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PART I

PART I

ITEM 1. BUSINESS.

Aspen Group, Inc. (together with its subsidiaries, the “Company” or “AGI”) is a holding company. AGI has two subsidiaries, Aspen University Inc. (“Aspen University” or “Aspen”) organiz

Competition

There are more than 4,600 U.S. colleges and universities serving traditional college age students and adult students.* Any reference to universities herein also includes colleges. Competition is highly fragmented and varies by geography, program offerings, delivery method, ownership, quality level, and selectivity of admissions. No one institution has a significant share of the total postsecondary market. While we compete in a sense with traditional “brick and mortar” universities, our primary competitors are with universities that primarily enroll online students. Our primarily online university competitors that are publicly traded include: American Public Education, Inc. (Nasdaq: APEI), Adtalem Global Education (NYSE: ATGE), Grand Canyon Education, Inc. (Nasdaq: LOPE), Capella Education Company (Nasdaq: CPLA), Strayer Education (Nasdaq: STRA) and Bridgepoint Education, Inc. (NYSE: BPI). We also compete with the privately owned Apollo Education Group, which includes University of Phoen hoen hoen hoen h ititi

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However, on May 25, 2018, the DOE published an announcement in the Federal Register that proposes a two-year delay, until July 1, 2020, of the effective date of the final state authorization of distance education. On July 3, 2018, the DOE delayed the rules going into effect. According to the Notice, the regulatory delay was prompted by the receipt of letters from the American Council on Education, the Western Interstate Commission for Higher Education, the Cooperative for Educational Technologies, the National Council for State Authorization Reciprocity, and the Distance Education Accrediting Commission. The organizations stated that they needed information as to how to comply with the regulations, including how the term “residence” as described in the preamble of the 2016 regulations may conflict with state laws and how to disclose to students the appropriate state complaint process when a number of states, including California, do not currently have complaint processes. The organizations also pointed out that there is widespread confusion with respect to the public and individualized disclosures of State licensure eligibility for every discipline that requires a license to enter a profession. The Department of Education said that because of the “complexity of these issues, we are not confident that we could develop a workable solution through guidance and without the input of negotiators who have been engaged in meeting these requirements.” The Notice said that since guidance is nonbinding, negotiated rulemaking is the most appropriate vehicle to provide substantive clarification necessary to stakeholders.

Because we are subject to extensive regulations by the states in which we become authorized or licensed to operate, we must abide by state laws that typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations and other operational matters. State laws and regulations may limit our ability to offer educational programs and to award degrees. Some states may also prescribe financial regulations that are different from those of DOE. If we fail to comply with state licensing requirements, we may lose our state licensure or authorizations. Failure to comply with state requirements could result in Aspen losing its authorization from the Colorado Commission on Higher Education, a department of the Colorado Department of Higher Education, (“Colorado Department”) or Arizona State Board for Private Postsecondary Education (“Arizona Board”), and USU losing its authorization from the California Bureau for Private Postsecondary Education (“California Bureau”). In such event, the school would lose its eligibility to participate in Title IV Programs, or its ability to offer certain programs, any of which may force us to cease the school’s operations.

Additionally, Aspen and USU are Delaware corporations. Delaware law requires an institution to obtain approval from the Delaware Department of Education, or Delaware DOE, before it may incorporate with the power to confer degrees. In July 2012, Aspen received notice from the Delaware DOE that it is granted provisional approval status effective until June 30, 2015. On April 25, 2016, the Delaware DOE informed Aspen University it was granted full approval to operate with degree-granting authority in the State of Delaware until July 1, 2020. The Delaware DOE has accepted USU’s application and we’re awaiting formal confirmation that USU has been granted provisional status following receipt of payment. The hybrid Phoenix campus is operated by a wholly-owned Delaware corporation which intends to apply to the Delaware DOE.

Accreditation

Aspen is accredited by the DEAC, a national accrediting agency recognized by DOE, and USU is accredited by WSCUC, a regional accrediting agency recognized by DOE. Accreditation is a non-governmental system for evaluating educational institutions and their programs in areas including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources, and financial stability. In the U.S., this recognition comes primarily through private voluntary associations that accredit institutions and programs. To be recognized by DOE, accrediting agencies must adopt specific standards for their review of educational institutions. Accrediting agencies establish criteria for accreditation, conduct peer-review evaluations of institutions and programs for accreditation, and publicly designate those institutions or programs that meet their criteria. Accredited institutions are subject to periodic review by accrediting agencies to determine whether such institutions maintain the performance, integrity and quality required for accreditation.

Accreditation is important to our schools for several reasons. Other institutions depend, in part, on accreditation in evaluating transfers of credit and applications to graduate schools. Accreditation also provides external recognition and status. Employers rely on the accredited status of institutions when evaluating an employvy Wl

In addition to institutional accred

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If DOE notifies an institution that its cohort default rates for each of the three most recent federal fiscal years are 30% or greater, the institution's participation in the Direct Loan Program and the Federal Pell Grant Program ends 30 days after the notification, unless the institution appeals in a timely manner to that determination on specified grounds and according to specified procedures. In addition, an institution's participation in Title IV ends 30 days after notification that its most recent fiscal year cohort default rate is greater than 40%, unless the institution timely appeals that determination on specified grounds and according to specified procedures. An institution whose participation ends under these provisions may not participate in the relevant programs for the remainder of the fiscal year in which the institution receives the notification, as well as for the next two fiscal years.

If an institution's cohort default rate equals or exceeds 25% in any single year, the institution may be placed on provisional certification status. Provisional certification does not limit an institution's access to Title IV Program funds; however, an institution with provisional status is subject to closer review by DOE and may be subject to summary adverse action if it violates Title IV Program requirements. If an institution's default rate exceeds 40% for one federal fiscal year, the institution may lose eligibility to participate in some or all Title IV Programs. Aspen's official cohort default rates in 2012, 2013 and 2014 were 12.5%, 6.4% and 6.2%, respectively. USU's official cohort default rates in 2012, 2013 and 2014 were 3.9%, 3.5% and 9.6%, respectively.

Incentive Compensation Rules. As a part of an institution's program participation agreement with DOE and in accordance with the Higher Education Act, an institution may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruitment, admissions or financial aid awarding activity based directly or indirectly on success in securing enrollments or financial aid. Failure to comply with the incentive payment rule could result in termination of participation in Title IV Programs, limitation on participation in Title IV Programs, or financial penalties. Aspen believes it is in compliance with the incentive payment rule.

In recent years, other postsecondary educational institutions have been named as defendants to whistleblower lawsuits, known as "qui tam" cases, brought by current or former employees pursuant to the Federal False Claims Act, alleging that their institution's compensation practices did not comply with the incentive compensation rule. A qui tam case is a civil lawsuit brought by one or more individuals, referred to as a relator, on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government's recovery in the case, including the possibility of treble damages. A qui tam action is always filed under seal and remains under seal until the government decides whether to intervene in the case. If the government intervenes, it takes over primary control of the litigation. If the government declines to intervene in the case, the relator may nonetheless elect to continue to pursue the litigation at his or her own expense on behalf of the government. Any such litigation could be costly and could divert management's time and attention away from the business, regardless of whether a claim has merit.

