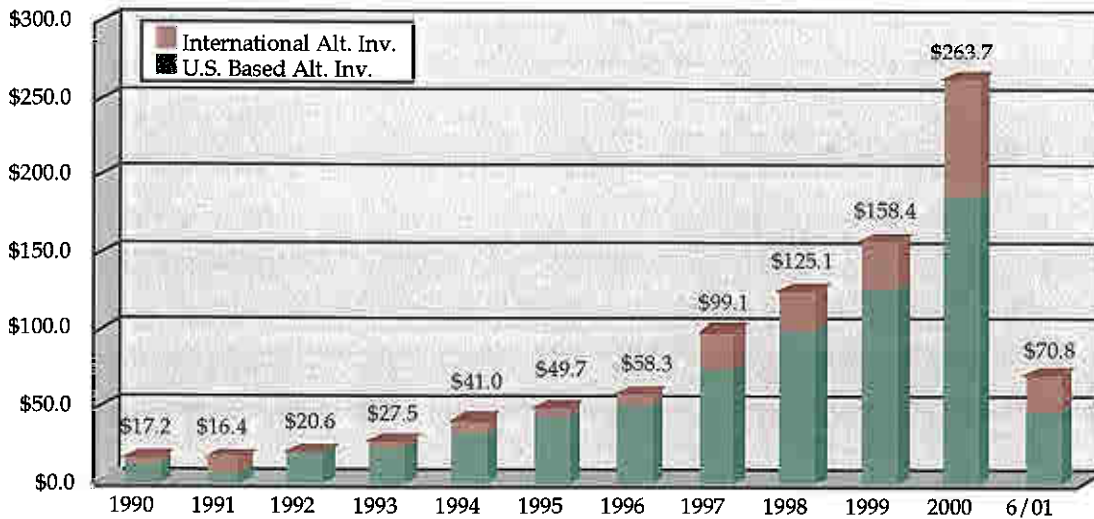
Alternative Investment Environment

Overall Alternative Investment Environment

Alternative Investment fund raising has substantially slowed from last year's record \$263.7 billion in capital commitments. The first half of 2001 raised a total of \$70.8 billion in commitments in alternative investments worldwide. Many prominent alternative investment firms have scaled back or closed on funds below their original fundraising targets. The slow down in the pace of fundraising should benefit investors for two primary reasons. First, investors have a longer period of time to conduct due diligence on funds being considered for investments. Second, a more challenging fundraising environment should result in limited partners having greater negotiating power with general partners, resulting in more favorable terms.

The majority of the capital raised came from U.S.-based alternative investment partnerships, which accounted for 63.7% of the total amount raised in the first six months of 2001. The following chart illustrates the amount of alternative investment capital raised worldwide on an annual basis since 1990.

**Annual Worldwide Alternative Investment Fundraising
(\$ in billions)**



Source: *Venture Economics*

Over the last one-year period, alternative investment returns have turned negative, coinciding with the dramatic drop in the performance of the NASDAQ market over the same time period. Specifically, U.S. venture capital firms generated a return of -1.9% for the one-year period ending March 31, 2001, compared with U.S. buyout firms, which generated a return of -6.7% over the same period. Venture capital firms have produced strong returns in the three-, five-, ten-, and 20-year time periods, exceeding the returns of buyout firms as measured in the table below.

<u>Fund Type</u>	<u>1 Yr.</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	<u>10 Yr.</u>	<u>20 Yr.</u>
Venture Capital	-1.9%	57.8%	44.4%	29.1%	19.3%
Buyouts	-6.7%	8.2%	13.1%	14.9%	17.0%
Mezzanine	11.2%	10.8%	10.7%	11.9%	11.5%
Total Alternative Inv.	-4.9%	23.5%	24.3%	21.0%	18.4%

