UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended **April 30, 2017**

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ___________ to ___________

Commission file number **000-55107**

ASPEN GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**27-1933597**
State or Other Jurisdiction of Incorporation or Organization	*I.R.S. Employer Identification No.*
1660 South Albion Road, Suite 525, Denver, CO	**80222**
Address of Principal Executive Offices	*Zip Code*

(303) 333-4224
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to the Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company, " and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. Approximately $30.4 million based on $3.00.

The number of shares outstanding of the registrant's classes of common stock, as of July 24, 2017 was 13,612,354 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2017 Annual Meeting of Shareholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended April 30, 2017.

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PART I

ITEM 1. BUSINESS.

Aspen Group, Inc., or Aspen Group, owns 100% of Aspen University Inc., a Delaware corporation, or Aspen or Aspen University. All references to the "Company," "we," "our" and "us" refer to Aspen Group, unless the context otherwise indicates.

Description of Business

Aspen Group, Inc. ("Aspen Group") is a post-secondary education company with an overarching vision of making higher education affordable again in America. To date, Aspen Group's sole operating subsidiary has been Aspen University, Inc., doing business as Aspen University. On May 18, 2017, Aspen Group announced it had entered into a definitive agreement to acquire United States University ("USU"), a regionally accredited for-profit university based in San Diego, California for a total purchase price of $9 million. The transaction is subject to customary closing conditions and regulatory approvals by the U.S. Department of Education ("DOE"), WASC Senior College and University Commission, and state regulatory and programmatic accreditation bodies. The earliest that Aspen Group would receive required regulatory approvals would be December 2017.

The remainder of this management discussion will focus on Aspen University.

Founded in 1987, Aspen University'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 - 54% 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. In March 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans. The monthly payment plan offers bachelor's degree students (except RN to BSN) the opportunity to pay $250/month for 72 months ($18,000), nursing bachelor's degree students (RN to BSN) $250/month for 39 months ($9,750), master's degree students $325/month for 36 months ($11,700) and doctoral students $375 per month for 72 months ($27,000), interest free, thereby giving students a monthly payment tuition option versus taking out a federal financial aid loan.

Since the March 2014 monthly payment education announcement, 65% of courses are now paid for through monthly payment methods (based on courses started over the last 90 days). Aspen offers two monthly payment programs, a monthly payment plan described above in which students make payments every month over a fixed period (36, 39 or 72 months depending on the degree program), and a monthly installment plan in which students pay three monthly installments (day 1, day 31 and day 61 after the start of each course). As of April 30, 2017, Aspen has 3,060 students paying tuition through either of the monthly payment methods. Of those, 2,801 of those students are paying tuition through a monthly payment plan representing total contractual value of $26.5 million, which today equates to approximately $780,000 of monthly recurring tuition revenue.

Aspen offers certificate programs and associate, bachelor's, master's and doctoral degree programs in a broad range of areas, including nursing, business, education, technology, and professional studies. In terms of student body growth during fiscal year 2017, Aspen's active degree-seeking student body grew by 1,749 students or 60%, from 2,932 to 4,681 students.

One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is the fact that the majority of our degree-seeking students (72% as of April 30, 2017 compared to 54% as of April 30, 2016) were enrolled in Aspen's School of Nursing. Aspen's School of Nursing grew during fiscal year 2017 by 1,481 students or 79%, from 1,882 to 3,363 students, which represents 85% of Aspen's student body growth.

On November 10, 2014, Aspen University announced that the Commission on Collegiate Nursing Education ("CCNE") had awarded accreditation to its Bachelor of Science in Nursing program (RN to BSN) through December 31, 2019. CCNE is officially recognized by the DOE and is a nongovernmental accrediting agency, which provides specialized accreditation for nursing programs by ensuring the quality and integrity of nursing education in preparing effective nurses.

Since 2008, Aspen's Master of Science in Nursing Program has held CCNE accreditation. The Master of Science in Nursing program most recently underwent accreditation review by CCNE in March 2011. At that time, the program's accreditation was reaffirmed, with a new accreditation term to expire December 30, 2021. We currently offer a variety of nursing degrees including: Master of Science in Nursing, Master of Science in Nursing - Nursing Education, Master of Science in Nursing – Nursing Administration and Management, Master of Science in Nursing – Forensic Nursing, Master of Science in Nursing –Public Health, Master of Science in Nursing – Informatics, and Bachelor of Science in Nursing.

Aspen's School of Nursing is responsible for the vast majority of the new student enrollment and overall active student body growth. Specifically, Aspen's School of Nursing is now on pace to grow on an annualized basis by approximately 1,500 Active Nursing students – net of student graduations and withdrawals (or ~125/month). Aspen's BSN program accounts for 72% of that growth, as that program is on pace to increase on an annualized basis by approximately 1,080 students – net (or ~90/month).

Aspen University expects its total active degree-seeking student body to continue its rapid growth and reach approximately 7,000 students by the end of the fiscal year, April 30, 2018. Therefore, the university is on pace to increase its active student body by ~2,300 students on an annualized basis in fiscal year 2018 versus the previous pace of ~1,750 active students a year ago, an improvement of 30% year-over-year.

In addition to the specialized CCNE programmatic accreditation, since 1993 Aspen University has been accredited by the Distance Education Accrediting Commission ("DEAC"), a national institutional accrediting agency recognized by the U.S. Department of Education ("DOE"). Accreditation by an accrediting commission recognized by the DOE is required for an institution to become and remain eligible to participate in the federal programs of student financial assistance administered pursuant to Title IV of the Higher Education Act of 1965, as amended (the "Title IV Programs"). On February 25, 2015, the DEAC informed Aspen University that it had renewed its accreditation for five years through January 2019. Aspen University's accreditation is further discussed in the Accreditation Section of this Form 10-K.

Aspen University also maintains approvals from professional associations, such as its approval as a Global Charter Education Provider from the Project Management Institute ("PMI"), and as a Registered Education Provider (R.E.P.) of the PMI. The PMI recognizes select Aspen Project Management Courses as Professional Development Units. These courses help prepare individuals to sit for the Project Management Professional ("PMP"), certification examination. PMP certification is the project management profession's most recognized and respected certification credential. Project management professionals may take the PMI approved Aspen courses to fulfill continuing education requirements for maintaining their PMP certification.

Similarly, in connection with our Bachelor and Master degrees in Psychology of Addiction and Counseling, the National Association of Alcoholism and Drug Abuse Counselors, ("NAADAC"), has approved Aspen as an "academic education provider." NAADAC-approved education providers offer training and education for those who are seeking to become certified, and those who want to maintain their certification, as alcohol and drug counselors. In connection with the approval process, NAADAC reviews all educational training programs for content applicability to state and national certification standards.

Aspen also is a participant in the Title IV Programs. At the federal level, the Higher Education Act of 1965, as amended (the "HEA") and the regulations promulgated under the HEA by the DOE set forth numerous, complex standards that institutions must satisfy in order to participate in the Title IV Programs.

Competitive Strengths - We believe that we have the following competitive strengths:

Exclusively Online Education - We have designed our courses and programs specifically for online delivery, and we recruit and train faculty exclusively for online instruction. We provide students the flexibility to study and interact at times that suits their schedules. We design our online sessions and materials to be interactive, dynamic and user friendly.

Debt Minimization - We are committed to offering among the lowest tuition rates in the sector, which to date has alleviated the need for a significant majority of our students to borrow money to fund Aspen's tuition requirements. Aspen's course-by-course tuition rates are $150/credit hour for degree-seeking undergraduate programs, $325/credit hour for all master programs and the Bachelor of Science in Nursing (BSN) program and $450/credit hour for all doctoral degree programs. These tuition rates are designed to allow students to pay their tuition through monthly payment plans, thereby having the opportunity to earn their degree debt free.

Commitment to Academic Excellence - We are committed to continuously improving our academic programs and services, as evidenced by the level of attention and resources we apply to instruction and educational support. We are committed to achieving high course completion and graduation rates compared to competitive distance learning, for-profit schools. Fifty-four percent of our adjunct faculty members hold a doctorate degree. One-on-one contact with our highly experienced faculty brings knowledge and great perspective to the learning experience. Faculty members are available by telephone and email to answer questions, discuss assignments and provide help and encouragement to our students.

Highly Scalable and Profitable Business Model - We believe our online education model, our relatively low student acquisition costs, and our variable faculty cost model will enable us to expand our operating margins. As we increase student enrollments we are able to scale on a variable basis the number of adjunct faculty members after we reach certain enrollment metrics (not before). A single adjunct faculty member can work with as little as two students or as many as 30 at any given time.

"One Student at a Time" personal care - We are committed to providing our students with highly responsive and personal individualized support. Every student is assigned an Academic Advisor who becomes an advocate for the student's success. Our one-on-one approach assures contact with faculty members when a student needs it and monitoring to keep them on course. Our administrative staff is readily available to answer any questions and works with a student from initial interest through the application process and enrollment, and most importantly while the student is pursuing a degree or studies.

Admissions

In considering candidates for acceptance into any of our certificate or degree programs, we look for those who are serious about pursuing – or advancing in – a professional career, and who want to be both prepared and academically challenged in the process. We strive to maintain the highest standards of academic excellence, while maintaining a friendly learning environment designed for educational, personal and professional success. A desire to meet those standards is a prerequisite. Because our programs are designed for self-directed learners who know how to manage their time, successful students have a basic understanding of management principles and practices, as well as good writing and research skills. Admission to Aspen is based on thorough assessment of each applicant's potential to complete successfully the program.

Industry Overview

The U.S. market for postsecondary education is a large, growing market. According to the most recent publication by the National Center for Education Statistics, ("NCES"), the number of postsecondary learners enrolled as of 2012-13 in U.S. institutions that participate in Title IV Programs was approximately 27.8 million (including both undergraduate and graduate students). This number is up from 21 million in the fall of 2010, and from 18.2 million in the fall of 2007. We believe the growth in postsecondary enrollment is a result of a number of factors, including the significant and measurable personal income premium that is attributable to postsecondary education, and an increase in demand by employers for professional and skilled workers.

According to the Integrated Postsecondary Education Data System ("IPEDS") data managed by the DOE, the number of students that took at least one online course in the most recent studies was about 5.5 million — roughly one-quarter of the total enrollment. Among those 5.5 million students, about 2.6 million were enrolled in fully online programs — the rest took some traditional courses, some online. Additionally, the share of graduate students enrolled in fully online programs was twice as high as the share of undergraduates — 22 to 11 percent.

Competition

There are more than 4,200 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 online universities. Our online university competitors that are publicly traded include: American Public Education, Inc. (Nasdaq: APEI), DeVry Inc. (NYSE: DV), Grand Canyon Education, Inc. (Nasdaq: LOPE), Capella Education Company (Nasdaq: CPLA), and Bridgepoint Education, Inc. (NYSE: BPI). American Public Education, Inc. and Capella Education Company are wholly online while the others are not. Based upon public information, Apollo Group, which includes University of Phoenix, is the market leader with University of Phoenix having degreed enrollments of 135,900 in November 2016 (based upon APOL's Form 10-Q filed on January 9, 2017 for the period ending November 30, 2016). As of April 30, 2017, Aspen had 4,681 active degree-seeking students enrolled, respectively. These competitors have substantially more financial and other resources.

The primary mission of most traditional accredited four-year universities is to serve full-time students and conduct research. Most online universities serve working adults. Aspen acknowledges the differences in the educational needs between working and full-time students at "brick and mortar" schools and provides programs and services that allow our students to earn their degrees without major disruption to their personal and professional lives.

We also compete with public and private degree-granting regionally and nationally accredited universities. An increasing number of universities enroll working students in addition to the traditional 18 to 24 year-old students, and we expect that these universities will continue to modify their existing programs to serve working learners more effectively, including by offering more distance learning programs. We believe that the primary factors on which we compete are the following:

- Active and relevant curriculum development that considers the needs of employers;
- The ability to provide flexible and convenient access to programs and classes;
- High-quality courses and services;
- Comprehensive student support services;
- Breadth of programs offered;
- The time necessary to earn a degree;
- Qualified and experienced faculty;
- Reputation of the institution and its programs;
- The variety of geographic locations of campuses;
- Regulatory approvals;
- Cost of the program;
- Name recognition; and
- Convenience.

Curricula

Certificates
Certificate in Project Management
Certificate in eLearning Pedagogy

Associates Degrees
Associate of Applied Science Early Childhood Education

Bachelor's Degrees
Bachelor of Arts in Psychology and Addiction Counseling
Bachelor of Science in Business Administration
Bachelor of Science in Business Administration, (Completion Program)
Bachelor of Science in Criminal Justice
Bachelor of Science in Criminal Justice, (Completion Program)
Bachelor of Science in Criminal Justice with specializations in Criminal Justice Administration and
Major Crime Scene Investigation Procedure
Bachelor of Science in Early Childhood Education
Bachelor of Science in Early Childhood Education, (Completion Program)
Bachelor of Science in Medical Management
Bachelor of Science in Nursing (Completion Program)

Master's Degrees
Master of Arts Psychology and Addiction Counseling
Master of Science in Criminal Justice
Master of Science in Criminal Justice with specializations in Forensic Sciences, Law Enforcement Management, and
Terrorism and Homeland Security
Master of Science in Information Management
Master of Science in Information Systems with specializations in Enterprise Application Development and
Web Development
Master of Science in Information Technology
Master of Science in Information Technology and Innovation
Master of Science in Nursing with a specialization in Administration and Management
Master of Science in Nursing (RN to MSN Bridge Program) with a specialization in Administration and Management

Master of Science in Nursing with a specialization in Nursing Education
Master of Science in Nursing (RN to MSN Bridge Program) with a specialization in Nursing Education
Master of Science in Nursing (RN to MSN Bridge Program) with a specialization in Forensic Nursing
Master of Science in Nursing with a specialization in Forensic Nursing
Master of Science in Nursing with a specialization in Public Health
Master of Science in Nursing (RN to MSN Bridge Program) with a specialization in Public Health
Master of Science in Nursing with a specialization in Informatics
Master of Science in Nursing (RN to MSN Bridge Program) with a specialization in Informatics
Master in Business Administration
Master in Business Administration with specializations in Entrepreneurship, Finance, Information Management, Pharmaceutical Marketing and Management, and Project Management
Master in Education with specializations in Curriculum Development and Outcomes Assessment, Education Technology, Transformational Leadership, and eLearning Pedagogy

Doctorate Degrees
Doctorate of Science in Computer Science
Doctorate in Education Leadership and Learning with specializations in K-12, Higher Education, Organizational Leadership, Organizational Psychology, and Health Care Administration
Doctor of Nursing Practice

Sales and Marketing

Following Mr. Michael Mathews becoming Aspen's Chief Executive Officer in May 2011, Mr. Mathews and his team made significant changes to Aspen's sales and marketing program, specifically spending a significant amount of time, money and resources on our proprietary Internet marketing program. What is unique about Aspen's Internet marketing program is that we have no plans in the near future to utilize third-party online lead generation companies to attract prospective students. To our knowledge, most if not all for-profit online universities utilize multiple third-party online lead generation companies to obtain a meaningful percentage of their prospective student leads. Aspen's executive officers have many years of expertise in the online lead generation and Internet advertising industry, which for the foreseeable future will allow Aspen to cost-effectively drive all prospective student leads internally. This is a competitive advantage for Aspen because third-party leads are typically unbranded and non-exclusive (lead generation firms typically sell prospective student leads to multiple universities), therefore the conversion rate for those leads tends to be appreciably lower than internally generated, Aspen branded, proprietary leads.

Employees

As of July 24, 2017, we had 138 full-time employees, and 133 adjunct professors, of which 54% are doctorally prepared. None of our employees are parties to any collective bargaining arrangement. We believe our relationships with our employees are good.

Corporate History

Aspen Group was incorporated on February 23, 2010 in Florida as a home improvement company intending to develop products and sell them on a wholesale basis to home improvement retailers. In June 2011, Aspen Group changed its name to Elite Nutritional Brands, Inc. and terminated all operations. In February 2012, Aspen Group reincorporated in Delaware under the name Aspen Group, Inc.

Aspen University was incorporated on September 30, 2004 in Delaware. Its predecessor was a Delaware limited liability company organized in Delaware in 1999. On March 13, 2012, Aspen Group acquired Aspen in a transaction we refer to as the Reverse Merger.

Regulation

Students attending Aspen finance their education through a combination of individual resources, corporate reimbursement programs and federal student financial assistance funds available through Aspen's participation in the Title IV Programs. The discussion which follows outlines the extensive regulations that affect our business. Complying with these regulations entails significant effort from our executives and other employees. Further, regulatory compliance is also expensive. Beyond the internal costs, compliance with the extensive regulatory requirements also involves engagement of outside regulatory professionals.

For the fiscal year ended April 30, 2017, approximately 21% of our cash-basis revenues for eligible tuition and fees were derived from the Title IV Programs. To participate in Title IV Programs, a school must, among other things, be:

- Authorized to offer its programs of instruction by the applicable state education agencies in the states in which it is physically located (in our case, Colorado);
- Accredited by an accrediting agency recognized by the Secretary of the DOE; and
- Certified as an eligible institution by the DOE.

State Authorization

Based on regulations issued by the DOE in 2011, Title IV Program institutions, like ours, that offer postsecondary education through distance education to students in a state in which the institution is not physically located or in which it is otherwise subject to state jurisdiction as determined by that state, must meet any state requirements to offer postsecondary education to students in that state. The institution must be able to document state approval for distance education if requested by the DOE. This regulation was considered a significant departure from the state authorization procedures followed by most, if not all, institutions before its enactment. On July 12, 2011, a federal judge for the U.S. District Court for the District of Columbia vacated the portion of the DOE's state authorization regulation that requires online education providers to obtain any required authorization from all states in which their students reside, finding that the DOE had failed to provide sufficient notice and opportunity to comment on the requirement. An appellate court affirmed that ruling on June 5, 2012 and therefore this regulation is currently invalid.

However, on July 25, 2016, the DOE issued a Notice of Proposed Rulemaking ("NPRM") concerning new regulations governing the requirements for state authorization for distance education**.** Similar to the 2011 Rules, the proposed regulations required institutions to meet all state requirements for legally offering distance education in any state in which they are offering distance education courses as a condition of institutional eligibility to participate in the Title IV Programs. If an institution does not hold authorization in a state that requires it to do so, students in that state would not be eligible to receive Title IV Program funds for enrollment in distance education programs offered by the institution in the state. The NPRM also proposed that Title IV Program eligibility and funding be contingent upon an institution being able to demonstrate that it is subject to an adequate state student complaint procedure. To date, the DOE has not indicated which state complaint procedures, if any, it considers to be inadequate. In addition, the NPRM required institutions to make a significant number of consumer disclosures regarding their distance education programs including disclosures regarding licensure and certification requirements, state authorization, student complaints, adverse actions by state and accreditation agencies, and refund policies. On December 16, 2016, DOE issued the final rule related to this NPRM. Although the final rule is similar to what DOE proposed on July 25, 2016, it surprisingly provides that the State Authorization Reciprocity Agreement ("SARA") would not satisfy the basic authorization requirements of the rule. SARA is an agreement among member states, districts and territories that establishes comparable national standards for interstate offering of postsecondary distance education courses and programs. When the NPRM was released, there appeared to be broad consensus that the regulations would support the multi-state SARA arrangement as satisfying the requirement that institutions obtain authorization in each state where they are required to be authorized. However, the final rule effectively removes SARA from the definition of a "State authorization reciprocity agreement" for the purpose of complying with the new regulations. This is significant because we are an approved SARA institution.

The rest of the final rule remains largely unchanged from the NPRM. As in the proposed rule, the final rule requires institutions to meet all state requirements for legally offering distance education in any state in which institutions are offering distance education courses, but only to the extent the state has any such requirements. Also, while the language of the rule appears to make state authorization for distance learning a condition of institutional eligibility in the Title IV Programs, the preamble to the final rule clarifies that failure to hold a required authorization in a state will only result in inability to disburse Title IV Program funds to eligible students who are enrolled in distance learning programs while present in that state, rather than institution-wide. In addition, a state may impose penalties on an institution for failure to comply with state requirements related to an institution's activities in a state, including the delivery of distance education to persons in that state.

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 the 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, ("CDHE"), its eligibility to participate in Title IV Programs, or its ability to offer certain programs, any of which may force us to cease operations.

Additionally, Aspen is a Delaware corporation. 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.

Accreditation

Aspen is accredited by the DEAC, an accrediting agency recognized by the 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 the 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 by the DEAC is important to the University 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 employment candidate's credentials. Corporate and government sponsors under tuition reimbursement programs look to accreditation for assurance that an institution maintains quality educational standards. Moreover, institutional accreditation awarded from an accrediting agency recognized by the DOE is necessary for eligibility to participate in the Title IV Programs. From time to time, DEAC adopts or makes changes to its policies, procedures and standards. If we fail to comply with any of DEAC's requirements, our accreditation status and, therefore, our eligibility to participate in the Title IV Programs could be at risk. On February 25, 2015, the DEAC informed Aspen University that it had renewed its accreditation for five years to January, 2019.