The U.S. Government Accountability Office (the "GAO") released a report finding that DOE has inadequately enforced the current ban on incentive payments. In response, DOE has undertaken to increase its enforcement efforts by, among other approaches, strengthening procedures provided to auditors reviewing institutions for compliance with the incentive payments ban and updating its internal compliance guidance in light of the GAO findings and DOE incentive payment rule.

Code of Conduct Related to Student Loans. As part of an institution's program participation agreement with DOE, HEOA

Misrepresentation. The Higher Education Act and current regulations authorize DOE to take action against an institution that participates in Title IV Programs for any "substantial misrepresentation" made by that institution regarding the nature of its educational program, its financial charges, or the employability of its graduates. DOE regulations define "substantial misrepresentation" to cover additional representatives of the institution and additional substantive areas and expands the parties to whom a substantial misrepresentation cannot be made. The regulations also augment the actions DOE may take if it determines that an institution has engaged in substantial misrepresentation. DOE may revoke an institution's program participation agreement, impose limitations on an institution's participation in Title IV Programs, or initiate proceedings to impose a fine or to limit, suspend, or terminate the institution's participation in Title IV Programs.

Credit Hours. The Higher Education Act and current regulations use the term "credit hour" to define an eligible program and an academic year and to determine enrollment status and the amount of Title IV Program aid an institution may disburse during a payment period. Recently, both Congress and DOE have increased their focus on institutions' policies for awarding credit hours. DOE regulations define the term "credit hour" in terms of a certain amount of time in class and outside class, or an equivalent amount of work. The regulations also require accrediting agencies to review the reliability and accuracy of an institution's credit hour assignments. If an accreditor identifies systematic or significant noncompliance in one or more of an institution's programs, the accreditor must notify the Secretary of Education. to a c If DOE determines that an institution is out of compliance with the credit hour definition, DOE could require the institution to repay the incorrectly awarded amounts of Title IV Program aid. In addition, if DOE determines that an institution has significantly overstated the amount of credit hours assigned to a program, DOE may fine the institution, or limit, suspend it, suspend, titsut editacy of ansushoursqt sp

On August 22, 2017, DOE recertified Aspen University to participate in Title IV Programs, and set a subsequent program participation [illegible]
Programs due to the change of ownership which occurred in December 2017. The provisional certification allows the school to continue to receive Title IV funding as it did prior to the change of ownership. As a result of the change of ownership, the DOE informed USU that it must post a letter of credit in the amount of $255,708 and distribute funds under the Heightened Cash Monitoring 1 (HCM1) payment method by September 3, 2018. USU intends to meet the deadline as requested.

In the future, DOE may impose terms and conditions in any program participation agreement that it may issue, including growth restrictions or limitation on the number of students who may receive Title IV Program aid.

DOE regulations regarding Gainful Employment (“GE”) programs also require all institutions to notify DOE when establishing new programs by updating the program list on the institution’s Eligibility and Certification Approval Report. The institution must also provide [illegible]

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ITEM 1A. RISK FACTORS.

Investing in our common stock involves a high degree of risk. You should carefully consider the following Risk Factors before deciding whether to invest in Aspen Group. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

Risks Relating to Our Business

If we are unable to successfully integrate USU with Aspen Group, we may not realize all of the anticipated benefits of the USU Acquisition.

The success of the USU acquisition (the "Acquisition") will depend, in large part, on the ability of the Aspen Group to realize the anticipated benefits from the Acquisition. To realize the anticipated benefits of the Acquisition, Aspen Group must successfully integrate the marketing and technology functions it has developed for Aspen University with USU. Further, it must integrate USU's executive team into the Aspen Group culture. This integration may be complex and time-consuming.

Potential difficulties Aspen Group may encounter include, among others:

- Failure to replicate Aspen's marketing success on behalf of USU;
- Unanticipated issues in integrating logistics, information, communications and other systems;
- Integrating personnel from the two companies while maintaining focus on providing a consistent, high quality level of education;
- Aspen Group's success in integrating the Aspen University technology with USU in a seamless manner that minimizes any adverse impact on students, employees and vendors;
- Performance shortfalls at USU or Aspen University as a result of the diversion of Aspen Group 's management's attention from day-to-day operations caused by activities surrounding the completion of the Acquisition and integration of the companies' marketing and management functions;
- Potential unknown liabilities, liabilities that are significantly larger than anticipated, or unforeseen expenses or delays associated with the Acquisition and the integration process;
- Unanticipated changes in applicable laws and regulations; and
- Complexities associated with managing the larger business.

Some of these factors are outside the control of Aspen Group or USU.

The failure of Aspen Group to successfully integrate USU or otherwise to realize any of the anticipated benefits of the Acquisition could adversely affect its results of operations. The integration process maybe more difficult, costly or time-consuming than anticipated, which could cause Aspen Group's stock price to decline.

If we cannot manage our growth, our results of operations may suffer and could adversely affect our ability to comply with federal regulations.

The growth that we have experienced after our new management began in 2011, as well as any future growth that we experience, may place a significant strain on our resources and increase demands on our management information and reporting systems and financial management controls. We have experienced growth at Aspen University over the last several years and USU is growing since we acquired it. Further, we lack experience in managing hybrid online/campus programs and anticipate substantial growth from our Phoenix program in particular and USU's FNP program. Assuming we continue to grow as planned, it may impact our ability to manage our business. If growth negatively impacts our ability to manage our business, the learning experience for our students could be adversely affected, resulting in a higher rate of student attrition and fewer student referrals. Future growth will also require continued improvement of our internal controls and systems, particularly those related to complying with federal regulations under the Higher Education Act, as administered by DOE, including as a result of our participation in federal student financial aid programs under Title IV. If we are unable to manage our growth, we may also experience operating inefficiencies that could increase our costs and adversely affect our profitability and results of operations.

Our marketing expenditures may not result in increased revenue or generate sufficient levels of brand name and program awareness. If our media performance is not effective, our future results of operations and financial condition will be adversely affected.

Because we are an almost exclusively online provider of education, we are substantially dependent on continued growth and acceptance of online education and, if the recognition by students and employers of the value of online education does not continue to grow, our ability to grow our business could be adversely impacted.

We believe that continued growth in online educationlmedia perdRi 9bv v(’

If we incur system disruptions to our online computer networks, it could impact our ability to generate revenue and damage our reputation, limiting our ability to attract and retain students.

Since early 2011, Aspen University has made significant investments to update its computer network primarily to permit accelerated student enrollment and enhance its students' learning experience. USU is using the same information technology improvements. The performance and reliability of our technology infrastructure is critical to our reputation and ability to attract and retain students. Any system error or failure, or a sudden and significant increase in bandwidth usage, could result in the unavailability of our online classroom, damaging our reputation and could cause a loss in enrollment. Our technology infrastructure could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters, terrorist activities, hacking or cyber security issues and telecommunications failures.