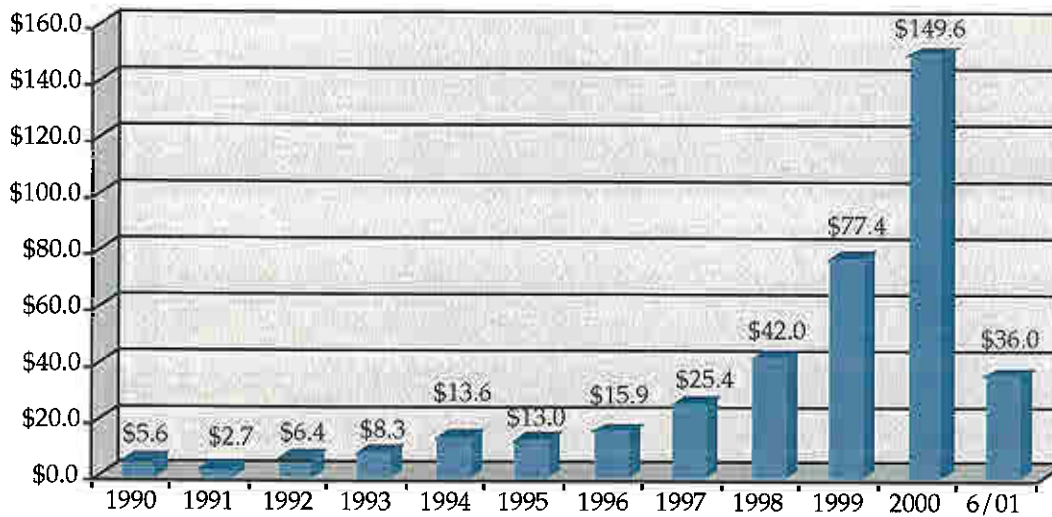
Source: *Venture Economics*

Venture Capital Environment

Worldwide venture capital fundraising has slowed, compared with the rapid pace in 2000. However, both 1999 and 2000 were atypical years for the venture capital industry, as numerous venture capital funds raised follow-on funds in both 1999 and 2000. In fact, several prominent venture capital funds raised three funds during the four-year period from 1997 to 2000. As a result, it is not unexpected that fundraising during 2001 has slowed.

During the first half of 2001, venture capital funds only closed on \$36.0 billion, compared with \$149.6 billion for the full year of 2000. It is anticipated that venture capital fundraising levels for 2001 will be at least 35% below last year's levels. U.S. venture capital firms accounted for 68.5% of the 2001 total, down from 71.3% in 2000. The chart on the following page illustrates annual worldwide fundraising levels for venture capital firms since 1990.

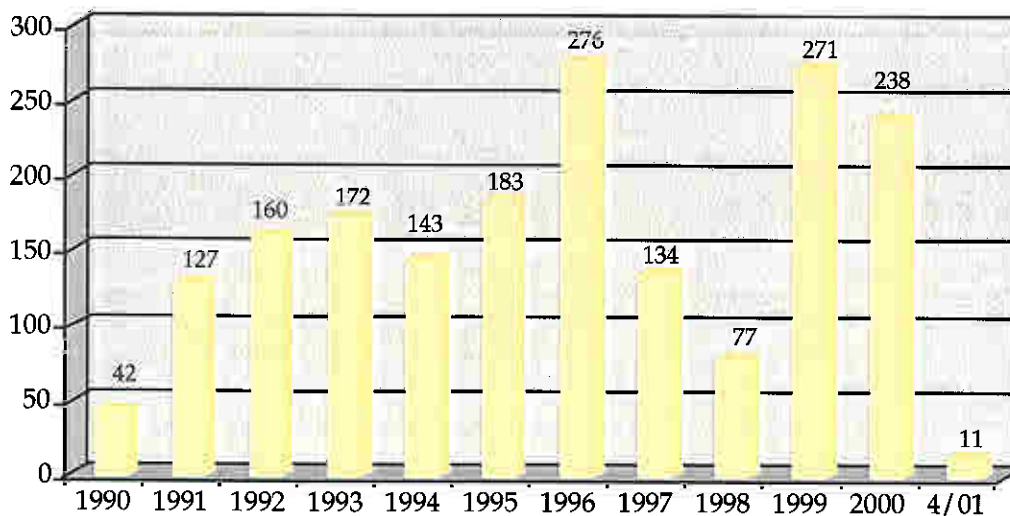
Annual Worldwide Venture Capital Fundraising (\$ in billions)



Source: *Venture Economics*

During the first four months of 2001, only 11 venture-backed companies were taken public. The sell-off in the NASDAQ market, especially of young internet companies, has left investors with huge losses from previous IPOs. Only 18.4% of the last year's initial public offerings ("IPO") were trading above their initial public offering prices.