In addition to institutional accreditation, there are numerous specialized accrediting commissions that accredit specific programs or schools within their jurisdiction, many of which are in healthcare and professional fields. In our case, Aspen's Master of Science in Nursing and Bachelor of Science in Nursing programs hold specialized accreditation from the CCNE. CCNE is officially recognized by DOE and provides specialized accreditation for nursing programs. In our case, accreditation of specific nursing programs by CCNE signifies that those programs have met the additional standards of that agency. If we fail to satisfy the standards of any of these specialized accrediting commissions, we could lose the specialized accreditation for the affected programs, which could result in materially reduced student enrollments in those programs and prevent our students from seeking and obtaining appropriate licensure in their fields.

State Education Licensure and Regulation

As an institution of higher education that grants degrees and certificates, we are required to be authorized by applicable state education authorities which exercise regulatory oversight of our institution. In addition, in order to participate in the Title IV Programs, we must be authorized by the applicable state education agencies.

We are an approved institutional participant in SARA. SARA is intended to make it easier for students to take online courses offered by postsecondary institutions based in another state. SARA is overseen by a National Council (NCSARA) and administered by four regional education compacts. There is a yearly renewal for participating in NC-SARA and CO-SARA and institutions must agree to meet certain requirements to participate. Some states that do not participate in SARA impose regulatory requirements on out-of-state educational institutions operating within their boundaries, such as those having a physical facility or conducting certain academic activities within the state. We currently enroll students in 49 states. Although we are currently licensed, authorized, in-process, or exempt in all non-SARA jurisdictions in which we operate, if we fail to comply with state licensing or authorization requirements for a state, or fail to obtain licenses or authorizations when required, we could lose our state license or authorization by that state or be subject to other sanctions, including restrictions on our activities in, and fines and penalties imposed by, that state, as well as fines, penalties, and sanctions imposed by DOE. While we do not believe that any of the states in which we are currently licensed or authorized, other than Colorado, are individually material to our operations, the loss of licensure or authorization in any state could prohibit us from recruiting prospective students or offering services to current students in that state, which could significantly reduce our enrollments.

Individual state laws establish standards in areas such as instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters, some of which are different than the standards prescribed by the Colorado Department of Higher Education. Laws in some states limit schools' ability to offer educational programs and award degrees to residents of those states. Some states also prescribe financial regulations that are different from those of the DOE, and many require the posting of surety bonds. In non-SARA states, regulatory requirements for online education vary among the states, are not well developed in many states, are imprecise or unclear in some states, and can change frequently. Laws, regulations, or interpretations related to online education could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and have a material adverse effect on our business.

Nature of Federal, State and Private Financial Support for Postsecondary Education

The federal government provides a substantial part of its support for postsecondary education through the Title IV Programs, in the form of grants and loans to students. Students can use those funds at any institution that has been certified by the DOE to participate in the Title IV Programs. Aid under Title IV Programs is primarily awarded on the basis of financial need, generally defined as the difference between the cost of attending the institution and the amount a student can reasonably contribute to that cost. All recipients of Title IV Program funds must maintain satisfactory academic progress and must progress in a timely manner toward completion of their program of study. In addition, each school must ensure that Title IV Program funds are properly accounted for and disbursed in the correct amounts to eligible students.

Aspen's mission is to offer students the opportunity to fund their education without relying on student loans. In March 2014, Aspen launched a $250 monthly payment plan for bachelor students and a $325 monthly payment plan for master students, and subsequently a $375 monthly payment plan for doctoral students. Since initiation of this mission, 65% of our courses are paid through monthly payment methods (based on courses started over the last 90 days).

When our students borrow from the federal government, they receive loans and grants to fund their education under the following Title IV Programs: (1) the Federal Direct Loan program, or Direct Loan and (2) the Federal Pell Grant program, or Pell. For the fiscal year ended April 30, 2017, approximately 21% of our cash-basis revenues for eligible tuition and fees were derived from Title IV Programs. Therefore, the majority of Aspen students self-finance all or a portion of their education. Additionally, students may receive full or partial tuition reimbursement from their employers. Eligible students can also access private loans through a number of different lenders for funding at current market interest rates.

Under the Direct Loan program, the DOE makes loans directly to students. The Direct Loan Program includes the Direct Subsidized Loan, the Direct Unsubsidized Loan, the Direct PLUS Loan (including loans to graduate and professional students), and the Direct Consolidation Loan. The Budget Control Act of 2011 signed into law in August 2011, eliminated Direct Subsidized Loans for graduate and professional students, as of July 1, 2012. The terms and conditions of subsidized loans originated prior to July 1, 2012 are unaffected by the law.

For Pell grants, the DOE makes grants to undergraduate students who demonstrate financial need. To date, few Aspen students have received Pell Grants. Accordingly, the Pell Grant program currently is not material to Aspen's cash revenues.

Regulation of Federal Student Financial Aid Programs

The substantial amount of federal funds disbursed through Title IV Programs, the large number of students and institutions participating in these programs, and allegations of fraud and abuse by certain for-profit institutions have prompted the DOE to exercise considerable regulatory oversight over for-profit institutions of higher learning. Accrediting agencies and state education agencies also have responsibilities for overseeing compliance of institutions in connection with Title IV Program requirements. As a result, our institution is subject to extensive oversight and review. Because the DOE periodically revises its regulations and changes its interpretations of existing laws and regulations, we cannot predict with certainty how the Title IV Program requirements will be applied in all circumstances. See the "Risk Factors" contained herein which disclose comprehensive regulatory risks.

In addition to the state authorization requirements and other regulatory requirements described herein, other significant factors relating to Title IV Programs that could adversely affect us include the following legislative action and regulatory changes:

Congress reauthorizes the Higher Education Act approximately every five to eight years. Congress most recently reauthorized the Higher Education Act in August 2008. We cannot predict with certainty whether or when Congress might act to amend further the Higher Education Act. The elimination of additional Title IV Programs, material changes in the requirements for participation in such programs, or the substitution of materially different programs could increase our costs of compliance and could reduce the ability of certain students to finance their education at our institution.

Administrative Capability. DOE regulations specify extensive criteria by which an institution must establish that it has the requisite "administrative capability" to participate in Title IV Programs. Failure to satisfy any of the standards may lead the DOE to find the institution ineligible to participate in Title IV Programs or to place the institution on provisional certification as a condition of its participation. To meet the administrative capability standards, an institution must, among other things:

- Comply with all applicable Title IV Program regulations;
- Have capable and sufficient personnel to administer the federal student financial aid programs;
- Have acceptable methods of defining and measuring the satisfactory academic progress of its students;
- Have cohort default rates above specified levels;
- Have various procedures in place for safeguarding federal funds;
- Not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension;
- Provide financial aid counseling to its students;
- Refer to the DOE's Office of Inspector General any credible information indicating that any applicant, student, employee, or agent of the institution, has been engaged in any fraud or other illegal conduct involving Title IV Programs;
- Report annually to the Secretary of Education on any reasonable reimbursements paid or provided by a private education lender or group of lenders to any employee who is employed in the institution's financial aid office or who otherwise has responsibilities with respect to education loans;
- Develop and apply an adequate system to identify and resolve conflicting information with respect to a student's application for Title IV aid;
- Submit in a timely manner all reports and financial statements required by the regulations; and
- Not otherwise appear to lack administrative capability.

The DOE regulations also add an administrative capability standard related to the existing requirement that students must have a high school diploma or its recognized equivalent in order to be eligible for Title IV Program aid. Under the administrative capability standard, institutions must develop and follow procedures for evaluating the validity of a student's high school diploma if the institution or the Secretary of Education has reason to believe that the student's diploma is not valid.

If an institution fails to satisfy any of these criteria or any other DOE regulation, the DOE may:

- Require the repayment of Title IV Program funds;
- Transfer the institution from the "advance" system of payment of Title IV Program funds to cash monitoring status or to the "reimbursement" system of payment;
- Place the institution on provisional certification status; or

- Commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV Programs.

If we are found not to have satisfied the DOE's "administrative capability" requirements, we could lose, or be limited in our access to, Title IV Program funding.

Distance Education. We offer all of our existing degree and certificate programs via Internet-based telecommunications from our headquarters in Colorado. Under the Higher Education Opportunity Act, or HEOA, an accreditor that evaluates institutions offering distance education must require such institutions to have processes through which the institution establishes that a student who registers for a distance education program is the same student who participates in and receives credit for the program.

On December 16, 2016, DOE issued a final rule that requires institutions to meet all state requirements for legally offering distance education in any state in which the institution is offering distance education courses. The rule will be effective on July 1, 2018.

Financial Responsibility. The Higher Education Act and DOE regulations establish extensive standards of financial responsibility that institutions such as Aspen must satisfy to participate in the Title IV Programs. These standards generally require that an institution provide the resources necessary to comply with Title IV Program requirements and meet all of its financial obligations, including required refunds and any repayments to the DOE for liabilities incurred in programs administered by the DOE.

The DOE evaluates institutions on an annual basis for compliance with specified financial responsibility standards that include a complex formula that uses line items from the institution's audited financial statements. In addition, the financial responsibility standards require an institution to receive an unqualified opinion from its accountants on its audited financial statements, maintain sufficient cash reserves to satisfy refund requirements, meet all of its financial obligations, and remain current on its debt payments. The formula focuses on three financial ratios: (1) equity ratio (which measures the institution's capital resources, financial viability, and ability to borrow); (2) primary reserve ratio (which measures the institution's viability and liquidity); and (3) net income ratio (which measures the institution's profitability or ability to operate within its means). An institution's financial ratios must yield a composite score of at least 1.5 for the institution to be deemed financially responsible without the need for further federal oversight. The DOE may also apply such measures of financial responsibility to the operating company and ownership entities of an eligible institution.

For fiscal year 2014 (ending April 30, 2014), Aspen did not meet the financial responsibility standards due to a failure to meet the minimum composite score of 1.5. Consequently, in order for Aspen to continue to participate in the Title IV Programs, we were required to choose one of two alternatives. The first alternative was to qualify as a financially responsible institution by submitting an irrevocable letter of credit in favor of the DOE in the amount of $2,244,971, which represented 50% of the Title IV Program funds received by the institution during the most recently completed fiscal year. The second alternative was to post a letter of credit in the amount of $1,122,485 and be provisionally certified for a period of up to three complete award years. That amount represented 25% of the Title IV Program funds received by the institution during the most recently completed fiscal year. Aspen selected the second alternative and posted the required letter of credit in the amount of $1,122,485 on April 29, 2015. In November of 2015, the DOE informed Aspen that it no longer needed to maintain a letter of credit based on the institution's fiscal year 2015 results and released the letter of credit. As a part of the April 29, 2015 decision, Aspen is currently subject to Heightened Cash Monitoring 1 (HCM1) status, which requires the institution to first make disbursements of Title IV Program funds to eligible students and parents before it requests or receives funds for the amount of those disbursements from the DOE. In addition, Aspen continues to be provisionally certified. A provisionally certified institution, such as Aspen, must apply for and receive DOE approval of substantial changes and must comply with any additional conditions included in its program participation agreement, which is Aspen's agreement with the DOE. If the DOE determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, the DOE may seek to revoke the institution's certification to participate in Title IV Programs with fewer due process protections for the institution than if it were fully certified.

Although Aspen believes it will meet the minimum composite score necessary to meet the Financial Ratio standard for fiscal year 2017, the DOE may determine that Aspen's calculation is incorrect, and/or it may determine that Aspen continues to not meet other financial responsibility standards. If the DOE were to determine that we do not meet its financial responsibility standards, we may be able to continue to establish financial responsibility on an alternative basis. Alternative bases include, for example:

- Posting a letter of credit in an amount equal to at least 50% of the total Title IV Program funds received by us during our most recently completed fiscal year;
- Posting a letter of credit in an amount equal to at least 10% of such prior year's Title IV Program funds received by us, accepting provisional certification, complying with additional DOE monitoring requirements and agreeing to receive Title IV Program funds under an arrangement other than the DOE's standard advance payment arrangement such as the "reimbursement" system of payment or cash monitoring; or
- Complying with additional DOE monitoring requirements and agreeing to receive Title IV Program funds under an arrangement other than the DOE's standard advance payment arrangement such as the "reimbursement" system of payment or cash monitoring.

Failure to meet the DOE's "financial responsibility" requirements, either because we do not meet the DOE's financial responsibility standards or are unable to establish financial responsibility on an alternative basis, would cause us to lose access to Title IV Program funding.

Third-Party Servicers. DOE regulations permit an institution to enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in Title IV Programs. The third-party servicer must, among other obligations, comply with Title IV Program requirements and be jointly and severally liable with the institution to the Secretary of Education for any violation by the servicer of any Title IV Program provision. An institution must report to the DOE new contracts with or any significant modifications to contracts with third-party servicers as well as other matters related to third-party servicers. We contract with a third-party servicer which performs certain activities related to our participation in Title IV Programs. If our third-party servicer does not comply with applicable statutes and regulations including the Higher Education Act, we may be liable for its actions, and we could lose our eligibility to participate in Title IV Programs.

Return of Title IV Program Funds. Under the DOE's return of funds regulations, when a student withdraws, an institution must return unearned funds to the DOE in a timely manner. An institution must first determine the amount of Title IV Program funds that a student "earned." If the student withdraws during the first 60% of any period of enrollment or payment period, the amount of Title IV Program funds that the student earned is equal to a pro rata portion of the funds for which the student would otherwise be eligible. If the student withdraws after the 60% threshold, then the student has earned 100% of the Title IV Program funds. The institution must return to the appropriate Title IV Programs, in a specified order, the lesser of (i) the unearned Title IV Program funds and (ii) the institutional charges incurred by the student for the period multiplied by the percentage of unearned Title IV Program funds. An institution must return the funds no later than 45 days after the date of the institution's determination that a student withdrew. If such payments are not timely made, an institution may be subject to adverse action, including being required to submit a letter of credit equal to 25% of the refunds the institution should have made in its most recently completed fiscal year. Under DOE regulations, late returns of Title IV Program funds for 5% or more of students sampled in the institution's annual compliance audit constitutes material non-compliance with the Title IV Program requirements.

The "90/10 Rule." A requirement of the Higher Education Act commonly referred to as the "90/10 Rule," applies only to "proprietary institutions of higher education," which includes Aspen. An institution is subject to loss of eligibility to participate in the Title IV Programs if it derives more than 90% of its revenues (calculated on a cash basis and in accordance with a DOE formula) from Title IV Programs for two consecutive fiscal years. An institution whose rate exceeds 90% for any single fiscal year will be placed on provisional certification for at least two fiscal years and may be subject to other conditions specified by the Secretary of the DOE. For Aspen's most recent fiscal year ending April 30, 2017, approximately 21% of our revenue was derived from Title IV Programs.

Student Loan Defaults. Under the Higher Education Act, an education institution may lose its eligibility to participate in some or all of the Title IV Programs if defaults on the repayment of Direct Loan Program loans by its students exceed certain levels. For each federal fiscal year, a rate of student defaults (known as a "cohort default rate") is calculated for each institution with 30 or more borrowers entering repayment in a given federal fiscal year by determining the rate at which borrowers who become subject to their repayment obligation in that federal fiscal year default by the end of the following two federal fiscal years. For such institutions, the DOE calculates a single cohort default rate for each federal fiscal year that includes in the cohort all current or former student borrowers at the institution who entered repayment on any Direct Loan Program loans during that year.

If the 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 the 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 2011, 2012 and 2013 are 3%, 12.5% and 6.4%, respectively.

Incentive Compensation Rules. As a part of an institution's program participation agreement with the 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 GAO released a report finding that the DOE has inadequately enforced the current ban on incentive payments. In response, the 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 the DOE incentive payment rule.

Code of Conduct Related to Student Loans. As part of an institution's program participation agreement with the DOE, HEOA requires that institutions that participate in Title IV Programs adopt a code of conduct pertinent to student loans. For financial aid office or other employees who have responsibility related to education loans, the code must forbid, with limited exceptions, gifts, consulting arrangements with lenders, and advisory board compensation other than reasonable expense reimbursement. The code also must ban revenue-sharing arrangements, "opportunity pools" that lenders offer in exchange for certain promises, and staffing assistance from lenders. The institution must post the code prominently on its website and ensure that its officers, employees, and agents who have financial aid responsibilities are informed annually of the code's provisions. Aspen has adopted a code of conduct under the HEOA which is posted on its website. In addition to the code of conduct requirements that apply to institutions, HEOA contains provisions that apply to private lenders, prohibiting such lenders from engaging in certain activities as they interact with institutions. Failure to comply with the code of conduct provision could result in termination of our participation in Title IV Programs, limitations on participation in Title IV Programs, or financial penalties.

Misrepresentation. The Higher Education Act and current regulations authorize the 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. Effective July 1, 2011, DOE regulations expanded the definition of "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 the DOE may take if it determines that an institution has engaged in substantial misrepresentation. Under the final regulations, the 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 the 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. If the DOE determines that an institution is out of compliance with the credit hour definition, the DOE could require the institution to repay the incorrectly awarded amounts of Title IV Program aid. In addition, if the DOE determines that an institution has significantly overstated the amount of credit hours assigned to a program, the DOE may fine the institution, or limit, suspend, or terminate its participation in the Title IV Programs.

Compliance Reviews. We are subject to announced and unannounced compliance reviews and audits by various external agencies, including the DOE, its Office of Inspector General, state licensing agencies, and accrediting agencies. As part of the DOE's ongoing monitoring of institutions' administration of Title IV Programs, the Higher Education Act and DOE regulations require institutions to submit annually a compliance audit conducted by an independent certified public accountant in accordance with Government Auditing Standards and applicable audit standards of the DOE. These auditing standards differ from those followed in the audit of our financial statements contained herein. In addition, to enable the DOE to make a determination of financial responsibility, institutions must annually submit audited financial statements prepared in accordance with DOE regulations. Furthermore, the DOE regularly conducts program reviews of education institutions that are participating in the Title IV Programs, and the Office of Inspector General of the DOE regularly conducts audits and investigations of such institutions. In August 2010, the Secretary of Education announced in a letter to several members of Congress that, in part in response to recent allegations against proprietary institutions of deceptive trade practices and noncompliance with DOE regulations, the DOE planned to strengthen its oversight of Title IV Programs through, among other approaches, increasing the number of program reviews.

Potential Effect of Regulatory Violations. If we fail to comply with the regulatory standards governing Title IV Programs, the DOE could impose one or more sanctions, including transferring Aspen to the reimbursement or cash monitoring system of payment, seeking to require repayment of certain Title IV Program funds, requiring Aspen to post a letter of credit in favor of the DOE as a condition for continued Title IV certification, taking emergency action against us, referring the matter for criminal prosecution or initiating proceedings to impose a fine or to limit, condition, suspend or terminate our participation in Title IV Programs.

We also may be subject, from time to time, to complaints and lawsuits relating to regulatory compliance brought not only by our regulatory agencies, but also by other government agencies and third parties, such as present or former students or employees and other members of the public.

Restrictions on Adding Educational Programs. State requirements and accrediting agency standards may, in certain instances, limit our ability to establish additional educational programs. Many states require approval before institutions can add new programs under specified conditions. The Colorado Commission on Higher Education, and other state educational regulatory agencies that license or authorize us and our programs, may require institutions to notify them in advance of implementing new programs, and upon notification may undertake a review of the institution's licensure or authorization.

In addition, we were advised by the DOE that because we were provisionally certified due to being a new Title IV Program participant, we could not add new degree or non-degree programs for Title IV Program purposes, except under limited circumstances and only if the DOE approved such new program, until the DOE reviewed a compliance audit that covered one complete fiscal year of Title IV Program participation. That fiscal year ended on December 31, 2010, and we timely submitted our compliance audit and financial statements to the DOE. In addition, in June 2011, Aspen timely applied for recertification to participate in Title IV Programs. The DOE extended Aspen's provisional certification until September 30, 2013. Aspen re-applied as of June 30, 2013 to continue its participation in the Title IV HEA programs. On February 9, 2015, the DOE notified Aspen that it had the choice of posting a letter of credit for 25% of all Title IV Program funds and remain provisionally certified or post a 50% letter of credit and become fully certified. We elected to post a 25% letter of credit and remain provisionally certified – increasing our letter of credit to $1,122,485. In November of 2015, the DOE informed Aspen that it no longer needed to post a letter of credit and released the posted letter of credit. In the future, the DOE may impose additional or different 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 programs also require all institutions to notify the Department of Education when establishing new programs by updating the program list on the institution's Eligibility and Certification Approval Report. The institution must also provide certifications to the Department of Education signed by a senior administrative official attesting that the new program meets certain accreditation and state licensure requirements.

DEAC requires pre-approval of new courses, programs, and degrees that are characterized as a "substantive change." An institution must obtain written notice approving such change before it may be included in the institution's grant of accreditation. An institution is further prohibited from advertising or posting on its website information about the course or program before it has received approval. The process for obtaining approval generally requires submission of a report and course materials and may require a follow-up on-site visit by an examining committee.

Gainful Employment. Under the Higher Education Act, only proprietary school programs that lead to gainful employment in a recognized occupation are eligible to participate in Title IV Program funding. The DOE's Gainful Employment ("GE") regulations define the requirements that programs at proprietary institutions must meet in order to be considered a GE program that is eligible for Title IV Program funding. After an earlier version of the GE Rules was vacated by a federal court in July 2012, the DOE initiated a new negotiated rulemaking process in 2013. The negotiators failed to reach consensus in establishing new GE Rules, and the DOE published a new proposed GE rule in March 2014 for public comment. The final GE regulations were published on October 31, 2014 and went into effect on July 1, 2015. Under the regulations, all GE programs must meet certain metrics regarding their graduates' debt-to-earnings ("D/E") ratios to maintain Title IV Program eligibility. Specifically, the 2015 regulations include two debt-to-earnings metrics.

