Alternative Investment Portfolio Update
Fourth 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

Fourth Quarter 2001

In This Report

Introduction

Pathway Capital Management, LLC, ("Pathway") has assisted the Los Angeles City Employees' Retirement System ("LACERS") in committing $549.6 million to 41 alternative investment partnerships as of September 30, 2001.[1] LACERS' target allocation for the market value of its alternative investment portfolio is 5.0% of the total pension fund size. As of September 30, 2001, the alternative investment portfolio had a market value of $237.6 million, or 3.6% 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 third and fourth quarters of 2001.[2]

Portfolio Overview

Table 1 illustrates the third quarter activity for LACERS' alternative investment portfolio. For a breakdown by partnership, please refer to the Portfolio Summary included in this report.

Table 1

LACERS' Alternative Investment Portfolio
Third Quarter 2001 Activity[1]
($ in millions)

	No. of Psps.[a]	Commit.[a,e]	Cum. Cont.[b]	Mkt. Value	Cum. Dist	Total Value[c]	Gain/ (Loss)	Incep. IRR	Qtr. Return[d]
Sept 30, 2001	41	$549.6	$286.6	$237.7	$102.9	$340.5	$54.0	10.6%	-8.3%
Prior Quarter	41	549.5	274.2	258.7	90.9	349.6	75.4	15.7%	1.4%
Quarter Change	*0*	*$0.1*	*$12.4*	*($21.0)*	*$12.0*	*($9.1)*	*($21.4)*	*(5.1%)*	

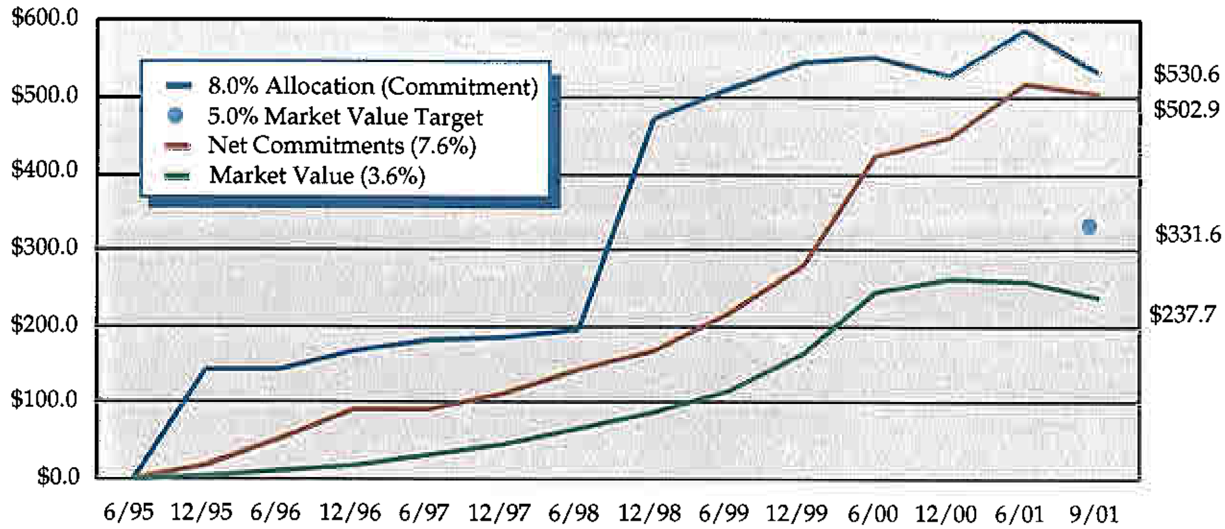
[a] As of December 31, 2001, LACERS had committed $559.6 million to 42 alternative investment partnerships.
[b] Includes management fees called outside of LACERS capital commitment.
[c] The total value is equal to the market value plus cumulative distributions.
[d] Quarterly return is not annualized.
[e] Commitments to foreign partnerships are accounted for by multiplying the unfunded commitment amount by the quarter-ending exchange rate, added to cumulative capital contributions, causing LACERS' commitment to each partnership to fluctuate on a quarterly basis.

1. While the date of this report is December 31, 2001, the most recent partnership financial data available is as of September 30, 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

Figure 1

LACERS' Alternative Investment Portfolio
Target Allocation as of September 30, 2001[1]
($ in Millions)



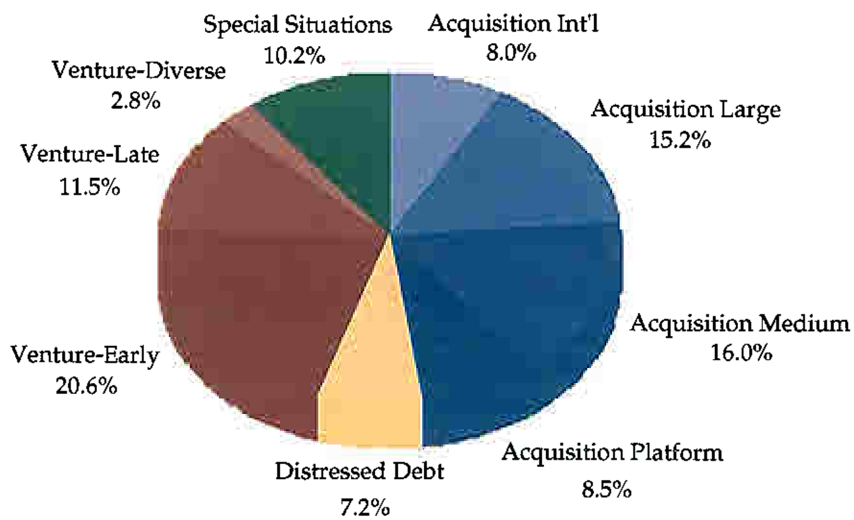
1. Target allocation increased from 7% to 8% during 2001.

Diversification

One of Pathway's objectives is to create an alternative investment portfolio for LACERS that is diversified by investment strategy. Based on September 30, 2001, market values plus unfunded capital commitments, acquisition-related strategies, which accounted for 47.7% of the portfolio, continued to make up the largest percentage. Additionally, the venture capital strategies comprised 34.9% of LACERS' portfolio at September 30, 2001.