Number of Venture-Backed IPOs by Year



Source: *Venture Capital Journal*

For the time being, the IPO market remains very selective as a method for venture capitalists to exit portfolio companies. The decline in IPO activity is expected to have a negative impact on existing venture capital partnerships by lengthening the development time for portfolio companies. Longer holding periods and lower interim valuations will have a negative impact on the returns of fully invested venture capital partnerships. However, for new investments being made, the difficult IPO market combined with the declining public markets has resulted in venture capitalists investing at a slower rate, spending more time evaluating investment opportunities, and paying significantly lower valuations, which should have a positive impact on eventual returns.

The performance for the venture capital asset class has declined significantly over the last quarter as follow-on rounds of financing continued to decline in value or disappeared entirely. The following table provides a further breakdown of venture capital returns by stage of investment over five different time periods ending March 31, 2001.

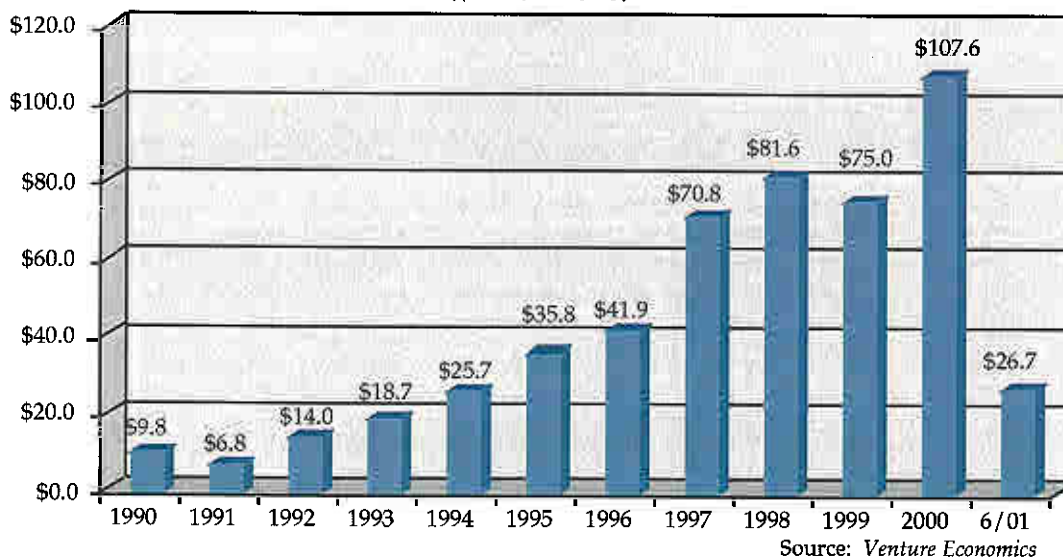
<u>Fund Type</u>	<u>1 Yr.</u>	<u>3 Yr.</u>	<u>5 Yr.</u>	<u>10 Yr.</u>	<u>20 Yr.</u>
Early / Seed	1.1%	86.0%	61.2%	35.3%	23.0%
Balanced	-5.7%	48.3%	38.9%	25.3%	17.1%
Later-Stage	-2.0%	31.5%	28.5%	26.2%	18.0%
All Venture Capital	-1.9%	57.8%	44.4%	29.1%	19.3%

Source: *Venture Economics*

Special Equity Environment

Buyout funds raised \$26.7 billion in the first half of 2001 reflecting a slowdown from last year's record pace of \$107.6 billion. The commitment pace slowed during the second half of 2000 and continued into 2001. Several prominent firms have recently lowered their targets for new funds during this difficult fundraising environment. As a result, this year's fundraising for buyout firms will be significantly less than last year's. The following chart shows the annual fundraising since 1990.

