



## NOTICE OF ANNUAL GENERAL MEETING 2014

Notice is hereby given that the Annual General Meeting of Aspen Group Limited ACN 004 160 927 (the "**Company**") and Aspen Property Trust ARSN 104 807 767 (the "**Trust**") (together "**Aspen Group**") will be held in the Fremantle Room at the Parmelia Hotel, 14 Mill Street, Perth Western Australia at 10am on Monday, 10 November 2014.

**A proxy form is enclosed**

Please read the Notice of Meeting and Explanatory Statement carefully. If you are unable to attend the meeting please complete and return the enclosed proxy form in accordance with the specified instructions.

# AGENDA

## ORDINARY BUSINESS

### 1. Financial Accounts and Reports

To receive and consider the financial report for the year ended 30 June 2014 for Aspen Group, including the Directors' declaration, Directors' report and audit report.

There is no vote on this item.

### 2. Re-election of Frank Zipfinger as a Director

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

#### Resolution 1

*"To re-elect as a Director of the Company, Mr Frank Zipfinger, who retires in accordance with Rule 7.3 (g) of the Company's constitution and being eligible offers himself for re-election."*

Details of the qualifications and experience of Mr Zipfinger and the recommendation of the Board are set out in the attached Explanatory Statement.

### 3. Remuneration Report

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company:

#### Resolution 2

*"That the Company's remuneration report for the year ended 30 June 2014 be adopted."*

The Remuneration Report appears on pages 21 to 40 of the 2014 Annual Report. Additional details about the Company's remuneration policies and practices are included in the Explanatory Statement.

(Note: the vote on this item is advisory only and does not bind the Directors, the Company or the responsible entity of the Trust).

### Voting Exclusion Statement – Corporations Act

In accordance with the Corporations Act, the Company will disregard any votes cast:

- by or on behalf of a member of the Key Management Personnel (KMP) details of whose remuneration is included in the 2014 Remuneration Report; or
- a closely related party of a member of the KMP referred to above. A 'closely related party' is defined in the Corporations Act and includes any spouse, dependant and certain other close family members of a member of the KMP, as well as any companies controlled by a member of the KMP.

However, the Company need not disregard a vote if the vote is cast as a proxy for a person entitled to vote:

- in accordance with a direction on the proxy form; or
- by the Chairman where he has been expressly authorised to vote undirected proxies as he sees fit.

### 4. Issue of Performance Rights under the Performance Rights Plan (PRP) to Mr Clement Salwin

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company and the Trust:

#### Resolution 3

*"That approval is given for the purposes of ASX Listing Rule 10.14 and section 200E of the Corporations Act 2001 (Cth) and for all other purposes for the grant of 826,586 Performance Rights to Mr Clement Salwin on the terms described in the Explanatory Statement."*

### **Voting exclusion statement – ASX Listing Rules**

The Company and Trust will disregard any votes cast by Mr Salwin and any of his associates, unless the vote is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

In addition, the Company and Trust will disregard votes cast by a member of the key management personnel (or any of their closely related parties) as proxy, where the appointment does not specify the way the proxy is to vote, unless the proxy is the Chairman of the Meeting and has been expressly authorised to vote on behalf of someone entitled to vote on this resolution, even though it is connected with the remuneration of key management personnel.

### **5. Issue of STI Right to Mr Clement Salwin**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company and Trust:

#### Resolution 4

*That approval is given for the purposes of ASX Listing Rule 10.11, section 200E of the Corporations Act 2001 (Cth) and for all other purposes, for the grant of the STI Right to Mr Clement Salwin on the terms described in the Explanatory Statement.*

### **Voting exclusion statement – ASX Listing Rules**

The Company and Trust will disregard any votes cast by Mr Salwin and any of his associates, unless the vote is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- the Chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### **6. Appointment of PricewaterhouseCoopers (PwC) as Auditor of the Company**

To consider and, if thought fit, pass the following resolution as an ordinary resolution of the Company:

#### Resolution 5

*To appoint PwC as auditor of the Company, with such appointment to take effect from the time that the resignation of KPMG takes effect.*

## **SPECIAL BUSINESS**

### **7. Buy-Back**

To consider and, if thought fit, to pass the following resolution as an ordinary resolution of the Company and Trust:

#### Resolution 6

*“That for the purposes of sections 257C and 601KH (as inserted by ASIC class order 07/422) of the Corporations Act 2001 (Cth), and for all other purposes, approval is given for an on-market buy-back of up to 22,996,975 Stapled Securities during the 12 month period commencing after the date of the meeting on the terms detailed in the Explanatory Statement.”*

**GENERAL BUSINESS**

To transact any business that may be properly brought before the meeting.

By order of the Board

A handwritten signature in black ink, appearing to be 'Eric Lee', written in a cursive style.

**Eric Lee**

**Company Secretary**

Dated: 7 October 2014

## HOW TO VOTE

You may vote by attending the meeting in person or by proxy or a body corporate can appoint a corporate representative.

### VOTING IN PERSON

To vote in person, you must attend the meeting on Monday, 10 November 2014 at 10.00am. The meeting will commence at 10.00am with registrations from 9.30am.

### VOTING BY PROXY

A securityholder entitled to attend and vote has a right to appoint a proxy to attend and vote instead of the securityholder. A proxy need not be a securityholder.