- Debt-to-annual earnings ("aDTE") metric which compares the annual loan payment required on the median student loan debt incurred by students receiving Title IV program funds who completed that particular program to the higher of the mean or median of those graduates' annual earnings approximately two to four years after they graduate; and
- Debt-to-discretionary income ("dDTI") metric which compares the annual loan payment required on the median student loan debt incurred by students receiving Title IV Program funds who completed a particular program to the higher of the mean or median of those graduates' discretionary income approximately two to four years after they graduate.

A program must achieve an aDTE rate at or below 8%, or a dDTI rate at or below 20%, to pass the D/E metrics. A program that does not have a passing rate under either the aDTE or dDTI rates, but has an aDTE rate greater than 8% but less than or equal to 12%, or a dDTI rate greater than 20% but less than or equal to 30%, is considered "in the zone." A program with an aDTE rate greater than 12% and a dDTI rate greater than 30%, is failing the D/E metrics. A program loses Title IV eligibility for three years, if its aDTE rate and dDTI rate are failing in two out of any three consecutive award years or both of those rates are either failing or in the zone for four consecutive award years for which the ED calculates D/E Rates. When a program loses Title IV eligibility, institutions are also restricted from establishing "substantially similar" programs for three years. Programs are "substantially similar" based on having a classification of instructional program ("CIP") code that has the same first four credits.

If the DOE notifies an institution that a program could become ineligible based on its final D/E rates for the next award year:

- The institution must provide a warning with respect to the program to students and prospective students indicating that students may not be able to use Title IV funds to attend or continue in the program; and
- The institution must not enroll, register or enter into a financial commitment with a prospective student until a specified time after providing the warning to the prospective student.

However, an institution that timely filed a Notice of Intent to submit an alternate earnings appeal is not required to issue the student warnings until after the DOE has reviewed the appeal and issued a final rates determination. The earnings appeal element of the rule was intended to become effective immediately following the issuance of rates in January 2017, but was delayed once in March, and again in June, 2017. On June 30th, the DOE issued a Notice in the Federal Register indicating that it would delay the July 1 st deadline for submitting an alternate earnings appeal until new processes are established for those appeals. The DOE stated that it would provide additional guidance within 30 days. In the meantime, programs that filed an intent to appeal are not required to issue the student warnings and were granted additional time to complete the appeals process.

The GE Regulations also include certain disclosure requirements, which were scheduled to become effective on January 1st, 2017. The GE Rule's disclosure provisions require institution to provide disclosures to students on their websites about each of their GE programs using a template developed by the DOE for this purpose. Each GE program's disclosure must include information such as the occupations that the program prepares students to enter, total program cost, on-time completion rate, job placement rate (if the institution is required to calculate the rate by their state or accreditation agency), and median loan debt of students who complete the program, among other items. The new disclosure template was published in January 2017, but the deadline for publishing the templates was extended until July 1st. However, in conjunction with the delay issued on June 30th, the requirement to issue the disclosure template was also delayed, in part. The disclosure requirement consists of three forms of disclosure: 1) inclusion of the template, or a prominent link to the template, on any web page containing academic, cost, financial aid, or admissions information about a GE program maintained by or on behalf of an institution; 2) inclusion of the template, or a prominent link to it, in all GE program promotional materials; and 3) personalized delivery (whether in person or by email) to any prospective student prior to signing an enrollment agreement with an institution. While the June 30th notice delayed the latter two requirements until July 1, 2018, the requirement to post the template or link on the institution's webpage became effective on July 1st. Aspen has published the disclosure templates on the required webpages, prior to the July 1 deadline.

Further, institutions are required to annually report student and program level data to the DOE for each Title IV student enrolled in a GE program. The deadlines to report GE data thus far were in July and October 2015 and October 2016. Annual reporting is scheduled for October 1st, and as of now, the DOE has not indicated any planned delay to the 2017 reporting deadline. We have reported all required student data by these submission deadlines.

By December 31, 2015, institutions were required to certify that eligible GE programs are programmatically accredited if required by a federal governmental entity or a state governmental entity of a state in which it is located or is otherwise required to obtain state approval, and that each eligible program satisfies the applicable educational prerequisites for professional licensure or certification requirements in each state in which it is located or is otherwise required to obtain state approval, so that a student who completes the program and seeks employment in that state qualifies to take any licensure or certification exam that is needed for the student to practice or find employment in an occupation that the program prepares students to enter. We submitted these certifications in a timely manner. As discussed previously, the DOE requires institutions to update these certifications regarding any new programs they wish to add as well.

The new GE requirements will likely substantially increase our administrative burdens, particularly during the implementation phase. These reporting and the other procedural changes in the new rules could affect student enrollment, persistence and retention in ways that we cannot now predict. For example, if our reported program information compares unfavorably with other reporting education institutions, it could adversely affect demand for our programs.

Although the rules regarding GE metrics provide opportunities to address program deficiencies before the loss of Title IV eligibility, the continuing eligibility of our educational programs for Title IV funding is at risk because the D/E rates are impacted by numerous factors outside of our control. 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, etc. are all factors that could impact our D/E rates. In addition, even though we may be able to improve our D/E rates before losing Title IV eligibility for a GE program, the warning 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 education institution. The exposure to these external factors may reduce our ability to offer or continue certain types of programs for which there is market demand, thus affecting our ability to maintain or grow our business.

At this time, the long term impact of the GE Rule is still unclear, as the Department issued a Notice of Proposed Rulemaking on June 16th, announcing their intent to empanel a new negotiating committee to examine and rewrite the GE (and Borrower Defense to Repayment) rules. It is likely that this rulemaking will change the GE Rule, but the impact of those changes would not be apparent until after July 2019, at the earliest. In the meantime, ED has not indicated its intent to further delay any other elements of the Rule while the rulemaking is underway. If ED continues on its current path, programs that failed the first set of debt-to-earnings rates could lose eligibility in the coming year.

Eligibility and Certification Procedures. Each institution must periodically apply to the DOE for continued certification to participate in Title IV Programs. Such recertification is required every six years, but may be required earlier, including when an institution undergoes a change of control. An institution may come under the DOE’s review when it expands its activities in certain ways, such as opening an additional location, adding a new program, or, in certain cases, when it modifies academic credentials that it offers.

The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards and in certain other circumstances, such as when it undergoes a change in ownership and control. The DOE may more closely review an institution that is provisionally certified if it applies for approval to open a new location, add an educational program, acquire another school or make any other significant change.

In addition, during the period of provisional certification, the institution must comply with any additional conditions included in its program participation agreement. If the DOE determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution’s certification to participate in Title IV Programs with fewer due process protections for the institution than if it were fully certified. Students attending provisionally certified institutions, like Aspen, remain eligible to receive Title IV Program funds.

Borrower Defense to Repayment (BDTR). The DOE’s current regulations provide borrowers of loans under the William D. Ford Federal Direct Loan (“FDL”) program a defense against an attempt to collect such loans based on any act or omission of the institution that would give rise to a cause of action under the applicable state law. In the event the borrower’s defense against repayment is successful, the DOE has the authority to discharge all or part of the student’s obligation to repay the loan, and may require the institution to repay the amount of the loan to which the defense applies. In October 2015, the DOE announced its intent to appoint a negotiated rulemaking committee to address borrower defense to repayment and related issues. The negotiated rulemaking committee did not reach consensus on proposed regulations, resulting in DOE having the authority to draft proposed regulations in its sole discretion. The DOE published proposed regulations in the Federal Register on June 16, 2016, and stated that it would accept comments from the public on the proposed regulations through August 1, 2016. In accordance with the rulemaking calendar specified in the HEA, DOE would have to publish any final regulation by November 1, 2016, in order for such regulation to become effective July 1, 2017, the earliest date that new regulations could take effect. DOE met the deadline, issuing the final BDTR rule on November 1st, 2016 for a July 1, 2017 effective date.

The BDTR regulations opened new avenues for student borrowers to assert a defense to repaying their loans, allow DOE to seek reimbursement for such claims from the affected institutions, and expand DOE’s financial responsibility rules to require many more schools to post letters of credit with the DOE. The proposed regulations include, among other things: (1) Bases for borrowers to file claims including a favorable decision for the student in a state or federal court involving the loan, a breach of contract by the institution, or a substantial misrepresentation by the institution about the nature of its educational program, the nature of its financial charges or the employability of its graduates; (2) the establishment by the DOE of a fact-finding process to resolve claims; (3) Provisions giving DOE the authority to initiate a proceeding to seek repayment from the institution for any loan amounts forgiven; (4) Amendments to DOE’s financial responsibility regulations that describe new “early warning” triggers that would allow DOE to put an institution on provisional certification and require it to post a letter of credit with the DOE to demonstrate its financial stability; (5) New repayment rate calculations and warnings to students if the institution does not meet prescribed repayment rate metrics; and (6) provisions forbidding mandatory arbitration clauses and class action waivers.

The BDTR rule was scheduled to become effective on July 1, 2017, but as noted above, on June 16th, the DOE issued a Notice of Proposed Rulemaking expressing its intent to rewrite the BDTR rule. In conjunction with that Notice, DOE also indicated it was postponing implementation of the new BDTR rules until legal challenges to the rule are resolved, and to allow for a "reset" of the regulation through negotiated rulemaking. There was no new effective date proposed, so as of now, the rule has been delayed indefinitely. However, in response to these actions, the DOE is now being sued by a large group of Attorneys General, as well as a number of students. It is unclear if the Courts will intercede and force the Department to set a new implementation date. In the meantime, aggrieved borrowers are still able to seek a defense to repayment through the existing rule which has been effective since 1994.

Change in Ownership Resulting in a Change of Control. In addition to school acquisitions, other types of transactions can also cause a change of control. The DOE, most state education agencies, and DEAC all have standards pertaining to the change of control of schools, but those standards are not uniform. DOE regulations describe some transactions that constitute a change of control, including the transfer of a controlling interest in the voting stock of an institution or the institution's parent corporation. DOE regulations provide that a change of control of a publicly-traded corporation occurs in one of two ways: (i) if there is an event that would obligate the corporation to file a Current Report on Form 8-K with the Securities and Exchange Commission, or the SEC, disclosing a change of control or (ii) if the corporation has a shareholder that owns at least 25% of the total outstanding voting stock of the corporation and is the largest shareholder of the corporation, and that shareholder ceases to own at least 25% of such stock or ceases to be the largest shareholder. A significant purchase or disposition of our voting stock could be determined by the DOE to be a change of control under this standard. Many states include the sale of a controlling interest of common stock in the definition of a change of control requiring approval. A change of control under the definition of one of these agencies would require us to seek approval of the change in ownership and control to maintain our accreditation, state authorization or licensure. The requirements to obtain such approval from the states and DETC vary widely. In some cases, approval of the change of ownership and control cannot be obtained until after the transaction has occurred.

In connection with Aspen Group's acquisition of Aspen University, it provided notice to the regulators involved and received approval in due course with a number of conditions. Aspen University complied with all conditions although it remains provisionally certified.

When a change of ownership resulting in a change of control occurs at a for-profit institution, the DOE applies a different set of financial tests to determine the financial responsibility of the institution in conjunction with its review and approval of the change of ownership. The institution generally is required to submit a same-day audited balance sheet reflecting the financial condition of the institution immediately following the change in ownership. The institution's same-day balance sheet must demonstrate an acid test ratio of at least 1:1, which is calculated by adding cash and cash equivalents to current accounts receivable and dividing the sum by total current liabilities (and excluding all unsecured or uncollateralized related party receivables). The same-day balance sheet must also demonstrate positive tangible net worth. If the institution does not satisfy these requirements, the DOE may condition its approval of the change of ownership on the institution's agreeing to post a letter of credit, provisional certification, and/or additional monitoring requirements, as described in the above section on Financial Responsibility. The time required for the DOE to act on a change in ownership and control application may vary substantially. As a result of the change of ownership, Aspen delivered a $264,665 letter of credit to the DOE in accordance with the standards identified above. Thereafter, as described above, this letter of credit was increased to $1,122,485. In November of 2015, the DOE informed Aspen that it no longer needed to post a letter of credit and released the existing letter of credit.

A change of control also could occur as a result of future transactions in which Aspen is involved. Some corporate reorganizations and some changes in the Board are examples of such transactions. Moreover, the potential adverse effects of a change of control could influence future decisions by us and our shareholders regarding the sale, purchase, transfer, issuance or redemption of our stock. In addition, the regulatory burdens and risks associated with a change of control also could discourage bids for your shares of common stock and could have an adverse effect on the market price of your shares.

Possible Acquisitions. In addition to the planned expansion through Aspen's new marketing program, we may expand through acquisition of related or synergistic businesses. Our internal growth is subject to monitoring and ultimately approval by the DEAC. If the DEAC finds that the growth may adversely affect our academic quality, the DEAC can request us to slow the growth and potentially withdraw accreditation and require us to re-apply for accreditation. The DOE may also impose growth restrictions on an institution, including in connection with a change in ownership and control.

Please note that on May 18, 2017, Aspen Group announced it had entered into a definitive agreement to acquire USU, a regionally accredited for-profit university based in San Diego, California for a total purchase price of $9 million. USU offers graduate and undergraduate degrees in health sciences, business and nursing, as well as California Teaching Credentials. The transaction is subject to customary closing conditions and regulatory approvals by the DOE, WASC Senior College and University Commission, and state regulatory and programmatic accreditation bodies. The earliest that Aspen Group would receive required regulatory approvals would be December 2017.

In March 2017, Aspen Group entered into a Marketing Consulting Agreement with USU whereby Aspen Group agreed to provide marketing consulting for their online programs. USU is required to pay Aspen for providing the consulting services under the Agreement. The term of the Marketing Agreement continues until December 31, 2017 unless terminated earlier in accordance with the Agreement.

On July 25, 2017, the Company signed a $10 million senior secured term loan with Runway Growth Credit Fund (formerly known as GSV Growth Credit Fund). The Company will draw $5 million under the facility at closing, with the remaining $5 million to be drawn following the closing of the Company's acquisition of substantially all the assets of the United States University, including receipt of all required regulatory approvals, among other conditions to funding. Terms of the 4-year senior loan include a 10% over 3-month LIBOR per annum interest rate. The Company also issued 224,174 5-year warrants at an exercise price of $6.87 per share.

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 the Acquisition of United States University

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

Aspen Group has not completed an acquisition comparable in size or scope to the Acquisition. 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.

The pendency of the Acquisition could adversely affect Aspen Group's stock price and could adversely affect Aspen University's and USU's respective businesses, financial condition, results of operations or business prospects.

While neither Aspen Group nor USU is aware of any significant adverse effects to date, the pendency of the Acquisition could disrupt either or both of their businesses in a number of ways, including:

- The attention of Aspen Group's and/or USU's management may be directed toward the completion of the Acquisition and related matters and may be diverted from the day-to-day business operations of their respective universities, including from other opportunities that might otherwise be beneficial to them;
- Certain suppliers, business partners and other persons with whom Aspen Group and/or USU have a business relationship may delay or defer certain business decisions or seek to terminate, change or renegotiate their relationship as a result of the Acquisition, whether pursuant to the terms of their existing agreements or otherwise; and
- Current and prospective employees of USU may experience uncertainty regarding their future roles with USU following completion of the Acquisition, which might adversely affect its ability to retain, recruit and motivate key personnel.

If any of these events were to take place, the businesses of Aspen Group and USU will be adversely affected.

Failure to complete or delay of the Acquisition could negatively impact Aspen Group's and USU's respective businesses, financial condition or results of operations.

The completion of the Acquisition is subject to a number of conditions including regulatory approval and educational consents, and there can be no assurance that the conditions to the completion of the Acquisition will be satisfied. If the conditions are not satisfied, the Acquisition will not be completed or will be delayed. If the Acquisition is not completed or is delayed, Aspen Group will be subject to several risks, including but not limited to:

- The current market price of our common stock may reflect a market assumption that the Acquisition will occur or that it will occur by late 2017, and a failure to complete the Acquisition or a delay in the Acquisition could result in a negative perception by the market of Aspen Group generally and a resulting decline in the market price of our common stock;
- Aspen Group may experience negative reactions from its employees, suppliers and other business partners; and
- There may be substantial disruption to our business and a distraction of our management team and employees from day-to-day operations, because matters related to the Acquisition have required substantial commitments of time and financial and other resources, which could otherwise have been devoted to other opportunities that might have been beneficial.

Aspen Group's future operating results will be adversely affected if it does not effectively manage its expanded operations following the Acquisition.

Following the Acquisition, the size of our business will be significantly larger and our revenues will also increase substantially. Our future success will depend, in part, upon our ability to manage this expanded business and replicate the marketing success we have had with Aspen University for USU, which will pose substantial challenges for Aspen Group's, and USU's management. We cannot assure you that the combined company will be successful or that the combined company will realize the expected marketing success, operating efficiencies, synergies, revenue enhancements and other benefits currently anticipated to result from the Acquisition.

If the Acquisition is not completed, Aspen Group will have incurred substantial expenses without realizing the expected benefits of the Acquisition.

Aspen Group has incurred substantial legal and other expenses in connection with the negotiation and completion of the transactions contemplated by the Acquisition. If the Acquisition is not completed, Aspen Group would have to recognize these expenses without realizing the expected benefits of the Acquisition.

Risks Relating to Our Business

If we are unable to comply with the conditions of the Loan and Security Agreement, we will materially and adversely affected.

The credit facility we entered into contains a number of conditions including financial covenants that we must comply with once we close. While we fully expect that we will comply with the credit facility, if we fail to do so, the lender may impose fees to waive compliance and if the violations are material, it may call the loan. In such event, we would have to refinance the indebtedness which would likely be on less favorable terms and be more expensive and if we were unable to refinance the loan, we would be materially and adversely affected. Since Aspen University is guaranteeing payment of the loan (and following the Acquisition, USU will be a guarantor), such an adverse event will likely result in the loss of regulatory approvals and cessation of our operations.

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 May 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. 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 the 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.

Because there is strong competition in the postsecondary education market, especially in the online education market, our cost of acquiring students may increase and our results of operations may be harmed.

Postsecondary education is highly fragmented and competitive. We compete with traditional public and private two-year and four-year brick and mortar colleges as well as other for-profit schools, particularly those that offer online learning programs. Public and private colleges and universities, as well as other for-profit schools, offer programs similar to those we offer. Public institutions receive substantial government subsidies, and public and private institutions have access to government and foundation grants, tax-deductible contributions that create large endowments and other financial resources generally not available to for-profit schools. Accordingly, public and private institutions may have instructional and support resources that are superior to those in the for-profit sector. In addition, some of our competitors, including both traditional colleges and universities and online for-profit schools, have substantially greater name recognition and financial and other resources than we have, which may enable them to compete more effectively for potential students. We also expect to face increased competition as a result of new entrants to the online education market, including established colleges and universities that have not previously offered online education programs. Major brick and mortar universities continue to develop and advertise their online course offerings. Purdue University’s 2017 acquisition of Kaplan University is a prime example of this change.

We may not be able to compete successfully against current or future competitors and may face competitive pressures including price pressures that could adversely affect our business or results of operations and reduce our operating margins. These competitive factors could cause our enrollments, revenues and profitability to decrease significantly.

In the event that we are unable to update and expand the content of existing programs and develop new programs and specializations on a timely basis and in a cost-effective manner, our results of operations may be harmed.

The updates and expansions of our existing programs and the development of new programs and specializations may not be accepted by existing or prospective students or employers. If we cannot respond to changes in market requirements, our business may be adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as students require or as quickly as our competitors introduce competing programs. To offer a new academic program, we may be required to obtain appropriate federal, state and accrediting agency approvals, which may be conditioned or delayed in a manner that could significantly affect our growth plans. In addition, a new academic program that must prepare students for gainful employment must be approved by the DOE for Title IV purposes if the institution is provisionally certified. If we are unable to respond adequately to changes in market requirements due to financial constraints, regulatory limitations or other factors, our ability to attract and retain students could be impaired and our financial results could suffer.

Establishing new academic programs or modifying existing programs may require us to make investments in management and faculty, incur marketing expenses and reallocate other resources. If we are unable to increase the number of students, or offer new programs in a cost-effective manner, or are otherwise unable to manage effectively the operations of newly established academic programs, our results of operations and financial condition could be adversely affected.

Because our future growth and profitability will depend in large part upon the effectiveness of our marketing and advertising efforts, if those efforts are unsuccessful we may not be profitable in the future.

Our future growth and profitability will depend in large part upon our media performance, including our ability to:

- Grow our nursing programs;
- Replicating the success we have had with nursing in other programs;
- Achieve the same degree of success with USU assuming we complete the Acquisition;
- Create greater awareness of our school and our programs;
- Identify the most effective and efficient level of spending in each market and specific media vehicle;
- Determine the appropriate creative message and media mix for advertising, marketing and promotional expenditures; and
- Effectively manage marketing costs (including creative and media); and increase our line of credit to support such growth.

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.

Although our management has successfully implemented a monthly payment business model, it may not be successful long-term.