**Annual Buyout Fundraising
(\$ in billions)**



The current environment should also offer buyout firms investment opportunities in non-technology companies that have been overlooked by the public markets over the last few years. According to the industry trade publication *Buyouts*, the average purchase price multiple paid by financial buyers is currently at the lowest level since 1995. Additionally, according to an article in *The Private Equity Analyst*, valuations for private companies have declined over 30 percent since 2000. Therefore, the declining valuations of private companies over the near term should provide significant opportunities to those investors with capital available to invest over the next several years.

LACERS' Alternative Investment Portfolio Summary

From Inception to March 31, 2001
(\$000s)

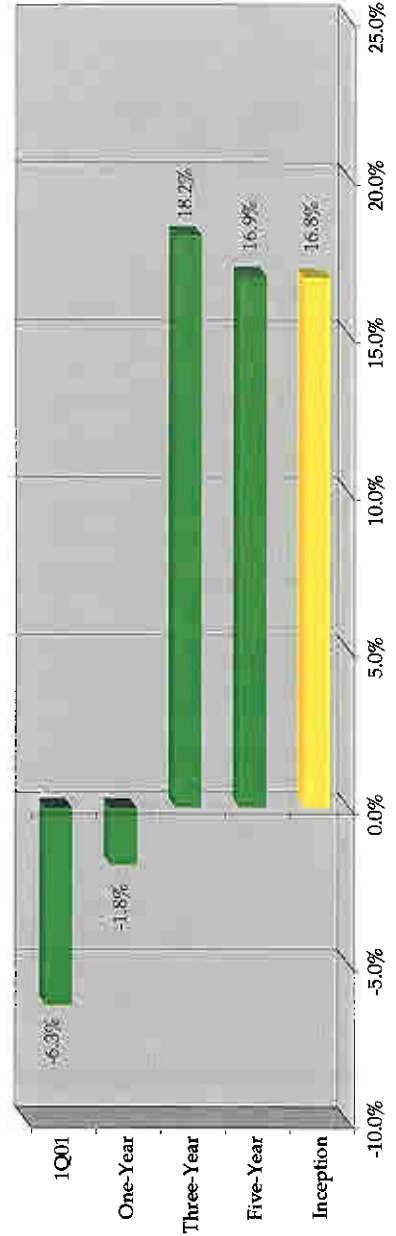
Partnership	Fund Incept. Date	Fund Size (In Mil.)	Commit.	Contrib. ¹	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR ²	V. E. Industry Median Q'tile ³	V. E. Industry Upper Q'tile ³	
1995 Generation												
1 WCAS VII	10/95	\$1,425.7	\$15,000	\$15,000	\$13,964	\$12,855	\$26,819	\$11,819	20.1%	6.3%	20.0%	
2 OCM	10/95	670.7	11,000	11,000	5,527	11,000	16,527	5,527	11.2%	8.1%	20.7%	
			\$26,000	\$26,000	\$19,492	\$23,855	\$43,347	\$17,347	16.0%	7.1%	20.3% ⁴	
1996 Generation												
3 CVC European	2/96	\$630.0	\$10,000	\$9,414	\$6,535	\$10,769	\$17,305	\$7,891	23.6%	7.9%	15.6%	
4 CGW Southeast III	4/96	278.1	9,000	8,404	3,270	3,669	6,940	(1,464)	-8.1%	7.9%	15.6%	
			\$19,000	\$17,817	\$9,805	\$14,439	\$24,244	\$6,427	12.3%	7.9%	15.6% ⁴	
1997 Generation												
5 InterWest VI	6/96	\$175.0	\$5,000	\$5,000	\$9,065	\$8,932	\$17,997	\$12,997	79.6%	41.0%	87.4%	
6 GTCR Fund V	7/96	521.0	10,000	10,000	9,718	2,762	12,480	2,480	8.8%	1.5%	22.7%	
7 KKR 1996 Fund ^d	9/96	6,012.0	25,000	22,330	22,316	4,623	26,939	4,609	10.8%	1.5%	22.7%	
8 Menlo VII	10/96	252.5	5,000	4,250	7,696	18,894	26,590	22,340	156.9%	41.0%	87.4%	