As a member of the Company's KMP, the Chairman of the meeting is not permitted to vote undirected proxies on Resolutions 2, 3 and 4, unless he is expressly authorised to exercise the proxy even though it is connected with the remuneration of the Company's KMP. If you intend to appoint the Chairman of the meeting as your proxy, or the Chairman of the meeting becomes your proxy by default, you can direct the Chairman how to vote by either marking the boxes for each of Resolutions 2, 3 and 4 (for example, if you wish to vote 'for', 'against' or to 'abstain' from voting), . The Chairman intends to vote all available proxies in favour of Resolutions 1 to 6.

A securityholder that is entitled to cast two (2) or more votes may appoint up to two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, each proxy may exercise half of the securityholder's votes.

**To be effective, proxies must be lodged by 10.00 am (WST) on 8 November 2014. Proxies lodged after this time will be invalid.**

Proxies may be lodged using any of the following methods:

- by post to Aspen Group Limited C/- Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235
- in person to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138
- by faxing a completed proxy form to +61 2 9287 0309; or
- online – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)  
Select 'Investor and Employee Login' and enter the holding details as shown on the proxy form. Select the 'Voting' tab and then follow the prompts. You will be taken to have signed your Proxy Form if you lodge it in accordance with the instructions given on the website.

The proxy form must be signed by the securityholder or the securityholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Securityholders can download and fill out the 'Appointment of Corporate Representation' form from the website of the securities registry of Aspen Group – [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Where the appointment of a proxy is signed by the appointer's attorney, an originally certified copy of the power of attorney, or the power itself, must be received by Aspen Group at the above address by 10.00am (WST) on 8 November 2014.

### VOTING ENTITLEMENTS

The Directors have determined that for the purposes of Regulation 7.11.37 of the Corporations Regulations, the persons eligible to vote at the meeting will be those persons who are registered as securityholders at 10:00am (WST) on 8 November 2014. Accordingly, security transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

## EXPLANATORY STATEMENT

This Explanatory Statement forms part of the Notice of Meeting and contains information about the resolutions contained in the Notice of Meeting. You should read the Notice of Meeting and this Explanatory Statement carefully, and seek your own independent advice on any issues that you are not certain about.

### Annual Financial Report

The Corporations Act requires:

- the reports of the Directors and auditors; and
- the annual financial report, including the financial statements of Aspen Group for the year ended 30 June 2014,

to be laid before the Annual General Meeting. Neither the Corporations Act or the Company's constitution requires a vote of securityholders on the reports or statements. However, securityholders will be given ample opportunity to raise questions or comments on the management of Aspen Group.

### PROPOSED RESOLUTIONS

#### Resolution 1 – Election of Frank Zipfinger as a Director

Mr Frank Zipfinger joined the Board of the Company as a non-executive Director in January 2011.

Mr Frank Zipfinger has over 30 years' experience in the property industry.

Mr Zipfinger was formerly a partner in the Property, Construction & Environment practice of the Sydney office of Mallesons Stephen Jaques where he specialised in property investment and development. Mr Zipfinger was also the chairman of Mallesons Stephen Jaques from 1 February 2005 until 30 June 2010. Prior to this appointment, Mr Zipfinger completed over five years in various roles as a managing partner with the firm.

Mr Zipfinger is a member of the Australian Institute of Company Directors, a member of the Executive Committee of the St Joseph's College Indigenous Fund, a member of the Board of the Melbourne Business School and president of the School's Alumni Council, and a director of the Australian Youth Orchestra.

Mr Zipfinger is chairman of the Investor Representative Committee of AMP Capital Wholesale Office Fund and chairman of the Investor Representative Committee of AMP Capital Wholesale Shopping Centre Fund.

Mr Zipfinger has been a non-executive director of Galileo Japan Trust since 2006.

**The Directors (other than Mr Zipfinger) unanimously recommend that securityholders vote in favour of Resolution 1.**

#### Resolution 2 - Remuneration Report

Under the Corporations Act the Company is required to include in its Directors' report a detailed Remuneration Report relating to Directors' and executives' remuneration. Section 300A of the Corporations Act sets out the information to be included in the Remuneration Report. **A copy of the Remuneration Report appears on pages 21 to 40 of the Annual Report which is available from Aspen Group or on its website.**

Sections 249L(2) and 250R(2) of the Corporations Act require that a resolution on the Remuneration Report be put to the vote of shareholders at the Company's Annual General Meeting. The vote on this resolution is advisory to the Company only.

The report describes the remuneration principles used by the Company to determine the nature and amount of remuneration and includes details of the remuneration of Directors and specified executives.

As outlined in the Remuneration Report, a key principle of remuneration is that the financial rewards of KMP are linked to the performance of Aspen Group and the delivery of outcomes relative to the strategic objective of the business, which is to become a focused provider of value for money accommodation. In this regard a combination of key commercial property sales, aggressive overhead reduction and measured exits from a number of diverse interests in residential, retirement and development assets during FY14 now enables Aspen Group to pursue its strategy.

The key points in respect of FY14 remuneration during the year were:

- Appointment of Clem Salwin as CEO and Managing Director on 1 July 2013, on a remuneration package designed and negotiated to ensure a strong alignment of his financial rewards with the creation of value for Aspen Group securityholders. The equity component of Mr Salwin's package was approved at an Extraordinary General Meeting in September 2013, including 3 year options, an issue of performance rights and a placement of Aspen Group securities.

With respect to the placement, Mr Salwin invested \$0.98m of his own funds in Aspen Group securities at \$1.70 (post 10:1 consolidation). The Aspen Group security price closed at \$1.21 on 30 June 2014.