Mr. Michael Mathews, our Chief Executive Officer, has developed a monthly payment business model designed to substantially increase our student enrollment and reducing and/or eliminating student debt among Aspen's student body. While results to date have been as anticipated, there are no assurances that this marketing campaign will continue to be successful. Among the risks are the following:

- Our ability to compete with existing online colleges which have substantially greater financial resources, deeper management and academic resources, and enhanced public reputations;
- The emergence of more successful competitors;
- Factors related to our marketing, including the costs of Internet advertising and broad-based branding campaigns;
- Limits on our ability to attract and retain effective employees because of the new incentive payment rule;
- Performance problems with our online systems;
- Our failure to maintain accreditation;
- Student dissatisfaction with our services and programs;
- Adverse publicity regarding us, our competitors or online or for-profit education generally;
- A decline in the acceptance of online education;
- A decrease in the perceived or actual economic benefits that students derive from our programs;
- Potential students may not be able to afford the monthly payments; and

- Potential USU students may not react favorably to our marketing and advertising campaigns, including our monthly payment plan.

If our monthly payment plan business model does not continue to be favorably received, our revenues may not increase.

If the demand for the nursing workforce decreases or the educational requirements for nurses were relaxed, our business will be adversely affected.

Aspen's recent focus has been the continued growth of enrollment in its School of Nursing. As of April 30, 2017, approximately 72% of our active degree-seeking were enrolled in Aspen's School of Nursing. If the demand for nurses does not continue to grow (or declines) or there are changes within the healthcare industry that make the nursing occupation less attractive to learners or reduce the benefits of a bachelors or an advanced degree, our enrollment and results of operations will be adversely affected.

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. We expect to spend approximately $852,000 in capital expenditures over the next 12 months. 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 and telecommunications failures.

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

Building awareness of Aspen University 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 the programs we offer, and to enroll and retain learners, our enrollments would suffer and our ability to increase revenues and achieve profitability would be significantly impaired.

If we experience any interruption to our technology infrastructure, it could prevent students from accessing their courses, could have a material adverse effect on our ability to attract and retain students and could require us to incur additional expenses to correct or mitigate the interruption.

Our computer networks may also be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information, personal information about our students or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

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.

Beginning in June 2014, our online classroom began employing the Desire2Learn 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 uses 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 result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches, 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 breach, loss or theft of personal information that we store or our third parties store. A breach, 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 privacy statutes and legal or administrative actions by state attorneys general, private litigants, and federal regulators any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Because the CAN-SPAM Act imposes certain obligations on the senders of commercial emails, it could adversely impact our ability to market Aspen's educational services, and otherwise increase the costs of our business.

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, establishes requirements for commercial email and specifies penalties for commercial email that violates the CAN-SPAM Act. In addition, the CAN-SPAM Act gives consumers the right to require third parties to stop sending them commercial email.

The CAN-SPAM Act covers email sent for the primary purpose of advertising or promoting a commercial product, service, or Internet website. The Federal Trade Commission, a federal consumer protection agency, is primarily responsible for enforcing the CAN-SPAM Act, and the Department of Justice, other federal agencies, State Attorneys General, and Internet service providers also have authority to enforce certain of its provisions.

The CAN-SPAM Act's main provisions include:

- Prohibiting false or misleading email header information;
- Prohibiting the use of deceptive subject lines;
- Ensuring that recipients may, for at least 30 days after an email is sent, opt out of receiving future commercial email messages from the sender;
- Requiring that commercial email be identified as a solicitation or advertisement unless the recipient affirmatively permitted the message; and
- Requiring that the sender include a valid postal address in the email message.

The CAN-SPAM Act also prohibits unlawful acquisition of email addresses, such as through directory harvesting and transmission of commercial emails by unauthorized means, such as through relaying messages with the intent to deceive recipients as to the origin of such messages.

Violations of the CAN-SPAM Act's provisions can result in criminal and civil penalties, including statutory penalties that can be based in part upon the number of emails sent, with enhanced penalties for commercial email companies who harvest email addresses, use dictionary attack patterns to generate email addresses, and/or relay emails through a network without permission.

The CAN-SPAM Act acknowledges that the Internet offers unique opportunities for the development and growth of frictionless commerce, and the CAN-SPAM Act was passed, in part, to enhance the likelihood that wanted commercial email messages would be received.

The CAN-SPAM Act preempts, or blocks, most state restrictions specific to email, except for rules against falsity or deception in commercial email, fraud and computer crime. The scope of these exceptions, however, is not settled, and some states have adopted email regulations that, if upheld, could impose liabilities and compliance burdens in addition to those imposed by the CAN-SPAM Act.

Moreover, some foreign countries, including the countries of the European Union, have regulated the distribution of commercial email and the online collection and disclosure of personal information. Foreign governments may attempt to apply their laws extraterritorially or through treaties or other arrangements with U.S. governmental entities.
Because we use email marketing, our requirement to comply with the CAN-SPAM Act could adversely affect Aspen's marketing activities and increase its costs.

If we lose the services of key personnel, it could adversely affect our business.

Our future success depends, in part, on our ability to attract and retain key personnel. Our future also depends on the continued services of Mr. Michael Mathews, our Chief Executive Officer, Mr. Gerard Wendolowski, our Chief Operating Officer, and Dr. Cheri St. Arnauld, our Chief Academic Officer, who are critical to the management of our business and operations and the development of our strategic direction and would also be difficult to replace. We have a $3 million key man life insurance policy on Mr. Mathews. The loss of the services of Mr. Mathews and other key individuals and the process to replace these individuals would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

If we are unable to attract and retain our faculty, administrators, management and skilled personnel, we may not be able to support our growth strategy.

To execute our growth strategy, we must attract and retain highly qualified faculty, administrators, management and skilled personnel. Competition for hiring these individuals is intense, especially with regard to faculty in specialized areas. If we fail to attract new skilled personnel or faculty or fail to retain and motivate our existing faculty, administrators, management and skilled personnel, our business and growth prospects could be severely harmed. Further, we are moving to a new hybrid model focused on using full-time faculty members in addition to adjunct or part-time faculty. These efforts may not be successful resulting in the loss of faculty and difficulties in recruiting.

If we are unable to protect our intellectual property, our business could be harmed.

In the ordinary course of our business, we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, trade secret or other protections. This intellectual property includes but is not limited to courseware materials, business know-how and internal processes and procedures developed to respond to the requirements of operating and various education regulatory agencies. We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names, agreements and registrations to protect our intellectual property. We rely on service mark and trademark protection in the U.S. to protect our rights to the mark "ASPEN UNIVERSITY" as well as distinctive logos and other marks associated with our services. We rely on agreements under which we obtain rights to use course content developed by faculty members and other third-party content experts. We cannot assure you that the measures that we take will be adequate or that we have secured, or will be able to secure, appropriate protections for all of our proprietary rights in the U.S. or select foreign jurisdictions, or that third parties will not infringe upon or violate our proprietary rights. Despite our efforts to protect these rights, unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our curricula, online resource material and other content, and offer competing programs to ours.

In particular, third parties may attempt to develop competing programs or duplicate or copy aspects of our curriculum, online resource material, quality management and other proprietary content. Any such attempt, if successful, could adversely affect our business. Protecting these types of intellectual property rights can be difficult, particularly as it relates to the development by our competitors of competing courses and programs.

We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. Third parties may raise a claim against us alleging an infringement or violation of the intellectual property of that third-party.

If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses and pay substantial damages.

Third parties may claim that we are infringing or violating their intellectual property rights. Any such claims could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages and prevent us from using our intellectual property that may be fundamental to our business. Even if we were to prevail, any litigation regarding the intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

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.

Because we are an exclusively online provider of education, we are entirely dependent on continued growth and acceptance of exclusively 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 education will be largely dependent on additional students and employers recognizing the value of degrees and courses from online institutions. If students and employers are not convinced that online schools are an acceptable alternative to traditional schools or that an online education provides necessary value, or if growth in the market penetration of exclusively online education slows, growth in the industry and our business could be adversely affected. Because our business model is based on online education, if the acceptance of online education does not grow, our ability to continue to grow our business and our financial condition and results of operations could be materially adversely affected.

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 there is new 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. We cannot predict the effect of current attempts to impose taxes on commerce over the Internet. New or revised taxes and, in particular, sales or use taxes, would likely increase the cost of doing business online which could have an adverse effect on our business and results of operations.

Risks Related to the Regulation of Our Industry

If we fail to comply with the extensive regulatory requirements for our business, we could face penalties and significant restrictions on our operations, including loss of access to Title IV Program funds.

We are subject to extensive regulation by (1) the federal government through the DOE under the Higher Education Act, (2) state regulatory bodies and (3) accrediting agencies recognized by the DOE, including the DEAC, a “national accrediting agency” recognized by the DOE. The U.S. Department of Defense and the U.S. Department of Veterans Affairs regulate our participation in the military’s tuition assistance program and the VA’s veterans’ education benefits program, respectively. The regulations, standards and policies of these agencies cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations and financial condition. These regulatory requirements can also affect our ability to add new or expand existing educational programs and to change our corporate structure and ownership.

Institutions of higher education that grant degrees, diplomas, or certificates must be authorized by an appropriate state education agency or agencies. In addition, in certain states as a condition of continued authorization to grant degrees and in order to participate in various federal programs, including tuition assistance programs of the United States Armed Forces, a school must be accredited by an accrediting agency recognized by the U.S. Secretary of Education. Accreditation is a non-governmental process through which an institution submits to qualitative review by an organization of peer institutions, based on the standards of the accrediting agency and the stated aims and purposes of the institution. The Higher Education Act requires accrediting agencies recognized by the DOE to review and monitor many aspects of an institution's operations and to take appropriate action when the institution fails to comply with the accrediting agency's standards.

Our operations are also subject to regulation due to our participation in Title IV Programs. Title IV Programs, which are administered by the DOE, include loans made directly to students by the DOE. Title IV Programs also include several grant programs for students with economic need as determined in accordance with the Higher Education Act and DOE regulations. To participate in Title IV Programs, a school must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting agency recognized by the U.S. Secretary of Education, and be certified as an eligible institution by the DOE. Our growth strategy is partly dependent on being able to offer financial assistance through Title IV Programs as it may increase the number of potential students who may choose to enroll in our programs.

The regulations, standards, and policies of the DOE, state education agencies, and our accrediting agencies change frequently. Recent and impending changes in, or new interpretations of, applicable laws, regulations, standards, or policies, or our noncompliance with any applicable laws, regulations, standards, or policies, could have a material adverse effect on our accreditation, authorization to operate in various states, activities, receipt of funds under tuition assistance programs of the United States Armed Forces, our ability to participate in Title IV Programs, receipt of veterans education benefits funds, or costs of doing business. Findings of noncompliance with these regulations, standards and policies also could result in our being required to pay monetary damages, or being subjected to fines, penalties, injunctions, limitations on our operations, termination of our ability to grant degrees, revocation of our accreditation, restrictions on our access to Title IV Program funds or other censure that could have a material adverse effect on our business.

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

Aspen is headquartered in Colorado and is authorized by the Colorado Commission on Higher Education to grant degrees, diplomas or certificates. If we were to lose our authorization from the Colorado Commission on Higher Education, we would be unable to provide educational services in Colorado and we would lose our 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, additional 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 education programs and award degrees. Some states may also prescribe financial regulations that are different from those of the 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 penalties. 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.

Under prior DOE regulations that have now been vacated, if an institution offers postsecondary education through distance education to students in a state in which the institution is not physically located or in which it is otherwise subject to state jurisdiction as determined by that state, the institution must have met any state requirements for it to be legally offering postsecondary distance education in that state. The state authorization NPRM, which was issued on July 25, 2016, similarly conditions eligibility for federal Title IV aid on maintaining all required state authorizations in states where we enroll Title IV students. If the final state authorization regulations, which could become effective as early as July 1, 2017, maintains these same requirements, and if we fail to obtain required state authorization to provide postsecondary distance education in a specific state before that time, 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.

Moreover, in the event we are found not to be in compliance with a state's new or existing requirements for offering distance education within that state, the state could seek to restrict one or more of our business activities within its boundaries, we may not be able to recruit students from that state, and we may have to cease providing service to students in that state. In addition, as stated above if and when the DOE regulation is enforced or re-promulgated, we could lose eligibility to offer Title IV aid to students located in that state. Furthermore, the institution must be able to document state approval for distance education if requested by the DOE.

This prior DOE regulation was recognized as a significant departure from the state authorization procedures followed by most, if not all, institutions before its enactment. On July 12, 2011, a federal judge for the U.S. District Court for the District of Columbia vacated the portion of the DOE's state authorization regulation that required online education providers to obtain any required authorization from all states in which their students reside, finding that the DOE had failed to provide sufficient notice and opportunity to comment on the requirement. An appellate court affirmed that ruling on June 5, 2012 and therefore this regulation is currently invalid. On April 16, 2013, the DOE announced its intention to revisit the state authorization requirements for postsecondary distance education in a new negotiated rulemaking process which began in the fall of 2013. However, the rulemaking process failed to reach consensus on the rule in May 2014. Subsequently, in June 2014, the DOE announced it would "pause" on issuing a new state authorization for distance education regulation. On July 25, 2016, the DOE released a Notice of Proposed Rulemaking ("NPRM") on the new state authorization for distance education regulations. Similar to the 2011 Rules, the new regulations require institutions participating in the Title IV Programs, as a condition of Title IV eligibility, to meet all state requirements for legally offering distance education in any state in which they are offering distance education courses. If an institution does not hold authorization in a state that requires it to do so, students in that state would not be eligible to receive Title IV funding to enroll in distance education programs offered by the institution in the state. The NPRM would also make Title IV eligibility and funding contingent upon an institution being able to demonstrate that it is subject to an adequate state student complaint procedure. To date, the DOE has not indicated which state complaint procedures, if any, it considers to be inadequate. In addition, the proposed regulation requires institutions make a significant number of consumer disclosures regarding their distance education programs including disclosures regarding licensure and certification requirements, state authorization, student complaints, adverse actions by state and accreditation agencies, and refund policies.

When the final state authorization rule becomes effective, which could be as early as July 1, 2017, and if the state authorization requirements from the NPRM are maintained, we could lose our ability to award Title IV Program aid to students within a state if we do not have the required state authorization to provide postsecondary distance education in that specific state. In addition, a state may impose penalties on an institution for failure to comply with state requirements related to an institution's activities in a state, including the delivery of distance education to persons in that state. Additionally, the various disclosure requirements of the proposed state authorization rule could subject us to financial penalties from the DOE and heightens the risk of potential federal and private misrepresentation claims.

If DOE determines that borrowers of federal student loans who attended our institution have a defense to repayment of their federal student loans based on a state law claim against our institution, our institution's repayment liability to DOE could have a material adverse effect on our enrollments, revenues and results of operations.

DOE's current regulations provide borrowers of loans under the William D. Ford Federal Direct Loan ("FDL") program a defense against an attempt to collect such loans based on any act or omission of the institution that would give rise to a cause of action under applicable state law. In the event the borrower's defense against repayment is successful, DOE has the authority to discharge all or part of the student's obligation to repay the loan, and may require the institution to repay the amount of the loan to which the defense applies.

In June 2015, DOE issued a fact sheet announcing steps it would be taking to support efforts by borrowers to secure discharge of their FDL program loans under the borrower defense regulations. Among those steps, DOE indicated that it would be appointing a Special Master to oversee borrower defense issues and to create a streamlined process for discharge applications, and that it would be revisiting the borrower defense regulations for the purpose of creating a better system for debt relief.

In October 2015, DOE announced its intent to appoint a negotiated rulemaking committee to address borrower defense to repayment and related issues. The DOE-appointed negotiated rulemaking committee met for nine days beginning in January 2016 and ending in March 2016 and discussed a broad scope of topics. The negotiated rulemaking committee did not reach consensus on proposed regulations, resulting in DOE having the authority to draft proposed regulations in its sole discretion. The DOE published proposed regulations in the Federal Register on June 16, 2016, and stated that it would accept comments from the public on the proposed regulations through August 1, 2016. In accordance with the rulemaking calendar specified in the HEA, DOE would have to publish any final regulation by November 1, 2016, in order for such regulation to become effective July 1, 2017, the earliest date that new regulations could take effect.

The proposed regulations open new avenues for student borrowers to assert a defense to repaying their loans, allow DOE to seek reimbursement for such claims from the affected institutions, and expand DOE's financial responsibility rules to require many more schools to post letters of credit with the DOE. The proposed regulations include, among other things:

- Bases for borrowers to file claims: The proposed regulations set out three grounds for a borrower defense to repayment claim, including a favorable decision for the student in a state or federal court case involving the loan; a breach of contract by the institution; or a substantial misrepresentation by the institution about the nature of its educational program, the nature of its financial charges, or the employability of its graduates. Claims based on a court judgment or claims to assert a defense against loan payments that are still due can be made any time (with no statute of limitations), while other claims (such as to recoup loan funds already repaid to DOE) must be made within six years.
- Claim resolution process: The proposed regulations call for DOE to set up a fact-finding process to resolve claims. The contemplated structure includes providing the institution with notice and an opportunity to submit evidence; however, the exact procedures, including the opportunity to contest particular factual assertions or present in-person testimony, are not defined. In addition, DOE has also given itself authority to process claims on a group basis, and to take the initiative to create groups and include borrowers who have not filed a claim. Borrowers who file successful claims may have their loans forgiven in whole or in part, with DOE reserving the right to calculate the amount of forgiveness in various ways.
- Recovering funds: For debts relieved for individual borrowers, the proposed regulations give DOE the authority to initiate a proceeding to seek repayment from the institution for any loan amounts forgiven. The details concerning how such a proceeding would be conducted are not defined in the proposed regulations. For group relief, there is no separate proceeding. If DOE determines a group discharge is warranted, it will automatically assign liability to the institution.
- "Early warning" letter of credit triggers: DOE has proposed to amend its existing financial responsibility regulations to describe at least 10 new "early warning" triggers that would allow DOE to require an institution to post a letter of credit with DOE to demonstrate its financial stability and assure DOE of the institution's ability to pay borrower claims if needed. Each trigger would authorize DOE to require an LOC in the amount of at least 10% of the Title IV funding utilized by the institution for the most recently completed fiscal year. The triggers are intended to be cumulative, and therefore could require an institution to post a very significant letter of credit, up to or even exceeding its Title IV funding level. The proposed regulations would also put an institution on provisional certification immediately upon a trigger being met. In addition, if the institution does not provide the required letter of credit within 30 days of DOE's request, DOE may offset the institution's future Title IV funds for up to nine months until DOE is able to capture the amount of the letter of credit. The proposed triggering events include, among others:
    a. Lawsuits and other Actions – If the institution is subject to a liability based on a lawsuit or an audit, investigation or similar action by a state or federal oversight agency, including any debt or liability incurred or asserted at any time during the three most recently completed award years, with a claim or liability exceeding the lesser of 10% of the institution's current assets or $750,000.
    b. Successful Borrower Defense to Repayment Claims – If the institution is required to pay more than 10% of its current assets, or $750,000, whichever is less, to satisfy successful borrower defense claims.
    c. Accrediting Agency Actions – If the institution is required to submit a teach-out plan or is placed on probation or issued a show-cause in the three prior award years, regardless of the cause.
    d. 90/10 Rule – Failure to meet the 90/10 Rule revenue ratio for a single year.

e. Gainful Employment Rates – If more than 50% of the institution's Title IV-recipient students in GE programs are enrolled in GE programs with failing or zone rates (but prior to any loss of eligibility under the multi-year triggers in the GE Rule).

f. Cohort Default Rates – Two consecutive years with CDRs of 30% or higher.

- Required warnings to students of new repayment rate: One section of the proposed regulations applies only to for-profit institutions, requiring such institutions to disclose a new form of loan repayment rate in a variety of public materials, to serve as a warning to current and potential students, when the rate is too low. This repayment rate would be calculated based on the payment performance of an institution's students approximately five years after its students graduate or withdraw from the school.
- Forbidding mandatory arbitration clauses and class action waivers: The proposed regulations would prohibit an institution from incorporating a class action waiver provision, or a mandatory arbitration clause, in any agreement with students. If an institution's contracts currently contain a pre-dispute arbitration provision or a class waiver, the institution will be required to amend the agreement or provide a specific notice to students, using language provided by DOE that explains that those provisions have been changed. This requirement applies to any existing agreements at the time the rule becomes effective, not just for those agreements entered into after July 1, 2017.

If DOE determines that borrowers of FDL program loans who attended Aspen have a defense to repayment of their FDL program loans based on our acts or omissions, the repayment liability to DOE could have a material adverse effect on our financial condition, results of operations and cash flows. Cumulative letters of credit, at 10% of the amount of Title IV Program funds received by the institution during the most recently completed award year, could have a material adverse effect on our financial condition, results of operations and cash flows. Additionally, if DOE determines that our loan repayment rates are too low, having to issue warnings to current and prospective students describing the low repayment rate could have a material adverse effect on our enrollments, revenues, financial condition, results of operations and cash flows.

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 is accredited by the DEAC, which is a national accrediting agency 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 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.

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.

We 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, the DOE could, among other things, impose monetary penalties, place limitations on our operations, and/or condition or terminate our eligibility 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.

