1. Call to Order

Acting Chair Tim Dunne called the meeting to order at 10:06 a.m.

2. Review, discussion and possible approval of Investment Committee Minutes from January 26, 2011 and February 23, 2011.

<table>
<thead>
<tr>
<th>Recommendation 03-21-11</th>
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<tbody>
<tr>
<td>At 10:31 a.m.</td>
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<tr>
<td>Recommendation:</td>
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<td>To approve the Minutes of the February 23 Investment Committee meeting.</td>
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<tr>
<td>Moved by:</td>
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<td>Randie Stein</td>
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<td>Seconded by:</td>
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<tr>
<td>Tim Dunne</td>
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<tr>
<td>Discussion:</td>
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<td>Ms. Stein commented that she was not present for the January 26 meeting as that was the day of her Senate confirmation hearing and asked counsel to opine with respect to her making a motion to approve those minutes. Action on the January 26 minutes was differed to a later time.</td>
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<tr>
<td>In Favor:</td>
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<tr>
<td>Unanimous</td>
</tr>
<tr>
<td>Motion Passes:</td>
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<tr>
<td>Passes</td>
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3. Report by Investment Department Staff and discussion regarding the Month Ended and Fiscal Year-to-Date performance/portfolio update.

Mr. Anderson reported that, for the most recent month ending February, 2011, the Trust had good
positive and relative performance. It was up 1.99% on a total fund basis which exceeded the benchmark by 34 basis points. He said that brings the System to 15.86% on a fiscal year-to-date basis. He said the GTAA, which was added to the portfolio last year, continues to be a nice contributor along with the Absolute Return allocation. Private Equity underperformed its benchmark because it is measured against the Russell 3000 which has had very strong performance due to very strong public equity markets. He said we had a positive mark in the real estate portfolio which was a nice change from the recent pattern.

4. Presentation by Investment Department Staff, ORG Portfolio Management and representatives of Lubert-Adler Partners, L.P. or their affiliates, and discussion and possible Recommendation regarding a possible investment of up to $30 million in the Lubert-Adler Real Estate Fund VI-B, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.

Mr. Anderson said that, going forward, the weighting of the legacy joint venture real estate investments will decline as we are able to liquidate them and as this happens we will need some quality opportunity funds to invest in to maintain our real estate allocation target. He said Staff believes the Lubert-Adler’s Fund VI-B will provide us with a well timed opportunity to enter the commercial real estate market to take advantage of the distressed debt opportunities that are available.

Mr. Schwartz gave a brief background description of Lubert-Adler. He said the Fund VI-B is a follow-on Fund to their Fund VI which was implemented just as the financial crisis was starting to take hold. He said Lubert-Adler accommodated many of their existing investors and allowed them to reduce their commitments in Fund VI in exchange for the opportunity to raise Fund VI-B. He said the benefits for investors going into Fund VI-B are that they are not investing in any legacy assets and they won’t be charged any fees as the fees are subsidized by the investors who were let out of Fund VI during that investment period. He said this is an opportunity to invest with an entrepreneurial group that will offer some unique opportunities in retail and multi-family rental housing.

Messrs. Dean Adler and Neill Faucett of Lubert-Adler Partners L.P. discussed their investment strategies which they believe give them a competitive edge to achieve superior returns. Mr. Adler said this is a very advantageous period to invest in real estate because, from a risk standpoint, we are in a de-leveraging period where the cost basis of assets is being brought down. So they believe they will be able to invest in assets at a very advantageous cost basis. He said they believe they can put together a very attractive portfolio that addresses both return and risk mitigation elements.

Lubert-Adler was founded in 1997 and has over $6.3 billion in equity. The General Partner has invested over $245 million in the Lubert-Adler Funds. Mr. Adler discussed their three pronged infrastructure. He said their internal staff consists of 30 professionals, 20 of whom have 10 or more years of real estate experience. They start with the fundamentals of real estate and know how to execute value add real estate. He said their external operating partner network benefits from over 70 operating partners who maintain geographic and asset specific expertise. He said that Lubert-Adler also leverages the shared infrastructure of Independence Capital Partners (ICP) and benefits from its relationship with other Funds within the ICP family. Collectively, ICP employees over 200 professionals and has under management over $12 billion in capital commitments.

