



## INDEX

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**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**July 31, 2015**  
**(Unaudited)**

**Note 1. Nature of Operations and Liquidity**

**Overview**

Aspen Group, Inc. (together with its subsidiary, the “Company” or “Aspen”) is a holding company. Its subsidiary Aspen University Inc. was founded in Colorado in 1987 as the International School of Information Management. On September 30, 2004, it changed its name to Aspen University Inc. (“Aspen University”). On March 13, 2012, the Company was recapitalized in a reverse merger. All references to the Company or Aspen before March 13, 2012 are to Aspen University.

Aspen’s mission is to offer any motivated college-worthy student the opportunity to receive a high quality, responsibly priced distance-learning education for the purpose of achieving sustainable economic and social benefits for themselves and their families. Aspen is dedicated to providing the highest quality education experiences taught by top-tier professors - 60% of our adjunct professors hold doctorate degrees.

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 online higher education. Early in 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans.

On November 10, 2014, Aspen University announced the Commission on Collegiate Nursing Education (“CCNE”) has granted accreditation to its Bachelor of Science in Nursing program (RN to BSN) until December 31, 2019.

Since 1993, we have been nationally accredited by the Distance Education and Accrediting Council (“DEAC”), a national accrediting agency recognized by the U.S. Department of Education (the “DOE”). On February 25, 2015, the DEAC informed Aspen University that it had renewed its accreditation for five years to January, 2019.

**Basis of Presentation**

**A. Interim Financial Statements**

The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of the Company’s management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations for the three months ended July 31, 2015 and 2014, our cash flows for the three months ended July 31, 2015 and 2014, and our financial position as of July 31, 2015 have been made. The results of operations for such interim periods are not necessarily indicative of the operating results to be expected for the full year.

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**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**July 31, 2015**  
**(Unaudited)**

**B. Liquidity**

At July 31, 2015, the Company had a cash balance of approximately \$2.8 million which includes \$1.1 million of restricted cash. In April 2015, the Company offered a warrant conversion, through which the Company issued 14,747,116 shares, raising \$2,268,670. In fiscal 2015, the Company completed an equity financing of \$5,547,826. With the additional cash raised in the financing, the growth in the Company revenues and improving operating margins, the Company believes that it has sufficient cash to allow the Company to implement its long-term business plan.

**Note 2. Significant Accounting Policies**

**Principles of Consolidation**

The unaudited consolidated financial statements include the accounts of Aspen Group, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of the unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts in the unaudited consolidated financial statements. Actual results could differ from those estimates. Significant estimates in the accompanying unaudited consolidated financial statements include the allowance for doubtful accounts and other receivables, the valuation of collateral on certain receivables, amortization periods and valuation of courseware and software of courseware.

**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**July 31, 2015**  
**(Unaudited)**

Level 2—Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and

Level 3—Uno



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**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**July 31, 2015**  
**(Unaudited)**

The following is a schedule of estimated future amortization expense of courseware at July 31, 2015:

Year Ending April 30,	
2016	\$ 46,134
2017	47,367
2018	39,278
2019	37,805
2020	25,143
Total	\$ 195,727

**Note 6. 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 February 28, 2017. There was no accounting effect for these extensions.

**Note 7. Convertible Notes, Convertible Notes – Related Party and Debenture Payable**

On February 29, 2012, a loan payable of \$50,000 was converted into a two-year convertible promissory note, bearing interest of 0.19% per annum. Beginning March 31, 2012, the note was convertible into common shares of the Company at the rate of \$1.00 per share. The Company evaluated the convertible note and determined that, for the embedded conversion option, there was no beneficial conversion value to record as the conversion price is considered to be the fair market value of the common shares on the note issue date. The loan (now convertible promissory note) was originally due in February 2014. The amount due under this note has been reserved for payment upon the note being tendered to the Company by the note holder.

On March 13, 2012, the Company's CEO loaned the Company \$300,000 and received a convertible promissory note due March 31, 2013, bearing interest of 0.19% per annum. The note is convertible into common shares of the Company at the rate of \$1.00 per share upon five days written notice to the Company. The Company evaluated the convertible note and determined that, for the embedded conversion option, there was no beneficial conversion value to record as the conversion price is considered to be the fair market value of the common shares on the note issue date. Through various note extensions, the debt was extended to February 28, 2017. The amount due under this note has been reserved for payment upon the note being tendered to the Company by the note holder.