Figure 2

Investment Strategy Diversification
(% of Market Value plus Unfunded Capital Commitments)
As of September 30, 2001 [1]



1. Includes commitments made through December 31, 2001.

Performance

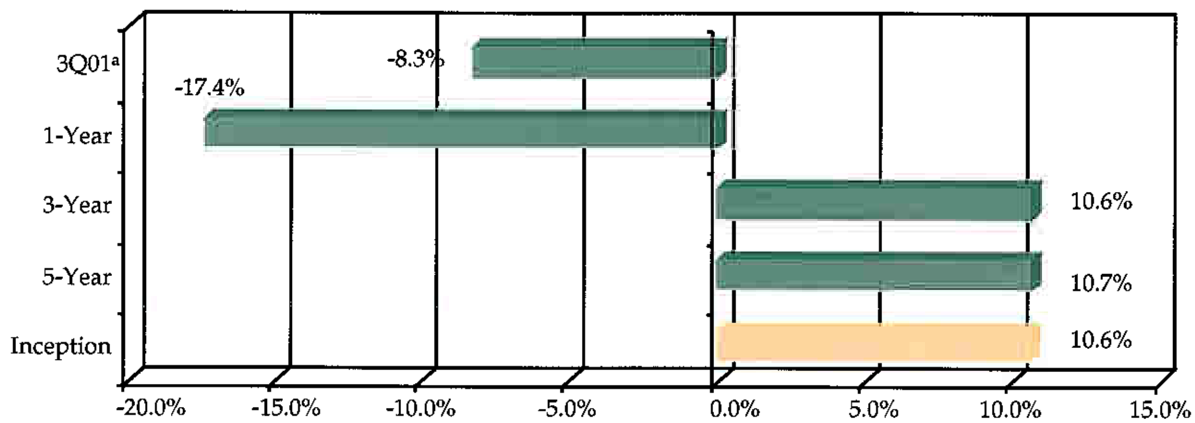
Due to the long-term nature of the alternative investment asset class, Pathway measures performance using a variety of methods, as illustrated in the following charts.

Returns

Figure 3 illustrates LACERS' quarterly, 1-, 3-, 5-year, and inception returns as of September 30, 2001. As of September 30, 2001, LACERS' alternative investment portfolio generated a net IRR of 10.6% since inception. The portfolio as a whole generated a net IRR of -8.3% for the third quarter of 2001. Menlo VIII, J.H. Whitney IV, and WCAS VII were the partnerships that had the largest negative impact on the portfolio during the third quarter of 2001.

Figure 3

Quarterly, 1-, 3-, 5-Year, and Inception Net IRRs
As of September 30, 2001



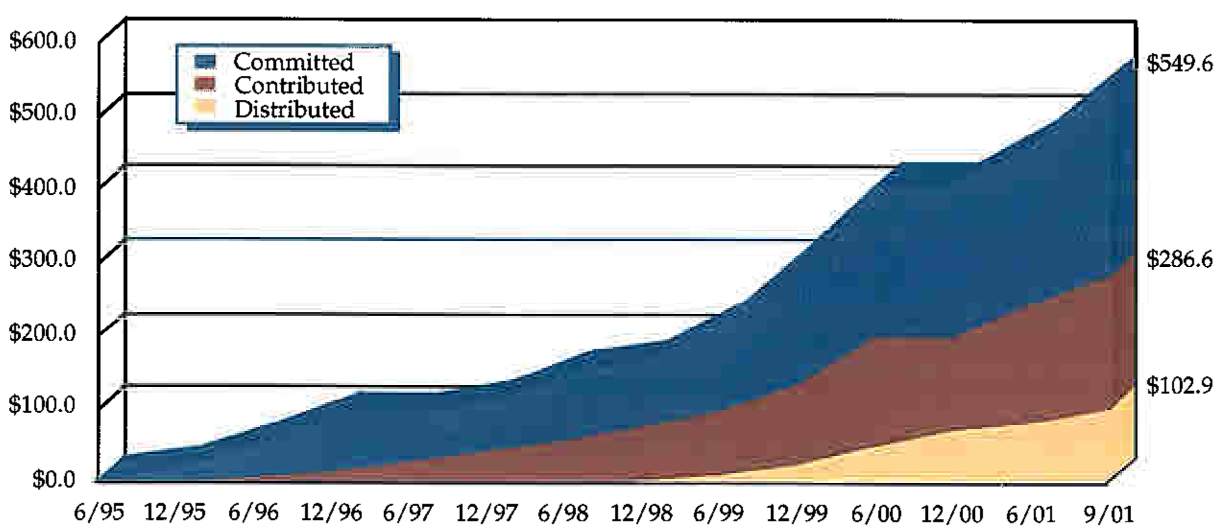
[a] Quarterly return is not annualized.

LACERS' Commitments, Contributions, and Distributions

Figure 4 illustrates the amount of capital that LACERS has committed and contributed to its 41 alternative investment partnerships since the inception of the program in 1995 through September 30, 2001. Figure 4 also illustrates cumulative distributions received by LACERS since the inception of its alternative investment program. As of September 30, 2001, LACERS received cumulative distributions totaling $102.9 million, representing 35.9% of the $286.6 million LACERS has contributed to date.

Figure 4

Total Capital Committed, Contributed, and Distributed
As of September 30, 2001
($ in millions)



Third Quarter 2001 Significant Events

- **Menlo VIII**
  LACERS' investment in Menlo VIII decreased by $2.8 million during the third quarter of 2001, due primarily to the performance of the Fund's investments in Centerpoint Broadband and LuxN, which generated unrealized losses of $47.0 million and $25.8 million, respectively. Although the General Partner is pleased by the progress of these two companies, the write-downs were taken to reflect existing market conditions. It is important to note that both of these companies are valued at cost at September 30, 2001. Menlo VIII's net IRR fell from 7.1% at June 30, 2001, to -15.1% at September 30, 2001.

- **J.H. Whitney IV**
  During the third quarter of 2001, LACERS' investment in J.H. Whitney IV experienced the largest decrease in value. The $4.9 million decrease in value was due to the decline in value of J.H. Whitney's current investments by $172.5 million during the third quarter of 2001. The Fund's investment in Home Link Services decreased in value by $16.6 million, due to a delay in the launching of one of the company's call centers. As a result of the declines in value, J.H. Whitney's net IRR fell from 7.0% at June 30, 2001, to -25.8% at September 30, 2001.