9 OCM II	10/97	1,500.0	11,000	11,000	12,106	761	12,867	1,867	6.6%	2.1%	23.6%	
			\$56,000	\$52,580	\$60,902	\$35,972	\$96,874	\$44,293	33.9%	8.6%	34.3% ⁴	
1998 Generation												
10 Thomas Lee IV ^e	12/97	\$3,190.9	\$7,000	\$5,751	\$6,696	\$66	\$6,762	\$1,011	10.7%	0.9%	8.6%	
11 Kelso VI	2/98	1,500.0	5,000	2,043	1,784	9	1,793	(250)	-10.1%	0.9%	8.6%	
12 Apollo IV	4/98	3,600.0	5,000	4,257	4,746	37	4,783	526	8.0%	0.9%	8.6%	
13 GTCR Fund VI	4/98	870.0	10,000	9,604	7,432	5,474	12,906	3,301	33.1%	0.9%	8.6%	
14 Thoma Cressey VI	5/98	450.0	5,000	4,200	4,625	0	4,625	425	9.6%	0.9%	8.6%	
15 CVC European II	6/98	2,500.0	10,000	7,036	6,086	1,035	7,120	84	0.7%	3.0%	12.6%	
16 Essex Woodlands IV ^e	6/98	137.4	4,000	2,694	2,954	924	3,878	1,184	35.5%	32.2%	76.2%	
17 WCAS VIII	7/98	3,150.0	15,000	13,950	12,192	0	12,192	(1,758)	-9.6%	0.9%	8.6%	
			\$61,000	\$49,535	\$46,516	\$7,544	\$54,060	\$4,525	6.9%	2.9%	12.8% ⁴	
1999 Generation												
18 Madison Dearborn III	1/99	\$2,173.0	\$16,000	\$11,903	\$13,090	\$0	\$13,090	\$1,187	11.1%	-3.1%	0.7%	
19 CGW Southeast IV	4/99	404.5	10,000	3,662	3,403	0	3,403	(259)	-10.6%	0.0%	5.7%	
20 Chisholm IV	5/99	275.0	9,000	5,887	6,718	174	6,892	1,004	18.7%	17.5%	39.7%	
21 Menlo VIII	5/99	505.1	18,000	10,800	12,999	0	12,999	2,199	25.5%	17.5%	39.7%	
22 OCM III	9/99	2,076.9	10,000	8,500	9,044	29	9,073	573	10.3%	0.0%	5.7%	
23 Richland III	9/99	202.0	18,000	11,664	10,560	0	10,560	(1,104)	-9.9%	17.5%	39.7%	
24 Vestar IV	10/99	2,525.0	17,000	2,603	2,353	3	2,357	(248)	-17.0%	-3.1%	0.7%	
25 Austin VII	11/99	825.0	17,000	6,491	7,594	0	7,594	1,103	25.9%	17.5%	39.7%	
26 J.H. Whitney IV	11/99	1,000.0	25,000	20,711	20,122	0	20,122	(589)	-3.8%	17.5%	39.7%	
27 Alchemy Investment Plan ⁷	12/99	425.0	7,000	8,126	5,760	2,122	7,882	(244)	-4.5%	0.0%	5.7%	
			\$147,000	\$90,348	\$91,643	\$2,328	\$93,971	\$3,623	5.2%	10.3%	25.8% ⁴	

LACERS' Alternative Investment Portfolio Summary

From Inception to March 31, 2001
(\$000s)