- The FY11 issue (tranche 2) of the performance rights issued to KMP and staff, together with the legacy employee share plan, were cancelled because they did not meet the hurdles required to achieve vesting. The FY12 (tranche 3) and FY13 issue (tranche 4) of performance rights are currently below their performance benchmark as at 30 June 2014.
- The quantum of short term incentives paid to KMP was down 63.8% on the previous year. On average only 40.9% of the maximum opportunity for incentives available to KMP was paid. The payments made reflect the success of the business simplification and de-leveraging strategy undertaken during the year.
- All directors' fees and board committee fees were unchanged from FY13.

The Remuneration Committee and the Board have approved further changes for FY15:

- An increase in the deferral period for payments made under the STI Policy, so that participants will be subject to an increased 18 months deferral period (up from 12 months) for 25% of any STI awarded. In addition, any award is to be taken as equity (previously cash) and is subject to a holding lock period for 18 months;
- A reduced scope of incentive schemes, such that the schemes are only available to executive level employees and those nominated by the CEO and approved by the Board; and
- For FY15, there will be no increase to base Board fees and Committee fees for non-executive directors.

**The Directors unanimously recommend that securityholders vote in favour of Resolution 2.**

### **Resolution 3 – Grant of Performance Rights to Clement Salwin**

The Board proposes to invite Mr Clement Salwin, Chief Executive Officer and Managing Director of the Company, to participate in the performance rights plan (**PRP**) and to grant Mr Salwin 826,586 performance rights (**Performance Rights**) for the 2015 financial year, subject to vesting conditions. The PRP was most recently approved at the 2013 Annual General Meeting and a copy of the PRP can be found on Aspen Group's website.

Each Performance Right, subject to satisfaction of the vesting conditions, will entitle Mr Salwin to one fully paid Stapled Security in Aspen Group which will rank equally with those traded on the ASX at the time of issue. Performance rights do not carry distribution or voting rights.

The proposed grant to be made to Mr Salwin under the PRP is in accordance with his contract of employment and is consistent with Aspen Group's remuneration structure as set by the Remuneration Committee.

The Remuneration Committee has obtained independent advice on the appropriate size of grants to be made under the PRP, given trends in comparative companies and the objectives of Aspen Group's compensation strategy.

In accordance with the terms of the PRP, the Performance Rights will be granted at no cost to Mr Salwin and no amount will be payable by Mr Salwin for the acquisition of Stapled Securities on vesting of the Performance Rights if the vesting conditions are met.

## Vesting conditions

The vesting conditions imposed on the Performance Rights under the PRP and Mr Salwin's employment contract are:

- (i) continued employment throughout the vesting period;
- (ii) a minimum internal performance rating throughout the three year vesting period; and
- (iii) relative total securityholder return (**TSR**) that meets the required performance criteria.

### TSR Hurdle

TSR is a measure of the return to securityholders (over the vesting period) provided by security price appreciation, plus reinvested distributions expressed as a % of investment. The S&P ASX 300 Property Sector index will be used as a comparator group as it represents the Company's listed property peers who compete for capital and talent.

The TSR hurdle will be tested at the end of the performance period (three years from grant) by calculating the TSR growth performance of each company in the comparator group. The performance of each company is then ranked, using percentiles. Aspen Group's performance will then be calculated at the end of the performance period and compared to the percentile rankings to determine the Relative TSR. The vesting of Performance Rights will be determined using the matrix in the table below.

The following vesting schedule applies to the award of the Performance Rights to Mr Salwin:

Relative TSR over three years	Proportion of rights vested
At or below the 50 <sup>th</sup> percentile	0%
At the 51 <sup>st</sup> percentile	50%
Between the 51 <sup>st</sup> percentile and the 75 <sup>th</sup> percentile	Straight-line between 50% and 100%
75 <sup>th</sup> percentile or above	100%

The TSR hurdle must be satisfied to gain the proportion of Performance Rights referred to in the right hand column (assuming the other vesting conditions have been satisfied).

### Lapse of Performance Rights

The Performance Rights will lapse if:

- (i) Mr Salwin's employment is terminated for cause;
- (ii) Mr Salwin transfers his Performance Rights without the prior written consent of the Board;
- (iii) a vesting condition attaching to the Performance Rights is not satisfied; or
- (iv) the Performance Rights are not exercised within the specified period.

### Impact of Mr Salwin leaving the Aspen Group before the vesting of the Performance Rights

If Mr Salwin leaves the Aspen Group, the Performance Rights that have not yet vested are to be treated as follows if Mr Salwin:

- (i) is terminated for cause, the Performance Rights automatically lapse;
- (ii) ceases employment for ill health or death, the Performance Rights automatically lapse unless the Board determines otherwise; or
- (iii) ceases employment by consent, the Performance Rights automatically lapse unless the Board determines otherwise.

When exercising its discretion the Board may determine that some or all of the Performance Rights vest.



## Early vesting of Performance Rights

The Performance Rights issued to Mr Salwin will be subject to the terms of the PRP, including those that relate to a change in the employment status of Mr Salwin and the potential acceleration of those rights in certain circumstances.

In addition, Mr Salwin's employment contract provides for the automatic early vesting of the Performance Rights on the occurrence of any of the following events (each an **Automatic Vesting Event**):

- (i) a change of control;
- (ii) the Company passing a resolution for voluntary winding up; or
- (iii) an order is made for the compulsory winding up of the Company.