- **WCAS VII**
  During the third quarter of 2001, LACERS' investment in WCAS VII experienced a decrease in value of $5.0 million, primarily as a result of the drop in stock price of Amdocs Limited. Specifically, Amdocs Limited price per share decreased by 50.5%, from $53.85 per share on June 30, 2001, to $26.65 per share on September 30, 2001. This resulted in an unrealized loss for the Partnership of $185.4 million. WCAS VII's investment in Amdocs Limited, however, was valued at $181.6 million as of September 30, 2001, compared with a cost of only $19.8 million. The Fund's investment in MedCath also contributed to the poor performance of the Partnership during the quarter. Specifically, MedCath completed its IPO on July 23, 2001, at $25.00 per share and closed on the last trading day of September at $16.15. Consequently, MedCath's public market value was less than the Partnership had valued it while it was still privately held at the end of the second quarter. As of September 30, 2001, WCAS VII generated a net IRR of 20.8%, down from 24.2% at June 30, 2001.

Fourth Quarter 2001 Amendments and Consents

- **CGW III**

Date of Approval:	December 17, 2001
Subject:	The General Partner is proposing to waive all management fees for the remainder of the Fund's life and have the amount of the "clawback," if any, reduced by the aggregate amount of such deferred management fee.
Reason for Approval:	Pathway approved this amendment because the defferal of management fees benefits the Limited Partners.

Fourth Quarter 2001 Significant Distributions

- **WCAS VII**

WCAS VII made four distributions to LACERS in the fourth quarter of 2001 totaling $1.0 million. Most significantly, on November 29, 2001, WCAS VII distributed $376,712 to LACERS, representing 11,070 shares of Amdocs valued at 34.03 per share. Of the amount distributed, $39,555 was considered cost and $337,156 was considered gain. Additionally, on December 4, 2001, the Fund distributed 24,219 shares of Select Medical to LACERS valued at $392,542, compared to a cost of $165,341. As of September 30, 2001, LACERS had received $15.4 million from WCAS VII, which represents 102.6% of its $15.0 million commitment to the Fund.

- **KKR 1996**

KKR 1996 made four cash distributions to LACERS totaling $1.2 million in the fourth quarter of 2001. Most significantly, on November 29, 2001, KKR 1996 distributed $329.1 million, resulting from the sale of shares from the Willis Group's secondary offering. LACERS received $1.2 million as its portion of the distribution, of which $192,247 was cost, $972 was income, and $974,085 was considered gain. As of December 31, 2001, LACERS had received $8.2 million from KKR 1996, which represents 32.7% of its $25.0 million commitment to the Fund.

- **OCM II**

During the fourth quarter of 2001, OCM II made two cash distributions totaling $1.3 million. On November 15, 2001, the Partnership distributed $549,980 in proceeds, of which $125,231 was considered income and $424,749 million was considered cost. The second distribution of $733,307 occurred on December 26, 2001. Of the amount distributed, $167,916 was deemed interest, with $565,391 considered cost. This brings cumulative distributions received by LACERS from OCM II to $5.0 million as of December 31, 2001, representing 45.3% of its $11.0 million commitment to the Fund.

Recent Commitments

OCM Opportunities Fund IV, L.P.

LACERS' Commitment:	$10.0 million
Fund Size:	$3.0 billion
LACERS' Ownership:	0.3%
Partnership Closing Date:	December 20, 2001
Investment Strategy:	Distressed Debt
Industry Focus:	Diversified
Geographic Focus:	Diversified

Common Holdings

Company	Partnerships
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
APP International Finance, Co.	OCM II, OCM III
Cementbouw Handel & Industrie BV	CVCII, CVC III
Centennial Cellular Corp.	WCAS VII, WCAS VIII
ClearSource, Inc.	Chisholm IV, J.H. Whitney IVI
Cord Blood Registry	Essex IV, Essex V

Control Delivery Systems	Essex IV, Essex V
Council Tree Hispanic Broadcasters	Madison Dearborn III, Madison Dearborn IV
Egenera	Austin VII, Austin VIII
ePeople	Menlo VII, Menlo VIII
Eurotunnel Finance Limited	OCM, OCM II
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
Kappa Packaging	CVC II, CVC 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
Maidenform, Inc.	OCM, OCM II
Mariner Post-Acute Network	OCM II, OCM III
Medcath Corporation	KKR 1996, WCAS VII
MEMX, Inc.	Austin VII, Austin VIII
MetroPCS, Inc.	J.H. Whitney IV, Whitney V
New Lecta	CVC, CVC II
Newisys, Inc.	Austin VII, Austin VIII
nTelos (fka CFW Comm.)	WCAS VIII, WCAS IX
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 II, OCM III
Reeves Industries	OCM, OCM II
Rinat Neurosciences	Essex IV, Essex V
Risk Management Alternatives	GTCR V, GTCR VI
Salix Pharmaceuticals., Inc.	Essex IV, Essex V
SAVVIS Communications	WCAS VII, WCAS VIII
Select Medical Corp.	GTCR V & VI, Thoma, Cressey VI, WCAS VII
SHPS, Inc.	WCAS VIII, WCAS IX
Silver Cinemas	OCM II, OCM III
SIMCALA	CGW III, OCM II
Spalding Holdings Corp.	KKR 1996, OCM
Spinal Concepts	Essex V, Richland III
Sunbeam Corp.	OCM II, OCM III
Transaction Network Services, Inc.	GTCR VII, GTCR VII-A
Valor Telecommunications Southwest, LLC	Vestar IV, WCAS VIII, WCAS IX
Wyndham International, Inc.	Apollo IV, Tom Lee IV
Zhone Investors V, LLC	KKR 1996, Madison Dearborn III

Alternative Investment Environment

The culmination of several macro events occurring in the alternative investment environment over the 2001 calendar year should benefit long-term investors that have capital available to take advantage of declining valuations. Specifically, during 2001, the recession and terrorist attacks negatively impacted alternative investment fundraising, significantly decreased portfolio valuations, and negatively impacted performance in all sectors of the alternative investment asset class. Further, a lack of liquidity in both the debt and equity markets has slowed the pace of new investment and exits, contributing to downward pricing pressure.

Although new capital fundraising levels decreased significantly during 2001, the pace of investment into new portfolio companies was even slower, thus increasing the pool of capital available for investment. Patient investors have seen several quarters of declining valuations and thus saw no urgency to put capital to work. Complicating matters, a lack of access to debt financing for new acquisitions made it difficult to justify the already reduced prices. As the economy recovers, access to debt financing increases, and sellers accept the new paradigm of lower valuations, investment activity should increase substantially. Investors with access to new capital will likely invest at bargain prices.