**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**July 31, 2015**  
**(Unaudited)**

On or about February 20, 2015, Aspen Group, Inc. filed a motion in the United States District Court, District of New Jersey, seeking the entry of a money judgment on default against Defendant, HEMG, in the amount of \$772,793, plus interest, costs, disbursements, and any other relief the Court deems just and proper. Aspen University gave notice to HEMG that it intended to privately sell the 654,850 shares







**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**July 31, 2015**  
**(Unaudited)**

**Warrants**

A summary of the Co o o a <sup>7</sup> **Exhibit** Ž i



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**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**  
**July 31, 2015**  
**(Unaudited)**

On June 8, 2015, the Chief Academic Officer received a grant of 1,000,000 options which has a fair value of \$60,000, the Chief Operating Officer received a grant of 700,000 options which has a fair value of \$42,000 and the Chief Financial Officer received a grant of 300,000 options which has a fair value of \$18,000. All of these options have an exercise price of \$0.168 per share.

As of July 31, 2015, there was approximately \$519,412 of unrecognized compensation costs related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 3.2 years.

The Company recorded compensation expense of \$72,941 for the 3 months ended July 31, 2015 in connection with employee stock options. The Company recorded compensation expense of \$97,203 for the three months ended July 31, 2014 in connection with employee stock options.

**Stock Option Grants to Non-Employees**

There were no stock options granted to non-employees during the three months ended July 31, 2015. The Company recorded no compensation expense for the three months ended July 31, 2015 in connection with non-employee stock options.

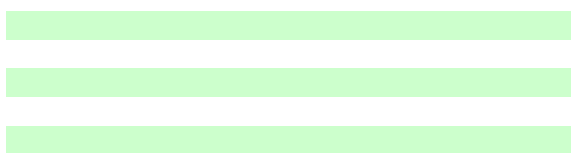
There was no unrecognized compensation cost at July 31, 2015.

A summary of the Company's stock option activity for non-employees during the three months ended July 31, 2015 is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2015	220,000	\$ 0.30	2.1	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(25,000)	\$ 0.19	3.0	\$ —
Expired	—	—	—	—
Balance Outstanding, July 31, 2015	<u>195,000</u>	<u>\$ 0.31</u>	<u>1.7</u>	<u>\$ —</u>
Exercisable, July 31, 2015	<u>195,000</u>	<u>\$ 0.31</u>	<u>1.7</u>	<u>\$ —</u>

**Note 10. Related Party Transactions**

See Note 3 for discussion of secured note and account receivable to related parties and see Notes 6 and 7 for discussion of loans payable and convertible notes payable to related parties.



## Results of Operations



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### **Other Income (Expense)**

Other income for the 2015 Quarter increased to \$3,733 from \$1,671 in the 2014 Quarter, an increase of \$2,062 or 123%. The increase is primarily due to favorable foreign exchange. Interest expense decreased from \$260,871 to \$33,115, a decrease of \$227,756 or 87%. The decrease is due to the elimination of the monthly interest to the Institutional Investor along with the amortization of the debt discount and the debt issuance costs.

### **Income Taxes**

Income taxes expense (benefit) for the 2015 Quarter and 2014 Quarter was \$0 as Aspen Group experienced operating losses in both periods. As management made a full valuation allowance against the deferred tax assets stemming from these losses, there was no tax benefit recorded in the statement of operations in both periods.

### **Net Loss**

Net loss for the 2015 Quarter was (\$718,706) as compared to (\$864,261) for the 2014 Quarter, a decrease in the loss of \$145,555 or approximately 17%. Contributing to this lower loss was the increase in revenues and gross profits in the 2015 Quarter, as well as lower interest expense in the 2015 Quarter.

### **Non-GAAP – Financial Measures**

The following discussion and analysis are prepared in accordance with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. The following discussion and analysis are prepared in accordance with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder. The following discussion and analysis are prepared in accordance with the requirements of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

The following table presents a reconciliation of Adjusted EBITDA to Net loss allocable to coRR

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On July 29, 2014, in the first part of a two part private placement offering, seven accredited investors, including the Company's Chief Financial Officer, paid a total of \$1,631,500 in exchange for 10,525,809 shares of common stock and 5,262,907 five-year warrants exercisable at \$0.19 per share. Aspen reimbursed expenses in total of \$75,000 related to this offering. As a result of this private placement, on July 31, 2014, Aspen issued 3,473,259 shares of common stock to prior investors who had price protection on their investments, issued 2,662,139 warrants to a prior investor who had price protection on their investment and reduced the exercise and conversion price on 14,451,613 outstanding warrants and its outstanding Debenture to \$0.155.

On September 4, 2014, Aspen raised \$3,766,325 from the sale of 24,298,877 shares of common stock and 12,149,439 five-year warrants exercisable at \$0.19 per share in the second part of a two part private placement offering to 15 accredited investors. The net proceeds to Aspen were approximately \$3.7 million. With the proceeds from this offering, we pre-paid the full principal owed and interest due under the Debenture (described above).

In April 2015, Aspen raised \$2,268,670 closed on its offering to warrant holders whereby it issued 14,747,116 shares of common stock to the holders in exchange for their early exercise of warrants at the reduced exercise price of \$0.155. The Company received gross proceeds of \$2,268,670, which included warrants exercised by the Company's Chief Financial Officer.