If we are unable to develop awareness among, and attract and retain, high quality learners to our schools, our ability to generate significant revenue or achieve profitability will be significantly impaired.

Building awareness of Aspen University and USU and the programs we offer among working adult professionals is critical to our ability to attract prospective learners. If we are unable to successfully market and advertise our educational programs, Aspen University's ability to attract and enroll prospective learners in such programs could be adversely affected, and consequently, our ability to increase revenue or achieve profitability could be impaired. It is also critical to our success that we convert these prospective learners to enrolled learners in a cost-effective manner and that these enrolled learners remain active in our programs. Some of the factors that could prevent us from successfully enrolling and retaining learners in our programs include:

- The emergence of more successful competitors;
- Factors related to our marketing, including the costs of Internet advertising and broad-based branding campaigns;
- Performance problems with our online systems;
- Failure to maintain accreditation;
- Learner dissatisfaction with our services and programs, including with our customer service and responsiveness;
- Adverse publicity regarding us, our competitors, or online or for-profit education in general;
- Price reductions by competitors that we are unwilling or unable to match;
- A decline in the acceptance of online education or our degree offerings by learners or current and prospective employers;
- Increased regulation of online education, including in states in which we do not have a physical presence;
- A decrease in the perceived or actual economic benefits that learners derive from our programs;
- Litigation or regulatory investigations that may damage our reputation; and
- Difficulties in executing on our strategy as a preferred provider to employers for the vertical markets we serve.

If we are unable to continue to develop awareness of Aspen University and USU and the programs we offer, and to enroll and retain learners, our enrollments we d

Because we rely on third parties to provide services in running our operations, if any of these parties fail to provide the agreed services at an acceptable level, it could limit our ability to provide services and/or cause student dissatisfaction, either of which could adversely affect our business.

We rely on third parties to provide us with services in order for us to efficiently and securely operate our business including our computer network and the courses we offer to students. Any interruption in our ability to obtain the services of these or other third parties or deterioration in their performance could impair the quality of our educational product and overall business. Generally, there are multiple sources for the services we purchase. Our business could be disrupted if we were required to replace any of these third parties, especially if the replacement became necessary on short notice, which could adversely affect our business and results of operations.

If we or our service providers are unable to update the technology that we rely upon to offer online education, our future growth may be impaired.

We believe that continued growth will require our service providers to increase the capacity and capabilities of their technology infrastructure. Increasing the capacity and capabilities of the technology infrastructure will require these third parties to invest capital, time and resources, and there is no assurance that even with sufficient investment their systems will be scalable to accommodate future growth. Our service providers may also need to invest capital, time and resources to update their technology in response to competitive pressures in the marketplace. If they are unwilling or unable to increase the capacity of their resources or update their resources appropriately and we cannot change over to other service providers efficiently, our ability to handle growth, our ability to attract or retain students, and our financial condition and results of operations could be adversely affected.

Because we rely on third-party administration and hosting of learning management system software for our online classroom, if that third-party were to cease to do business or alter its business practices and services, it could have an adverse impact on our ability to operate.

Our online classrooms at Aspen University and USU employ the Desire2Learn (renamed to D2L in 2017) learning management system named Brightspace. The system is a web-based portal that stores and delivers course content, provides interactive communication between students and faculty, and supplies online evaluation tools. We rely on third parties to host and help with the administration of it. We further rely on third parties, the D2L agreement and our internal staff for ongoing support and customization and integration of the system with the rest of our technology infrastructure. If D2L were unable or unwilling to continue to provide us with service, we may have difficulty maintaining the software required for our online classroom or updating it for future technological changes. Any failure to maintain our online classroom would have an adverse impact on our operations, damage our reputation and limit our ability to attract and retain students.

Because the personal information that we or our vendors collect may be vulnerable to breach, theft or loss, any of these factors could adversely affect our reputation and operations.

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Aspen University and USU use a third-party to collect and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal information is held and managed by certain of our vendors. Errors in the storage, use or transmission of personal information could resultlolavre tnlnlnf student or employee privlnl . Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data Útnlnles, restrict our use of personal information, and cause us to lose our certification to participate in the Title IV Programs. We cannot guarantee that there will not be a Útnlnle loss or theft of personal information that we store or our third parties store. A Útnlnle theft or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in liability under state and federal privlnl statutes and legal or administrative actions by state attorneys general, privlnle litigants, and federal regulators any of whi lnould have a material adverse effect on our business, financial condition, results of operations and cas lnows.

If we incur liability for the unauthorized duplication or distribution of class materials posted online during our class discussions, it may affect our future operating results and financial condition.

In some instances, our faculty members or our students may post various articles or other third-party content on class discussion boards. We may incur liability for the unauthorized duplication or distribution of this material posted online for class discussions. Third parties may raise claims against us for the unauthorized duplication of this material. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. As a result we may be required to alter the content of our courses or pay monetary damages.

Our business could be harmed by any significant disruption of service on our websites.

Because of the importance of the Internet to our business, in addition to cybersecurity we face the risk that our systems will fail to function in a robust manner. Our reputation, and ability to attract, retain, and serve our students are dependent upon the reliable performance of our websites, including our underlying technical infrastructure. Our technical infrastructure may not be adequately designed with sufficient reliability and redundancy to avoid performance delays or outages that could be harmful to our business. If our websites are unavailable when students and professors attempt to access them, or if they experience frequent slowdowns or disruptions, we may lose students and professors.

As Internet commerce develops, federal and state governments may draft and propose new laws to regulate Internet commerce, which may negatively affect our business.

The increasing popularity and use of the Internet and other online services have led and may lead to the adoption of new laws and regulatory practices in the U.S. and to new interpretations of existing laws and regulations. These new laws and interpretations may relate to issues such as online privacy, copyrights, trademarks and service marks, sales taxes, fair business practices and the requirement that online education institutions qualify to do business as foreign corporations or be licensed in one or more jurisdictions where they have no physical location or other presence. New laws, regulations or interpretations related to doing business over the Internet could increase our costs and materially and adversely affect our enrollments, revenues and results of operations.

If the tax treatment of companies engaged in Internet commerce, this may adversely affect the commercial use of our marketing services and our financial results.

Due to the growing budgetary problems facing state and local governments, it is possible that governments might attempt to tax our activities. New or revised tax regulations may subject us to additional sales, income and other taxes. Very recently in 2018 the United States Supreme Court ruled that states can tax the sale of Lvht ˝ of new nceas f opersalsi ltsti itile s caytaxyst Cons sall t our e

If we do not maintain authorization in Colorado, Arizona and California, our operations would be curtailed, and we may not grant degrees.

Aspen University is headquartered in Colorado and is authorized by the Colorado Commission on Higher Education to grant degrees, diplomas or certificates. Aspen's pre-licensure hybrid BSN program is authorized by the Arizona Board, and USU is headquartered in California and is authorized by the California Bureau to grant degrees, diplomas or certificates. If Aspen were to lose its authorization from the Colorado Commission on Higher Education, Aspen would be unable to provide educational services in Colorado and would lose its eligibility to participate in the Title IV Programs. If Aspen were to lose its authorization from the Arizona Board, it would be unable to provide educational services in Arizona. If USU were to lose its authorization from the California Bureau, it would be unable to provide educational services in California and would lose its eligibility to participate in the Title IV Programs.