Performance

Following a period of decreased valuations and reduced investment activity, U.S.-based alternative investment firms generated a return of -18.6% for the one-year period ending September 30, 2001. Venture capital firms suffered the brunt of the losses, having generated a one-year IRR of -31.7%, reflecting the impact of a steep decline in technology sector valuations. Table 2 summarizes domestic alternative investment performance for each segment of the asset class. While one-year returns have continued to decline for venture capital and buyout firms, long-term returns for the industry as a whole, remain favorable.

Table 2

Domestic Alternative Investment Performance
As of September 30, 2001

Asset Class	1-Year	20-Year
Venture Capital	-31.7%	18.2%
Buyouts	-11.6%	16.2%
Mezzanine	7.3%	11.3%
Total Alternative Inv.	**-18.6%**	**17.1%**

Source: *Venture Economics*

Despite the recent decline in short-term performance, mature alternative investment portfolios continued to produce consistent long-term returns, and have outperformed various public indices such as the S&P 500 and Russell 3000 in each time period.

The performance of the venture capital asset class has declined significantly over the last year. This is attributable to follow-on financing rounds at lower valuations and the inability for many companies to raise capital. As a result, venture capitalists have had to absorb significant write-downs and many write-offs in their portfolios. Early-stage and seed-stage companies have suffered the greatest, as their businesses are the least developed and the least likely to secure additional financing. Table 3 provides a further breakdown of venture capital performance by stage of investment as of September 30, 2001.

Table 3

Venture Capital Performance
As of September 30, 2001

Stage	1-Year	20-Year
Early / Seed	-34.6%	21.6%
Balanced	-31.2%	16.1%
Late-Stage	-25.6%	17.1%
All Venture Capital	**-31.7%**	**18.2%**

Source: *Venture Economics*

Buyout funds have also experienced declining returns. Buyout funds have generated a one-year return of -11.6%; however, over the long-term, the investment strategy has generated a 20-year return of 16.2%. Table 4 provides a breakdown of buyout returns by partnership average transaction size. *Venture Economics* defines "mega" funds as those partnerships that have over $1 billion in capital commitments.

Table 4

Buyout Performance
As of September 30, 2001

Size	1-Year	20-Year
Small	-8.8%	23.7%
Medium	-15.6%	19.3%
Large	-17.2%	16.4%
Mega	-9.6%	12.6%
All Buyouts	**-11.6%**	**16.2%**

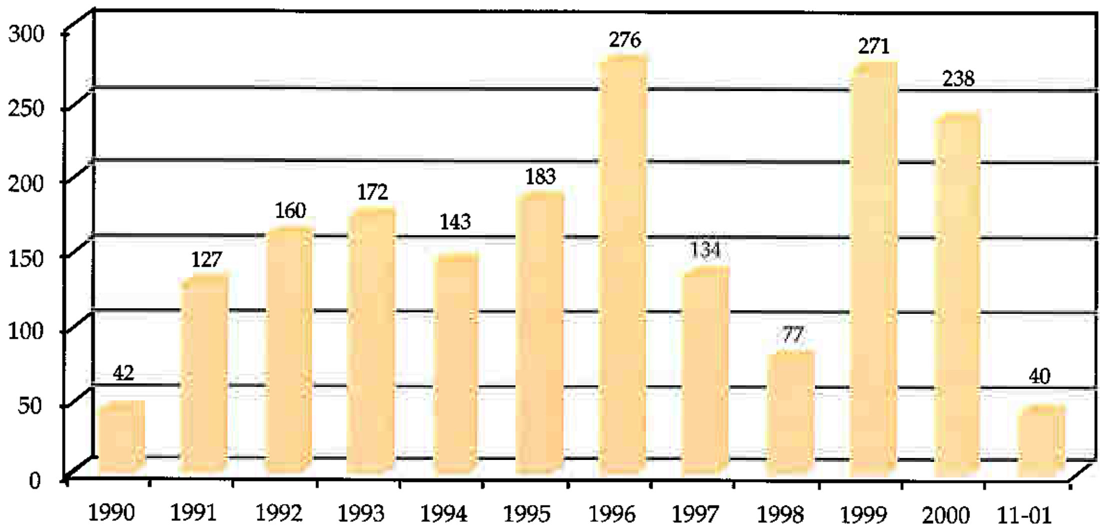
Source: *Venture Economics*

Venture-Backed IPO Activity

The venture-backed IPO market has suffered significantly as a result of the downturn in the economy. The public markets have proven to be a less accessible exit route for venture capitalists over the past year. Consequently, venture capital firms managed to take only 40 companies public during the first 11 months of 2001. In fact, 2001 produced fewer venture-backed IPOs than any other year in the past decade. Figure 5 illustrates the level of venture-backed IPOs completed annually since 1990.

Despite the particularly low level of IPOs completed in 2001, healthcare companies were well-received in comparison to other industries. This sector produced approximately 35% of the year's 40 venture-backed IPOs as investors exhibited their preference for non-technology sectors while waiting out the market's increased volatility. The attraction to this industry lies in a higher concentration of companies with proven earnings success, coupled with prospects for strong growth due to increasing demand being driven by aging baby boomers.

Figure 5 **Annual Venture-Backed IPOs**



Source: *Venture Economics*

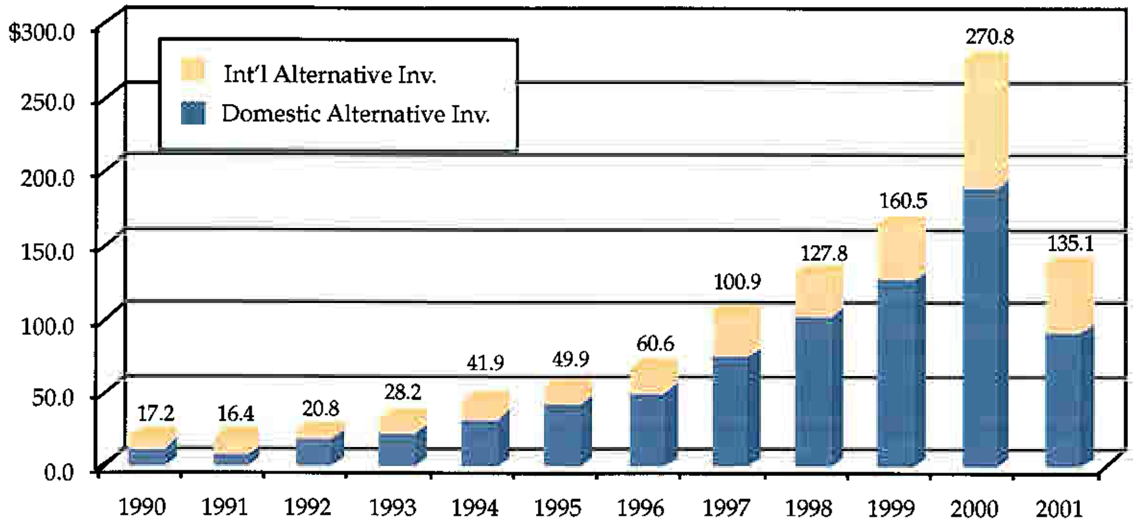
The decline in IPO activity will result in longer holding periods for many partnerships. Although extended holding periods, coupled with lower interim valuations, have produced lower returns, the difficult IPO market, combined with the declining public market prices, is providing venture capitalists with more time to evaluate the deal flow, and is providing an opportunity to invest at lower valuations. Pathway anticipates that the combination of these factors will have a long-term positive impact on the capital invested over the next several years.