## Valuation

The following table sets out the estimated value (based on the valuation methodology described below):

Performance Rights Issued	Estimated Value of Potential Awards
826,586	\$612,500

The Board has engaged a qualified independent consultant to advise on the estimated fair value of the Performance Rights under the PRP. This valuation was conducted as at 1 July 2014 and took into account the initial performance conditions set by the Board.

The independent consultant used a Monte Carlo simulation based model to determine the fair value of each performance right. In arriving at a valuation of \$0.741 for each Performance Right the independent consultant utilised the following assumptions:

- the market price of a Stapled Security of \$1.21 (being the closing price of Stapled Securities traded on ASX on 1 July 2014);
- simulated risk free interest rate starting with the cash rate of 2.63% at 1 July 2014;
- simulated dividend yield of the Stapled Securities over the vesting period of 10.68% per annum;
- volatility over the expected life of the instrument and of the relevant index are a reasonable proxy for prospective volatility measures over the performance rights' vesting period; and
- correlation over the last three years between the Stapled Security price and the relevant index is a reasonable proxy for prospective correlation over the performance rights' vesting period.

During the last twelve months the highest closing price of a Stapled Security was \$1.70 cents on 4 October 2013 and the lowest price was \$1.18 cents on 21 February 2014.

## Approval sought

Securityholder approval of Resolution 3 is sought for the following purposes:

### ASX Listing Rule 10.14

Securityholder approval is sought under ASX Listing Rule 10.14 for the grant of 826,586 Performance Rights to Mr Salwin in accordance with the PRP.

Under ASX Listing Rule 10.14, securityholder approval is required before Aspen Group can grant Performance Rights to Directors or associates of Directors under an incentive scheme such as the PRP.

The Company and the Trust seek securityholder approval for the grant of the Performance Rights under the PRP to Mr Salwin.

For the purposes of the approval sought under ASX Listing Rule 10.14, the following information is provided to securityholders:

- (i) Mr Salwin is the Chief Executive Officer and Managing Director of the Company;
- (ii) the maximum number of Performance Rights that may be acquired by Mr Salwin is 826,586 and the maximum number of Stapled Securities that may be issued to Mr Salwin on exercise of those Performance Rights is 826,586;

- (iii) no consideration is payable by Mr Salwin at the time of grant of the Performance Rights or upon allocation of Stapled Securities to which he may be entitled upon the exercise of any Performance Rights;
- (iv) Mr Salwin was granted 528,018 Performance Rights under the PRP for nil consideration in FY2014;
- (v) no other persons referred to in ASX Listing Rule 10.14 have received securities under the PRP since the last approval;
- (vi) as noted above, only Eligible Employees are entitled to participate in the PRP and, of these, the only current Director who is entitled to participate is Mr Salwin;
- (vii) please refer to the voting exclusion statement contained in the notice of meeting to which this explanatory memorandum is attached;
- (viii) no loan will be provided to Mr Salwin for him to acquire the Performance Rights under the PRP or to acquire any Stapled Securities on vesting and exercise of the Performance Rights; and
- (ix) the Performance Rights are expected to be granted to Mr Salwin within 12 months of the date of the meeting.

#### **Part 2D.2 of the Corporations Act: Termination Benefits**

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by securityholders or an exemption applies. Further, under section 200C of the Corporations Act, a company may only give a person a benefit in connection with the transfer of the whole or any part of the undertaking or property of the company if it is approved by securityholders.

The term “benefit” in Part 2D.2 has wide operation and would include the accelerated vesting of Performance Rights.

Accordingly, securityholder approval is sought under section 200E of the Corporations Act for the:

- giving of termination benefits to Mr Salwin in accordance with the PRP or his employment contract, if Mr Salwin’s Performance Rights automatically vest, if his employment is terminated as a result of the Board exercising its discretion, or as a result of an Automatic Vesting Event triggered by the winding up of the Company; and
- giving of benefits to Mr Salwin if Mr Salwin’s Performance Rights automatically vest, as a result of an Automatic Vesting Event being triggered due to a transfer of an undertaking or property of the company.

This approval will only apply to benefits:

- given on the exercise of a discretion in accordance with the PRP; or
- that automatically vest as a result of an Automatic Vesting Event.

As at 1 July 2014 the estimate value of the Performance Rights to be issued to Mr Salwin is \$612,500. However, the value of the benefits at the time they may be given cannot presently be ascertained. The eventual value will be determined by reference to the number of Stapled Securities issued on vesting of the Performance Rights and the market price of the Stapled Securities at that time. The matters, events and circumstances that will, or are likely to, affect the calculation of that value include:

- (i) the number of Performance Rights held by Mr Salwin prior to cessation of employment or office or at the time of the Automatic Vesting Event;
- (ii) the number of Performance Rights that are exercised; and
- (iii) the value of the Stapled Securities when the Performance Rights are exercised.

If securityholder approval is obtained and the Performance Rights automatically vest as a result of an Automatic Vesting Event or the Board exercises its discretion to vest some or all of Mr Salwin’s unvested Performance Rights (or to provide that Mr Salwin’s Performance Rights do not lapse but will continue to be vested in the ordinary course), the value of the benefit will be disregarded when calculating his termination benefit ‘cap’ as permitted by the Corporations Act.

## Recommendation

Mr Salwin has abstained from providing a recommendation on this resolution as he is able to participate as an Eligible Employee in the PRP. All other Directors believe that the issue of the Performance Rights on the above terms is reasonable in all the circumstances because it is an appropriately designed equity based incentive for the Chief Executive Officer and Managing Director having regard to his role and responsibility, and further that if the performance hurdles described above are met this will result in benefits for Aspen Group as a whole.