Because we are only provisionally certified by the 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 the DOE at least every six years and possibly more frequently depending on various factors. In certain circumstances, the DOE provisionally certifies an institution to participate in Title IV Programs, such as when it is an initial participant in Title IV Programs or has undergone a change in ownership and control. Beginning in 2009, and following our change of control in 2012, we have been provisionally certified. On February 9, 2015, the DOE notified Aspen that it had the choice of posting a letter of credit for 25% of all Title IV funds and remain provisionally certified or post a 50% letter of credit and become permanently certified. We elected to post a 25% letter of credit and remain provisionally certified – increasing our letter of credit to $1,122,485. In November of 2015, the DOE informed Aspen that it no longer needed to post a letter of credit. It was subsequently released. In the future, the DOE may impose additional or different terms and conditions in any final program participation agreement that it may issue, including growth restrictions or limitation on the number of students who may receive Title IV aid. The DOE could also decline to fully certify Aspen, otherwise limit its participation in the Title IV Programs, or continue provisional certification.

If the DOE does not ultimately approve our full certification to participate in Title IV Programs, our 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 could impair our ability to attract and retain students and could negatively affect our financial results.

Because the DOE may conduct compliance reviews of us, we may be subject to adverse review and future litigation which could affect 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 or claims, we may be required to pay monetary damages or be subject to fines, limitations, loss of Title IV funding, injunctions or other penalties, including the requirement to make refunds. Even if we adequately address issues raised by an agency review or successfully defend a lawsuit or claim, we may have to divert significant financial and management resources from our ongoing business operations to address issues raised by those reviews or to defend against those lawsuits or claims. Claims and lawsuits brought against us may damage our reputation, even if such claims and lawsuits are without merit.

If the percentage of our revenues derived from Title IV Programs is too high, we could lose our ability to participate in Title IV Programs.

Under the Higher Education Act, an institution is subject to loss of eligibility to participate in the Title IV Programs if, on a cash accounting basis, it derives more than 90% of its fiscal year revenue, for two consecutive fiscal years, from Title IV Program funds. An institution whose rate exceeds 90% for any single fiscal year is placed on provisional certification for at least two fiscal years and may be subject to other conditions specified by the U.S. Secretary of Education. This rule is known as the 90/10 rule. We have only recently begun to participate in Title IV Programs, but must remain aware of the 90/10 calculation. Failure to comply with the 90/10 rule may result in restrictions on the amounts of Title IV funds that may be distributed to students; restrictions on expansion; requirements related to letters of credits or any other restrictions imposed by the DOE. Additionally, if we are determined to be ineligible to participate in Title IV Programs due to the 90/10 rule, any disbursements of Title IV funds while ineligible must be repaid to the DOE.

Further, due to scrutiny of the sector, legislative proposals have been introduced in Congress that would heighten the requirements of the 90/10 rule, including proposals that would reduce the 90% maximum under the rule to 85% and/or prohibit tuition derived from military benefit programs to be included in the 85% portion.

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 DOE regulations. These allegations have attracted adverse media coverage and have been the subject of federal and state legislative hearings. Although the media, regulatory and legislative focus has been primarily on the allegations made against specific companies, broader allegations against the overall for-profit school sector may negatively affect public perceptions of other for-profit educational institutions, including Aspen. In addition, in recent years, reports on student lending practices of various lending institutions and schools, including for-profit schools, and investigations by a number of state attorneys general, Congress and governmental agencies have led to adverse media coverage of postsecondary education. For example a large competitor, Corinthian Colleges, sold or shut down its schools due to substantial regulatory investigations and DOE actions. Other significant school groups have likewise been closed in light of significant DOE actions. Adverse media coverage regarding other companies in the for-profit school sector or regarding us directly could damage our reputation, could result in lower enrollments, revenues and operating profit, and could have a negative impact on our stock price. Such allegations could also result in increased scrutiny and regulation by the DOE, Congress, accrediting bodies, state legislatures or other governmental authorities with respect to all for-profit institutions, including us.

Due to new regulations or congressional action or reduction in funding for Title IV Programs, our future enrollment may be reduced and costs of compliance increased.

The Higher Education Act comes up for reauthorization by Congress approximately every five to six years. When Congress does not act on complete reauthorization, there are typically amendments and extensions of authorization. Additionally, Congress reviews and determines appropriations for Title IV Programs on an annual basis through the budget and appropriations process. There is no assurance that Congress will not in the future enact changes that decrease Title IV Program funds available to students, including students who attend our institution. Any action by Congress that significantly reduces funding for Title IV Programs or the ability of our school or students to participate in these programs would require us to arrange for other sources of financial aid and would materially decrease our enrollment. Such a decrease in enrollment would have a material adverse effect on our revenues and results of operations. Congressional action may also require us to modify our practices in ways that could result in increased administrative and regulatory costs and decreased profit margin.

There has been growing regulatory action and investigations of for-profit companies that offer online education. A larger competitor has accepted a deal with the DOE to sell or shut down most of its campuses.

We are not in position to predict with certainty whether any legislation will be passed by Congress or signed into law in the future. The reallocation of funding among Title IV Programs, material changes in the requirements for participation in such programs, or the substitution of materially different Title IV Programs could reduce the ability of students to finance their education at our institution and adversely affect our revenues and results of operations.

If our efforts to comply with DOE regulations are inconsistent with how the DOE interprets those provisions, either due to insufficient time to implement the necessary changes, uncertainty about the meaning of the rules, or otherwise, we may be found to be in noncompliance with such provisions and the DOE could impose monetary penalties, place limitations on our operations, and/or condition or terminate our eligibility to receive Title IV Program funds. We cannot predict with certainty the effect the new and impending regulatory provisions will have on our business.

Investigations by state attorneys general, Congress and governmental agencies regarding relationships between loan providers and educational institutions and their financial aid officers may result in increased regulatory burdens and costs.

In the past few years, the student lending practices of postsecondary educational institutions, financial aid officers and student loan providers were subject to several investigations being conducted by state attorneys general, Congress and governmental agencies. These investigations concern, among other things, possible deceptive practices in the marketing of private student loans and loans provided by lenders pursuant to Title IV Programs. Higher Education Opportunity Act, or HEOA, contains requirements pertinent to relationships between lenders and institutions. In particular, HEOA requires institutions to have a code of conduct, with certain specified provisions, pertinent to interactions with lenders of student loans, prohibits certain activities by lenders with respect to institutions, and establishes substantive and disclosure requirements for lists of recommended or suggested lenders of private student loans. In addition, HEOA imposes substantive and disclosure obligations on institutions that make available a list of recommended lenders for potential borrowers. State legislators have also passed or may be considering legislation related to relationships between lenders and institutions. Because of the evolving nature of these legislative efforts and various inquiries and developments, we can neither know nor predict with certainty their outcome, or the potential remedial actions that might result from these or other potential inquiries. Governmental action may impose increased administrative and regulatory costs and decrease profit margins.

Because we are subject to sanctions if we fail to calculate correctly and return timely Title IV Program funds for students who stop participating before completing their educational program, our future operating results may be adversely affected.

A school participating in Title IV Programs must correctly calculate the amount of unearned Title IV Program funds that have been disbursed to students who withdraw from their educational programs before completion and must return those unearned funds in a timely manner, generally within 45 days after the date the school determines that the student has withdrawn. Under recently effective DOE regulations, institutions that use the last day of attendance at an academically-related activity must determine the relevant date based on accurate institutional records (not a student’s certificate of attendance). For online classes, “academic attendance” means engaging in an academically-related activity, such as participating in class through an online discussion or initiating contact with a faculty member to ask a question; simply logging into an online class does not constitute “academic attendance” for purposes of the return of funds requirements. Because we only recently began to participate in Title IV Programs, we have limited experience complying with these Title IV regulations. Under DOE regulations, late return of Title IV Program funds for 5% or more of students sampled in connection with the institution's annual compliance audit constitutes material non-compliance. If unearned funds are not properly calculated and timely returned, we may have to repay Title IV funds, post a letter of credit in favor of the DOE or otherwise be sanctioned by the DOE, which could increase our cost of regulatory compliance and adversely affect our results of operations. This may have an impact on our systems, our future operations and cash flows.

If we fail to demonstrate “financial responsibility,” Aspen may lose its eligibility to participate in Title IV Programs or be required to post a letter of credit in order to maintain eligibility to participate in Title IV Programs.

To participate in Title IV Programs, an eligible institution must satisfy specific measures of financial responsibility prescribed by the DOE, or post a letter of credit in favor of the DOE and possibly accept other conditions, such as additional reporting requirements or regulatory oversight, on its participation in Title IV Programs. The DOE may also apply its measures of financial responsibility to the operating company and ownership entities of an eligible institution and, if such measures are not satisfied by the operating company or ownership entities, require the institution to meet the alternative standards described under “Regulation” beginning on page 6 herein. Any of these alternative standards would increase our costs of regulatory compliance. If we were unable to meet these alternative standards, we would lose our eligibility to participate in Title IV Programs. If we fail to demonstrate financial responsibility and thus lose our eligibility to participate in Title IV Programs, our students would lose access to Title IV Program funds for use in our institution, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

If we fail to demonstrate “administrative capability,” we may lose eligibility to participate in Title IV Programs.

DOE regulations specify extensive criteria an institution must satisfy to establish that it has the requisite “administrative capability” to participate in Title IV Programs. If an institution fails to satisfy any of these criteria or comply with any other DOE regulations, the DOE may require the repayment of Title IV funds, transfer the institution from the "advance" system of payment of Title IV funds to cash monitoring status or to the "reimbursement" system of payment, place the institution on provisional certification status, or commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV Programs. If we are found not to have satisfied the DOE's "administrative capability" requirements we could be limited in our access to, or lose, Title IV Program funding, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

Because we rely on a third-party to administer our participation in Title IV Programs, its failure to comply with applicable regulations could cause us to lose our eligibility to participate in Title IV Programs.

We have been eligible to participate in Title IV Programs for a relatively short time, and we have not developed the internal capacity to handle without third-party assistance the complex administration of participation in Title IV Programs. A third-party assists us with administration of our participation in Title IV Programs, and if it does not comply with applicable regulations, we may be liable for its actions and we could lose our eligibility to participate in Title IV Programs. In addition, if it is no longer able to provide the services to us, we may not be able to replace it in a timely or cost-efficient manner, or at all, and we could lose our ability to comply with the requirements of Title IV Programs, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operation.

If we pay impermissible commissions, bonuses or other incentive payments to individuals involved in recruiting, admissions or financial aid activities, we will be subject to sanctions.

A school participating in Title IV Programs may not provide any commission, bonus or other incentive payment based, directly or indirectly, on success in enrolling students or securing financial aid to any person involved in student recruiting or admission activities or in making decisions regarding the awarding of Title IV Program funds. If we pay a bonus, commission, or other incentive payment in violation of applicable DOE rules, we could be subject to sanctions, which could have a material adverse effect on our business. Effective July 1, 2011, the DOE abolished 12 safe harbors that described permissible arrangements under the incentive payment regulation. Abolition of the safe harbors and other aspects of the current regulation may create uncertainty about what constitutes impermissible incentive payments. The modified incentive payment rule and related uncertainty as to how it will be interpreted also may influence our approach, or limit our alternatives, with respect to employment policies and practices and consequently may affect negatively our ability to recruit and retain employees, and as a result our business could be materially and adversely affected.

In addition, the General Accounting Office, or the GAO, has issued a report critical of the DOE’s enforcement of the incentive payment rule, and the DOE has undertaken to increase its enforcement efforts. If the DOE determines that an institution violated the incentive payment rule, it may require the institution to modify its payment arrangements to the DOE’s satisfaction. The DOE may also fine the institution or initiate action to limit, suspend, or terminate the institution’s participation in the Title IV Programs. The DOE may also seek to recover Title IV funds disbursed in connection with the prohibited incentive payments. In addition, third parties may file “qui tam” or “whistleblower” suits on behalf of the DOE alleging violation of the incentive payment provision. Such suits may prompt DOE investigations. Particularly in light of the uncertainty surrounding the new incentive payment rule, the existence of, the costs of responding to, and the outcome of, qui tam or whistleblower suits or DOE investigations could have a material adverse effect on our reputation causing our enrollments to decline and could cause us to incur costs that are material to our business, among other things. As a result, our business could be materially and adversely affected.

If our student loan default rates are too high, we may lose eligibility to participate in Title IV Programs.

DOE regulations provide that an institution’s participation in Title IV Programs ends when historical default rates reach a certain level in a single year or for a number of years. Because of our limited experience enrolling students who are participating in these programs, we have limited historical default rate information. Relatively few students are expected to enter the repayment phase in the near term, which could result in defaults by a few students having a relatively large impact on our default rate. If Aspen loses its eligibility to participate in Title IV Programs because of high student loan default rates, our students would no longer be eligible to use Title IV Program funds in our institution, which would significantly reduce our enrollments and revenues and have a material adverse effect on our results of operations.

If our institutional accrediting agency loses recognition by the U.S. Secretary of Education or we fail to maintain our institutional accreditation, we may lose our ability to participate in Title IV Programs.

Increased regulatory scrutiny of accrediting agencies and their accreditation of universities is likely to continue. While Aspen is accredited by the DEAC, a DOE-recognized accrediting body, if the DOE were to limit, suspend, or terminate the DEAC's recognition, we could lose our ability to participate in the Title IV Programs. While the DOE has provisionally certified Aspen, there are no assurances that we will remain certified. If we were unable to rely on DEAC accreditation in such circumstances, among other things, our students and our institution would be ineligible to participate in the Title IV Programs, and such consequence would have a material adverse effect on enrollments, revenues and results of operations. In addition, increased scrutiny of accrediting agencies by the Secretary of Education in connection with the DOE's recognition process may result in increased scrutiny of institutions by accrediting agencies.

Furthermore, because the for-profit education sector is growing at such a rapid pace, it is possible that accrediting bodies will respond to that growth by adopting additional criteria, standards and policies that are intended to monitor, regulate or limit the growth of for-profit institutions like us. Actions by, or relating to, an accredited institution, including any change in the legal status, form of control, or ownership/management of the institution, any significant changes in the institution's financial position, or any significant growth or decline in enrollment and/or programs, could open up an accredited institution to additional reviews by the DEAC.

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

In 2014, the DOE issued a new gainful employment rule which went into effect on July 1, 2015. Under the gainful employment 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 the DOE. We anticipate that under this new regulation, 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.

If we fail to obtain required DOE approval for new programs that prepare students for gainful employment in a recognized occupation, it could materially and adversely affect our business.

Under the gainful employment regulation that went into effect on July 1, 2015, an institution may establish a new program's Title IV eligibility by updating the list of the institution's programs maintained by the DOE. Significantly, an institution is prohibited from updating its list of eligible programs to include a gainful employment program, or a gainful employment program that is substantially similar to a failing or zone program that the institution voluntarily discontinued or became ineligible, that was subject to the three-year loss of eligibility until that three-year period expires. Depending on our program offerings, compliance with the gainful employment rule could cause delay or an inability to offer certain new programs and put our business at a competitive disadvantage. Compliance could also adversely affect our ability to timely offer programs of interest to our students and potential students and adversely affect our ability to increase our revenues. As a result, our business could be materially and adversely affected.

If we fail to comply with the DOE's substantial misrepresentation rules, it could result in sanctions against us.

The DOE may take action against an institution in the event of substantial misrepresentation by the institution concerning the nature of its educational programs, its financial charges or the employability of its graduates. The DOE has expanded the activities that constitute a substantial misrepresentation. Under the DOE regulations, an institution engages in substantial misrepresentation when the institution itself, one of its representatives, or an organization or person with which the institution has an agreement to provide educational programs, marketing, advertising, or admissions services, makes a substantial misrepresentation directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, a state agency, or to the Secretary of Education. The final regulations define misrepresentation as any false, erroneous or misleading statement, and they define a misleading statement as any statement that has the likelihood or tendency to deceive or confuse. The final regulations define substantial misrepresentation as any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to the person's detriment. If the DOE determines that an institution has engaged in substantial misrepresentation, the DOE may revoke an institution's program participation agreement, impose limitations on an institution's participation in the Title IV Programs, deny participation applications made on behalf of the institution, or initiate a proceeding against the institution to fine the institution or to limit, suspend or termination the institution's participation in the Title IV Programs. We expect that there could be an increase in our industry of administrative actions and litigation claiming substantial misrepresentation, which at a minimum would increase legal costs associated with defending such actions, and as a result our business could be materially and adversely affected.

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

The 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 final regulations define credit hour as an institutionally established equivalency that reasonably approximates certain specified time in class and out of class and an equivalent amount of work for other academic activities. The final regulations also require institutional accreditors to review an institution's policies, procedures, and administration of policies and procedures for assignment of credit hours. An accreditor must take appropriate actions to address an institution's credit hour deficiencies and to notify the DOE if it finds systemic noncompliance or significant noncompliance in one or more programs. The DOE has indicated that if it finds an institution to be out of compliance with the credit hour definition for Title IV purposes, it may require the institution to repay the amount of Title IV awarded under the incorrect assignment of credit hours and, if it finds significant overstatement of credit hours, it may fine the institution or limit, suspend, or terminate its participation in Title IV Programs, as a result of which our business could be materially and adversely affected.

The U.S. Congress continues to examine the for-profit postsecondary education sector which could result in legislation or additional DOE rulemaking that may limit or condition Title IV Program participation of proprietary schools in a manner that may materially and adversely affect our business.

In recent years, the U.S. Congress has increased its focus on for-profit education institutions, including with respect to their participation in the Title IV Programs, and has held hearings regarding such matters. In addition, the GAO released a series of reports following undercover investigations critical of for-profit institutions. We cannot predict the extent to which, or whether, these hearings and reports will result in legislation, further rulemaking affecting our participation in Title IV Programs, or more vigorous enforcement of Title IV requirements. Additionally, the DOE recently created a special unit for the purpose of monitoring publicly traded for-profit educational institutions. Moreover, political consideration could result in a reduction of Title IV funding. To the extent that any laws or regulations are adopted that limit or condition Title IV Program participation of proprietary schools or the amount of federal student financial aid for which proprietary school students are eligible, our business could be materially and adversely affected.

Unfavorable laws and regulations may impede our growth.

Existing and future laws and regulations may create increased regulatory risk, which could impede our growth. These regulations and laws may cover consumer protection, mobile communications, privacy, data protection, electronic communications, pricing and taxation.

Other Risks

Because of their share ownership, our management may be able to exert control over us to the detriment of minority shareholders.

As of July 24, 2017, our executive officers and directors owned approximately 14.2% of our outstanding common stock. These shareholders, if they act together, may be able to control all matters requiring shareholder approval, including significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing our change in control and might affect the market price of our common stock.

If our common stock becomes subject to a "chill" imposed by the Depository Trust Company, or DTC, your ability to sell your shares may be limited.

The DTC acts as a depository or nominee for street name shares that investors deposit with their brokers. Until December of 2012, our stock was not eligible to be electronically transferred among DTC participants (broker-dealers) and required delivery of paper certificates as a result of a "chill" imposed by DTC. As a result of becoming "DTC-Eligible", our common stock is no longer subject to a chill. However, DTC in the last several years has increasingly imposed a chill or freeze on the deposit, withdrawal and transfer of common stock of issuers whose common stock trades on a market other than an exchange. Depending on the type of restriction, a chill or freeze can prevent shareholders from buying or selling shares and prevent companies from raising money. A chill or freeze may remain imposed on a security for a few days or an extended period of time (in at least one instance a number of years). While we have no reason to believe a chill or freeze will be imposed against our common stock again in the future, if it were your ability to sell your shares would be limited. In such event, your investment will be adversely affected.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- Our failure to generate increasing material revenues;
- Our failure to become profitable or achieve positive adjusted Earnings Before Interest, Taxes, Depreciation and Amortization;
- A decline in our growth rate including new student enrollments and class starts;
- Our failure to raise working capital, if required;
- Our public disclosure of the terms of any financing which we consummate in the future;
- Disclosure of the results of our monthly payment plan;
- Actual or anticipated variations in our quarterly results of operations;
- A decline in the economy in the United States which is severe enough to impact our ability to collect our accounts receivable;
- Announcements by us or our competitors of significant contracts, new services, acquisitions, commercial relationships, joint ventures or capital commitments;
- The loss of Title IV funding or other regulatory actions;
- Our failure to meet financial analysts' performance expectations;
- Changes in earnings estimates and recommendations by financial analysts;
- The sale of large numbers of shares of common stock which we have registered;
- Short selling activities; or
- Changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

Because we may issue preferred stock without the approval of our shareholders and have other anti-takeover defenses, it may be more difficult for a third-party to acquire us and could depress our stock price.

Our Board may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share. This could permit our Board to issue preferred stock to investors who support us and our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market price of our common stock shares to drop significantly, even if our business is performing well.

An investment in Aspen may be diluted in the future as a result of the issuance of additional securities.

If we need to raise additional capital to meet our working capital needs, we expect to issue additional shares of common stock or securities convertible, exchangeable or exercisable into common stock from time to time, which could result in substantial dilution to investors. Investors should anticipate being substantially diluted based upon the current condition of the capital and credit markets and their impact on small companies.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we acquire additional capital.

Since we intend to retain any earnings for development of our business for the foreseeable future, you will likely not receive any dividends for the foreseeable future.