Fundraising

The past year proved to be the first year in over a decade where alternative investment fundraising levels decreased from the previous year. This decline was anticipated by Pathway, given the number of multi-billion dollar funds that were raised during 1999 and 2000. Perhaps the largest contributing factor to the decline was due to institutional investors, many of which found themselves at or near their alternative investment allocations after calculating the effects of losses suffered by their public portfolios. Further, with less capital available for investment, investors tended to place priority on their proven and existing managers, rather than invest with debut managers. As a result of this competitive fundraising environment, many prominent firms reduced their targets, while others failed to raise sufficient capital to invest.

Alternative investment funds closed on \$135.1 billion in capital commitments during 2001, which is equivalent to just 49.8% of total fundraising from the record-setting year 2000. Though this reflects a significant decrease in fundraising compared with the large amounts of capital raised over recent years, it still represents the third largest total raised by alternative investment firms in any calendar year. Figure 6 illustrates the amount of annual alternative investment capital raised worldwide.

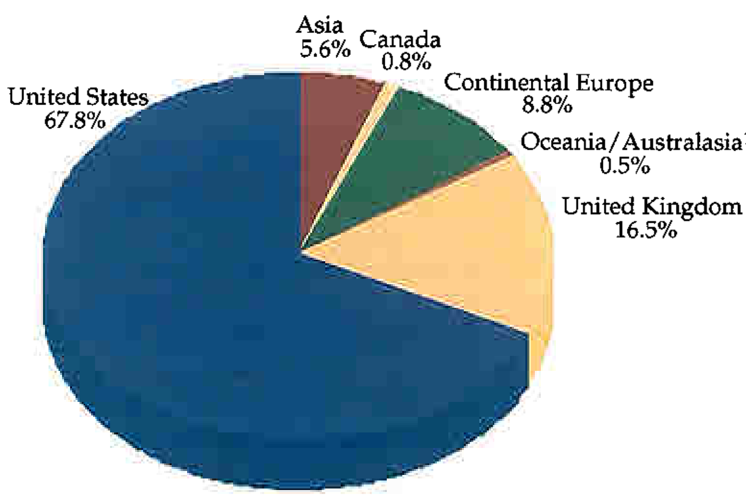
Figure 6 **Annual Worldwide Alternative Investment Fundraising ($ in billions)**



Source: *Venture Economics*

As with prior years, the majority of the capital raised throughout 2001 was by alternative investment funds domiciled in the United States. Specifically, of the $135.1 billion that closed in 2001, $91.5 billion, or 67.8%, was raised by domestic funds. This amount represents only 48.2% of capital raised by U.S.-based alternative investment firms in 2000, which totaled $189.8 billion. The United Kingdom and Continental Europe continue to constitute a significant portion of the international fundraising efforts, as funds based in these regions closed on $22.3 billion and $11.9 billion, respectively, in 2001. Notably, while most regions experienced decreases of approximately 50% in fundraising levels for 2001, fundraising for firms based in the United Kingdom was down only 23.5% for 2001. Figure 7 depicts 2001 alternative investment fundraising by region.

Figure 7 **2001 Worldwide Alternative Investment Fundraising by Region**

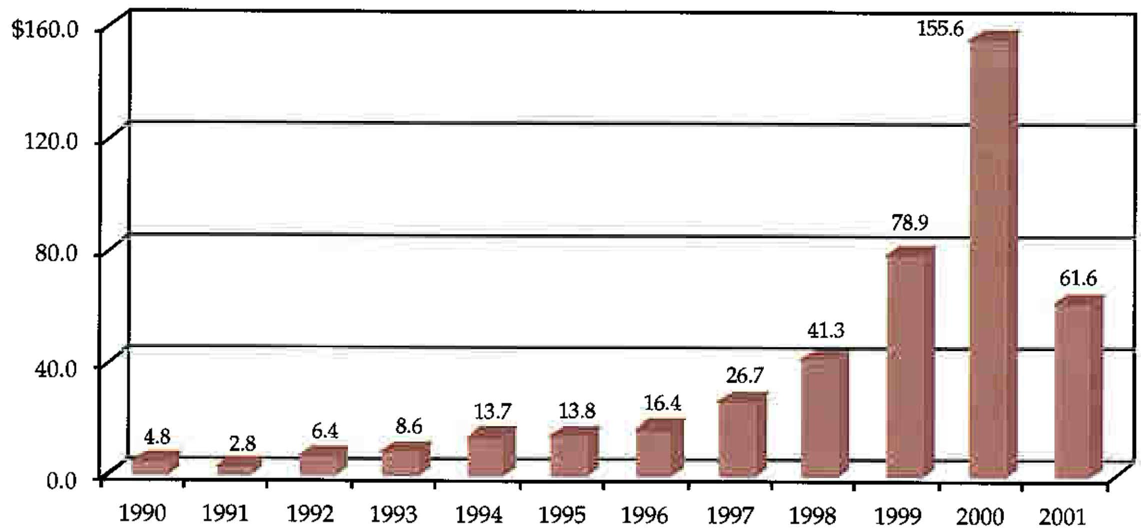


Source: *Venture Economics*

[1] Includes Cook Islands, Fiji, French Polynesia, Micronesia, Marshall Islands, Nauru, New Zealand, Tuvalu, Palau, Papua New Guinea, Samoa, Solomon Islands., Tonga, Vanuatu, and Kiribati.