Our failure to comply with regulations of various states could have a material adverse effect on our enrollments, revenues, and results of operations.

Various states impose regulatory requirements on education institutions operating within their boundaries. Several states assert jurisdiction over online education institutions that have no physical location or other presence in the state but offer education services to students who reside in the state or advertise to or recruit prospective students in the state. State regulatory requirements for online education are inconsistent among states and not well developed in many jurisdictions. As such, these requirements change frequently and, in some instances, are not clear or are left to the discretion of state regulators.

State laws typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters. To the extent that we have obtained, or obtain in the future, state authorizations or licensure, changes in state laws and regulations and the interpretation of those laws and regulations by the applicable regulators may limit our ability to offer educational programs and award degrees. Some states may also prescribe financial regulations that are different from those of DOE. If we fail to comply with state licensing or authorization requirements, we may be subject to the loss of state licensure or authorization. If we fail to comply with state requirements to obtain licensure or authorization, we may be the subject of injunctive actions or other penalties or fines. Loss of licensure or authorization or the failure to obtain required licensures or authorizations could prohibit us from recruiting or enrolling students in particular states, reduce significantly our enrollments and revenues and have a material adverse effect on our results of operations.

In addition, DOE's new distance education rule was scheduled to go into effect on July 1, 2018. However, on May 25, 2018, the DOE published an announcement in the Federal Register that proposes a two-year delay, until July 1, 2020, of the effective date of the final state authorization of distance education regulations. The new rule requires us to (i) obtain authorization to offer our programs from each state where authorization is required or through participation in a reciprocity agreement, and (ii) provide specific consumer disclosures regarding our educational programs. If we fail to obtain required state authorization to provide postsecondary distance education in a specific state before the effective date for the new distance education rule, we could lose our ability to award Title IV aid to students within that state or be required to refund Title IV funds related to jurisdictions in which we failed to have state authorization. We must be able to document state approval for distance education if requested by DOE. In addition, the consumer disclosures required pursuant to the distance education rule are detailed and include disclosures regarding licensure and certification requirements, state authorization, student complaints, adverse actions by state and accreditation agencies, and refund policies. These disclosure requirements will require a considerable amount of data gathering needed to support such disclosures and will require our institutions to closely track where students enrolled in online programs reside during the course of their studies. These various disclosure requirements could subject us to financial penalties from DOE and heighten the risk of potential federal and private misrepresentation claims. On July 3, 2018, the DOE published a final rule in the Federal Register that implemented a two-year delay, until July 1, 2020, of the effective date of the final state authorization of lhoriay, nlythe l finala

If we fail to maintain our institutional accreditation, we would lose our ability to participate in the tuition assistance programs of the U.S. Armed Forces and also to participate in Title IV Programs.

Aspen University is accredited by the DEAC, which is a national accrediting agency and USU is accredited by WSCUC, which is a regional accrediting agency. Both DEAC and WSCUC are recognized by the U.S. Secretary of Education for Title IV purposes. Accreditation by an accrediting agency that is recognized by the Secretary of Education is required for an institution to become and remain eligible to participate in Title IV Programs as well as in the tuition assistance programs of the United States Armed Forces. DEAC or WSCUC may impose restrictions on our accreditation or may terminate our accreditation. To remain accredited we must continuously meet certain criteria and standards relating to, among other things, performance, governance, institutional integrity, educational quality, faculty, administrative capability, resources and financial stability. Failure to meet any of these criteria or standards could result in the loss of accreditation at the discretion of the accrediting agency. The loss of accreditation would, among other things, render our students and us ineligible to participate in the tuition assistance programs of the U.S. Armed Forces or Title IV Programs and have a material adverse effect on our enrollments, revenues and results of operations. In addition, although the loss of accreditation by one school would not necessarily result in the loss of accreditation by the other school, the accreditor may consider the loss of accreditation by one school as a factor in considering the on-going qualification for accreditation of the other school.

Because we participate in Title IV Programs, our failure to comply with the complex regulations associated with Title IV Programs would have a significant adverse effect on our operations and prospects for growth.

Aspen and USU participate in Title IV Programs. Compliance with the requirements of the Higher Education Act and Title IV Programs is highly complex and imposes significant additional regulatory requirements on our operations, which require additional staff, contractual arrangements, systems and regulatory costs. We have a limited demonstrated history of compliance with these additional regulatory requirements. If we fail to comply with any of these additional regulatory requirements, DOE could, among other things, impose monetary penalties, place limitations on our operations, and/or condition or terminate the eligibility of one or both of our schools to receive Title IV Program funds, which would limit our potential for growth and materiality and adversely affect our enrollment, revenues and results of operations. In addition, the failure to comply with the Title IV Program requirements by one institution could increase DOE scrutiny of the other institution and could impact the other institution's participation in the Title IV Programs.

Because USU is only temporarily provisionally certified by DOE, we must reestablish our eligibility and certification to participate in the Title IV Programs, and there are no assurances that DOE will recertify us to participate in the Title IV Programs.

An institution generally must seek recertification from DOE at least every six years and possibly more frequently depending on § limdit our po g

Subsequent to a compliance audit covering the period from January 1, 2015 through December 31, 2015, USU recognized that it had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4). USU was required to post an irrevocable letter of credit in the amount of 25% of the 2015 Title IV returns. An irrevocable letter of credit was established in favor of the Secretary of Education in the amount of $71,634 as a result of this finding. In the 2016 compliance audit, USU had a material finding related to the same issue and was required to maintain the irrevocable letter of credit in the same amount. USU will be required to maintain the letter of credit until it has experienced two consecutive audit periods without a repeat finding. As a result of the change of ownership, the previous letter of credit established by USU has been replaced by one provided by AGI. The amount remains unchanged.

If DOE does not ultimately approve USU's certification to participate in Title IV Programs, USU students would no longer be able to receive Title IV Program funds, which would have a material adverse effect on our enrollments, revenues and results of operations. In addition, regulatory restraints related to the addition of new programs or substantive change of existing programs or imposition of a letter of credit could impair our ability to attract and retain students and could negatively affect our financial results.

[illegible] our ability to offer Title IV student loans.

Because we operate in a highly regulated industry, we are subject to compliance reviews and claims of non-compliance and lawsuits by government agencies, regulatory agencies, and third parties, including claims brought by third parties on behalf of the federal government. If the results of compliance reviews or other proceedings are unfavorable to us, or if we are unable to defend successfully against lawsuits [illegible]

If our competitors are subject to further regulatory claims and adverse publicity, it may affect our industry and reduce our future enrollment.

We are one of a number of for-profit institutions serving the postsecondary education market. In recent years, regulatory investigations and civil litigation have been commenced against several companies that own for-profit educational institutions. These investigations and lawsuits have alleged, among other things, deceptive trade practices and non-compliance with DO˝aan-‐kvI I I ’ ubees and no§§§§§§

Because we are subject

If Aspen University or USU fail to meet standards regarding "gainful employment," it may result in the loss of eligibility to participate in Title IV Programs.