Mr. Adler said that Fund VI-B is a $400 million co-investment opportunity the assets of which will be invested alongside of those of the existing Fund VI. He said the Fund’s assets date from January 2010 and that the System’s investment would be coming in at that cost basis. In addition, there are no management fees.

Ms. Stein asked if they had a Southwest U.S. focus or if it is just a coincidence that most of the portfolio holdings are in that region. Mr. Adler responded that the greatest distress opportunities have been in the
Southeast and Southwest because those areas were characterized by overbuilding and by very aggressive lending practices on the part of the banks.

Ms Stein also asked if they invest outside the U.S. Mr. Adler responded that they tend to invest exclusively in the U.S. However, they do have a program for developing Marriott Courtyard properties in Toronto. He said that historically Lubert-Adler has made some investments outside the U.S. but that Fund VI-B will be focused strictly on U.S. rental assets.

Mr. Dunne asked about the shorter term, fixed loans. Mr. Adler responded that these are fixed for five years and that at the end of their terms new loans are needed. He said the interest component is a really important consideration that influences the investment decision. He said you have to estimate the value to be added and still leave yourself enough margin to accommodate the interest rate risk. That’s why they try to lock in for five to ten year periods.

5. Presentation by Investment Department Staff, StepStone Group and Oaktree Capital Management, L.P. and discussion and possible Recommendation regarding an investment of up to $60 million in the Oaktree European Principal Fund III, L.P. or appropriate feeders, blockers, or associated or parallel funds of same.

Mr. Anderson characterized the Oaktree European Principal Fund III L.P. as a private equity, “debt-for-control” fund focused on the distressed European middle-market. He said that based on Staff’s research and the opportunity set currently available in Europe, the Staff believes this investment opportunity should provide an attractive risk adjusted return.

Mr. Hutchings briefly described the de-leveraging process in Europe. He said Albourne has watched Oaktree for a number of years and has been favorably impressed. He said this opportunity is very timely because Europe is full of badly owned and poorly performing companies, particularly family owned companies. He said Albourne has done full due diligence with respect to this investment opportunity and has no problem recommending it.

Mr. Talbot Carleton and Mr. Caleb Kramer presented the Fund’s strategy for “control investing” which accounts for about $14 billion of the assets they currently have under management. The Committee members were told that the firm’s “Principle Group” business dates back to the inception of Oaktree in 1994. In 2005, Oaktree created a dedicated specialized team, lead by Caleb Kramer, that focused specifically on the European opportunities. Their goal is to generate private-equity-like returns but the way that is done in Europe is very different from the way it is done in the U.S. They said that in the U.S. opportunities arise from liquidity crises or from some type of capital shortage. They said that when a liquidity crisis occurs in the U.S., financial institutions sell assets. They sell assets because, having been through downturns before, they have found it best to sell assets at a discount because of the liquidity constraints and before the assets begin to deteriorate.
Mr. Kramer said that, in Europe, the financial institutions react very differently. Their view is that, even when markets are liquidity constrained but the companies, the debt of which the financial institutions are holding, are still performing reasonably well, the institutions are unwilling to sell the debt at a discount. He said that since European financial institutions did not de-lever during the 4th quarter 2008, they now have balance sheets that are very liquidity constrained. In this situation the Oaktree team targets for investment companies that develop a need for new capital as a result of some underperformance at the company level. He said the team determines which industries and countries are attractive where banks have a lot of exposure. The Oaktree team spends time examining the exposures the banks have and lets them know that they can offer a capital source that is an attractive alternative to a company bankruptcy situation that would likely result in the company’s liquidation.

Mr. Kramer said they believe the European opportunity set is about €800 billion to €1 trillion of senior leveraged loans in middle market companies. It is made up of two segments -- syndicated leveraged loans, and bilateral loans. He said that, in their view, there is a definite opportunity over the next five years to take advantage of banks that are over-levered and in much worse fundamental shape than they are in the U.S. or Asia.

Mr. Dunne asked how many deals they have in process. Mr. Kramer responded that they have many potential deals under review and Ireland is an important focus at the moment because of the situation of their financial institutions and the country’s economy.