### **Liquidity and Capital Resource Considerations**

As of September 10, 2015, the Company had a cash balance of approximately \$2.6 million (which includes \$1,122,485 of restricted cash). With the additional cash raised in the early exercise of warrants in April 2015, the growth in the Company revenues and improving operating margins, the Company believes that it has sufficient cash to allow the Company to implement its long-term business plan.

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 the our financial condition. The accounting estimates are discussed below and involve certain assumptions that, if incorrect, could have a material adverse impact on our results of operations and financial condition.

#### **Revenue Recognition and Deferred Revenue**

Revenue consisting primarily of tuition and fees derived from courses taught by Aspen online as well as from related educational resources that Aspen provides to its students, such as access to our online materials and learning management system. Tuition revenue is recognized pro-rata over the applicable period of instruction. Aspen maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override Aspen's policy to the extent in conflict. If a student withdraws at a time when a portion or none of the tuition is refundable, then in accordance with its revenue recognition policy, Aspen recognizes as revenue the tuition that was not refunded. Since Aspen recognizes revenue pro-rata over the term of the course and because, under its institutional refund policy, the amount subject to refund is never greater than the amount of the revenue that has been deferred, under Aspen's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded. Aspen's educational programs have starting and ending dates that differ from its fiscal quarters. Therefore, at the end of each fiscal quarter, a portion of revenue from these programs is not yet earned and is therefore deferred. Aspen also charges students annual fees for library, technology and other services, which are recognized over the related service period. Deferred revenue represents the amount of tuition, fees, and other student payments received in excess of the portion recognized as revenue and it is included in current liabilities in the accompanying consolidated balance sheets. Other revenue may be recognized as sales occur or services are performed.





The results anticipated by any or all of these forward-looking statements might not occur. Important factors that could cause actual results to differ from those in the forward-looking statements include the failure to maintain regulatory approvals, competition, and ineffective media and/or marketing, failure to maintain growth in degree seeking students and the failure to generate sufficient revenue. Further information on our risk factors is contained in our filings with the SEC, including the Form 10-K filed on July 28, 2015. Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

Evaluation of Disclosure Controls and Procedure

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## **PART II. OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. With the exception of the disclosure below, there were no material changes to our legal proceedings during the period covered by this report.

On August 13, 2015, a former employee filed a complaint against the Company in the United States District Court, District of Arizona, for breach of contract claiming that Plaintiff was terminated for "Cause" when no cause existed. Plaintiff is seeking the remaining amounts under her employment agreement, severance pay, bonuses, value of lost benefits, and the loss of the value of her stock options. The Company filed an answer to the complaint by the September 8, 2015 deadline.

### **ITEM 1A. RISK FACTORS**

Not applicable to smaller reporting companies.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **ITEM 5. OTHER INFORMATION**

On September 9, 2015, Mr. Michael Mathews, the Chairman of the Board and Chief Executive Officer of Aspen Group, extended the due dates of his three outstanding notes to February 28, 2017. Prior to the amendments, the outstanding notes had expirations dates of July 31, 2016. The securities were issued and sold in reliance upon the exemption from registration contained in Section 4(a)(2) of the Securities Act of 1933 and Rule 506(b) promulgated thereunder.

### **ITEM 6. EXHIBITS**

See the Exhibit Index at the end of this report.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**Aspen Group, Inc.**

September 10, 2015

By: /s/ Michael Mathews  
Michael Mathews  
Chief Executive Officer  
(Principal Executive Officer)

September 10, 2015

By: /s/ Janet Gill  
Janet Gill  
Chief Financial Officer  
(Principal Financial Officer)

**EXHIBIT INDEX**

<b>Exhibit #</b>	<b>Exhibit Description</b>	<b>Incorporated by Reference</b>			<b>Filed or Furnished Herewith</b>
		<b>Form</b>	<b>Date</b>	<b>Number</b>	
3.1	Certificate of Amendment to Certificate of Incorporation, as amended	S-1	10/18/14	3.1	
3.2	Bylaws	8-K	3/19/12	2.7	
3.3	Amendment No. 1 to Bylaws	8-K	3/12/14	3.1	

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**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

I, Michael Mathews, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 10, 2015

/s/ Michael Mathews

Michael Mathews  
Chief Executive Officer  
(Principal Executive Officer)



**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 quarterly report of Aspen Group, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2015, 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 Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael Mathews

Michael Mathews  
Chief Executive Officer  
(Principal Executive Officer)  
Dated: September 10, 2015

In connection with the quarterly report of Aspen Group, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2015, as filed with the Securities and Exchange Commission on the date hereof, I, Janet Gill, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The quarterly report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and
2. The information contained in the quarterly report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Janet Gill

Janet Gill  
Chief Financial Officer  
(Principal Financial Officer)  
Dated: September 10, 2015