Under the GE rule, programs with high debt-to-earnings ratios would lose Title IV Program eligibility for three years based on a variety of specific scenarios outlined by DOE. We anticipate that under the GE rule, the continuing eligibility of our educational programs for Title IV Program funding may be at risk due to factors beyond our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, changes in the percentage of our former students who are current in repayment of their student loans, and other factors. In addition, even though deficiencies in the metrics may be correctible on a timely basis, the disclosure requirements to students following a failure to meet the standards may adversely impact enrollment in that program and may adversely impact the reputation of our educational institutions. In addition, there is significant continued activity around the specifics of the GE rule requirements. DOE issued the first set of GE rates in January 2017. DOE subsequently released the draft "completer's lists" in preparation for the second round of GE rates. Under the existing rule, this second round of rates could result in the loss of eligibility for any program that failed in the first and second years. Preparing the completers lists is the first step in the process for DOE to issue the next set of D/E rates for GE programs. This step is followed by a challenge period, DOE's release of draft debt data, another corresponding challenge

If we fail to comply with DOE's credit hour requirements, it could result in sanctions against our schools.

DOE has defined "credit" hour for Title IV purposes. The credit hour is used for Title IV purposes to define an eligible program and an academic year and to determine enrollment status and the amount of Title IV aid that an institution may disburse in a payment period. The regulations define credit hour as an institutionally established e

On February 11, 2013, Higher Education Management Group, Inc. (“HEMG”) and Mr. Patrick Spada sued the Company, certain senior management members and our directors in state court in New York seeking damages arising principally from (i) allegedly false and misleading statements in the filings with the SEC and DOE where the Company disclosed that HEMG and Mr. Spada borrowed $2.2 million without Board authority, (ii) the alleged breach of an April 2012 agreement whereby the Company had agreed, subject to numerous conditions and time limitations, to purchase certain shares of the Company from HEMG, and (iii) alleged diminution to the value of HEMG’s shares of the Company due to Mr. Spada’s disagreement with certain business transactions the Company engaged in, all with Board approval. On November 8, 2013, the state court in New York granted the Company’s motion to dismiss nearly all of the claims. On December 10, 2013, the Company answered an amended complaint filed by HEMG and Mr. qrk gra, th byk gra, th b*

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our stock trades on Nasdaq Capital Market under the symbol "ASPU". Prior to August 2, 2017, our stock traded on the OTCQB.

The last reported sale price of our common stock as reported by Nasdaq on July 11, 2018 was $7.34. As of that date, we had 160 record holders. A substantially greater number of holders of our common stock are "street name" or beneficial holders, whose shares are held of record by banks, brokers, and other financial institutions.

The following table sets forth the quarterly high and low sales price information for the periods indicated. The prices shown represent quotations between dealers, without adjustment for retail markups, markdowns or commissions, and may not represent actual transactions.

Year	Period Ended	Prices	
		High	**Low**
		($)	($)
Fiscal 2018			
	April 30	9.01	5.85
	January 31	9.61	[illegible]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion in conjunction with our consolidated financial statements, which are included elsewhere in this Form 10-K. Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed in the Risk Factors contained herein.

Company Overview [illegible] 894jNOT-

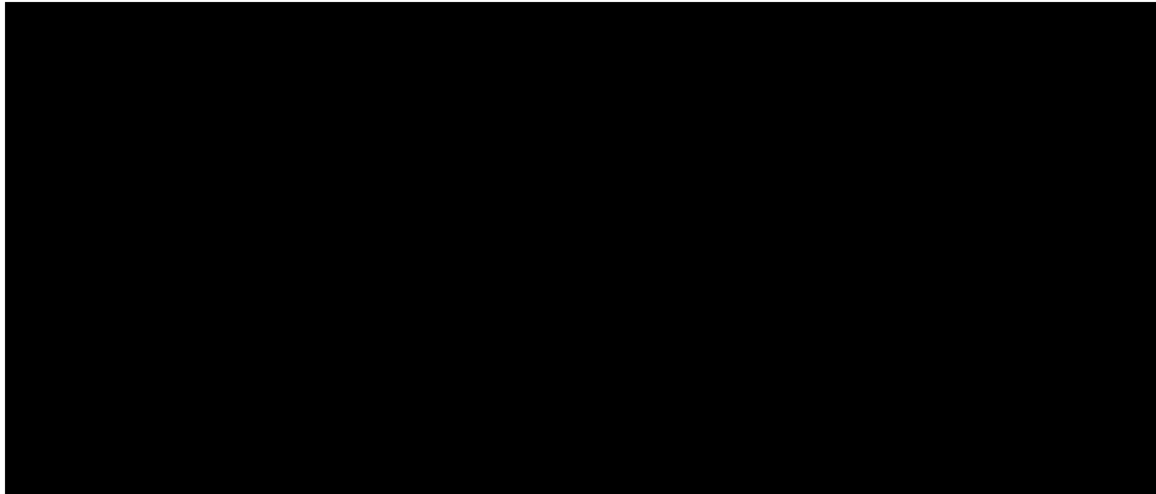
AGI is a holding company. AGI has two subsidiaries, Aspen University organized in 1987 and USU organized in 1997. On March 13, 2012, the Company was recapitalized in a reverse merger and acquired Aspen University. On December 1, 2017, the Company acquired USU.

Aspen Group's vision is to make college affordable again in America. Because we believe higher education should be a catalyst to our students' long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in higher education.

[illegible] payment plan available to all students across every online degree program offered by [illegible] monthly payment plan is designed so that students will make one payment per month, and that monthly payment is applied towards the total cost of attendance (tuition and fees, excluding textbooks). The monthly payment plan offers online associate and bachelor students the opportunity to pay their tuition and fees at $250/month, online master students $325/month, and online doctoral students $375/month, interest free, thereby giving students a monthly payment option versus taking out a federal financial aid loan.

USU began offering monthly payment plans in the summer of 2017. Today, monthly payment plans are available for the online RN to BSN program ($250/month), online MBA/M.A.Ed/MSN program 250/montE i

USU’s active degree-seeking student body grew sequentially from 446 to 557 students or a sequential increase of 25%.



*** Note: “Active Degree-Seeking Students” are defined as degree-seeking students who were enrolled in a course during the quarter reported, or are registered for an upcoming course.**

AGI New Student Enrollments

AGI delivered a company record of 1,273 total new student enrollments for the fiscal 2018 fourth quarter. Aspen University accounted for 1,096 new student enrollments (includes 116 Doctoral enrollments), while USU accounted for 177 new student enrollments (primarily FNP enrollments).