Venture capital firms raised a total of $61.6 billion in capital commitments during 2001. As with the other alternative investment asset classes, venture capital fundraising decreased significantly during the year, and marked the first down year over the past 10 years for fundraising efforts. Specifically, worldwide venture capital fundraising decreased by 60.4% from the $155.6 billion raised in 2000. Although this may seem substantial, it is also important to note that 2000 was an unusually high fundraising year for the venture capital industry. Figure 8 illustrates annual worldwide fundraising levels for venture capital firms.

Figure 8 **Annual Worldwide Venture Capital Fundraising ($ in billions)**

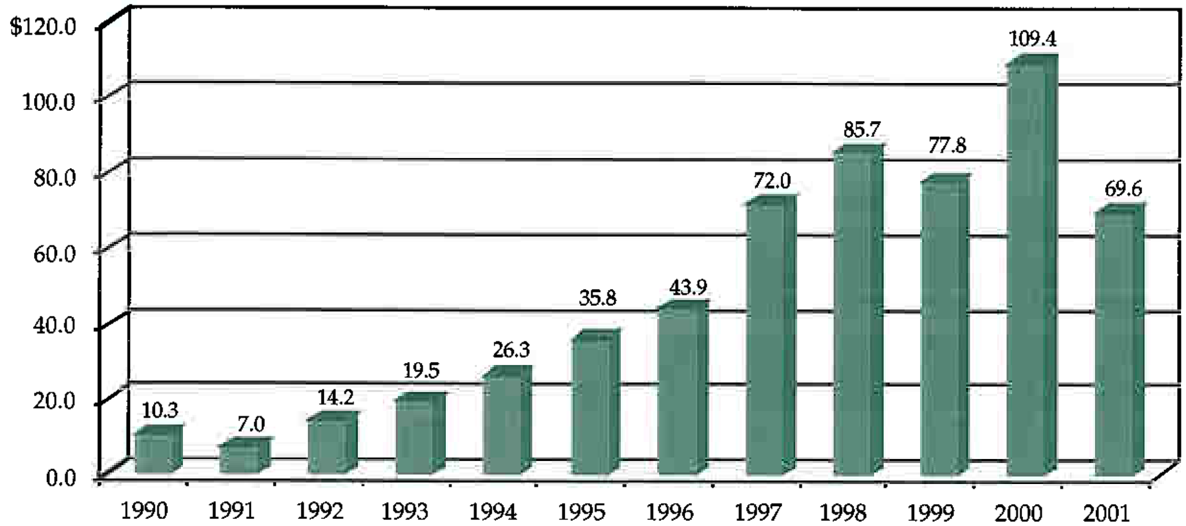


Source: *Venture Economics*

U.S.-based venture capital firms accounted for $38.1 billion, or 61.7%, of the total raised in 2001. This remains consistent with the average domestic proportion of 68.8% for the past five calendar years.

Special equity funds were not immune to the fundraising challenges endured by the other asset classes. During the year, 157 buyout and mezzanine funds combined to raise $69.6 billion in capital commitments. Compared with 2000, when special equity fundraising reached a record $109.4 billion, fundraising in 2001 resulted in a decrease of 36.4%. On a positive note, however, the $35.4 billion raised during the fourth quarter of 2001 represented a significant increase from the average of $11.4 billion raised in the three prior quarters. Figure 9 illustrates annual fundraising levels since 1990.

Figure 9 **Annual Worldwide Special Equity Fundraising**
($ in billions)



Source: *Venture Economics*

Buyout deal volume was also affected by the slowing in the economy. Specifically, buyout deals in 2001 totaled only $23.1 billion, compared with $41.4 billion in 2000, and $62.0 billion in 1999. The biggest challenge for many buyout groups was the inability to secure adequate financing from lenders, coupled with high seller prices and low deal selectivity. The large amounts of capital raised by special equity funds in 2000 and an overall reduction in company valuations will likely translate into increased deal volume in the near future. In the meantime, there will likely be a shakeout in the industry, with the more experienced and successful managers remaining on top.

LACERS' Alternative Investment Portfolio Summary

From Inception to September 30, 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. Median Q'tile[3]	V. E. Upper Q'tile[3]
	1995 Generation											
1	WCAS VII	10/95	$1,425.7	$15,000	$15,000	$13,720	$14,356	$28,076	$13,076	20.1%	9.7%	17.1%
2	OCM	10/95	670.7	11,000	11,000	5,721	11,000	16,721	5,721	11.0%	8.4%	17.1%
				$26,000	**$26,000**	**$19,441**	**$25,356**	**$44,798**	**$18,798**	**15.9%**	**9.2%**	**17.1%** [4]
	1996 Generation											
3	CVC European	2/96	$630.0	$10,000	$9,414	$5,640	$11,141	$16,781	$7,368	21.2%	19.4%	39.7%
4	CGW Southeast III	4/96	278.1	9,000	8,611	2,477	3,669	6,146	(2,464)	-13.7%	4.4%	13.7%
				$19,000	**$18,024**	**$8,117**	**$14,811**	**$22,928**	**$4,903**	**9.1%**	**12.2%**	**27.3%** [4]
	1997 Generation											
5	InterWest VI	6/96	$175.0	$5,000	$5,000	$6,301	$8,932	$15,232	$10,232	65.3%	32.6%	77.8%
6	GTCR Fund V	7/96	521.0	10,000	10,000	10,272	2,947	13,219	3,219	9.6%	3.9%	15.5%
7	KKR 1996 Fund[5]	9/96	6,012.0	25,000	22,631	21,966	7,000	28,967	6,336	11.8%	3.9%	15.5%
8	Menlo VII	10/96	252.5	5,000	4,500	1,874	22,419	24,292	19,792	147.5%	32.6%	77.8%
9	OCM II	10/97	1,500.0	11,000	11,000	10,300	3,694	13,995	2,995	8.6%	3.9%	15.5%
				$56,000	**$53,131**	**$50,713**	**$44,992**	**$95,705**	**$42,574**	**28.9%**	**9.0%**	**26.6%** [4]
	1998 Generation											
10	Thomas Lee IV[6]	12/97	$3,450.0	$7,000	$5,771	$6,890	$66	$6,956	$1,185	9.4%	-0.2%	6.6%
11	Kelso VI	2/98	1,500.0	5,000	2,422	3,004	25	3,029	608	15.9%	-0.2%	6.6%
12	Apollo IV	4/98	3,600.0	5,000	4,589	4,977	37	5,014	425	4.8%	1.0%	10.4%
13	GTCR Fund VI	4/98	870.0	10,000	9,904	5,235	5,474	10,709	805	7.2%	-0.2%	6.6%
14	Thoma Cressey VI	5/98	450.0	5,000	4,675	4,470	83	4,553	(122)	-1.9%	-0.2%	6.6%
15	CVC European II	6/98	2,500.0	10,000	7,723	7,090	1,368	8,458	735	4.8%	0.9%	4.3%
16	Essex Woodlands IV[6]	6/98	137.4	4,000	3,154	3,490	1,498	4,988	1,834	38.4%	13.4%	45.3%
17	WCAS VIII	7/98	3,000.0	15,000	13,950	11,551	0	11,551	(2,399)	-9.8%	-0.2%	6.6%
				$61,000	**$52,188**	**$46,708**	**$8,551**	**$55,259**	**$3,071**	**3.5%**	**0.7%**	**9.0%** [4]
	1999 Generation											
18	Madison Dearborn III	1/99	$2,173.0	$16,000	$12,696	$13,174	$247	$13,422	$726	4.3%	-3.5%	0.0%
19	CGW Southeast IV	4/99	404.5	10,000	4,616	3,084	0	3,084	(1,532)	-37.6%	-3.5%	0.0%
20	Chisholm IV	5/99	275.0	9,000	6,252	4,283	174	4,457	(1,796)	-23.3%	-1.8%	8.1%
21	Menlo VIII	5/99	505.1	18,000	11,700	9,672	0	9,672	(2,028)	-15.1%	0.2%	13.4%
22	OCM III	9/99	2,076.9	10,000	10,000	10,639	29	10,668	668	6.5%	-2.7%	3.2%
23	Richland III	9/99	202.0	18,000	13,824	12,214	0	12,214	(1,610)	-9.4%	0.2%	13.4%
24	Vestar IV	10/99	2,525.0	17,000	3,626	3,284	3	3,287	(339)	-11.5%	-3.5%	0.0%
25	Austin VII	10/99	825.0	17,000	7,933	8,426	0	8,426	493	6.3%	0.2%	13.4%
26	J.H. Whitney IV	11/99	1,003.0	25,000	21,375	14,222	842	15,064	(6,311)	-25.8%	0.2%	13.4%
27	Alchemy Investment Plan[7]	12/99	425.0	12,645	9,123	6,976	2,952	9,929	806	9.6%	1.4%	7.8%
				$152,645	**$101,146**	**$85,975**	**$4,248**	**$90,223**	**($10,923)**	**(9.6%)**	**-0.9%**	**8.8%** [4]

