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MARKET RELEASE

ASX ANNOUNCEMENT 23 December 2015

Agreement on interests in APPF

Aspen Group (ASX:APZ) has entered into a conditional agreement with Discovery Bidder in relation to the Discovery Parks Takeover Offer¹ for Aspen Parks Property Fund (APPF), under which Aspen Group will:

- accept the Discovery Takeover Offer for all the APPF securities it holds at the offer price of \$0.63 per APPF security, representing a net consideration of \$60.8 million; and
- terminate its management arrangements with respect to APPF which are currently in place until April 2019 and provide certain services to Discovery Bidder to transition the management of the APPF business to Discovery, for a consideration of \$5 million.

Aspen Group has subsequently accepted the Discovery Takeover Offer in respect of 32% of APPF, while retaining the balance of its holding of slightly over 10% of APPF.

If all conditions of the agreement with Discovery Bidder are satisfied, Aspen Group will realise a net total of \$65.8 million in cash for its total holding in APPF and its APPF management arrangements. The transaction would result in a material increase in Aspen Group Net Asset Value (NAV) per security. Pro-forma NAV per security would increase to \$1.42, from \$1.25 as at 30 September 2015². On a pro-forma basis, Aspen Group will have no debt and have cash holdings of over \$60 million. The pro-forma balance sheet position is included in the Appendix.

The offer price of the Discovery Takeover Offer represents a significant premium of 38% over the NAV per APPF security of \$0.4571.

Commenting on the agreement, Aspen Group chief executive Clem Salwin said "We have a disciplined approach to capital allocation and pricing decisions for our investments. Our objective is to maximise value for Aspen Group shareowners. Although our investment in and management of APPF has been an important part of our business, we will not implement our strategic business plan by pursuing or holding assets regardless of value.

"We proactively engaged with Discovery to maximise value for Aspen Group shareowners. The significant uplift in Aspen Group NAV as a result of accepting the takeover offer and receiving a payment for the APPF management arrangements is evidence of that value creation.

"The Discovery offer price is equivalent, at an underlying property price level, to an approximate 20% premium to the current valuations of the APPF assets. We consider this is a highly attractive price at which to sell, given the current asset returns, their risk profile and outlook.

¹ The off-market takeover offer for APPF made by Beston Parks Land Co Pty Ltd as trustee for the Beston Accommodation Parks Trust (Discovery Bidder), a wholly owned subsidiary of Discovery Parks Holdings Pty Ltd (Discovery Parks) (Discovery Takeover Offer)

² Aspen will be reviewing the carrying value of all its assets as part of its usual financial reporting processes as at 31 December 2015

“The process over the last several months has allowed all APPF investors to secure certain liquidity for their investment at a very significant premium to NAV and resulted in a premium price being achieved for our own investment.

“Aspen Group, assuming satisfaction of the conditions and completion of this transaction, will be a smaller, focused entity, with an attractive portfolio of wholly owned assets. The portfolio will be less geographically spread, and therefore will be easier to manage and at a lower cost. We maintain our very positive strategic outlook on the value for money accommodation sector and the opportunities we see in it.

“Cash on hand post the transaction, together with existing debt facilities, provides very significant acquisition capacity, building on our successful and disciplined asset acquisition programme. We have acquired 7 properties over the last 12 months and continue to see a good pipeline of attractive potential investment opportunities.

“Our balance sheet strength also provides capacity to undertake capital management initiatives, and in particular, this may include an on-market buyback of up to 10% of the securities on issue following the release of the December financial results.

“We continue with our objective of seeking to maximise value for the Aspen Group shareowners. Further information will be provided with the financial results to be released in late February 2016.”

Timing and conditions to the agreement

The agreement with Discovery Bidder is subject to an Independent Expert concluding that the transaction does not involve Aspen Group receiving a net benefit in respect of its management arrangements with APPF, Discovery Bidder becoming entitled to at least 90% of APPF to undertake compulsory acquisition and ASIC relief to allow Discovery Bidder to require Aspen Group to accept the Discovery Takeover Offer.

Completion is currently expected by February 2016, with the change of responsible entity of APPF expected to occur in early March 2016.

Appendix – proforma balance sheet³

	Proforma 30 Sep 2015	Sale of APPF securities	Management rights	Proforma post- transction
Assets				
Cash	6.0	49.5	5.0	60.5
Spearwood	28.7			28.7
Aspen Karratha Village	22.0			22.0
MHE/holiday parks	39.1			39.1
Property assets	89.9			89.9
APPF equity	45.1	-60.8		-
APPF management			-5.0	-
Other assets	14.5			14.5
Total assets	155.5			164.9
Liabilities				
Debt	11.3	-11.3		-
Other	2.2	1.5		3.7
	13.5			3.7
Net assets	142.0			161.2
Securities on issue	113.2			113.2
NAV/security	1.25			1.42

³ September pro-forma position as outlined in the ASX announcement of 16 November 2015; assumes approximately \$1.5m transaction costs.

End

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