Partnership	Fund Incept. Date	Fund Size (In Mil.)	Commit.	Contrib. ¹	Market Value	Distrib.	Total Value	Gain/ (Loss)	Inception IRR ²	V. E.		
										Industry Median Q'tile ³	Industry Upper Q'tile ³	
2000 Generation												
28 TPG III	12/99	\$3,500.0	\$25,000	\$7,655	\$5,913	\$0	\$5,913	(\$1,742)	-30.7%	-12.2%	-3.2%	
29a GTCR Fund VII	1/00	1,516.5	18,750	7,781	7,457	0	7,457	(324)	-8.3%	-12.2%	-3.2%	
30 VantagePoint IV	4/00	1,100.0	15,000	1,200	875	0	875	(325)	N.M.	N.M.	N.M.	
31 Weston Presidio IV	4/00	1,352.8	15,000	1,500	1,281	0	1,281	(219)	N.M.	N.M.	N.M.	
32 Thomas Lee V	4/00	6,000.0	15,000	124	0	0	0	(124)	N.M.	N.M.	N.M.	
33 WCAS IX	6/00	3,900.0	15,000	2,850	2,067	0	2,067	(783)	N.M.	N.M.	N.M.	
34 Navis V	6/00	1,000.0	15,000	713	433	1	434	(279)	N.M.	N.M.	N.M.	
35 Essex Woodlands V	7/00	280.4	10,000	1,000	846	0	846	(154)	N.M.	N.M.	N.M.	
36 Trident V	8/00	658.1	15,000	1,500	1,255	0	1,255	(245)	N.M.	N.M.	N.M.	
37 Madison Dearborn IV	11/00	4,036.0	25,000	0	0	0	0	0	N.M.	N.M.	N.M.	
			\$168,750	\$24,323	\$20,127	\$1	\$20,128	(\$4,195)	N.M.			
2001 Generation												
29b GTCR VII-A	7/00	\$483.5	\$6,250	\$656	\$658	\$0	\$658	\$2	N.M.	N.M.	N.M.	
38 Menlo IX	7/00	1,515.2	20,000	1,000	881	0	881	(119)	N.M.	N.M.	N.M.	
39 Austin VIII	1/01	1,500.0	15,000	0	0	0	0	0	N.M.	N.M.	N.M.	
40 Whitney V	1/01	1,100.0	10,000	1,456	1,422	0	1,422	(34)	N.M.	N.M.	N.M.	
41 CVC III	1/01	3,500.0	15,000	0	0	0	0	0	N.M.	N.M.	N.M.	
			\$66,250	\$3,112	\$2,961	\$0	\$2,961	(\$151)	N.M.			
Total			\$544,000	\$263,716	\$251,446	\$84,139	\$335,585	\$71,869	16.8%			

LACERS' Alternative Investment Portfolio Performance
As of March 31, 2001



Notes to the Portfolio Summary

1. Capital contributions may exceed capital commitments due to the inclusion of outside management fees.
2. IRR's are net of fees, expenses and general partner carried interest.
3. Preliminary Industry median and upper quartile IRR reported by *Venture Economics* as of March 31, 2001. The benchmark is particular to the investment strategy of each partnership.
4. Blended performance benchmark calculations: ((psp. contributed capital/generation contributed capital) * final industry median (upper) IRR).
5. KKR's unaudited market value has been reduced to reflect a five percent discount for illiquid public holdings.
6. Pathway has reduced the Thomas Lee IV and Essex IV market values to reflect values that are net of the General Partners' carried interest.
7. LACERS' \$7.0 million commitment is an annual commitment, which equates to \$21.0 million over a three-year period.

N.M. - Not Meaningful

LACERS' Alternative Investment Portfolio Summary
Second Quarter Activity

as of June 30, 2001
(\$000s)