Mr. Dunne asked how much committed capital they had at this point. Mr. Kramer responded that they have €1.1 billion as of their second close which just happened last week and they anticipate their third close will occur at the end of May. If it does, that should bring them to their target.

Mr. Dunne asked how many company exposures they anticipate having in the portfolio. Mr. Kramer said they expect to hold about 15 core positions with 5 to 7 percent of the fund in debt positions in anticipation that may mature. He said their previous fund was €1.8 billion but this fund at €2.5 billion is more resource intensive and, as a result, they have hired 21 additional persons.

Mr. Rose said that StepStone’s view is consistent with those of the Staff and Albourne. He said they have known Oaktree and Mr. Kramer for many years and have been investors in their funds for well over a decade. He said there is no better team to execute a debt for control European strategy than Oaktree.

6. Presentation by Investment Department Staff, Albourne America LLC and representatives of EJF Capital LLC. or their affiliates and discussion and possible Recommendation regarding a possible investment of up to $40 million in the EJF Debt Opportunities Fund L.P. (or the EJF Debt Opportunities Master Fund, L.P.) or appropriate feeders, blockers, or associated or parallel funds of
same.

Mr. Corens gave an overview of the EJF Debt Opportunities Fund. He described it as a hedge fund which targets opportunistic direct and indirect investments in public and private debt markets. It focuses on instruments affected by changes in the national financial regulatory environment. He said they focus on distressed corporate debt, mortgage REITs, bank trusts, deferred securities, and CMBS and RMBS debt. He said the Fund is targeting mid-teen returns and has met or exceeded that since 2008. He said Staff is recommending an investment of up to $40 million and, if approved, the investment will be held in the Credit Opportunities portfolio.

Mr. Lincoln Smith from Albourne America said that this investment was sourced by Staff and that Albourne has conducted due diligence on the Fund and has found no material issues.

Mr. Smith said that the EJF Fund is an event driven fund and that, in this environment, with many regulatory changes on the horizon, banks will be forced to off-load a lot their securities and this will present a huge opportunity for funds that can provide capital.

Messrs. Neil Wilson, Manny Friedman and Jeff Hinkle of EJF Capital LLC gave an overview of their firm and discussed the EJF Debt Opportunities Fund. Mr. Wilson said the Fund is a credit opportunity fund and in March the performance has been a little over 2%. He said they have had a 27% annualized return since they started the strategy in June of 2008 with one down month in February 2009. He said they have a very diversified portfolio with over 100 positions with an average size of about 1%. He said they are a hedged strategy and are net long; however, they do try to take out as much idiosyncratic as well as macro market risk as they can. They will also hedge out currency risk and interest rate risk, depending on where the markets are going.

Mr. Hinkle said there focus is to put themselves in the position of the CEO or the management team of the various finance, insurance or other entities they are interested in. They try to figure out, from their perspective, which particular debt securities and which particular liabilities they have outstanding that they will ultimately want to redefine or take-out due to the changed regulatory or legislative environment. He said they are trying to use their expertise in financial, insurance and real estate entities and their relationships in those entities to purchase securities that will ultimately be taken out by these issuers. The exit strategy associated with those will often result from a direct negotiation with those companies.

Mr. Friedman briefly explained how they get equity-like returns but still have a great deal of liquidity with a turnover of about 150%. He said they are working with very large markets and said that there are enormous inefficiencies in these markets that are the result of legislative changes.

Mr. Dunne asked how long they expect to be able to operate a fund of this size, given the unique circumstances on which its success is based. Mr. Wilson responded that they are of the opinion that the circumstances on which the success of the Fund is predicated are expected to last for years. Mr. Friedman added that the increase in the size of the Fund has actually helped them because they are now able to purchase big pieces which get the attention of the companies quicker and they are easier to move than the small ones.
7. Presentation by Investment Department Staff and StepStone Group and discussion and possible
   Recommendation regarding a possible investment of up to $50 million in the ABRY Partners VII,
   L.P. or appropriate feeders, blockers, or associated or parallel funds of same.