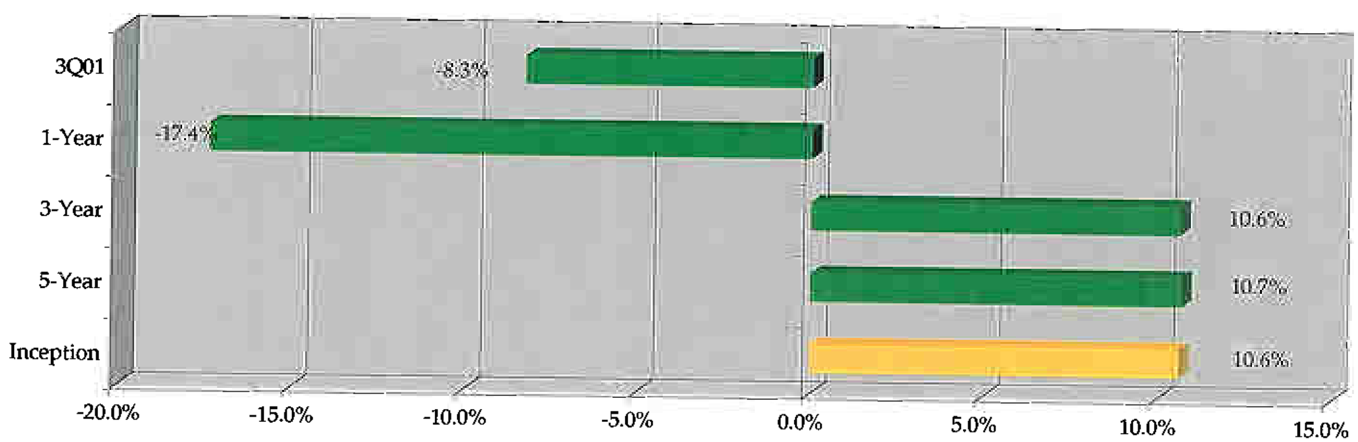
LACERS' Alternative Investment Portfolio Summary

From Inception to September 30, 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. Median Q'tile[3]	V. E. Upper Q'tile[3]
	2000 Generation											
28	TPG III	12/99	$3,488.7	$25,000	$7,842	$5,042	$0	$5,042	($2,801)	N.M.	N.M.	N.M.
29a	GTCR Fund VII	1/00	1,516.5	18,750	9,563	7,967	3,227	11,194	1,632	N.M.	N.M.	N.M.
30	VantagePoint IV	4/00	1,600.0	15,000	1,950	1,041	0	1,041	(909)	N.M.	N.M.	N.M.
31	Weston Presidio IV	4/00	1,352.8	15,000	1,875	1,513	0	1,513	(362)	N.M.	N.M.	N.M.
32	Thomas Lee V[8]	4/00	6,114.0	15,000	782	560	0	560	(222)	N.M.	N.M.	N.M.
33	WCAS IX	6/00	3,900.0	15,000	3,000	1,938	0	1,938	(1,062)	N.M.	N.M.	N.M.
34	Navis V	6/00	1,082.7	15,000	648	349	13	362	(287)	N.M.	N.M.	N.M.
35	Essex Woodlands V	7/00	280.4	10,000	2,200	1,916	0	1,916	(284)	N.M.	N.M.	N.M.
36	Trident V	8/00	658.1	15,000	1,572	1,044	0	1,044	(527)	N.M.	N.M.	N.M.
37	Madison Dearborn IV	11/00	4,036.0	25,000	1,286	1,026	0	1,026	(260)	N.M.	N.M.	N.M.
				$168,750	**$30,718**	**$22,396**	**$3,240**	**$25,636**	**($5,082)**	**N.M.**	**N.M.**	**N.M.**
	2001 Generation											
29b	GTCR VII-A	7/00	$483.5	$6,250	$969	$515	$1,673	$2,188	$1,219	N.M.	N.M.	N.M.
38	Menlo IX	7/00	1,515.2	20,000	2,000	1,639	0	1,639	(361)	N.M.	N.M.	N.M.
39	Austin VIII	1/01	1,500.0	15,000	850	795	0	795	(55)	N.M.	N.M.	N.M.
40	Whitney V	1/01	1,118.4	10,000	854	774	3	776	(78)	N.M.	N.M.	N.M.
41	CVC III	1/01	3,450.0	15,000	673	591	0	591	(82)	N.M.	N.M.	N.M.
				$66,250	**$5,346**	**$4,314**	**$1,675**	**$5,990**	**$644**	**N.M.**	**N.M.**	**N.M.**
	Total			**$549,645**	**$286,553**	**$237,664**	**$102,873**	**$340,538**	**$53,984**	**10.6%**		