**The Directors (other than Mr Salwin) unanimously recommend that securityholders vote in favour of Resolution 3.**

## Resolution 4 – Grant of STI Right

Under the terms of Mr Salwin's employment contract, Mr Salwin may be entitled to a discretionary short term incentive (**STI**), under Aspen Group's Short Term Incentive Policy (**STI Policy**), depending on the Company's and Mr Salwin's performance against financial and non-financial metrics determined by the Board (**KPIs**).

Any entitlement to an STI in respect of the 2015 financial year will be provided to Mr Salwin on the following basis:

- the value of the STI may be up to 75% of Mr Salwin's base salary of \$490,000 (**STI Value**);
- 50% of the STI will be paid in cash after the end of the 2015 financial year; and
- subject to securityholder approval, 50% of the STI will be provided as equity in the form of Stapled Securities and will be deferred for 18 months after which time the Stapled Securities will be issued to Mr Salwin. Accordingly, if securityholders approve Resolution 4, Mr Salwin will have a right to be issued Stapled Securities on becoming entitled to an STI (**STI Right**).

Subject to the STI Policy, Mr Salwin will not be entitled to any STI unless he is employed by the Company at the time the entitlement is to be paid or provided. However, the Board may exercise its discretion and provide Mr Salwin or his estate with an amount of an STI in the form determined by the Board.

If there is an Automatic Vesting Event, any deferred equity component of the STI will automatically vest.

### Approval sought

Securityholder approval of Resolution 4 is sought for the following purpose:

### ASX Listing Rule 10.11

Under ASX Listing Rule 10.11, securityholder approval is required before the Company can grant equity securities (which would include the STI Right) to a related party of the Company.

Aspen Group seeks the approval of securityholders for the grant of the STI Right to Mr Salwin who, by virtue of his position as Chief Executive Officer and Managing Director of Aspen Group, is a related party of Aspen Group.

For the purposes of the approval sought under ASX Listing Rule 10.11, the following information is provided to securityholders:

- (i) the STI Right will be granted to Mr Salwin;
- (ii) one STI Right will be granted to Mr Salwin. It is not possible to determine maximum number of Stapled Securities that would be issued to Mr Salwin on exercise of the STI Right. However, the formula for calculating the number to be issued is as follows:  
  
*Number of Stapled Securities = 50% of STI Value / volume weighted average price of Stapled Securities on ASX for the 5 days prior to the issue of the Stapled Securities on issue of the STI Right*
- (iii) the exercise of the STI Right will not have a dilutionary impact on securityholders. The table below illustrates, by way of example, that the grant of securities based on the maximum potential STI Value, at an assumed security price of \$1.30 (derived per paragraph (ii) above), would result in the issue of securities representing 0.12% of issued capital.

Maximum potential STI Value	\$367,500
% provided as equity	50%
Assumed issue price	\$1.30
= No. securities issued	141,346
% issued capital	0.12%

- (iv) the STI Right will be granted immediately upon approval of Resolution 4;
- (v) the STI Right will be granted for nil consideration on the following terms:

Conversion right	Subject to satisfaction of the KPIs for the 2015 financial year and Mr Salwin's continued employment with the Company (subject to the Board's discretion described above), Mr Salwin will be entitled to receive, for nil monetary consideration, the number of Stapled Securities calculated in accordance with the above formula 18 months after the end of the 2015 financial year.
Acceleration of deferral period	If an Automatic Vesting Event occurs, the 18 month deferral period automatically ends and Aspen Group will be required to vest the relevant Stapled Securities to Mr Salwin.

- (vi) please refer to the voting exclusion statement contained in the notice of meeting to which this explanatory memorandum is attached; and
- (vii) no proceeds will be received from the grant or exercise of the STI Right.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the STI Right, as approval is being obtained under ASX Listing Rule 10.11. Accordingly, if securityholders approve Resolution 4, the grant of the STI Right (and any Stapled Securities issued under the STI Right) will not count towards Aspen Group's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

The approval only applies to STIs provided in respect of the 2015 financial year.

#### **Part 2D.2 of the Corporations Act: Termination Benefits**

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by securityholders or an exemption applies. Further, under section 200C of the Corporations Act, a company may only give a person a benefit in connection with the transfer of the whole or any part of the undertaking or property of the company if it is approved by securityholders.

The term "benefit" in Part 2D.2 has wide operation and would include the accelerated vesting of the STI Right, as a result of the Board exercising its discretion or an Automatic Vesting Event relating to the winding up of the Company or the transfer of an undertaking or property of the Company.

Accordingly, securityholder approval is sought under section 200E of the Corporations Act for the:

- giving of termination benefits to Mr Salwin if the Board exercises its discretion to provide Mr Salwin with a STI if his employment is terminated;
- giving of termination benefits to Mr Salwin if the deferred equity component of an STI automatically vests on the occurrence of an Automatic Vesting Event; and
- giving of benefits to Mr Salwin if the equity component of an STI automatically vest, as a result of an Automatic Vesting Event being triggered due to a transfer of an undertaking or property of the company.

This approval will only apply to benefits:

- given on the exercise of a Board discretion; or
- that automatically vest as a result of an Automatic Vesting Event.

The potential value of the benefits will be up to 75% of Mr Salwin's base salary of \$490,000.