*

Aspen's pre-licensure BSN program is offered as a full-time, three-year (nine semester) program that is specifically designed for students who do not currently hold a state nursing license and have no prior nursing experience. Aspen is admitting students into three tracks: (1) high school graduates with no prior college credits, (2) students that have less than 48 general education prerequisites completed, and (3) students that have completed all 48 general education prerequisite credits and are ready to enter the core nursing courses and clinical experiences. Aspen is currently limited to a maximum of 30 students entering the two-year core nursing program each semester based on guidance provided by the Arizona State Board of nursing. This 30 student limitation per semester will remain in place until the first cohort of 30 students complete the NCLEX exam in mid-2020.

The semester that started on July 10, 2018 had 93 students enrolled, of which 29 entered with all pre-requisites completed, thereby entering the final two-year core nursing program. The remaining 64 students are enrolled in general education pre-requisite courses which must be completed before being admitted into the two-year core nursing program.

Additionally, 28 of the 64 general education students that started in July are anticipated to be ready to enter the two-year core nursing program for our upcoming semester starting on November 18, therefore we anticipate having a waitlist for our final two-year core nursing program for the remainder of the academic year (November and March semesters). Because of the overwhelming demand for our nursing program in Phoenix, the Company is now assessing alternative approaches that would allow Aspen University to open a second campus in Phoenix in calendar year 2019.

ACCOUNTS RECEIVABLES AND MONTHLY PAYMENT PLAN

Since the inception of the monthly payment plan in the spring of 2014, the accounts receivable balance, both short-term and long-term, has grown from a net number of $649,890 at April 30, 2014 to a net number of $8,117,773 at April 30, 2018. This growth could be portrayed as the engine of the monthly payment plan. The attractive aspect of being able to pay for a degree over a fixed period of time has fueled the growth of this plan and, as a result, the increase of the accounts receivable balance.

Each student's receivable account is different depending on how many classes a student takes each period. If a student takes two classes each eight week period while paying $250, $325 or $375 a month, that student's account receivable balance will rise accordingly. The converse is true also. A student who takes courses at a slower pace, even taking time off between eight-week terms, could have a balance due to them. It is much more likely however that a student participating in the monthly payment plan will have an accounts receivable balance, as the majority of students complete their degree program of study prior to the completion of the fixed monthly payment plan.

The common thread is the actual monthly payment, which functions as a retail installment contract with no interest that each student commits to pay over a fixed number of months. If a student stops paying, that person can no longer register for a class. If a student decides to withdraw from the university, their account will be settled, either through collection of their balance or disbursement of the amount owed them.

Aspen University students paying tuition and fees through a monthly payment method grew by 48% year-over-year, led, .

Simply looking at the change in revenue does not translate into an equally similar change in gross accounts receivable. The relative change in cash and the deferral must also be considered. For net accounts receivable, the changes in the reserve must also be considered. Any additional reserve or write-offs will influence the balance.

As it is a straight mathematical formula for both gross accounts receivable and net accounts receivable, and most of the information is public, one can reasonably calculate the two non-public pieces of information, namely the cash receipts in gross accounts receivable and the write-offs in net accounts receivable.

For revenue, the quarterly change is primarily billings and the net impact of deferred revenue. The deferral from the prior quarter or year is added to the billings and the deferral at the end of the period is subtracted from the amount billed. The total deferred revenue at the end of every period is reflected in the liability section e; defedfedfedle; le:dpa t d

By way of example, in Q4 fiscal 2017 (quarter ending April 30, 2017), revenues were $4,289,230. In the following quarter (Q1 fiscal 2018), revenues sequentially declined 1% or 46,344 to $4,242,886. The following quarter (Q2 fiscal 2018), revenues rose sequentially by 14% or $608,753 to $4,851,639.

The Company expects the same seasonality effect to occur in the first quarter in the upcoming 2019 fiscal year. Aspen University revenues are expected to decline in Q1 relative to Q4, similar to the prior fiscal year, however overall Company revenues are expected to be flat in Q1 relative to Q4 given the revenue contribution from USU. Although revenues are expected to be flat sequentially, on a year-over-year basis the Company growth rate in Q1 is forecasted to accelerate to 70%.

Results of Operations

For the Year Ended April 30, 2018 Compared with the Year Ended April 30, 2017

Revenue

Revenue from operations for the year ended April 30, 2018 ("2018 Period") increased to $22,021,512 from $14,246,696 for the year ended April 30, 2017 ("2017 Period"), an increase of $7,774,816 or 55%.

Aspen University's increase in revenues was a result of new class starts rising by 42% year-over-year, and the average new class start tuition rate rising 1% from $815 to $821.

USU contributed five months of revenues which accounted for less than 10% of the total revenues for the full fiscal year.

Cost of Revenues (exclusive of amortization)

The Company's cost of revenues consists of instructional costs and services and marketing and promotional costs.

Instructional Costs and Services

Instructional costs and services for the 2018 Period rose to $4,424,991 from $2,436,147 for the 2017 Period, an increase of $1,988,844 or 82%.

Aspen University instructional costs and services represented 18% of Aspen University revenues for the full 2018 period, while USU instructional costs and services equaled 38% of USU revenues during the five month post-acquisition period.

Marketing and Promotional

Marketing and promotional costs for the 2018 Period were $5,428,828 compared to $2,625,075 for the 2017 Period, an increase of $2,803,753 or 107%.

Aspen University Marketing and promotional expenses represented 22% of Aspen University revenues for the full 2018 period, while USU Marketing and promotional expenses equaled 34% of USU revenues during the five month post-acquisition period.

Gross profit fell to 53% of revenues or $11,636,809 for the 2018 period from 61% of revenues or $8,679,248 for the 2017 Period.

Aspen University gross profit represented 57% of Aspen University revenues for the full 2018 period, while USU gross profit equaled 27% of USU revenues during the five month post-acquisition period.

Costs and Expenses

General and Administrative

General and administrative costs for the 2018 period were $16,328,580 compared to $9,087,740 during the 2017 Period, an increase of $7,240,840 or 80%.

Aspen University general and administrative costs represented 51% of Aspen University revenues for the full 2018 period, while USU general and administrative costs equaled 99% of USU revenues during the five month post-acquisition period.

Our cash balances are kept liquid to support our growing infrastructure needs. The majority of our cash is concentrated in large financial institutions.

Critical Accounting Policies and Estimates

In response to financial reporting release FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, from the SEC, we have selected our more subjective accounting estimation processes for purposes of explaining the methodology used in calculating the estimate, in addition to the inherent uncertainties pertaining to the estimate and the possible effects on our financial condition. There were no material changes to our principal accounting estimates during the period covered by this report.

Revenue Recognition and Deferred Revenue

Revenue consisting primarily of tuition and fees derived flper(Õng r-e-v

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934 (the "Exchange Act") of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act. Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our evaluation excluded USU which was acquired in December 2017. In accordance with guidance issued by the SEC, companies are allowed to exclude acquisitions from their assessment of internal controls over financial reporting during the first year subsequent to the acquisition while integrating the acquired operations.