We have not and do not intend to pay any dividends in the foreseeable future, as we intend to retain any earnings for development and expansion of our business operations. As a result, you will not receive any dividends on your investment for an indefinite period of time.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

Our corporate headquarters are located in a facility in Denver, Colorado, consisting of approximately 6,535 square feet of office space under a lease that expires in December 2018. This facility accommodates our academic operations. Our executive offices are in New York City where we lease approximately 2,000 square feet under a lease that expires in December 2017. We operate an enrollment center in Phoenix, Arizona where we lease approximately 4,643 square feet under a three-year term that expires in May 2021. We lease office space for our developers in Dieppe, NB, Canada under a three year agreement that commenced March 1, 2017. We believe that our existing facilities are suitable and adequate and that we have sufficient capacity to meet our current anticipated needs.

ITEM 3. 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. As of the date of this report, except as discussed below, we are not aware of any other pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations and there are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

On February 11, 2013, HEMG and Mr. 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 the 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 all of the claims. On December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in state court of New York. By decision and order dated August 4, 2014, the New York court denied HEMG and Spada's motion to dismiss the fraud counterclaim the Company asserted against them.

While the Company has been advised by its counsel that HEMG's and Spada's claims in the New York lawsuit is baseless, the Company cannot provide any assurance as to the ultimate outcome of the case. Defending the lawsuit will be expensive and will require the expenditure of time which could otherwise be spent on the Company's business. While unlikely, if Mr. Spada's and HEMG's claims in the New York litigation were to be successful, the damages the Company could pay could potentially be material.

In November 2014, the Company and Aspen University sued HEMG seeking to recover sums due under two 2008 Agreements where Aspen University sold course materials to HEMG in exchange for long-term future payments. On September 29, 2015, the Company and Aspen University obtained a default judgment in the amount of $772,793. This default judgment precipitated the bankruptcy petition discussed in the next paragraph.

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.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

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

Our stock trades on the OTCQB, under the symbol "ASPU." The last reported sale price of Aspen Group's common stock as reported by the OTCQB on July 21, 2017 was $6.79. As of that date, we had 1,001 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 provides the high and low bid price information for our common stock. The prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and does not necessarily represent actual transactions. Our common stock does not trade on a regular basis.

		Prices	
Year	Period Ended	High	Low
		($)	($)
Fiscal 2017			
	April 30	5.00	3.05
	January 31	4.44	2.76
	October 31	3.36	1.56
	July 31	2.1	1.524
Fiscal 2016			
	April 30	2.244	1.236
	January 31	2.388	1.212
	October 31	2.22	1.38
	July 31	2.94	1.116

Dividend Policy

We have not paid cash dividends on our common stock and do not plan to pay such dividends in the foreseeable future. Our Board will determine our future dividend policy on the basis of many factors, including results of operations, capital requirements, and general business conditions.

Recent Sales of Unregistered Securities

None

Securities Authorized for Issuance under Equity Compensation Plans

The information required by this item with respect to our equity compensation plans is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended April 30, 2017.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable.

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

Aspen Group, Inc. is a post-secondary education company with an overarching vision of making higher education affordable again in America. To date, Aspen Group's sole operating subsidiary has been Aspen University, Inc., doing business as Aspen University. On May 18, 2017, Aspen Group announced it had entered into a definitive agreement to acquire USU, a regionally accredited for-profit university based in San Diego, California for a total purchase price of $9 million. The transaction is subject to customary closing conditions and regulatory approvals by the DOE, WASC Senior College and University Commission, and state regulatory and programmatic accreditation bodies. The earliest that Aspen Group would receive required regulatory approvals would be December 2017. To finance the cash portion of the Acquisition and provide appropriate working capital, we are about to close the credit facility referred to in Item 1. "Business."

The remainder of this management discussion will focus on Aspen University.

Founded in 1987, Aspen University'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 - 54% 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. In 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans. The monthly payment plan offers bachelor students (except RN to BSN) the opportunity to pay their tuition at $250/month for 72 months ($18,000), nursing bachelor students (RN to BSN) $250/month for 39 months ($9,750), master students $325/month for 36 months ($11,700) and doctoral students $375/month for 72 months ($27,000), interest free, thereby giving students a monthly payment tuition payment option versus taking out a federal financial aid loan.

One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is the fact that the majority of our active degree-seeking students (72% as of April 30, 2017) were enrolled in Aspen University's School of Nursing.

Student Population Overview*

Aspen's active degree-seeking student body increased year-over-year by 60% during the fiscal quarter ended April 30, 2017, from 2,932 to 4,681 students.

Our most popular school is our School of Nursing. Aspen's School of Nursing has grown from 64% of our active degree-seeking student body at April 30, 2016, to 72% at April 30, 2017. Aspen's School of Nursing grew from 1,882 to 3,363 student's year-over-year, which represented 85% of Aspen's active degree-seeking student body growth. At April 30, 2017, Aspen's School of Nursing included 2,104 active students in the RN to BSN program and 1,259 active students in the MSN program or the RN to MSN Bridge program.

*** Note: Aspen has revised its degree seeking student body definition to only report "Active Degree-Seeking Students." "Active Degree-Seeking Students" are defined as students who were enrolled in a course during the quarter reported, or are registered for an upcoming course. Aspen is using this definition going forward because it is more closely aligned with the definitions used by other publicly traded, for-profit institutions.**

New Student Enrollment and Active Degree Seeking Student Body Growth

Since the launch of the BSN marketing campaign in November, 2014, Aspen's growth rate of new student enrollments has accelerated significantly. Below is a quarterly analysis of the growth of Aspen's new student enrollments, as well as the growth of the active degree seeking student body over the past eight quarters, including the recent quarter ending April 30, 2017.

	New Student Enrollments	Active Degree Seeking Student Body*
Fiscal quarter end July 31, 2015	410	2,153
Fiscal quarter end October 31, 2015	557	2,422
Fiscal quarter end January 31, 2016	550	2,704
Fiscal quarter end April 30, 2016	572	2,932
Fiscal quarter end July 31, 2016	621	3,252
Fiscal quarter end October 31, 2016	811	3,726
Fiscal quarter end January 31, 2017	825	4,064
Fiscal quarter end April 30, 2017	986	4,681

Aspen's School of Nursing is responsible for the vast majority of the new student enrollment and overall active student body growth. Specifically, Aspen's School of Nursing is now on pace to grow on an annualized basis by approximately 1,500 Active Nursing students – net of student graduations and withdrawals (or ~125/month). Aspen's BSN program accounts for 72% of that growth, as that program is on pace to increase on an annualized basis by approximately 1,080 students – net (or ~90/month).

Aspen University expects its total active degree-seeking student body to continue its rapid growth and reach approximately 7,000 students by the end of the fiscal year, April 30, 2018. Therefore, the university is on pace to increase its active student body by ~2,300 students on an annualized basis in fiscal year 2018 versus the previous pace of ~1,750 active students a year ago, an improvement of 50% year-over-year.

Nursing Revenue Summary

Below is a summary of the nursing active degree-seeking student body as a percentage of the total active degree-seeking student body over the past seven fiscal quarters, as well as the Nursing degree-seeking revenue as a percentage of total revenues.

	Total Degree-Seeking Active Student Body	Nursing Degree-Seeking Active Student Body	Nursing Degree-Seeking Active Student Body (%)	Nursing Degree-Seeking Active Student Body – Revenue %*
Quarter ended October 31, 2015	2,422	1,379	57%	59%
Quarter ended January 31, 2016	2,704	1,663	62%	62%
Quarter ended April 30, 2016	2,932	1,882	64%	67%
Quarter ended July 31, 2016	3,252	2,144	66%	69%
Quarter ended October 31, 2016	3,726	2,538	68%	71%
Quarter ended January 31, 2017	4,064	2,899	71%	71%
Quarter ended April 30, 2017	4,681	3,363	72%	74%

Monthly Payment Programs Overview

Since the March 2014 monthly payment plan announcement, 65% of courses are now paid through monthly payment methods (based on courses started over the last 90 days). Aspen offers two monthly payment programs, a monthly payment plan in which students make payments every month over a fixed period (36, 39 or 72 months depending on the degree program), and a monthly installment plan in which students pay three monthly installments (day 1, day 31 and day 61 after the start of each course).

As of April 30, 2017, Aspen had 2,801 active students paying through a monthly payment plan, and 259 students paying through a monthly installment plan, for a total of 3,060 active students paying tuition through a monthly payment method. Additionally, Aspen is currently on pace to add approximately 160 active students/month net to its monthly payment programs through fiscal year 2018. The total contractual value of monthly payment plan students now exceeds $26.5 million which currently delivers monthly recurring tuition cash payments of approximately $780,000.

Finally, as a consequence of monthly payment programs becoming the payment method of choice among the majority of Aspen's degree-seeking student body, our HEA, Title IV Program revenue dropped from 25% of total cash receipts in fiscal year 2016 to approximately 21% for fiscal year 2017.

Marketing Efficiency Analysis

Aspen has developed a marketing efficiency ratio to continually monitor the performance of its business model.

$$\text{Marketing Efficiency Ratio} = \frac{\text{Revenue per Enrollment (RPE)}}{\text{Cost per Enrollment (CPE)}}$$

Cost per Enrollment (CPE)
The Cost per Enrollment measures the marketing investment spent in a given quarter, divided by the number of new student enrollments achieved in that given quarter, in order to obtain an average CPE for the quarter measured.

Revenue per Enrollment (RPE)
The Revenue per Enrollment takes each quarterly cohort of new degree-seeking student enrollments, and measures the amount of earned revenue including tuition and fees to determine the average RPE for the cohort measured. For the later periods of a cohort, in particular students four years or older, we have used reasonable projections based off of historical results to determine the amount of revenue we will earn in later periods of the cohort.

We created the reporting to track the CPE and RPE starting in 2012 and can accurately predict the CPE and RPE for each new student cohort. Our current CPE/RPE Marketing Efficiency Ratio is reflected in the below table.

Quarterly New Student Cohort Actuals Data:

CPE/RPE Analysis *	6 Months Out	12 Months Out	2 Years Out	3 Years Out	4+ Years Out
Courses completed	2.24	3.52	5.28	6.48	8
Average RPE	$1,974	$3,078	$4,630	$5,684	$7,000
RPE % earned	28%	44%	66%	81%	100%
Marketing efficiency ratio**	2.4x	3.8x	5.7x	7.0x	8.6x

* Projection
** Based on current $768 CPE (six month rolling CPE average)

The Average RPE is approximately $7,000. Of the $7,000, $6,400 of the RPE is earned through tuition, with the remaining $600 on average earned through miscellaneous fees (includes annual technology fee, withdrawal fees, graduation fees, proctored exams, course specific fees, etc.)

Aspen is projecting to average a Marketing Efficiency Ratio of 8.6x, in other words a 8.6x return on our marketing investment. Third-party companies in the higher education industry that manage the Enrollment and Marketing functions on behalf of Universities (also referred to as Managed Services companies) reportedly average 3-4x return on their marketing investments, meaning that Aspen's business model is currently performing at more than double the efficiency level of that sector.

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 $5,092,404 at April 30, 2017. 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 8-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 is a private loan commitment 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. At April 30, 2017, there were 2,801 monthly payment plan students, which represented 60% of Aspen’s active student body at April 30, 2017.

Relationship Between Accounts Receivable and Revenue

The gross accounts receivable balance for any period is the net effect of the following three factors:

1. Revenue;
2. Cash receipts, and;
3. The net change in deferred revenue.

All three factors equally determine the gross accounts receivable. If one quarter experiences particularly high cash receipts, the gross accounts receivable will go down. The same effect if cash receipts are lower or if there are significant changes in either of the other factors.

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 of the balance sheet. Deferred revenue can vary for many reasons, but seasonality and the timing of the class starts in relation to the end of the quarter will cause changes in the balance.

As mentioned in the accounts receivable section, the change in revenue cannot be compared to the change in accounts receivable. Revenue does not have the impact of cash received whereas accounts receivable does. Depending on the month and the amount of cash received, it is likely that revenue or accounts receivable will increase at a rate different from the other. The impact of cash is easy to substantiate as it agrees to deposits in our bank accounts.

At April 30, 2017, the Allowance for Doubtful Accounts was $328,864 which represents 6.4% of the Gross Accounts Receivable balance, both short-term and long-term. It should be noted that this percentage matches the latest Aspen University default rate released by the Department of Education. The reserve was first decreased during the quarter ended April 30, 2017, while settling the program review. Many related students’ accounts were written off against the reserve and management then increased the reserve by $70,000 at April 30, 2017.

The Introduction of Long-Term Accounts Receivables

When a student signs up for the monthly payment plan, there is a contractual amount that the Company can expect to earn over the life of the student's program. This contractual amount cannot be recorded as the student does have the option to stop attending. As a student takes a class, revenue is earned over that eight week class. Some students accelerate their program, taking two classes every eight week period, and as we discussed, that increases the student's accounts receivable balance. If any portion of that balance will be paid in a period greater than 12 months, that portion is reflected as long-term accounts receivable. At April 30, 2017 and 2016, those balances are $657,542 and $127,099, respectively.

Here is a graphic of both short-term and long-term receivables, as well as contractual value:

A	B	C
Classes Taken less monthly payments received	Payments for classes taken that are greater than 12 months	Expected classes to be taken over balance of program.
Short-Term Accounts Receivable	Long-term Accounts Receivable	Not recorded in financial statements

The Sum of A, B and C will equal the total cost of the program.

Seasonality Briefing

As Aspen University continues to scale its student body, seasonality has become more pronounced. Last fiscal year (FY'2016), the Company explained that its first fiscal quarter (May – July) is the seasonal low point because it falls during the summer months and therefore students tend to take less courses during that quarter relative to the other three fiscal quarters. Conversely, the second fiscal quarter (August – October) is the seasonal high point given students' ingrained 'start of the school year' mentality.

In reviewing revenues for fiscal year 2017, note that in the first quarter revenues rose sequentially less than $100,000, while revenues increased sequentially at least $250,000 each of the remaining three quarters, with the second quarter rising over $700,000. The Company expects this trend to continue as the business scales, and in fact become more pronounced this fiscal year and in future fiscal years. Specifically, the Company expects revenues to be flat or slightly down from Q4'2017 to Q1'2018 this fiscal year and in future fiscal years. The opposite effect is forecasted to occur in Q2'2018 as revenues are projected to rise into the $5 million range.

Results of Operations

For the Year Ended April 30, 2017 Compared with the Year Ended April 30, 2016

Revenue

Revenue from operations for the year ended April 30, 2017 ("2017 Period") increased to $14,246,696 from $8,453,669 for the year ended April 30, 2016 ("2016 Period"), an increase of $5,793,027 or 69%. Aspen's School of Nursing accounted for 72% of the revenues for 2017 Period.

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 2017 Period rose to $2,436,147 from $1,730,110 for the 2016 Period, an increase of $706,037 or 41%. As student enrollment levels continue to rise, Aspen anticipates the growth rate in instructional costs and services to lag that of overall revenue growth as a result of the Company commencing in 2016 with a full-time faculty conversion model which saves approximately $50,000 per year for each adjunct faculty member that is converted to full-time status. As projected, Instructional costs and services for the 2017 Period dropped as a percentage of revenue to 17%, from 20% in the 2016 Period.

Marketing and Promotional

Marketing and promotional costs for the 2017 Period were $2,625,075 compared to $1,856,918 for the 2016 Period, an increase of $768,157 or 41%. The Company expects marketing and promotional costs to rise in future periods given the planned spend rate increase to an average of $300,000 per month beginning in July 2017. To date, the Company has experienced a strong correlation between marketing spend and new enrollments.

Gross profit rose to 61% of revenues or $8,679,248 for the 2017 Period from 51% of revenues or $4,316,408 for the 2016 Period.

Costs and Expenses

General and Administrative

General and administrative costs for the 2017 Period were $9,087,740 compared to $6,403,708 during the 2016 Period, an increase of $2,684,032 or 42%. During the latter part of the 2017 Period, there were increased costs associated with the announcement of a definitive agreement to acquire United States University and other corporate initiatives. This accounted for approximately $440,000 of the increase. In addition, this increase also reflects higher salary and rental costs related to significant expansion of our call center staff as well as several supporting academic and operational positions.

Program Review

On February 8, 2017, the DOE issued a Final Program Review Determination ("FPRD") letter related to the 2013 program review. The FRPD includes a summary of the non-compliance areas and calculations of amounts due for the 126 students that they reviewed. We had 45 days to review the calculations and elected to not appeal the amount. In accordance with ASC 450-20, we recorded a minimum liability of $80,000 at January 31, 2017 and recorded the final amount of $298,090 at April 30, 2017. However, a portion of that amount removed accounts receivable balances that were previously reserved.

Depreciation and Amortization

Depreciation and amortization costs for the 2017 Period decreased to $556,730 from $598,303 for the 2016 Period, a decrease of $41,473 or 7%.

Other Income (Expense)

Other income for the 2017 Period increased to $14,336 from $9,985 in the 2016 Period, an increase of $4,351 or 44%. Interest expense increased from $121,320 to $337,510, an increase of $216,190 or 178%. This increase reflects the additional interest paid for the third-party line of credit and the $112,500 write-off of the original interest discount associated with the line of credit.

Income Taxes

Income taxes expense (benefit) for the comparable years 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 2017 Period was ($1,105,260) as compared to ($2,246,705) for the 2016 Period, a decrease in the loss of $1,141,445 or approximately 51%. Contributing to this lower loss was the increase in revenues in the 2017 period growing at a higher rate than the increase of costs.

For the Quarter Ended April 30, 2017 Compared with the Quarter Ended April 30, 2016

Revenue

Revenue from operations for the quarter ended April 30, 2017 (“2017 Quarter”) increased to $4,289,230 from $2,670,616 for the quarter ended April 30, 2016 (“2016 Quarter”), an increase of $1,618,614 or 61%. Aspen’s School of Nursing accounted for 74% of the revenues for the 2017 Quarter.

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 2017 Quarter rose to $734,202 from $453,985 for the 2016 Quarter, an increase of $280,217 or 62%. As student enrollment levels continue to rise, Aspen anticipates the growth rate in instructional costs and services to lag that of overall revenue growth as a result of the Company commencing in 2016 with a full-time faculty conversion model which saves approximately $50,000 per year for each adjunct faculty member that is converted to full-time status. Instructional costs and services for the 2017 Quarter remained as a percentage of revenue at 17% as compared to the 2016 Quarter.

Marketing and Promotional

Marketing and promotional costs for the 2017 Quarter were $836,974 compared to $495,607 for the 2016 Quarter, an increase of $341,367 or 69%. The Company expects marketing and promotional costs to rise in future periods given the planned spend rate increase to an average of $300,000 per month beginning in July 2017.

Gross profit rose to 61% of revenues or $2,602,674 for the 2017 Quarter from 59% of revenues or $1,578,785 for the 2016 Quarter.

Costs and Expenses

General and Administrative

General and administrative costs for the 2017 Quarter were $2,859,186 compared to $1,656,756 during the 2016 Quarter, an increase of $1,202,430 or 73%. During this quarter, there were increased costs associated with the announcement of a definitive agreement to acquire United States University and other corporate initiatives. This accounted for approximately $440,000 of the increase. In addition, this increase also reflects higher salary and rental costs related to significant expansion of the call center staff as well as several supporting academic and operational positions.

Program Review

On February 8, 2017, the DOE issued a FPRD letter related to the 2013 program review. The FRPD includes a summary of the non-compliance areas and calculations of amounts due for the 126 students that they reviewed. We had 45 days to review the calculations and elected to not appeal the amount. In accordance with ASC 450-20, we recorded a minimum liability of $80,000 at January 31, 2017 and recorded the final expense of $298,090 at April 30, 2017.

Depreciation and Amortization

Depreciation and amortization costs for the 2017 Quarter decreased to $133,948 from $154,990 for the 2016 Quarter, a decrease of $21,042 or 14%.

Other Expense, net

Other income for the 2017 Quarter increased to $11,288 from $1,908 in the 2016 Quarter, an increase of $9,380 or 492%. Interest expense increased to $161,848 from $19,802, an increase of $142,046 or 717%. This increase reflects the additional interest paid for the third-party line of credit and the $90,000 write-off of the original interest discount associated with the termination of that line of credit.

Income Taxes

Income taxes expense (benefit) for the comparable years 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 2017 Quarter was ($723,730) as compared to ($108,616) for the 2016 Quarter, a decrease in the loss of $615,114. Although revenues in the 2017 Quarter grew at a higher rate than the increase of recurring operating costs, the higher non-recurring costs related to the USU Acquisition, legal costs, the settlement of the program review and the termination of the third-party line of credit resulted in a loss for the Quarter.

Non-GAAP – Financial Measures

The following discussion and analysis includes both financial measures in accordance with Generally Accepted Accounting Principles, or GAAP, as well as non-GAAP financial measures. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position or cash flows that either excludes or includes amounts that are not normally included or excluded in the most directly comparable measure calculated and presented in accordance with GAAP. Non-GAAP financial measures should be viewed as supplemental to, and should not be considered as alternatives to net income, operating income, and cash flow from operating activities, liquidity or any other financial measures. They may not be indicative of the historical operating results of Aspen Group nor are they intended to be predictive of potential future results. Investors should not consider non-GAAP financial measures in isolation or as substitutes for performance measures calculated in accordance with GAAP.