LACERS' Alternative Investment Portfolio Performance
As of September 30, 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 September 30, 2001, except for CVC, CVC II, and Alchemy, which are being compared to Venture Economics European 6/30/01 Final Performance Data. The benchmark is particular to the investment strategy of each partnership.
4. Blended performance benchmark calculations: ([psp. contributed capital/generation contributed capital] * preliminary industry median [upper] IRR). Benchmarks for European partnerships are 6/30/01 European Final.
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' is scheduled to commit £4.2 million each year over a three year period. Commitment amounts are accounted for by multiplying the remaining unfunded commitment in foreign currency by the prevailing exchange rate at the time of the report, added to cumulative capital contributions at the time of the report. As a result, commitment amounts will fluctuate slightly on a quarterly basis.

N.M. - Not Meaningful

LACERS' Alternative Investment Portfolio Summary
Fourth Quarter Activity

as of December 31, 2001
($000s)

Partnership	Commit.	Actual 9/30/2001 Market Value	4th Qtr Contrib.	4th Qtr Distrib.	Estimated 12/31/2001 Market Value	Cum. Contrib.[1,2]	Cum. Distrib.
1995 Generation							
1 WCAS VII	$15,000	$13,720	$0	$1,038	$12,682	$15,000	$15,394
2 OCM	11,000	5,721	0	0	5,721	11,000	11,000
	$26,000	**$19,441**	**$0**	**$1,038**	**$18,403**	**$26,000**	**$26,394**
1996 Generation							
3 CVC European	$10,000	$5,640	$0	$92	$5,400	$9,414	$11,233
4 CGW Southeast III	9,000	2,477	0	0	2,477	8,611	3,669
	$19,000	**$8,117**	**$0**	**$92**	**$7,877**	**$18,024**	**$14,903**
1997 Generation							
5 InterWest VI	$5,000	$6,301	$0	$0	$6,301	$5,000	$8,932
6 GTCR Fund V	10,000	10,272	0	289	9,983	10,000	3,236
7 KKR 1996 Fund	25,000	21,966	346	1,178	21,134	22,975	8,179
8 Menlo VII	5,000	1,874	0	226	1,647	4,500	22,645
9 OCM II	11,000	10,300	0	1,283	9,017	11,000	4,978
	$56,000	**$50,713**	**$346**	**$2,977**	**$48,081**	**$53,475**	**$47,969**
1998 Generation							
10 Thomas Lee IV	$7,000	$6,890	$18	$58	$6,851	$5,789	$124
11 Kelso VI	5,000	3,004	(13)	416	2,575	2,409	441
12 Apollo IV	5,000	4,977	0	0	4,977	4,589	37
13 GTCR Fund VI	10,000	5,235	0	0	5,235	9,904	5,474
14 Thoma Cressey VI	5,000	4,470	0	168	4,302	4,675	251
15 CVC European II	10,000	7,090	58	198	6,764	7,781	1,566
16 Essex Woodlands IV	4,000	3,490	100	364	3,226	3,254	1,862
17 WCAS VIII	15,000	11,551	450	0	12,001	14,400	0
	$61,000	**$46,708**	**$613**	**$1,204**	**$45,931**	**$52,801**	**$9,755**
1999 Generation							
18 Madison Dearborn III	$16,000	$13,174	$504	$313	$13,366	$13,200	$560
19 CGW Southeast IV	10,000	3,084	0	0	3,084	4,616	0
20 Chisholm IV	9,000	4,283	221	0	4,504	6,474	174
21 Menlo VIII	18,000	9,672	0	0	9,672	11,700	0
22 OCM III	10,000	10,639	0	0	10,639	10,000	29
23 Richland III	18,000	12,214	0	0	12,214	13,824	0
24 Vestar IV	17,000	3,284	521	0	3,805	4,148	3
25 Austin VII	17,000	8,426	103	0	8,529	8,036	0
26 J.H. Whitney IV	25,000	14,222	0	0	14,222	21,375	842
27 Alchemy Investment Plan	7,000	6,976	838	0	7,702	9,960	2,952
	$147,000	**$85,975**	**$2,187**	**$313**	**$87,737**	**$103,333**	**$4,561**
2000 Generation							
28 TPG III	$25,000	$5,042	$2,786	$0	$7,828	$10,628	$0
29a GTCR Fund VII	18,750	7,967	188	0	8,155	9,750	3,227
30 VantagePoint Ventures IV	15,000	1,041	450	0	1,491	2,400	0
31 Weston Presidio IV	15,000	1,513	750	0	2,263	2,625	0
32 Thomas Lee V	15,000	560	1,182	0	1,742	2,049	0
33 WCAS IX	15,000	1,938	300	0	2,238	3,300	0
34 Navis V	15,000	349	246	0	595	894	13
35 Essex Woodlands V	10,000	1,916	300	0	2,216	2,500	0
36 Trident V	15,000	1,044	0	0	1,044	1,572	0
37 Madison Dearborn IV	25,000	1,026	619	0	1,645	1,905	0
	$168,750	**$22,396**	**$6,821**	**$0**	**$29,217**	**$37,624**	**$3,240**
2001 Generation							
29b GTCR VII-A	$6,250	$515	$0	$0	$515	$969	$1,673
38 Menlo IX	20,000	1,639	0	0	1,639	2,000	0
39 Austin VIII	15,000	795	200	0	995	1,050	0
40 Whitney V	10,000	774	643	0	1,416	1,497	3
41 CVC III	15,000	591	0	1	575	673	1
42 OCM IV	10,000	0	2,250	0	2,250	2,250	0
	$76,250	**$4,314**	**$3,093**	**$1**	**$7,391**	**$8,439**	**$1,676**
12/31/01 Total	**$554,000**	**$237,664**	**$13,059**	**$5,625**	**$244,638**	**$299,695**	**$108,498**

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