



Aspen Group Limited
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MARKET RELEASE

ASX ANNOUNCEMENT 14 MARCH 2019

MANAGEMENT UPDATE

The Independent Board Committee (**IBC**) comprising Clive Appleton (Chairman) and Guy Farrands (Non-Executive Director) is pleased to provide investors with the following update.

The IBC has considered the management proposals put forward by Mill Hill Capital Pty Ltd (**MHC**) and Discovery Holiday Parks Pty Ltd (**Discovery**), including taking into account securityholder feedback following our ASX announcement of 20 February 2019 "Investment Management Proposals – Update". Following this, the IBC has concluded that neither the MHC nor the Discovery proposal was likely to receive securityholder approval and therefore the only executable option available for Aspen Group at this time is to remain internally managed.

As such, following the resignation of the CEO earlier this week, the IBC has determined that Aspen's best interests are served through the appointment of John Carter and David Dixon as Joint CEO's¹ as soon as practicable on the employment terms outlined in this announcement. These appointments would replace the current CEO and CFO positions following a transitional period.

Mr. Carter and Mr. Dixon currently own and operate MHC and will undertake their Aspen Group roles on a full-time basis.

In addition:

- Aspen will manage MHC's Affordable Accommodation & Land Fund and Marina Hindmarsh Island Fund (**MHC Existing Funds**), which are undertaking substantial affordable accommodation projects in South Australia.
 - Aspen will earn management fees from these funds in line with MHC's project management fee entitlements under its existing contracts.
 - These are all of the funds operated by MHC, except the fund that owns MHC's investment in Aspen and the EBC Hotel & Leisure Fund that has conditionally contracted to sell all of its properties, and intends to wind up around July 2019
- Patrick Maddern and Katie Schmidt will be employed in operating, development and business administration roles, complementing Aspen's existing management team. Mr. Maddern and Ms. Schmidt are currently employees of MHC and will also relinquish their employment at MHC.

Aspen Group is not acquiring MHC nor any of its assets, nor will MHC have any contractual rights over the management of Aspen Group. The new employees will be employed on arm's length employment contracts in line with Aspen Group's existing employment

¹ David Dixon will join the board of Aspen Funds Management Limited but not the board of Aspen Group Limited. John Carter will remain on the board of Aspen Group Limited and Aspen Funds Management Limited.

contracts. Should there be a change of control in Aspen Group, Aspen Group's management of the MHC Existing Funds would be terminated at no cost to either party.

The IBC believes that the revised management team and new revenue streams are superior to the status quo and the external management proposals put forward by MHC and Discovery for the following reasons:

- The enhanced team has a track record of successful property ventures and has a more entrepreneurial growth focus than the status quo and no competing interests.
- Aspen intends to continue to pursue opportunities and operate across the broad spectrum of affordable accommodation, which maximises the prospects of growing the business and portfolio profitably.
- MHC's 23% securityholding in Aspen creates a strong alignment of interest with other securityholders.
- Aspen Group's total remuneration and overheads are expected to remain at or below the FY19 Business Plan (refer to Table 10: Analysis of Cost Structure Pre on page 29 of the Independent Expert's Report contained in the Notice of Extraordinary General Meeting dated 15 November 2018).
- Aspen is expected to earn over \$350,000 per annum in management fees and cost reimbursements from the MHC Existing Funds for nil consideration.
- Simple execution and lowest management transition risk.
- Aspen Group remains an independent entity with no impediments to future corporate activity. Aspen remains open to consider change of control transactions should they arise:
 - Previously a standstill arrangement existed that prevented Discovery Parks Pty Ltd from acquiring Aspen Group stapled securities. The IBC will endeavour to release Discovery from this standstill provision.

Clive Appleton, Chairman of Aspen Group said, "We are pleased that we have achieved the optimal management outcome for Aspen. The Group is now well positioned to take advantage of the substantial opportunities in the affordable accommodation sector."

END

For further information please contact:

Clive Appleton
Chairman

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Biographies

JOHN CARTER

MBA (Syd), BAppSc (Property Resource Mgmt)(UniSA), AAPI, GAICD

John's career in real estate and financial markets spans 34 years commencing at Jones Lang LaSalle in 1984 before entering real estate investment banking as Head of Real Estate Research at UBS in 1991 and then head of Real Estate Investment Banking (REIB).

After successfully building UBS's REIB team to become market leader in Australia, John transitioned to its Head of Equities in 2001 and helped propel UBS's Australian institutional business to the pre-eminent position it enjoys to this day. While at UBS, John led over \$10 billion of M&A and \$20 billion of capital raising transactions for Australia's leading companies including Colonial, Westfield, Stockland, GPT, Mirvac, AMP, Multiplex, Macquarie Airports and Bankers Trust.

In 2004, John left UBS to establish Mill Hill Capital (formerly Edward Baillie Capital) to pursue investment opportunities in Real Estate, Agriculture and Equities and to date has successfully deployed well over \$100 million of HNW and institutional funds across a range of operational and development real estate investments.

DAVID DIXON

B.Bus (Distinction) (Fin. & Econ.) (UTS)

David's career in real estate and financial markets spans 29 years commencing in the funds management division of Bankers Trust in 1989. After successfully helping build BT's real estate franchise into Australia's largest and most active and diversified investors at the time, David transitioned to the industry's sell-side as Joint Head of REIB at Deutsche Bank including a dual role for three years in its broader Equity Capital Markets division, then moved to Credit-Suisse as Joint Head of REIB.

Over the four years to 2014 prior to joining MHC, David led Morgan Stanley's Australian REIB business and was also closely involved in its real estate investing activities.

David has led over \$50 billion of M&A and restructuring transactions and \$15 billion of capital raisings for leading companies including Westfield, Lend Lease, DEXUS, Investa, Tishman Speyer Office Fund, Bankers Trust, Fosters, ANZ Bank, ResMed and Aristocrat. He has also advised various Australian government authorities including around the proposed Australian Business Investment Partnership during the GFC and Landcom NSW.

Employment Terms

Each of Mr Carter and Mr Dixon will receive a combination of fixed remuneration, together with short term and long term incentives.

The grant of performance rights is subject to approval of security holders at the next general meeting. (Further terms and conditions of the LTI policy and Performance Rights Plan are disclosed on the Aspen Group website: www.aspengroup.com.au).

Key terms of employment for each of Mr Carter and Mr Dixon will be as follows:

Commencement Date

- *March 2019*

Base salary - Total Fixed Remuneration (TFR)

A fixed base salary of \$380,000 per annum exclusive of statutory superannuation.

Short Term Incentive (STI)

A variable annual incentive of up to 25% of TFR subject to achievement of individual and company KPI's set annually, for FY19 pro-rata for the period from commencement of employment. 50% of any STI awarded must be taken as equity in APZ with the entitlement deferred by 18 months after which the APZ securities will be issued.

Long Term Incentive (LTI)

An entitlement to a LTI in the form of performance rights up to 75% of TFR, for FY19 pro-rata for the period from commencement of employment. The conditions of the performance rights are subject to the performance rights plan and vesting is subject to achievement of performance right conditions over 3 years (pro-rata for the FY19 rights). The issue of performance rights is subject to securityholder approval.

Other Key Terms

The employment contracts have no fixed term.

The employment may be terminated by the Group or by the employee by giving 3 months' notice of an intention to terminate his employment.