Our management uses and relies on EBITDA and Adjusted EBITDA, which are non-GAAP financial measures. We believe that both management and shareholders benefit from referring to the following non-GAAP financial measures in planning, forecasting and analyzing future periods. Our management uses these non-GAAP financial measures in evaluating its financial and operational decision making and as a means to evaluate period-to-period comparison. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the described excluded items.

Aspen Group defines Adjusted EBITDA as earnings (or loss) from continuing operations before the items in the table below including non-recurring charges of $732,971. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature that affect comparability.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measure calculated in accordance with GAAP. We believe that providing the non-GAAP financial measures, together with the reconciliation to GAAP, helps investors make comparisons between Aspen Group and other companies. In making any comparisons to other companies, investors need to be aware that companies use different non-GAAP measures to evaluate their financial performance. Investors should pay close attention to the specific definition being used and to the reconciliation between such measure and the corresponding GAAP measure provided by each company under applicable SEC rules.

The following table presents a reconciliation of Adjusted EBITDA to Net loss allocable to common shareholders, a GAAP financial measure:

	For the Years Ended April 30, 2017	For the Years Ended April 30, 2016
Net loss	$ (1,105,260)	$ (2,246,705)
Interest expense	337,510	111,335
Depreciation & amortization	556,730	598,303
EBITDA (loss)	(211,020)	(1,537,067)
Program review settlement	323,090	—
Bad debt expense	44,320	170,677
Acquisition expenses	211,122	—
Warrant buy back expense	206,000	—
Warrant modification expense	—	54,554
Non-recurring charges	732,971	548,151
Stock-based compensation	338,294	308,260
Adjusted EBITDA (Loss)	$ 1,644,777	$ (455,425)

	For the Quarters Ended April 30, 2017	For the Quarters Ended April 30, 2016
Net loss	$ (723,730)	$ (108,616)
Interest expense	161,848	17,894
Depreciation & amortization	133,948	154,990
EBITDA (Loss)	(427,934)	64,268
Program review settlement	298,090	—
Bad debt expense	70,000	—
Acquisition expenses	211,122	—
Warrant modification expense	—	48,554
Non-recurring charges	230,537	106,648
Stock-based compensation	84,461	84,603
Adjusted EBITDA	$ 466,276	$ 304,073

Liquidity and Capital Resources

A summary of our cash flows is as follows:

	For the Years Ended April 30, 2017	For the Years Ended April 30, 2016
Net cash used in operating activities	$ (1,488,160)	$ (2,444,421)
Net cash provided by (used in) investing activities	(1,713,358)	564,977
Net cash provided by financing activities	5,173,939	503,777
Net increase (decrease) in cash	$ 1,972,421	$ (1,375,667)

Net Cash Used in Operating Activities

Net cash used in operating activities during the 2017 Period totaled ($1,488,160) and resulted primarily from a net loss of operations of ($1,105,260) and a net change in operating assets and liabilities of ($1,685,244), both offset by non-cash items of $1,302,344. The most significant change in operating assets and liabilities was an increase of $2,974,073 in accounts receivable, reflecting the expansion of the monthly payment plan. The most significant non-cash item was $556,730 in Depreciation and Amortization.

Net cash used in operating activities during the 2016 Period totaled ($2,444,421) and resulted primarily from a net loss of continuing operations of ($2,246,705) and a net change in operating assets and liabilities of ($1,379,911), both offset by non-cash items of $1,182,195. The most significant change in operating assets and liabilities was ($1,292,190) in accounts receivable. The most significant non-cash item was $598,303 in Depreciation and Amortization.

Net Cash Provided By (Used in) Investing Activities

Net cash used in investing activities during the 2017 Period totaled ($1,713,358), reflecting primarily fixed asset purchases of $804,558 and the issuance of a note receivable for $900,000.

Net cash provided by investing activities during the 2016 Period totaled $564,977, reflecting primarily the $1,122,485 release of our letter of credit by the DOE, offset by fixed asset purchases of $466,884.

Net Cash Provided By Financing Activities

Net cash provided by financing activities during the 2017 Period totaled $5,173,939, reflecting primarily proceeds of $7,500,000 from an equity financing, the proceeds of which were used to terminate a third-party line of credit of $2,150,000 and the loan payable and convertible debt payable to the CEO of $1,300,000, The third-party line of credit was opened and terminated in the fiscal year ended April 30, 2017.

Net cash provided by financing activities during the 2016 Period totaled $503,777, reflecting primarily proceeds from warrant exercises of $752,500 offset by the reduction of our line of credit of $242,206.

Liquidity and Capital Resource Considerations

Historically, our primary source of liquidity is cash receipts from tuition and the issuances of debt and equity securities. The primary uses of cash are payroll related expenses, professional expenses and instructional and marketing expenses. On April 7, 2017, the Company raised $7,500,000 through the issuance of 2,000,000 common shares. The net proceeds of $6,996,000 were partially used to terminate the third-party line of credit with an outstanding balance of approximately $2,150,000 and the repayment of approximately $1,300,000 under notes held by the Company's CEO. Accrued interest was paid on all retirements.

As of July 24, 2017, the Company had a cash balance of approximately $2.2 million. With the cash from the Company's $7.5 million equity raise, the growth in the Company revenues, improving operating margins, and the cash from our new credit facility, the Company believes that it has sufficient cash to allow the Company to meet its operational expenditures as our business is currently operating for at least the next 12 months.

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 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.

Accounts Receivable and Allowance for Doubtful Accounts Receivable

All students are required to select both a primary and secondary payment option with respect to amounts due to Aspen for tuition, fees and other expenses. The most common payment option for Aspen's students is personal funds or payment made on their behalf by an employer. The monthly payment plan represents 60% of the payments that are made by students. In instances where a student selects financial aid as the primary payment option, he or she often selects personal cash as the secondary option. If a student who has selected financial aid as his or her primary payment option withdraws prior to the end of a course but after the date that Aspen's institutional refund period has expired, the student will have incurred the obligation to pay the full cost of the course. If the withdrawal occurs before the date at which the student has earned 100% of his or her financial aid, Aspen will have to return all or a portion of the Title IV funds to the DOE and the student will owe Aspen all amounts incurred that are in excess of the amount of financial aid that the student earned and that Aspen is entitled to retain. In this case, Aspen must collect the receivable using the student's second payment option.

For accounts receivable from students, Aspen records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student's cost of tuition and related fees. Aspen determines the adequacy of its allowance for doubtful accounts using a general reserve method based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. Aspen applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables and student status. Aspen writes off accounts receivable balances at the time the balances are deemed uncollectible. Aspen continues to reflect accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection.

For accounts receivable from primary payors other than students, Aspen estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, Aspen uses assumptions and judgment, based on the best available facts and circumstances, to record a specific allowance for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific allowances are re-evaluated and adjusted as additional information is received. The amounts calculated are analyzed to determine the total amount of the allowance. Aspen may also record a general allowance as necessary.

Direct write-offs are taken in the period when Aspen has exhausted its efforts to collect overdue and unpaid receivables or otherwise evaluate other circumstances that indicate that Aspen should abandon such efforts.

Related Party Transactions

See Note 14 to the consolidated financial statements included herein for additional description of related party transactions that had a material effect on our consolidated financial statements.

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

New Accounting Pronouncements

See Note 2 to our consolidated financial statements included herein for discussion of recent accounting pronouncements.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements including statements regarding growth in student body, projections with respect to our marketing efficiency ratio, the completion of the Acquisition and integration of USU and liquidity. All statements other than statements of historical facts contained in this report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements are contained in the Risk Factors above. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise. For more information regarding some of the ongoing risks and uncertainties of our business, see the Risk Factors and our other filings with the SEC.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The requirements of this Item can be found beginning on page F-1.

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.

Management's Annual 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 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.

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.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended April 30, 2017.

Our Board of Directors has adopted a Code of Ethics applicable to all officers, directors and employees, which is available on our website (http://ir.aspen.edu/governance-documents) under "Corporate Governance." We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics and by posting such information on our website at the address and location specified above.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended April 30, 2017.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended April 30, 2017.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended April 30, 2017.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item is incorporated by reference to our Proxy Statement for the 2017 Annual Meeting of Shareholders to be filed with the SEC within 120 days of the fiscal year ended April 30, 2017.

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 schedules are omitted because they are not applicable or because the required information is contained in the consolidated financial statements or notes included in this report.

(3) Exhibits. See the Exhibit Index.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Aspen Group, Inc.

Date: July 25, 2017

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael Mathews Michael Mathews	Principal Executive Officer and Director	July 25, 2017
/s/ Janet Gill Janet Gill	Chief Financial Officer (Principal Financial Officer)	July 25, 2017
/s/ Dr. Michael D'Anton Dr. Michael D'Anton	Director	July 25, 2017
Norman Dicks	Director	
C. James Jensen	Director	
/s/ Andrew Kaplan Andrew Kaplan	Director	July 25, 2017
/s/ Malcolm MacLean Malcolm MacLean IV	Director	July 25, 2017
Sanford Rich	Director	
/s/ Dr. John Scheibelhoffer Dr. John Scheibelhoffer	Director	July 25, 2017
Rick Solomon	Director	

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

SALBERG & COMPANY, P.A.
Certified Public Accountants and Consultants

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of:
Aspen Group, Inc.

We have audited the accompanying consolidated balance sheets of Aspen Group, Inc. and Subsidiaries as of April 30, 2017 and 2016, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended April 30, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Aspen Group, Inc. and Subsidiaries as of April 30, 2017 and 2016, and the consolidated results of its operations and its cash flows for each of the two years in the period ended April 30, 2017, in conformity with accounting principles generally accepted in the United States of America.

/s/ *Salberg & Company, P.A.*

SALBERG & COMPANY, P.A.
Boca Raton, Florida
July 25, 2017

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	April 30,	
	2017	2016
Assets		
Current assets:		
Cash	$ 2,756,217	$ 783,796
Accounts receivable, net of allowance of $328,864 and $449,946, respectively	4,434,862	2,051,934
Prepaid expenses	133,531	123,055
Promissory note receivable	900,000	—
Other receivables	81,464	819
Accrued interest receivable	8,000	—
Total current assets	8,314,074	2,959,604
Property and equipment:		
Call center equipment	53,748	79,199
Computer and office equipment	103,649	67,773
Furniture and fixtures	255,984	114,964
Software	2,131,344	2,567,383
	2,544,725	2,829,319
Less accumulated depreciation and amortization	(1,090,010)	(1,680,687)
Total property and equipment, net	1,454,715	1,148,632
Courseware, net	145,477	194,932
Accounts receivable, secured - related party, net of allowance of $625,963, and $625,963, respectively	45,329	45,329
Long term accounts receivable	657,542	127,099
Other assets	56,417	31,175
Total assets	$ 10,673,554	$ 4,506,771

(Continued)

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)

	April 30, 2017	April 30, 2016
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 756,701	$ 9,201
Accrued expenses	262,911	176,974
Deferred revenue	1,354,989	1,013,434
Refunds due students	310,576	110,883
Deferred rent, current portion	11,200	2,345
Convertible notes payable, current portion	50,000	50,000
Total current liabilities	2,746,377	1,362,837
Bank line of credit	—	1,783
Loan payable officer - related party	—	1,000,000
Convertible notes payable - related party	—	300,000
Warrant derivative liability	52,500	—
Deferred rent	34,437	29,169
Total liabilities	2,833,314	2,693,789
Commitments and contingencies - See Note 10	—	—
Stockholders' equity:		
Common stock, $0.001 par value; 250,000,000 shares authorized, 13,520,679 issued and 13,504,012 outstanding at April 30, 2017, 11,263,179 issued and 11,246,512 outstanding at April 30, 2016	13,504	11,247
Additional paid-in capital	33,607,423	26,477,162
Treasury stock (16,667 shares)	(70,000)	(70,000)
Accumulated deficit	(25,710,687)	(24,605,427)
Total stockholders' equity	7,840,240	1,812,982
Total liabilities and stockholders' equity	$ 10,673,554	$ 4,506,771

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years Ended April 30, 2017	For the Years Ended April 30, 2016
Revenues	$ 14,246,696	$ 8,453,669
Operating expenses		
Cost of revenues (exclusive of depreciation and amortization shown separately below)	5,061,222	3,587,028
General and administrative	9,087,740	6,403,708
Program review settlement expense	323,090	—
Depreciation and amortization	556,730	598,303
Total operating expenses	15,028,782	10,589,039
Operating loss	(782,086)	(2,135,370)
Other income (expense):		
Other income	14,336	9,985
Interest expense	(337,510)	(121,320)
Total other expense, net	(323,174)	(111,335)
Loss before income taxes	(1,105,260)	(2,246,705)
Income tax expense (benefit)	—	—
Net loss	$ (1,105,260)	$ (2,246,705)
Net loss per share allocable to common stockholders – basic and diluted	$ (0.10)	$ (0.21)
Weighted average number of common shares outstanding: basic and diluted	11,558,112	10,703,733

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED APRIL 30, 2016 AND 2017

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Total Stockholders' Equity
Balance at April 30, 2015	10,687,800	$ 10,688	$ 25,016,213	$ (70,000)	$ (22,358,722)	$ 2,598,179
Offering cost for professional services from private placement	—	—	(679)	—	—	(679)
Stock-based compensation	—	—	308,260	—	—	308,260
Conversion of convertible debt into shares	132,588	133	302,178	—	—	302,311
Repurchase of shares under settlement agreement	(3,500)	(4)	(5,834)	—	—	(5,838)
Shares issued for services rendered	25,000	25	50,375	—	—	50,400
Warrants exercised for cash	404,624	405	752,095	—	—	752,500
Warrant modification	—	—	54,554	—	—	54,554
Net loss, for the year ended April 30, 2016	—	—	—	—	(2,246,705)	(2,246,705)
Balance at April 30, 2016	11,246,512	11,247	26,477,162	(70,000)	(24,605,427)	1,812,982
Attorney fees associated with Registration Statement	—	—	(4,017)	—	—	(4,017)
Shares issued for cash	2,000,000	2,000	7,498,000	—	—	7,500,000
Fees associated with equity raise	—	—	(560,261)	—	—	(560,261)
Stock-based compensation	—	—	338,294	—	—	338,294
Warrant buyback	208,333	208	(194,208)	—	—	(194,000)
Shares issued for services rendered	49,167	49	52,453	—	—	52,502
Net loss, for the year ended April 30, 2017	—	—	—	—	(1,105,260)	(1,105,260)
Balance at April 30, 2017	**13,504,012**	**$ 13,504**	**$ 33,607,423**	**$ (70,000)**	**$ (25,710,687)**	**$ 7,840,240**

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years ended April 30, 2017	For the Years ended April 30, 2016
Cash flows from operating activities:		
Net loss	$ (1,105,260)	$ (2,246,705)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	44,320	170,677
Depreciation and amortization	556,730	598,303
Stock-based compensation	338,294	308,260
Warrant modification expense	—	54,554
Amortization and write-off of origination fees	112,500	—
Amortization of prepaid shares for services	52,500	—
Warrant buyback expense	206,000	—
Common shares and warrants issued for services rendered	—	50,400
Changes in operating assets and liabilities:		
Accounts receivable	(2,974,073)	(1,292,190)
Other receivables	(64,263)	—
Prepaid expenses	(10,474)	(1,462)
Accrued interest receivable	(8,000)	—
Other assets	(25,242)	(4,496)
Accounts payable	747,500	(169,908)
Accrued expenses	85,937	5,624
Deferred rent	14,123	23,763
Refunds due students	199,693	(169,856)
Deferred revenue	341,555	228,615
Net cash used in operating activities	(1,488,160)	(2,444,421)
Cash flows from investing activities:		
Purchases of property and equipment	(804,558)	(466,884)
Purchases of courseware	(8,800)	(90,624)
Issuance of note receivable	(900,000)	—
Increase in restricted cash	—	1,122,485
Net cash provided by (used in) investing activities	(1,713,358)	564,977
Cash flows from financing activities:		
Retirement of shares	—	(5,838)
Proceeds of warrant exercise	—	752,500
Repayment of convertible note payable – related party	(300,000)	—
Repayment of loan payable – officer – related party	(1,000,000)	—
Proceeds from equity raise	7,500,000	—
Disbursements related to equity raise	(560,261)	—
Warrant buyback	(400,000)	—
Borrowing of bank line of credit	247,000	
Payments for bank line of credit	(248,783)	(242,206)
Borrowing of third party line of credit	2,150,000	—
Payments to third party line of credit	(2,150,000)	—
Third party line of credit financing costs	(60,000)	—
Disbursements for registration statement	(4,017)	(679)
Net cash provided by financing activities	5,173,939	503,777
Net increase (decrease) in cash	1,972,421	(1,375,667)
Cash at beginning of year	783,796	2,159,463
Cash at end of year	$ 2,756,217	$ 783,796

(Continued)

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the Years ended April 30, 2017	For the Years ended April 30, 2016
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 297,151	$ 104,326
Cash paid for income taxes	$ —	$ —
Supplemental disclosure of non-cash investing and financing activities		
Common stock issued for services	$ 52,502	$ 50,400
Warrant derivative liability	$ 52,500	$ —
Common stock issued from conversion of notes	$ —	$ 302,311

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

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. ("Aspen University") was organized in 1987. 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 - 54% 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. In 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college debt-sentence plaguing working-class Americans. The monthly payment plan offers bachelor students (except RN to BSN) the opportunity to pay their tuition at $250/month for 72 months ($18,000), nursing bachelor students (RN to BSN) $250/month for 39 months ($9,750), master students $325/month for 36 months ($11,700) and doctoral students $375/month for 72 months ($27,000), interest free, thereby giving students a monthly payment tuition payment option versus taking out a federal financial aid loan.

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.

Liquidity

At April 30, 2017, the Company had a cash balance of $2,756,217.

On April 22, 2016, the Company issued 404,624 shares of common stock to two of its warrant holders in exchange for their early exercise of warrants at a reduced exercise price of $1.86 per share. The Company received gross proceeds of $752,500 from these exercises. As a condition of the warrant holders exercising their warrants, Mr. Michael Mathews, the Company's Chairman of the Board and Chief Executive Officer, converted a $300,000 note and in connection with this conversion, Mr. Mathews was issued 132,588 shares of common stock. (See Note 11)

In August 2016, the Company closed on a $3 million credit line with its largest shareholder. The credit line, whose terms include a 12% per annum interest rate on drawn funds and a 2% per annum interest rate on undrawn funds, will extend through August 2019. The Company initially drew down $750,000 under the line, of which approximately $248,000 was used to repay a secured line of credit with a bank and then drew down $500,000 in January 2017. In March 2017 the company drew an additional $900,000. The entire balance of $2,150,000 plus interest was paid off and the letter of credit was terminated on April 7, 2017. (See Note 10)

On April 7, 2017, the Company raised $7,500,000 through the issuance of 2,000,000 common shares. The net proceeds of $6,996,000 were used to retire the third party line of credit, the loan payable and convertible loan and support working capital needs. (See Note 11).

Note 2. Significant Accounting Policies

Principles of Consolidation

The 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 development costs, valuation of beneficial conversion features in convertible debt, valuation of derivative instruments, valuation of loss contingencies, valuation of stock-based compensation and the valuation allowance on deferred tax assets.

Cash and Cash Equivalents

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at April 30, 2017 and April 30, 2016. The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits of $250,000 per financial institution. The Company has not experienced any losses in such accounts from inception through April 30, 2017. As of April 30, 2017 and April 30, 2016, there were deposits totaling $2,687,461 and $1,224,863 respectively, held in two separate institutions greater than the federally insured limits.

Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
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—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

Accounts Receivable and Allowance for Doubtful Accounts Receivable

All students are required to select both a primary and secondary payment option with respect to amounts due to Aspen for tuition, fees and other expenses. The most common payment option for Aspen's students is personal funds or payment made on their behalf by an employer. The monthly payment plan represents approximately 65% of the payments that are made by students. In instances where a student selects financial aid as the primary payment option, he or she often selects personal cash as the secondary option. If a student who has selected financial aid as his or her primary payment option withdraws prior to the end of a course but after the date that Aspen's institutional refund period has expired, the student will have incurred the obligation to pay the full cost of the course. If the withdrawal occurs before the date at which the student has earned 100% of his or her financial aid, Aspen will have to return all or a portion of the Title IV funds to the DOE and the student will owe Aspen all amounts incurred that are in excess of the amount of financial aid that the student earned and that Aspen is entitled to retain. In this case, Aspen must collect the receivable using the student's second payment option.

For accounts receivable from students, Aspen records an allowance for doubtful accounts for estimated losses resulting from the inability, failure or refusal of its students to make required payments, which includes the recovery of financial aid funds advanced to a student for amounts in excess of the student's cost of tuition and related fees. Aspen determines the adequacy of its allowance for doubtful accounts using a general reserve method based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. Aspen applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables and student status. Aspen writes off accounts receivable balances at the time the balances are deemed uncollectible. Aspen continues to reflect accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection.

For accounts receivable from primary payors other than students, Aspen estimates its allowance for doubtful accounts by evaluating specific accounts where information indicates the customers may have an inability to meet financial obligations, such as bankruptcy proceedings and receivable amounts outstanding for an extended period beyond contractual terms. In these cases, Aspen uses assumptions and judgment, based on the best available facts and circumstances, to record a specific allowance for those customers against amounts due to reduce the receivable to the amount expected to be collected. These specific allowances are re-evaluated and adjusted as additional information is received. The amounts calculated are analyzed to determine the total amount of the allowance. Aspen may also record a general allowance as necessary.