Partnership	Commit.	Actual 3/31/01 Market Value	2nd Qtr Contrib.	2nd Qtr Distrib.	Estimated 6/30/01 Market Value	Cum. Contrib. ¹	Cum. Distrib.
1995 Generation							
1 WCAS VII	\$15,000	\$13,964	\$0	\$1,005	\$12,960	\$15,000	\$13,860
2 OCM	11,000	5,527	0	0	5,527	11,000	11,000
	\$26,000	\$19,492	\$0	\$1,005	\$18,487	\$26,000	\$24,860
1996 Generation							
3 CVC European	\$10,000	\$6,535	\$0	\$0	\$6,535	\$9,414	\$10,769
4 CGW Southeast III	9,000	3,270	207	0	3,477	8,611	3,699
	\$19,000	\$9,805	\$207	\$0	\$10,013	\$18,024	\$14,439
1997 Generation							
5 InterWest VI	\$5,000	\$9,065	\$0	\$0	\$9,065	\$5,000	\$8,932
6 GTCR Fund V	10,000	9,718	0	0	9,718	10,000	2,762
7 KKR 1996 Fund	25,000	22,316	(960)	58	21,267	21,340	4,681
8 Menlo VII	5,000	7,696	0	3,496	4,201	4,250	22,390
9 OCM II	11,000	12,106	0	733	11,373	11,000	1,494
	\$56,000	\$60,902	(\$960)	\$4,287	\$55,625	\$51,590	\$40,259
1998 Generation							
10 Thomas Lee IV	\$7,000	\$6,696	\$20	\$0	\$6,716	\$5,771	\$66
11 Kelso VI	5,000	1,784	0	0	1,784	2,043	9
12 Apollo IV	5,000	4,746	318	0	5,064	4,575	37
13 GTCR Fund VI	10,000	7,432	200	0	7,632	9,804	5,474
14 Thoma Cressey VI	5,000	4,625	300	0	4,925	4,500	0
15 CVC European II	10,000	6,086	621	196	6,511	7,658	1,231
16 Essex Woodlands IV	4,000	2,954	220	264	2,910	2,914	1,189
17 WCAS VIII	15,000	12,192	0	0	12,192	13,950	0
	\$61,000	\$46,516	\$1,679	\$461	\$47,734	\$51,215	\$6,005
1999 Generation							
18 Madison Dearborn III	\$16,000	\$13,090	\$432	\$247	\$13,275	\$12,336	\$247
19 CGW Southeast IV	10,000	3,403	36	0	3,439	3,698	0
20 Chisholm IV	9,000	6,718	211	0	6,929	6,099	174
21 Menlo VIII	18,000	12,999	0	0	12,999	10,800	0
22 OCM III	10,000	9,044	1,500	0	10,544	10,000	29
23 Richland III	18,000	10,560	2,160	0	12,720	13,824	0
24 Vestar IV	17,000	2,353	1,003	0	3,357	3,606	3
25 Austin VII	17,000	7,594	721	0	8,315	7,212	0
26 J.H. Whitney IV	25,000	20,122	0	0	20,122	20,711	0
27 Alchemy Investment Plan	7,000	5,760	82	799	5,042	8,208	2,921
	\$147,000	\$91,843	\$6,145	\$1,047	\$96,742	\$96,494	\$3,375
2000 Generation							
28 TPG III	\$25,000	\$5,913	\$0	\$0	\$5,913	\$7,655	\$0
29a GTCR Fund VII	18,750	7,457	1,781	0	9,238	9,563	0
30 VantagePoint Ventures IV	15,000	875	300	0	1,175	1,500	0
31 Weston Presidio IV	15,000	1,281	375	0	1,656	1,875	0
32 Thomas Lee V	15,000	0	91	0	91	215	0
33 WCAS IX	15,000	2,067	0	0	2,067	2,850	0
34 Navis V	15,000	433	(205)	10	218	508	11
35 Essex Woodlands V	10,000	846	250	0	1,096	1,250	0
36 Trident V	15,000	1,255	72	0	1,327	1,572	0
37 Madison Dearborn IV	25,000	0	506	0	506	506	0
	\$168,750	\$20,127	\$3,170	\$10	\$23,287	\$27,493	\$11
2001 Generation							
29b GTCR VII-A	\$6,250	\$658	\$313	\$0	\$971	\$969	\$0
38 Menlo IX	20,000	881	0	0	881	1,000	0
39 Austin VIII	15,000	0	0	0	0	0	0
40 Whitney V	10,000	1,422	0	0	1,422	1,456	0
41 CVC III	15,000	0	0	0	0	0	0
	\$66,250	\$2,961	\$313	\$0	\$3,274	\$3,424	\$0
6/30/01 Total	\$544,000	\$251,446	\$10,524	\$6,809	\$255,161	\$274,240	\$90,946

1. Capital contributions may exceed capital commitments due to the inclusion of outside management fees.