Management's Report on Internal Control over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Our management, under the supervision and with the participation of our Principal Executive Officer and Principal Financial Officer, evaluated the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. In making this assessment, our management used the criteria set forth by the Committee of Sponsor Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* as issued in 2013. Based on that evaluation, our management concluded that our internal control over financial reporting was effective based on that criteria. Our evaluation excluded USU which was acquired in December 2017. In accordance with guidance issued by the SEC, companies are allowed to exclude acquisitions from their assessment of internal controls over financial reporting during the first year subsequent to the acquisition while integrating the acquired operations. The assets of United States University, Inc., excluding intangible assets and goodwill, represent approximately 7.9% of total consolidated assets of the Company and the revenues of United States University, Inc. represent approximately 7.3% of consolidated revenues of the Company.

Our internal control over financial reporting is a process designed under the supervision of our Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with GAAP. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The Company's independent registered public accounting firm, Salberg & Company, PA, audited the effectiveness of our internal control over financial reporting. Salberg & Company, PA has issued an audit report with respect to our internal control over financial reporting, which appears in Part IV, Item 15 of this Report on Form 10-K.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

The Company’s press release issued on July 12, 2018 (the “Earnings Release”), and the Current Report on Form 8-K of July 12, 2018 (the “Form 8-K”) furnishing the Earnings Release contained a scrivener’s error in the disclosure of the Company’s EBITDA, a non-GAAP financial measure. The Company’s EBITDA was $(4,108,387) for the year ended April 30, 2018 (instead of $(4,008,387) disclosed in the Earnings Release and the Form 8-K) and $(1,699,471) for the fourth quarter ended April 30, 2018 (instead of $(1,599,471) disclosed in the Earnings Release and the Form 8-K). The scrivener’s error did not affect Adjusted EBITDA disclosed in the Earnings Release and the Form 8-K.

For the reconciliation of Adjusted EBITDA to Net loss, see Part II Item 7 of this Report on Form 10-K.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The in

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a) Documents filed as part of the report.

(1) Financial Statements. See Index to Consolidated Financial Statements, which appears on page F-1 hereof. The financial statements listed in the accompanying Index to Consolidated Financial Statements are filed herewith in response to this Item.

(2) Financial Statements Schedules. All

SIGN

Aspen Group, Inc. and Subsidiaries
Index to Consolidated Financial Statements

	Page
Finlr	

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Salberg & Company, P.A.

We have served as the Company's auditor since 2012
SALBERG & COMPANY, P.A.
Boca Raton, Florida
July 13, 2018

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	April 30,	
	2018	**2017**
Assets		
Current assets:		
Cash	$ 14,612,559	$ 2,756,217
Restricted cash	190,506	—
Accounts receivable, net of allowance of $468,174 and $328,864, respectively	6,802,723	4,434,862
Prepaid expenses	199,406	133,531
Promissory note receivable	—	900,000
Other receivables	184,569	81,464
Accrued interest receivable	—	8,000
Total current assets	21,989,763	8,314,074
Property and equipment:		
Call center equipment	140,509	53,748
Computer and office equipment	230,810	103,649
Furniture and fixtures	932,454	255,984
Software	2,878,753	2,131,344
	4,182,526	2,544,725
Less accumulated depreciation and amortization	(1,320,360)	(1,090,010)
Total property and equipment, net	2,862,166	1,454,715
Goodwill	5,011,432	—
Intangible assets, net	9,641,667	—
Courseware, net	138,159	145,477
Accounts receivable, secured - net of allowance of $625,963, and $625,963,		

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended April 30,	
	2018	2017
Revenues	$ 22,021,512	$ 14,246,696
Operating expenses		
Cost of revenues (exclusive of depreciation and amortization shown separately below)	9,853,819	5,061,222
General and administrative	16,328,580	9,087,740
Program review settlement expense	—	323,090
Depreciation and amortization	1,092,283	556,730
Total operating expenses	27,274,682	15,028,782
Operating loss	(5,253,170)	(782,086)
Other income (expense):		
Other income	149,761	14,336
Gain on extinguishment of warrant liability	52,500	—
Interest expense	(2,010,152)	(337,510)
Total other expense, net	(1,807,891)	(323,174)
Loss before income taxes	(7,061,061)	(1,105,260)
Income tax expense (benefit)	—	—
Net loss	$ (7,061,061)	$ (1,105,260)
Net loss per share allocable to common stockholders – basic and diluted	$ (0.50)	$ (0.10)
Weighted average number of common shares outstanding – basic and diluted	14,215,868	11,558,112

The accompanying notes are an integral part of these consolidated financial statements.

ASPEN GROUP, INC. THOUR, IN

Cash, Cash Equivalents, and Restricted Cash

For the purposes of the consolidated statements of cash flows, the Compa

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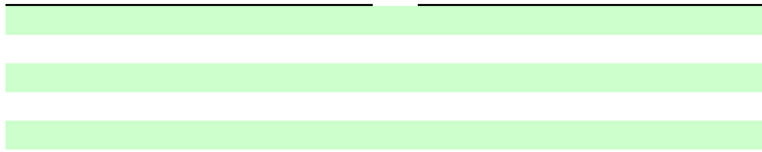

Courseware

The Company records the costs of courseware in accordance with Financs the cost

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company accounts for uncertainty in income taxes using a two-step approach for evaluating tax positions. Step one, recognition, occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Step two, measurement, is only addressed if the position is more likely than not to be sustained. Under step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

Stock-Based Compensation

Stock-based compensation expense is measured at the grant date fair value of the award and is expensed over the requisite service period. For employee stock-based awards, the Company calculates the fair value of the award on the date of grant using the Black-Scholes option pricing model. Determining the fair value of stock-based awards at the grant date under this model requires judgment, including estimating volatility, employee stock option exercise behaviors and forfeiture rates. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. For non-employee stock-based awards, the Company calculates the fair value of the award on the date of grant in the same manner as employee awards, however, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the non-employee award is fully vested, at which time the total compensation recognized to date shall equal the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient’s performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised.

Business Combinations

We include the results of operations of businesses we acquire from the date of the respective acquisition. We allocate the purchase price of acquisitions to the assets acquired and liabilities assumed at fair value. The excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed is recorded as goodwill. We expense transaction costs associated with business combinations as incurred.

Net Loss Per Share

Net loss per common share is based on the weighted average number of common shares outstanding during each period. Options to purchase 2,933,426 and 2,097,384 common shares, warrants to purchase 650,847 and 914,123 common shares, and $50,000 and $50,000 of convertible debt (convertible into 4,167 and 4,167 common shares) were outstanding at April 30, 2018 and 2017, respectively, but were not included in the computation of diluted loss per share because the effects would have been anti-dilutive. The options, warrants and convertible debt are considered to be common stock equivalents and are only included in the calculation of diluted earnings per common share when their effect is dilutive.

Segment Information

ASU 2017-04 - In January 2017, the Financial Accounting Standards Board issued Accounting Standards Update No. 2017-04: *"Intangibles - Goodwill and Other (Topic 350)"* - to simplify how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. Step 2 measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. This guidance is effective for interim and annual reporting periods beginning after December 15, 2019. The Company early adopted this standard effective April 30, 2018.