   Mr. Parham reported that the Trust currently participates in ABRY’s Fund V and through that participation
   we have an opportunity to potentially participate in Fund VII. He said it is expected that the Fund will be
   over-subscribed by their long-time existing investors. He noted that the Staff has completed its due
diligence and that ABRY continues to be to top quartile performer across timeframes. He also noted that
Andrew Banks from ABRY did a presentation for the Board last summer and that since then ABRY’s
strategy has continued right on course. He concluded by saying that Staff and StepStone are
recommending an allocation of up to $50 million in this Fund.

   Mr. Rose said there are many reasons why this is a four times over-subscribed Fund and we wish we
were coming at this from a position of strength as far as negotiations are concerned. This is the same
team that Andrew Banks and Royce Yudkoff founded back in 1989. ABRY is the single best U.S. mid-
market media communications player in the private equity industry. He said that there is no other firm
that has come close to generate the returns that they have – above 41% on an annualized basis net of all
fees and expenses.

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| 03-24-11       | At 10:29 a.m. | To recommend to the full Board an investment of up to $40 million in the EJF Debt
   Opportunities Fund L.P. (or the EJF Debt Opportunities Master Fund, L.P.) or
   appropriate feeders, blockers, or associated or parallel funds of same.
   Moved by: Randie Stein
   Seconded by: Tim Dunne
   Discussion: Unanimous
   Motion Passes: Passes

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| 03-25-11       | At 11:45 a.m. | To recommend to the full Board an investment of up to $50 million in the ABRY
   Partners VII, L.P. or appropriate feeders, blockers, or associated or parallel funds of
   same.
   Moved by: Randie Stein
   Seconded by: Tim Dunne
   Discussion: Unanimous
   Motion Passes: Passes

8. Report by New England Pension Consultants (NEPC) representative(s) on the Second Fiscal Quarter
   (Fourth Calendar Quarter) Performance of the System.

   This report was deferred to the full Board meeting to be held in the afternoon.

9. Report by Investment Department Staff regarding the Arizona PSPRS Trust’s exposure to Japan.

   Mr. Selfridge reported that, with the recent earthquake in Japan, the Investment Staff reviewed the Trust’s
direct exposure to investments in that country. He said that 97% of the Trust’s exposure to Japan is
through the public equity markets but only 2.4% of the Total Fund is exposed to investments in that country. He said the Trust has limited private equity and real estate exposure but there have been no reported damages to the companies or properties that are the subject of those investments.


There was no report.

11. Report by Investment Department Staff and/or legal counsel and discussion regarding recent developments and legal issues (including settlement discussions) involving the Trust’s custodians, lenders, securities lending agents, vendors, advisors, investments or investment managers or joint venturers (as well as any investments managed by the Trust’s investment managers or joint venturers). The Board of Trustees may vote to discuss this matter in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(3),(4) and (7), as set forth in item 12.

There was no report.

12. **Executive Session for Legal Matters.** Discussion with legal counsel for legal advice, and discussion with and instruction to legal counsel regarding (i) ongoing or threatened legal action involving the Arizona PSPRS Trust, the System or the System’s sister plans (EORP or CORP) (the “Plans”); (ii) legal issues affecting the Plans and the Trust, and any issues regarding the Trust’s or Plans’ vendors, advisors, contracts, legal rights, records, loans, personnel, or investments. The Investment Committee may vote to discuss these matters, wholly or in part, in Executive Session pursuant to A.R.S. §§ 38-431.03(A)(2),(3),(4) and (7).

a. Discussion with and instruction to legal counsel regarding legal issues, and settlement discussions, if any, arising in connection with the Arizona PSPRS Trust’s real estate, private equity, hedge and other investments, including those managed (or formerly managed) by the Pivotal Group, ApexCapital Management, and Desert Troon Limited, pursuant to A.R.S. §§ 38-431.03(A)(3), (4) and (7), and including claims raised by Millard and Scott Seldin with respect to an indirect investment in Anthology.

b. Discussion with and instruction to legal counsel regarding legal issues pertaining to the Trust’s advisors, contractors, agents, employees, trustees and vendors.

An Executive session was not convened.

13. Call to the Public

No members of the public came forward to speak.

14. Schedule next meeting

The next Investment Committee meeting was scheduled for April 27, 2011 at 10:00 a.m.

15. Adjournment
The meeting was adjourned at 12:01 p.m.

Mr. Tim Dunne, Trustee, Acting Chair  Ms. Randie Stein, Trustee