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ASX ANNOUNCEMENT

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ASPEN AND TELSTRA SUPER SIGN JOINT VENTURE FUNDING AGREEMENTS FOR ATO BUILDING IN ADELAIDE

Aspen Group (**ASX:APZ**) is pleased to advise that it has entered into funding arrangements for the development of the Australian Tax Office Building in Adelaide. The property is currently being developed by the Aspen Development Fund No.1 (ADF) for the 12-26 Franklin Street Property Trust (Trust). The acquisition of the ATO building project was detailed in the ASX announcement "*Aspen Group secures Australian Taxation Office building*" dated 16 February 2011.

The balance of funding requirements for the development of the ATO Building will be funded by a combination of equity and debt provided by wholly owned entities of the Telstra Superannuation Scheme (Telstra Super), Australia's largest corporate superannuation fund with \$11 billion under management.

Under the Equity Subscription agreement, Telstra Super has committed to:

- Subscribing for 50% equity in the Trust for \$34 million (Aspen Group will hold the remaining 50% interest), which is based on an independent valuation "on completion" of \$190 million. The subscription agreement includes a mechanism to potentially increase Telstra Super's holding if the market value at practical completion is lower than the current projected value. In this circumstance, Aspen Group may elect to make a further equity contribution to preserve its 50% interest in the Trust
- Entering into an Asset Management Agreement with Aspen Group. Under this agreement Aspen will act as Asset Manager for the Trust and has the right to provide the requisite property and facility management services post practical completion, all on commercial terms and conditions.

Aspen Group has to date provided funding in excess of its relevant share of its required equity component, and therefore will be reimbursed from the \$34 million equity contribution provided by Telstra Super. Telstra Super's equity funding is conditional upon the Trust becoming the registered proprietor of the ATO Building land and satisfaction of funding facility requirements.

Under the Debt Funding agreement, which is consistent with market terms and conditions, Telstra Super has committed to:

- Providing a construction loan facility of up to \$117.6 million, to be drawn as required from September 2011
- Offering a term facility of \$117.6 million for the 5-year period post practical completion. This is subject to a number of market consistent commercial terms and conditions being satisfied.

The debt funding facility requires the principal parties to enter into separate side deeds with both the ATO (as major tenant) and the project builder on normal commercial terms.

Aspen Group has the first right of rectification in the event of a default by ADF (as developer), such as funding of any construction cost overruns. If Aspen Group does not rectify the default, then Telstra Super is entitled to take a transfer of units in the Trust owned by Aspen Group equal in value to the rectification funding provided by Telstra Super.

Aspen Group Managing Director Mr Gavin Hawkins said, "We are delighted with Telstra Super's commitment to the development and long term co-ownership of this landmark office project in the Adelaide CBD, with both parties attracted to the location, high quality tenancy profile, and long term cash flow of the asset."

"The joint venture with Telstra Super results in a more appropriate strategic weighting of our property portfolio, as well as an opportunity to extend our existing property funds management relationships in the wholesale investor sector," said Mr Hawkins.

On completion, the ATO Building holding will deliver the following benefits to Aspen Group:

- Aspen Group will provide responsible entity and asset management services to the Trust on market consistent terms and conditions
- Generate net operating income per annum of \$7.2 million, representing an initial passing yield of 7.8%
- Significant increase in the quality of Aspen Group's property portfolio
- Weighted average lease expiry on the investment property portfolio increasing from 2.3 years to 5 years
- Introduction of a wholesale asset management platform to Aspen Group

The ATO Building is a major office tower development of approximately 36,700 sqm within the impressive Adelaide City Central precinct, fronting both Franklin and Bentham Streets.

Agreements for lease have been entered into with the Australian Tax Office and Australia Post for approximately 98.5% of the net lettable area and the building has a weighted average lease expiry of 14.4 years. The ATO Building, which will be the largest commercial office building in Adelaide, will have a 5 star Greenstar Version 3 rating and is targeting a 4.5 star NABERS rating.

The ATO Building is being constructed by the same Tier 1 builder that successfully delivered Aspen Development's two previous commercial towers in the Adelaide City Central precinct. The development is currently 33% completed on a forecast cost to complete basis and is on schedule for practical completion in October 2012.

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About Aspen Group

Aspen Group is an ASX listed property investment and funds management group, focused on acquiring quality property assets and creating and managing innovative property funds and syndicates. Formed in 2001, Aspen is a member of the S&P/ASX 300 index with assets under management of approximately A\$1.3 billion.

Aspen's core strength lies within the Group's broad expertise across property acquisition, development and management enabling the Group to provide leading edge property solutions.

Aspen directly owns and manages a well diversified portfolio of commercial property assets Australia-wide. The portfolio is spread across the office, industrial and retail sectors and has grown through acquisitions and portfolio revaluations of existing properties driven by a strong property management focus.

Aspen also has developed an outstanding reputation for creating unique and successful funds management products and related services. These managed funds have provided investment opportunities across a broad spectrum of property sectors including tourist parks, residential land subdivisions, CBD office developments, private hospital developments and retirement and accommodation villages.

Aspen continues to source acquisition opportunities for both balance sheet and syndication purposes in order to achieve further growth in both assets and earnings for security holders. Website www.aspengroup.com.au