ASU No 2016-18 – In November 2016, FASB issue ASU No. 2016-18, Statement of Cash Flows (Topic 230) Restricted Cash (ASU 2016-18), requiring restricted cash and cash equivalents to be included with cash and cash equivalents of the statement of cash fho casunt ril

ASPEN G

Courseware consisted of the following at April 30, 2018 and April 30, 2017:

	April 30, 2018	April 30, 2017
Courseware	$ 298,064	$ 271,777
Accumulated amortization	(159,905)	(126,300)
Courseware, net	$ 138,159	$ 145,477

Amortization expense of courseware for the years ended April 30, 2018 and 2017:

	For the Years Ended April 30,	
	2018	2017
Amortization expense	$ 55,706	$ 58,254

The following is a schedule of estimated future amortization expense of courseware at April 30, 2018:

Year Ending April 30,	
2019	$ 59,146
2020	45,306
2021	18,340
2022	10,453
2023	4,914
Total	$ 138,159

Note 7. Accrued Expenses

Accrued expenses consisted of the following at April 30, 2018 and 2017:

	April 30,	
	2018	2017
Accrued compensation	$ 202,664	$ 122,520
Accrued Interest	79,853	13,566
Other accrued expenses	376,337	126,825
Accrued expenses	$ 658,854	$ 262,911

Note 8. Loan Payable Officer – Related Party

On June 28, 2013, the Company received $1,000,000 as a loan from the Company's Chief Executive Officer. This loan was for a term of 6 months with an annual interest rate of 10%, payable monthly. Through various note extensions, the debt was extended to May 5, 2018. There was no accounting effect for these extensions. The loan plus accrued interest was paid in full on April 7, 2017 using proceeds from the $7,500,000 equity raise. (See Note 12.)

Note 9. Convertible Notes and Convertible Notes – Related Party

On February 29, 2012, a loan payable of $50,000 was converted into a two-year convertible promissory note, interest of 0.19% per annum. Beginning March 31, 2012, the note was convertible into common shares of the Company at the rate of $12.00 per share. This loan (now a convertible promissory note) was originally due in February 2014. The amount due under this note has been reserved for payment upon the

Additionally, the Company paid a 0.25% origination fee on the initial $5 million draw and paid another 0.25% origination fee upon the se

On November 11, 2015, the Company signed a five year and four months lease agreement for our Scottsdale Office Center. The lease commenced on January 15, 2016 and expires May 31, 2021. The annual base rent beginning January 15, 2016 was $128,612 with a four month Rent Abatement Period. After the sixteenth month each annual base rent increases base on the price per rentable square foot.

On October 15, 2015, HEMG filed bankruptcy pursuant to Chapter 7. As a result, the remaining claims and Aspen's counterclaims in the New York lawsuit are currently stayed. '

Note 12. Stockholders' Equity

Preferred Stock

We are authorized to issue 10,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. As of April 30, 2018 and 2017, we had no shares of preferred stock issued and outstanding.

Common Stock

On June 21, 2016, the Company issued 208,333 shares valued at $400,000 and made a cash payment of $400,000 to a warrant holder in exchange for the buyback of 1,120,968 warrants. The Company re-valued the fair value of the warrants on the buyback date which equaled $594,000 and accordingly, the Company recorded an expense associated with the buyback of $206,000.

On July 31, 2016, the Company issued 29,167 shares to two IR firms for services. 16,667 shares were issued for services under a six month contractlualed

Note 13. Income Taxes

The components of income tax expense (benefit) are as follows:

	For the Years Ended April 30,	
	2018	**2017**
Current:		
Federal	$ —	$ —
State	—	—
	—	—
Deferred:		
Federal	—	—
State	—	—
	—	—
Total Income tax expense (benefit)	$ —	$ —

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	April 30,	
	2018	**2017**
Deferred tax assets:		
Net operating loss	$ 7,163,547	$ 8,626,748
Allowance for doubt t		

We assigned an indefinite useful life to the accreditation and regulatory approvals and the trade name and trademarks as we believe they have the ability to generate cash flows indefinitely. In addition, there are no legal, regulatory, contractual, economic or other factors to limit the intangibles' useful life and we intend to renew the intangibles, as applicable, and renewal can be accomplished at little cost. We determined all other acquired intangibles are finite-lived and we are amortizing them on either a straight-line basis or using an accelerated method to reflect the pattern in which the economic benefits of the assets are expected to be consumed. Amortization from the acquisition date through April 30, 2018 was $458,333.

The expected benefits from the business acquisition will allow USU, Inc. to achieve its vision [illegible]

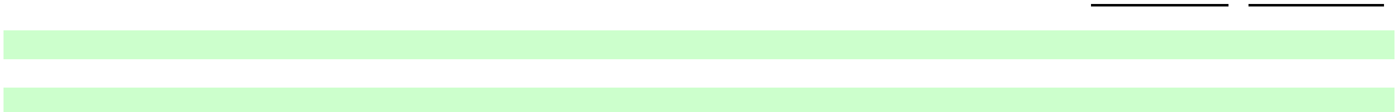

EXHIBIT INDEX

Exhibit #	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
3.1	Certificate of Incorporation, as amended	10-Q	3/9/17	3.1	
3.2	Bylaws, as amended	10-Q	3/15/18	3.2	
4.1	Form of Convertible Note dated December 1, 2017 - USU	8-K	12/1/17	4.1	
4.2	Form of Senior Indenture	S-3	4/11/18	4.5	
10.1	2012 Equity Incentive Plan, as amended*	10-Q	3/15/18	10.11	
10.1(a)	Amendment No. 10 to the 2012 Equity Incentive Plan	8-K	3/22/18	10.1	
10.2	Employment Agreement dated November 2, 2016 - Michael Mathews*	10-Q	3/9/17	10.1	
10.3	Employment Agreement dated November 24, 2014 - Gerard Wendolowski*	10-K	7/28/15	10.19	
10.4	Employment Agreement dated November 24, 2014 - Janet Gill*	10-K	7/28/15	10.18	
10.5	Employment Agreement dated June 11, 2017 – St. Arnauld*	10-K	7/25/17	10.5	

*
**

+ Certain schedules, appendices and exhibits to this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule and/or exhibit will be furnished supplementally to the Securities and Exchange Commission staff upon request.

Copies of this report (including the financial statements) and any of the exhibits referred to above will be furnished at no cost to our shareholders who make a written request to Aspen Group, Inc., at the address on the cover page of this report, Attention: Corporate Secretary.

Exhibit 21.1

SUBSIDIARIES

Aspen University Inc., a Delaware corporation
Aspen Nursing, Inc., a Delaware corporation
United States University, Inc., a Delaware corporation

Exhibit 23.1

Consent of Independent Registered Public Accounting Fir

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Michael Mathews, certify that:

1. I have reviewed this annual report on Form 10-K of Aspen Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) ct ef) ct e cir c§

a)

b)

c)

d)

5.

a)

b)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Aspen Group, Inc. (the “Company”) on Form 10-K for the fiscal year ended April 30, 2018, as filed with the Securities and Exchange Commission on the date hereof, I, Michael Mathews, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sar˝350, apun+e Sh

1.

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