



Aspen Group Limited
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ASX ANNOUNCEMENT 7 December 2018

ASPEN GROUP LIMITED (ASX: APZ)

Investment Management Proposal from Discovery Holiday Parks

The Independent Board Committee (**IBC**) comprising Clive Appleton (Chairman) and Guy Farrands (Non-Executive Director) wishes to provide an update in relation to the alternative investment management proposal submitted by Discovery Holiday Parks Pty Limited (**Discovery**).

As a leading operator of tourist parks in Australia, the IBC welcomes Discovery's interest in establishing a relationship with Aspen Group.

The investment management proposal from Discovery, a copy of which is attached for the information of securityholders, is conditional, indicative, non-binding and incomplete and there is no certainty that it will lead to a transaction.

In considering the Discovery investment management proposal the IBC is mindful that Discovery is a major competitor to Aspen Group and in certain markets have competing assets.

The IBC has appointed Moelis Australia Advisory Pty Limited as financial adviser and Hall & Willcox as legal adviser and are committed to delivering a management solution for Aspen Group that promotes alignment with and has the greatest potential to unlock value for securityholders.

The IBC and its advisers remain in discussions with Discovery and are seeking further clarification in relation to certain aspects of the investment management proposal in order to establish whether it could lead to a binding proposal that is in the best interests of securityholders and superior to the proposal from Mill Hill Capital Pty Ltd.

At this time, the IBC retains its recommendation that securityholders vote in favour of the proposal to appoint Mill Hill Capital Pty Ltd as investment manager of Aspen Group at the extraordinary general meeting to be held at 2pm on Friday 14 December 2018.

The IBC will keep the market informed of any material developments as appropriate and expects to be in a position to make a further announcement by no later than 5pm on Tuesday 11 December 2018.

END

For further information please contact:

<p>Clive Appleton Chairman Phone: (+61) 2 9151 7500</p>	<p>Mark Licciardo Company Secretary Phone: (+61) 3 8689 9997</p>
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23 November 2018

Clive Appleton
Chairman
Aspen Group

Dear Clive,

INDICATIVE, NON-BINDING PROPOSAL TO APPOINT DISCOVERY HOLIDAY PARKS AS INVESTMENT MANAGER OF ASPEN GROUP

Discovery Holiday Parks Pty Limited ("Discovery") is pleased to submit an indicative non-binding proposal ("Proposal") in relation to the investment management of Aspen Group ("Aspen"). We acknowledge that Aspen has received a proposal from Mill Hill Capital ("MHC") for investment management but we believe this Proposal represents a greatly superior value outcome for Aspen Group securityholders.

Discovery is well positioned to assist the Board and Responsible Entity (including if the RE Change Resolution is approved at the upcoming AGM) in managing the portfolio to maximize value for Aspen securityholders.

Key terms of the Proposal

Investment manager	Discovery Holiday Parks Pty Limited (ACN 111 782 846). Discovery will provide the services as an Authorised Representative of Allegro Funds Pty Limited ACN 128 866 053 and AFSL 345 995.
Responsibilities	Provision of investment management services to Aspen Group, including the day-to-day management of the Aspen property portfolio, under the direction of the Board of Aspen Group Limited and the Responsible Entity ("RE") of the Aspen Property Trust (expected to become Evolution Trustees Limited, subject to securityholder approval at the upcoming AGM).
Management Agreement	Discovery's responsibilities and service requirements will be documented in a management agreement with Aspen. Discovery has reviewed the material terms of the MHC Management Agreement outlined in the Explanatory Memorandum dated 15 November 2018, and other than as set out in this letter, would not require any material amendments to the contractual terms outlined, including in relation to the following: <ul style="list-style-type: none">• Services;• Term and termination;• Exclusivity;• Powers;• Discretions;• Management of potential conflicts;• Amendments; and• Other material terms.