If securityholder approval is obtained and the Board exercises its discretion to provide Mr Salwin with some or all of his STIs, or an Automatic Vesting Event occurs and the deferred equity component of an STI automatically vests, the value of the benefit will be disregarded when calculating his termination benefit 'cap' as permitted by the Corporations Act.

#### **Recommendation**

The directors (other than Mr Salwin) do not consider from an economic or commercial perspective that there is any cost or detriment to the issue of securities to Mr Salwin pursuant to a STI policy.

The directors (other than Mr Salwin) believe that the issue of securities to Mr Salwin:

- Provides a strong alignment of the interests of Mr Salwin with the interests of securityholders;
- Represents an appropriate mechanism to retain the services of Mr Salwin;
- Provides a tangible benefit to working capital of Aspen Group.

The directors (other than Mr Salwin) are not aware of any other information which securityholders of Aspen Group would reasonably require in order to decide whether or not it is in the best interests of Aspen Group to pass the resolution.

**The Directors (other than Mr Salwin) unanimously recommend that securityholders vote in favour of Resolution 4.**

### **Resolution 5 – Appointment of PricewaterhouseCoopers (PwC) as Auditor of the Company**

#### **Overview**

KPMG has been the auditor of the Company since 2001, during which time the audit of the Company has been conducted in an effective and competent manner.

Following a recent review of services provided to the Company the Board recommends the appointment of PricewaterhouseCoopers (PwC) as auditor. In appointing PwC, the Board considered the results of a market tender conducted to consider proposals from major accounting firms.

Subject to shareholder approval, the appointment of PwC will be effective from the resignation of KPMG and for the 2014/2015 financial year reporting. If PwC are appointed, arrangements are in place for a smooth transition between audit firms.

KPMG has tendered its resignation as auditor to the Company and has advised it has applied to the Australian Securities and Investment Commission (ASIC) for consent to resign. It is anticipated that KPMG's resignation will take effect upon the day upon which ASIC provides its consent, which is anticipated prior to the date of this AGM.

In accordance with subsection 328B(1) of the Corporations Act, notice in writing nominating PwC as auditor has been received from a member, a copy of which is provided as Annexure A.

**The Directors unanimously recommend that shareholders vote in favour of Resolution 5.**

### **Resolution 6 – Securities Buy-Back**

#### **Overview**

The Board seeks the approval of securityholders to commence an on-market buy-back (**Buy-Back**) of up to 22,996,975 Stapled Securities (**Maximum Amount**), during the 12 month period commencing after the date of the meeting. If the Maximum Amount is bought back, it would represent 20% of Aspen Group's Stapled Securities on issue (based on 114,984,873 Stapled Securities on issue as at 25 September 2014).

If the Buy-Back is approved, Aspen Group would be able to buy-back Stapled Securities up to the Maximum Amount on-market over the 12 months after the Meeting, without further securityholder approval. No decision has been made by the Board whether or when to implement the Buy-Back. The Board will only decide to buy-back Stapled Securities on-market if it considers it is in the best interests of Aspen Group.

## How does an on-market buy-back work?

An on-market buy-back allows Aspen Group to buy-back Stapled Securities over time, depending on market conditions and prices. Any purchases would occur on-market in the ordinary course of trading in Stapled Securities, and the Stapled Securities would be cancelled immediately after they are bought back.

Although Aspen Group can determine the price at which to buy-back Stapled Securities, the ASX Listing Rules govern the maximum price Aspen Group can pay, being no more than 5% above the volume weighted average market price over the last five days on which sales in the Stapled Securities were recorded before the day on which the purchase under the buy-back was made.

## The terms of the Buy-Back

The Buy-Back will be conducted on the following terms:

- If securityholders approve Resolution 6 and the Board decides to implement the on-market buy-back of Stapled Securities, the Stapled Securities will be purchased in the ordinary course of trading at the prevailing market price on the ASX, in the same way as other market participants trade on-market;
- **number of Stapled Securities to be bought back:** Aspen Group is seeking approval to buy-back up to 22,996,975 Stapled Securities (i.e. the Maximum Amount). The number of Stapled Securities actually bought back will depend on a range of factors. In particular, an assessment of the value to Aspen Group of buying back Stapled Securities at particular market prices, alternative uses for cash, the market price and the Board's perception of the fair value of the Stapled Securities. In any case, Aspen Group will reserve the right not to buy-back any Stapled Securities; and
- **maximum price:** on any given day, the maximum price that Aspen Group will pay for Stapled Securities under the Buy-Back is the maximum imposed by ASX Listing Rule 7.33, being no more than 5% more than the volume weighted average of the market price for Stapled Securities over the preceding five days on which sales in the Stapled Securities were recorded before the day on which the purchase under the buy-back was made.

## Stapled Security price information

On 25 September 2014 the closing share price of the Stapled Securities was \$1.30. Aspen Group's highest and lowest market sales prices on ASX during the preceding 6 months were \$1.37 and \$1.19 respectively.

## Reasons for the Buy-Back

Aspen Group is progressing the disposal of its interests in commercial property as part of an overall strategy to simplify the business and focus on the value for money accommodation sector. Aspen Group expects to have cash available from the proceeds of disposal after repayment of associated debt. The Board may seek to return part of this cash via the Buy-Back. The Buy-Back forms part of Aspen Group's ongoing capital management.

The Board considers that the Buy-Back is an effective means of returning capital to securityholders and will enable Aspen Group to maintain an efficient capital structure, thus optimising returns and creating value for securityholders over time.

The Board considers the benefits of returning capital to securityholders through the Buy-Back are as follows:

- it provides an efficient means of returning excess capital to securityholders;
- purchases under the Buy-Back can be tailored to react to changing market conditions; and
- implementation of an on-market buy-back is relatively simple and involves relatively fewer costs than other alternatives.

## Possible disadvantages of the Buy-Back

The Board considers that the Buy-Back is in the best interests of securityholders. However, in making their decision, securityholders should evaluate the following factors:

- there will be a reduction in available cash levels and therefore Aspen Group's ability to use that cash for other purposes (including for asset acquisitions);
- the Buy-Back entails a reduction in the capital base of Aspen Group;

- the Buy-Back is likely to result in a reduction in the liquidity of the Stapled Securities; and
- the voting power of those securityholders who do not participate in the Buy-Back (or otherwise reduce their holding) will increase (see the “Control” section below for further details).

### Effect of the Buy-Back on Aspen Group

#### *Control*

As at 25 September 2014, Aspen Group had 114,984,873 Stapled Securities on issue. As noted above, if the Buy-Back is approved, Aspen Group will be able to buy-back a total of 22,996,975 Stapled Securities, which represents approximately 20% of the issued capital of Aspen Group.

As at 25 September 2014, Aspen Group’s major securityholder, fund manager Allan Gray Australia Pty Ltd (**AGA**), holds approximately 19.8% of Aspen Group’s Stapled Securities. If Aspen Group buys-back the Maximum Amount of Stapled Securities under the Buy-Back and AGA does not participate in the Buy-Back or otherwise reduce its holding, AGA’s holding will increase to approximately 25.8%. As a result of an exemption under the general takeover provisions, such an increase does not mean that AGA is making, or is obliged to make, a takeover for the Aspen Group. AGA has indicated that it has no intention to make a formal takeover of the Aspen Group. In addition, were AGA’s holding to increase by non-participation in the buyback, AGA could have a greater degree of influence when voting on resolutions to be considered at securityholder meetings. This is especially so for special resolutions, which requires at least 75% of the votes to be cast in favour of the resolution.

#### *Financial position*

The financial impact of the Buy-Back on Aspen Group is set out below. Solely for the purposes of illustration, the statements in this section **assume** that the Maximum Amount is bought back by Aspen Group at an average price of \$1.30 per Stapled Security. The Board can give no assurance that this will in fact occur.

NAV per Stapled Security	The NAV per Stapled Security is expected to increase by 3.3%.
Capital base	Aspen Group’s capital base will be reduced by the market value of the Stapled Securities acquired by Aspen Group under the Buy-Back.
Business operations	The Buy-Back will not have any impact on Aspen Group’s business operations or assets (other than a reduction in cash reserves as mentioned above).
Franking credits	The Buy-Back is not expected to result in any reduction in the Company’s franking account.
Source of funds	The source of the funds for the Buy-Back will be the proceeds of the sale of Aspen Group’s commercial property portfolio. Aspen Group does not believe that the Buy-Back will materially prejudice Aspen Group’s ability to pay its creditors nor result in Aspen Group being unable to pay its debts as and when due.
Cash reserves	The Buy-Back will result in a reduction of Aspen Group’s total cash holdings by approximately \$29.9 million. Completion of the Buy-Back will be subject to Aspen Group having sufficient remaining cash reserves to meet its financial needs and obligations for the future.

### *Employee incentive plans and Options*

The Buy-Back will not:

- trigger vesting of any unvested Performance Rights issued under the PRP; nor
- result in an adjustment to the exercise price or the number of Stapled Securities to be issued on the exercise of any Options.

### **Taxation**

The disposal of securities as a result of an on-market buy-back will result in the same taxation implications as any other dealing in Aspen Group Stapled Securities on the ASX. However, securityholders and optionholders are advised to seek individual tax advice on the effect of the Buy-Back on their personal taxation affairs.

### **Interests of Directors and Responsible Entity**

As at 25 September 2014, the Directors and their associates have a direct or indirect interest in Stapled Securities:

<b>Director</b>	<b>Registered holder if not directly held</b>	<b>Number of Stapled Securities</b>	<b>Number of Performance Rights</b>	<b>Number of Options</b>
Frank Zipfinger		119,939	Nil	Nil
Hugh Martin		Nil	Nil	Nil
Clive Appleton	CR & J Appleton Super Fund	11,000	Nil	Nil
Guy Farrands	Kanook Pty Ltd ATF Kanook Super Fund	50,000	Nil	Nil
Clement Salwin	288,236 Stapled Securities held by Magrippa Pty Ltd	641,734	528,018 <sup>(1)</sup>	1,729,412

<sup>1</sup> Excluding the proposed issue the subject of resolution 3

### **Proposed timing**

Aspen Group may commence buying Stapled Securities under the Buy-Back after this Resolution 6 is passed. Aspen Group may buy-back Stapled Securities under the Buy-Back at its discretion in accordance with the above terms (including only being able to buy-back Stapled Securities up to the Maximum Amount) for the 12 months after the date on which Resolution 6 is passed.

### **Requirements for approval**

Under the Corporations Act (as modified by ASIC relief), securityholder approval is required for Aspen Group to conduct a buy-back of its Stapled Securities if the number of Stapled Securities to be bought-back would exceed the "10/12 limit". The "10/12 limit" is 10% of the smallest number, at any time during the last 12 months, of Stapled Securities on issue (**10/12 limit**). As at 25 September 2014, Aspen Group's 10/12 limit was 11,994,877 Stapled Securities. Therefore, as Aspen Group is proposing to buy-back more than this number of Stapled Securities, securityholder approval for the Buy-Back is required.