Base Management Fee	<p>Discovery will be entitled to receive a Base Management Fee as follows:</p> <ul style="list-style-type: none"> - \$100,000 per park per annum; and - 10% of EBITDA from accommodation operations (i.e. excludes non-core operations). <p>Discovery estimates an initial per annum cost of \$1.9 million, assuming a total of 10 parks and FY18 EBITDA of \$9.3M.</p>
Performance Fees	Nil
Acquisition Fees	Nil
Capital Raising Fee	Nil
Project Management Fee	Discovery will be entitled to receive a Project Management Fee equal to 5% (plus GST) of total project costs relating to all projects and capital improvements. The Project Management Fee would be payable quarterly in arrears.
Discovery reimbursable costs	<p>Discovery will be entitled to be reimbursed for all costs and expenses it incurs in carrying out its mandate in accordance with the management agreement.</p> <p>The Board will approve all of the Discovery reimbursable costs and expenses before the start of each financial year and should these costs not be approved before the start of any financial year, the costs will be capped at the amount agreed upon in the immediately preceding financial year.</p>
Growth opportunities	<p>Discovery will refer 100% of all MHE / permanent acquisition opportunities to the Aspen Group.</p> <p>All other transactions (mixed use, tourism or corporate/work stay parks) will be alternated between Discovery and Aspen Parks (1 for 1) until Aspen becomes fully invested.</p> <p>Should the Board of either Discovery or Aspen reject an acquisition, the other party will have the opportunity to pursue the transaction regardless of which of Aspen or Discovery acquired the last asset.</p> <p>Further, under the license agreement with Top Parks licensees, Discovery has the first right of offer on any licensee that intends to sell during their license term. Should Discovery not intent to make an offer or Discovery's offer is not accepted, Discovery will provide the lead to Aspen.</p>
Discovery approvals	<p>This Proposal has been approved by the Discovery Board.</p> <p>Discovery's majority shareholder, Sunsuper, has been briefed on, and is supportive of, the Proposal.</p>

Discover what matters.

Level 7, 60 Light Square, Adelaide SA 5000
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DISCOVERYHOLIDAYPARKS.COM.AU

ABN 50 111 782 846 ACN 111 782 846



Conditions	The Proposal is subject to the following conditions: <ul style="list-style-type: none">- Completion of satisfactory due diligence (Discovery expects this could be completed within 10 business days) and would include a review of the proposed MHC management agreement;- Execution of a Management Agreement in a form satisfactory to both parties;- Deferral of the extraordinary general meeting (“EGM”) scheduled for 14 December 2018, and calling of an EGM to allow Aspen securityholders to consider and vote on the Discovery Proposal by ordinary resolution;- A recommendation from the Aspen Independent Board Committee (“IBC”) that securityholders vote in favour of the Discovery Proposal; and- Securityholder approval of the Discovery Proposal (if required).
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Attached to this letter is a presentation setting out further details of the Proposal including the key benefits, and opportunities that Discovery management would provide to Aspen securityholders.

The Proposal is superior to the MHC proposal

- ✓ Significantly lower fee structure.
 - Base management fee ~\$700k p.a. lower than the MHC proposal.
 - No performance fees.
- ✓ Industry leading management platform.
 - Largest owner/operator of accommodation parks in Australia employing over 1,400 people with a network of over 260 parks - 67 of which are directly owned and operated by Discovery.
 - Aspen Group will benefit from the industry’s largest referral network.
 - Discovery has a highly experienced Board and management team with over 45 years collective industry experience.
- ✓ Enhanced growth opportunities via:
 - Asset co-location providing operational efficiencies.
 - Given its scale and market position, Discovery has unrivalled access to future acquisition opportunities and capital transactions flows, both on and off market.
 - Discovery’s platform has integrated capabilities to buy, enhance and operate parks.
 - Discovery will refer 100% of all MHE / permanent acquisition opportunities to the Aspen Group.
 - All other transactions (mixed use or tourism parks) will be alternated between Discovery and Aspen Parks (1 for 1) until Aspen becomes fully invested.
 - Access to significant capital via the Discovery / Sunsuper platform.
- ✓ Opportunity to unlock value in Karratha through a land partnership (given Discovery’s Discovery Parks – Pilbara, Karratha site adjacent to Aspen’s site) and the opportunity to present a joint proposition to Woodside.

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We believe that this Proposal is in the best interests of Aspen Securityholders. If any aspect of the proposal requires clarification, we would be happy to discuss at your convenience.

We look forward to working with Aspen's IBC on this Proposal.

Regards,

A handwritten signature in black ink, appearing to read "G. Wilckens".

Grant Wilckens

Chief Executive Officer

Encl: Management Proposal

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