### **Recommendation**

The Board is not aware of any other information (not set out in this Explanatory Statement or made publicly available) which securityholders of Aspen Group would reasonably require in order to decide whether or not it is in the best interests of Aspen Group to pass the resolution.

**The Directors unanimously recommend that securityholders vote in favour of Resolution 6.**



## GLOSSARY

Capitalised terms used in this Notice of Meeting and Explanatory Statement (other than Schedule 1) have the following meanings.

Term	Meaning
\$	Australian dollars.
Aspen Group	the Company and the Trust.
ASX	ASX Limited.
Board	the board of directors of Aspen Group.
Buy-Back	the on-market buy-back of Stapled Securities proposed in Resolution 5.
Company	Aspen Group Limited (ACN 004 160 927).
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Eligible Employees	means any employee who is declared by the Board to be an eligible participant for the purposes of the PRP.
Explanatory Statement	the explanatory statement forming part of this Notice of Meeting.
LTI	long term incentive.
KMP	the key management personnel of Aspen Group.
Meeting	the meeting of securityholders convened by the Notice of Meeting.
Notice of Meeting	the notice convening a meeting of securityholders to be held on 10 November 2014.
Option	options which on their exercise entitle the holder to be issued Stapled Securities.
Performance Right	a performance right granted under the PRP.

Term	Meaning
<b>PRP</b>	the Aspen Group Performance Rights Plan.
<b>Remuneration Report</b>	the Company's remuneration report for the year ended 30 June 2014.
<b>Stapled Security</b>	a fully paid ordinary share in the Company and a fully paid unit in the Trust stapled and traded together in accordance with the constitutions of the Company and the Trust as amended from time to time.
<b>STI</b>	short term incentive.
<b>Trust</b>	Aspen Property Trust (ARSN 104 807 767).
<b>TSR</b>	total securityholder return.

**End**

## APPENDIX A

24 September 2014

The Company Secretary  
Aspen Group Limited  
Level 3, 129 St Georges Terrace  
Perth WA 6000

### RE: NOMINATION OF AUDITOR

Pursuant to subsection 328B (1) of the Corporations Act, I nominate PricewaterhouseCoopers to be appointed as the Auditor of Aspen Group Ltd at the Annual General Meeting to be held on 10 November 2014.

I am a shareholder of Aspen Group Limited (ref. I40080121549)

Yours Sincerely



Clem Salwin



By mail:  
Aspen Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



By fax: +61 2 9287 0309



All enquiries to: Telephone: +61 1300 554 474

## PROXY FORM

I/We being a member(s) of Aspen Group Limited and entitled to attend and vote hereby appoint:

### STEP 1

#### APPOINT A PROXY

☐

the Chairman  
of the Meeting  
(mark box)

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy.

Failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to vote on my/our behalf (including in accordance with the directions set out below or, if no directions have been given, to vote as the proxy sees fit, to the extent permitted by the law) at the Annual General Meeting of the Company to be held at **10:00am (WST) on Monday, 10 November 2014 in the Fremantle Room at the Parmelia Hotel, 14 Mill Street, Perth, Western Australia** (the Meeting) and at any postponement or adjournment of the Meeting.

I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel.

The Chairman of the Meeting intends to vote undirected proxies in favour of all items of business.

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting. Please read the voting instructions overleaf before marking any boxes with an ☒.

### STEP 2

#### VOTING DIRECTIONS

##### Resolution 1

Re-election of Frank Zipfinger as a Director

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

##### Resolution 2

Adoption of Remuneration Report

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

##### Resolution 3

Issue of Performance Rights under the Performance Rights Plan (PRP) to Mr Clement Salwin

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

##### Resolution 4

Issue of STI Right to Mr Clement Salwin

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

##### Resolution 5

Appointment of PricewaterhouseCoopers (PwC) as Auditor of the Company

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

##### Resolution 6

Buy-Back

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### STEP 3

#### SIGNATURE OF SHAREHOLDERS - THIS MUST BE COMPLETED

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Shareholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Shareholder 3 (Individual)

Director

This form should be signed by the shareholder. If a joint holding, either shareholder may sign. If signed by the shareholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the Corporations Act 2001 (Cth).

APZ PRX401R



## HOW TO COMPLETE THIS PROXY FORM

### Your Name and Address

This is your name and address as it appears on the Company's share register. If this information is incorrect, please make the correction on the form. Shareholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your shares using this form.**

### Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person in Step 1. If you appoint someone other than the Chairman of the Meeting as your proxy, you will also be appointing the Chairman of the Meeting as your alternate proxy to act as your proxy in the event the named proxy does not attend the Meeting.

### Votes on Items of Business - Proxy Appointment

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

### Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's share registry or you may copy this form and return them both together.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and
- (b) return both forms together.

### Signing Instructions

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, either shareholder may sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

### Corporate Representatives

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's share registry or online at [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au).

## Lodgement of a Proxy Form

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10:00am (WST) on Saturday, 8 November 2014**, being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:



**ONLINE** > [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, shareholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).



**by mail:**

Aspen Group Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235  
Australia



**by fax:**

+61 2 9287 0309



**by hand:**

delivering it to Link Market Services Limited, 1A Homebush Bay Drive, Rhodes NSW 2138.

**If you would like to attend and vote at the Annual General Meeting, please bring this form with you.  
This will assist in registering your attendance.**