Direct write-offs are taken in the period when Aspen has exhausted its efforts to collect overdue and unpaid receivables or otherwise evaluate other circumstances that indicate that Aspen should abandon such efforts.

When a student signs up for the monthly payment plan, there is a contractual amount that the Company can expect to earn over the life of the student's program. This contractual amount cannot be recorded as the student does have the option to stop attending. As a student takes a class, revenue is earned over the class term. Some students accelerate their program, taking two classes every eight week period, which increases the student's accounts receivable balance. If any portion of that balance will be paid in a period greater than 12 months, that portion is reflected as long-term accounts receivable. At April 30, 2017 and 2016, those balances are $657,542 and $127,099, respectively.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets per the following table.

Category	Depreciation Term
Call center equipment	5 years
Computer and office equipment	5 years
Furniture and fixtures	7 years
Library (online)	3 years
Software	5 years

Costs incurred to develop internal-use software during the preliminary project stage are expensed as incurred. Internal-use software development costs are capitalized during the application development stage, which is after: (i) the preliminary project stage is completed; and (ii) management authorizes and commits to funding the project and it is probable the project will be completed and used to perform the function intended. Capitalization ceases at the point the software project is substantially complete and ready for its intended use, and after all substantial testing is completed. Upgrades and enhancements are capitalized if it is probable that those expenditures will result in additional functionality. Amortization is provided for on a straight-line basis over the expected useful life of five years of the internal-use software development costs and related upgrades and enhancements. When existing software is replaced with new software, the unamortized costs of the old software are expensed when the new software is ready for its intended use.

Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the assets.

Upon the retirement or disposition of property and equipment, the related cost and accumulated depreciation and amortization are removed and a gain or loss is recorded in the consolidated statements of operations. Repairs and maintenance costs are expensed in the period incurred.

Courseware

The Company records the costs of courseware in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 350 “Intangibles - Goodwill and Other”.

Generally, costs of courseware creation are capitalized whereas costs for upgrades and enhancements are expensed as incurred. Courseware is stated at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the expected useful life of five years.

Long-Lived Assets

The Company assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, a significant decline in the Company’s stock price for a sustained period of time, and changes in the Company’s business strategy. An impairment loss is recorded when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds fair value and is recorded as a reduction in the carrying value of the related asset and an expense to operating results.

Refunds Due Students

The Company receives Title IV funds from the Department of Education to cover tuition and living expenses. After deducting tuition and fees, the Company sends checks for the remaining balances to the students.

Leases

The Company enters into various lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or capital lease. Leases may contain initial periods of free rent and/or periodic escalations. When such items are included in a lease agreement, the Company records rent expense on a straight-line basis over the initial term of a lease. The difference between the rent payment and the straight-line rent expense is recorded as a deferred rent liability. The Company expenses any additional payments under its operating leases for taxes, insurance or other operating expenses as incurred.

Revenue Recognition and Deferred Revenue

Revenues consist primarily of tuition and fees derived from courses taught by the Company online as well as from related educational resources that the Company 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. The Company 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 the Company'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, the Company recognizes as revenue the tuition that was not refunded. Since the Company 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 the Company's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded. The Company'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. The Company 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 revenues may be recognized as sales occur or services are performed.

The Company has revenues from students outside the United States and its territories representing 3.3% of the revenues for the year ended April 30, 2017.

Accounting for Derivatives

The Company evaluates its convertible instruments, options, warrants or other contracts to determine if those contracts or embedded components of those contracts qualify as derivatives to be separately accounted for under ASC Topic 815, "Derivatives and Hedging". The result of this accounting treatment is that the fair value of the derivative is marked-to-market each balance sheet date and recorded as a liability. In the event that the fair value is recorded as a liability, the change in fair value is recorded in the statement of operations as other income (expense). Upon conversion or exercise of a derivative instrument, the instrument is marked to fair value at the conversion date and then that fair value is reclassified to equity. Equity instruments that are initially classified as equity that become subject to reclassification under ASC Topic 815 are reclassified to liability at the fair value of the instrument on the reclassification date.

Cost of Revenues

Cost of revenues consists of two categories of cost, instructional costs and services, and marketing and promotional costs.

Instructional Costs and Services

Instructional costs and services consist primarily of costs related to the administration and delivery of the Company's educational programs. This expense category includes compensation costs associated with online faculty, technology license costs and costs associated with other support groups that provide services directly to the students.

Marketing and Promotional Costs

Marketing and promotional costs include costs associated with producing marketing materials and advertising. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing and recruiting efforts, and expenditures on advertising initiatives for new and existing academic programs. Non-direct response advertising activities are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. Total marketing and promotional costs were $2,625,075 and $1,856,918 for the years ended April 30, 2017 and 2016, respectively.

General and Administrative

General and administrative expenses include compensation of employees engaged in corporate management, finance, human resources, information technology, academic operations, compliance and other corporate functions. General and administrative expenses also include professional services fees, bad debt expense related to accounts receivable, financial aid processing costs, non-capitalizable courseware and software costs, travel and entertainment expenses and facility costs.

Legal Expenses

All legal cost for litigation are charged to expense as incurred.

Income Tax

The Company uses the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. The Company has deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are subject to periodic recoverability assessments. Realization of the deferred tax assets, net of deferred tax liabilities, is principally dependent upon achievement of projected future taxable income.

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.

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 2,096,550 and 1,510,509 common shares, warrants to purchase 912,798 and 2,001,356 common shares, and $50,000 and $350,000 of convertible debt (convertible into 4,167 and 75,596 common shares) were outstanding at April 30, 2017 and 2016, 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

The Company operates in one reportable segment as a single educational delivery operation using a core infrastructure that serves the curriculum and educational delivery needs of its online students regardless of geography. The Company's chief operating decision makers, its CEO and Chief Academic Officer, manage the Company's operations as a whole, and no revenue, expense or operating income information is evaluated by the chief operating decision makers on any component level.

Reclassifications

Certain amounts in the FY2016 balance sheet have been reclassified from Accounts Receivable, Net to Long Term Accounts Receivable to conform to the FY2017 presentation. This reclassification increased Long Term Receivable, in non-current assets by $127,099 and decreased Accounts Receivable in current assets by the same amount in FY2016.

Recent Accounting Pronouncements

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after April 30, 2017, are not expected to have a significant effect on the Company's consolidated financial position or results of operations.

ASU 2014 – 09:

In June 2014, FASB issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers". The update gives entities a single comprehensive model to use in reporting information about the amount and timing of revenue resulting from contracts to provide goods or services to customers. The proposed ASU, which would apply to any entity that enters into contracts to provide goods or services, would supersede the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance throughout the Industry Topics of the Codification. Additionally, the update would supersede some cost guidance included in Subtopic 605-35, Revenue Recognition – Construction-Type and Production-Type Contracts. The update removes inconsistencies and weaknesses in revenue requirements and provides a more robust framework for addressing revenue issues and more useful information to users of financial statements through improved disclosure requirements. In addition, the update improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets and simplifies the preparation of financial statements by reducing the number of requirements to which an entity must refer. The update is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. This updated guidance did not have a material impact on our results of operations, cash flows or financial condition.

ASU 2015-03

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, *"Simplifying the Presentation of Debt Issuance Costs,"* which changes the presentation of debt issuance costs in financial statements. Under this guidance such costs would be presented as a direct deduction from the related debt liability rather than as an asset. This guidance is effective for interim and annual reporting periods beginning after December 15, 2015. This ASU did not have a material impact on its consolidated financial statements.

ASU 2015-08

In May 2015, the FASB issued ASU 2015-08, *"Business Combinations (Topic 805) Pushdown Accounting,"* which conforms the FASB's guidance on pushdown accounting with the SEC's guidance. ASU 2015-08 is effective for annual periods beginning after December 15, 2015. This ASU did not have a material impact on the consolidated financial statements.

ASU 2016-15

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* This guidance addresses eight specific cash flow issues with the objective of reducing diversity in practice regarding how certain cash receipts and cash payments are presented in the statement of cash flows. The standard provides guidance on the classification of the following items: (1) debt prepayment or debt extinguishment costs, (2) settlement of zero-coupon debt instruments, (3) contingent consideration payments made after a business combination, (4) proceeds from the settlement of insurance claims, (5) proceeds from the settlement of corporate-owned life insurance policies, (6) distributions received from equity method investments, (7) beneficial interests in securitization transactions, and (8) separately identifiable cash flows. The Company is required to adopt ASU 2016-15 for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017 on a retrospective basis. Early adoption is permitted, including adoption in an interim period. The Company does not expect the adoption of ASU 2016-15 to have a material impact on its consolidated financial statements.

ASU 2016-02

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02: “Leases (Topic 842)” whereby lessees will need to recognize almost all leases on their balance sheet as a right of use asset and a lease liability. This guidance is effective for interim and annual reporting periods beginning after December 15, 2018. The Company expects this ASU will increase its current assets and current liabilities, but have no net material impact on its consolidated financial statements.

ASU 2016-09

In March 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-09: *"Compensation – Stock Compensation (Topic 718)*- Improvements to Employee Share-Based Payment Accounting" which includes multiple provisions intended to simplify various aspects of the accounting for share-based payments. This guidance is effective for interim and annual reporting periods beginning after December 15, 2016. The adoption of this ASU did not have a material impact on the consolidated financial statements.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at April 30, 2017 and 2016:

	April 30, 2017	April 30, 2016
Accounts receivable	$ 4,763,726	$ 2,501,880
Long term contractual receivable	657,542	127,099
Less: Allowance for doubtful accounts	(328,864)	(449,946)
Accounts receivable, net	$ 5,092,404	$ 2,179,033

Bad debt expense for the years ended April 30, 2017 and 2016, were $44,320 and $170,677 respectively.

Note 4. Secured Note and Accounts Receivable – Related Parties

On March 30, 2008 and December 1, 2008, Aspen University sold courseware pursuant to marketing agreements to Higher Education Management Group, Inc. (“HEMG”,) which was then a related party and principal stockholder of the Company. The sold courseware amounts were $455,000 and $600,000, respectively; UCC filings were filed accordingly. Under the marketing agreements, the receivables were due net 60 months. On September 16, 2011, HEMG pledged 772,793 Series C preferred shares (automatically converted to 54,571 common shares on March 13, 2012) of the Company as collateral for this account receivable which at that time had a remaining balance of $772,793. Based on the reduction in value of the collateral to $2.28 based on the then current price of the Company’s common stock, the Company recognized an expense of $123,647 during the year ended April 30, 2014 as an additional allowance. As of April 30, 2017 and April 30, 2016, the balance of the account receivable, net of allowance, was $45,329.

HEMG has failed to pay to Aspen University any portion of the $772,793 amount due as of September 30, 2014. Consequently, on November 18, 2014 Aspen University filed a complaint vs. HEMG in the United States District Court for the District of New Jersey, to collect the full amount due to the Company. HEMG defaulted and Aspen University obtained a default judgment. In addition, Aspen University gave notice to HEMG that it intended to privately sell the 54,571 shares after March 10, 2015. On April 29, 2015, the Company sold those shares to a private investor for $1.86 per share or $101,502, which proceeds reduced the receivable balance to $671,291 with a remaining allowance of $625,963, resulting in a net receivable of $45,329. (See Notes 10 and 14)

Note 5. Property and Equipment

As property and equipment become fully expired, the fully expired asset is written off against the associated accumulated depreciation. There is no expense impact for such write offs. Property and equipment consisted of the following at April 30, 2017 and April 30, 2016:

	April 30, 2017	April 30, 2016
Call center hardware	$ 53,748	$ 79,199
Computer and office equipment	103,649	67,773
Furniture and fixtures	255,984	114,964
Software	2,131,344	2,567,383
	2,544,725	2,829,319
Accumulated depreciation and amortization	(1,090,010)	(1,680,687)
Property and equipment, net	$ 1,454,715	$ 1,148,632

Software consisted of the following at April 30, 2017 and April 30, 2016:

	April 30, 2017	April 30, 2016
Software	$ 2,131,344	$ 2,567,383
Accumulated amortization	(994,017)	(1,560,932)
Software, net	$ 1,137,327	$ 1,006,451

Depreciation and Amortization expense for all Property and Equipment as well as the portion for just software is presented below for the years ended April 30, 2017 and 2016:

	For the Years Ended April 30, 2017	2016
Depreciation and Amortization Expense	$ 498,476	$ 529,300
Software Amortization Expense	$ 447,972	$ 481,230

The following is a schedule of estimated future amortization expense of software at April 30, 2017:

Year Ending April 30,	
2018	$ 382,783
2019	299,610
2020	229,768
2021	157,321
2022	67,845
Total	$ 1,137,327

Note 6. Courseware

Courseware costs capitalized were $8,800 and $90,624 for the years ended April 30, 2017 and 2016 respectively. During September 2015, $1,970,670 of fully amortized courseware was written off against the accumulated amortization. In subsequent periods, certain other fully expired courseware has been written off in the same way. There is no expense impact for such write-offs.

Courseware consisted of the following at April 30, 2017 and April 30, 2016:

	April 30, 2017	April 30, 2016
Courseware	$ 271,777	$ 319,267
Accumulated amortization	(126,300)	(124,335)
Courseware, net	$ 145,477	$ 194,932

Amortization expense of courseware for the years ended April 30, 2017 and 2016:

	For the Years Ended April 30,	
	2017	2016
Amortization Expense	$ 58,254	$ 69,003

The following is a schedule of estimated future amortization expense of courseware at April 30, 2017:

Year Ending April 30,	
2018	$ 50,942
2019	49,469
2020	35,627
2021	8,663
2022	776
Total	$ 145,477

Note 7. Accrued Expenses

Accrued expenses consisted of the following at April 30, 2017 and 2016:

	April 30,	
	2017	2016
Accrued compensation	$ 122,520	$ 91,070
Accrued Interest	13,566	71,214
Other accrued expenses	126,825	14,690
Accrued expenses	$ 262,911	$ 176,974

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 as part of the $7,500,000 equity raise. (See Note 11.)

Note 9. 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 $12.00 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. 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 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 at 0.19% per annum. The note is convertible into common shares of the Company at the rate of $12.00 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 May 5, 2018. There was no accounting effect for these modifications. On April 22, 2016, the CEO converted the loan and accrued interest into common stock. The loan was converted at $2.28 per share and the Company issued 132,588 shares of common stock. The note modification was treated as a debt extinguishment under ASC 470-50. There was no gain or loss on this debt extinguishment. 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 exceeded the fair market value of the common shares on the note issue date.

On August 14, 2012, the Company's CEO loaned the Company $300,000 and received a convertible promissory note, payable on demand, bearing interest at 5% per annum. The note was convertible into shares of common stock of the Company at a rate of $4.20 per share (based on proceeds received on September 28, 2012 under a private placement at $4.20 per unit). The Company evaluated the convertible notes 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 shares of common stock on the note issue date. Through various note extensions, the debt was extended to May 5, 2018. There was no accounting effect for these modifications. This note was paid in full with accrued interest on April 7, 2017, as part of the $7,500,000 equity raise (See Note 11.)

Convertible notes payable and loan payable consisted of the following at April 30, 2017 and 2016:

	April 30, 2017	April 30, 2016
Convertible note payable - related party originating August 14, 2012; no monthly payments required; bearing interest at 5%	$ —	$ 300,000
Convertible note payable - originating February 29, 2012; no monthly payments required; bearing interest at 0.19%; maturing at February 29, 2014	50,000	50,000
Loan Payable - related party originating February 25, 2012; no monthly payments required; bearing interest at 10%	—	1,000,000
Total	50,000	1,350,000
Less: Current maturities (notes payable)	(50,000)	(50,000)
Subtotal	—	1,300,000
Less: amount due after one year for notes payable	—	(1,000,000)
Amount due after one year for convertible notes payable	$ —	$ 300,000

Future maturities of notes payable as of April 30, 2017 are as follows:

Year ending April 30,	
2018	$ 50,000
2019	—
	$ 50,000

Note 10. Commitments and Contingencies

Line of Credit

The Company maintained a line of credit with a bank, up to a maximum credit line of $250,000. The line of credit bore interest equal to the prime rate plus 0.50% (overall interest rate of 4.00% at April 30, 2016). The line of credit required minimum monthly payments consisting of interest only. The line of credit was secured by all business assets, inventory, equipment, accounts, general intangibles, chattel paper, documents, instruments and letter of credit rights of the Company. The line of credit was for an unspecified time until the bank notifies the Company of the Final Availability Date, at which time monthly payments on the line of credit would have been the sum of: (a) accrued interest and (b) 1/60th of the unpaid principal balance immediately following the Final Availability Date, which equates to a five-year payment period. The balance due on the line of credit as of April 30, 2016 was $1,783. Since the earliest the line of credit could have been due and payable was over a five year period and the Company believed that it could obtain a comparable replacement line of credit elsewhere, the entire line of credit was included in long-term liabilities. The unused amount under the line of credit available to the Company at April 30, 2016 was $248,217. In September 2016, the line of credit with the bank was paid and terminated.

In August 2016, the Company closed on a $3 million credit line with its largest shareholder. The credit line, whose terms included a 12% per annum interest rate on drawn funds and a 2% per annum interest rate on undrawn funds. The Company initially drew down $750,000 under the line, of which approximately $248,000 was used to repay a secured line of credit with a bank as noted above. Additionally, the Company paid a 2% origination fee of $60,000 and issued 62,500 common-stock warrants at an exercise price of $2.40 per share, which are redeemable by the Company if the closing price of its common stock averages at least $3.00 per share for 10 consecutive trading days. The origination fee and $52,500 value of the 62,500 warrants (see Note 11) were recorded as debt discounts to be amortized over the term of the line. In January of 2017, the company drew an additional $500,000 and drew another $900,000 in March 2017 to use as a down payment for the USU acquisition (See Note 16.). The entire balance of $2,150,000 plus interest was paid and the letter of credit was terminated on April 7, 2017 as part of the $7,500,000 equity raise. The unamortized balance of the origination fees were expensed at that time. (See Note 11 and 16.)

Operating Leases

The Company recently signed an 18 month lease for its corporate headquarters in New York, New York, commencing June 7, 2016. The monthly rent is $7,667.

The Company leases office space for its developers in Dieppe, NB, Canada under a three year agreement commencing March 1, 2017. The monthly rent payment is $2,049 Canadian which is approximately $1,872 US.

The Company leases office space for its Denver, Colorado location under a two year lease commencing January 1, 2017. The monthly rent payment is $10,483.

On February 1, 2016, the Company entered into a 64-month lease agreement for its call center in Phoenix, Arizona. The operating lease granted four initial months of free rent and had a base monthly rent of $10,718 and then increases 2% per year after.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of April 30, 2017:

Year Ending April 30,		
2018	$	379,691
2019		242,725
2020		155,859
2021		140,060
2022		11,692
2023		—
Total minimum payments required	$	930,027

Rent expense for the years ended April 30, 2017 and 2016 were $338,196 and $239,658, respectively.

Employment Agreements

From time to time, the Company enters into employment agreements with certain of its employees. These agreements typically include bonuses, some of which are performance-based in nature. As of April 30, 2017, no performance bonuses have been earned.

Legal Matters

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of April 30, 2017, except as discussed below, there were no other pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations and there are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

On February 11, 2013, HEMG and Mr. 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 the 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 all of the claims. On December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in state court of New York. By decision and order dated August 4, 2014, the New York court denied HEMG and Spada's motion to dismiss the fraud counterclaim the Company asserted against them.

While the Company has been advised by its counsel that HEMG's and Spada's claims in the New York lawsuit is baseless, the Company cannot provide any assurance as to the ultimate outcome of the case. Defending the lawsuit will be expensive and will require the expenditure of time which could otherwise be spent on the Company's business. While unlikely, if Mr. Spada's and HEMG's claims in the New York litigation were to be successful, the damages the Company could pay could potentially be material.

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.

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 sought 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. That matter has been fully and finally settled for $69,000 as of June 2016 and has been dismissed. The Company accrued $87,500 in accordance with ASC 450-20-55-11 and was included in accrued expenses at April 30, 2016. The amount owed was paid in the fiscal year ended April 30, 2017.

Regulatory Matters

The Company's subsidiary, Aspen University, is subject to extensive regulation by Federal and State governmental agencies and accrediting bodies. In particular, the Higher Education Act (the "HEA") and the regulations promulgated thereunder by the DOE subject Aspen University to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy to participate in the various types of federal student financial assistance programs authorized under Title IV of the HEA. Aspen University has had provisional certification to participate in the Title IV Programs. That provisional certification imposes certain regulatory restrictions including, but not limited to, a limit of 1,200 student recipients for Title IV funding for the duration of the provisional certification. The provisional certification restrictions continue with regard to Aspen University's participation in Title IV Programs.

To participate in the Title IV Programs, an institution must be authorized to offer its programs of instruction by the relevant agencies of the State in which it is located. In addition, an institution must be accredited by an accrediting agency recognized by the DOE and certified as eligible by the DOE. The DOE will certify an institution to participate in the Title IV Programs only after the institution has demonstrated compliance with the HEA and the DOE's extensive academic, administrative, and financial regulations regarding institutional eligibility and certification. An institution must also demonstrate its compliance with these requirements to the DOE on an ongoing basis. Aspen University performs periodic reviews of its compliance with the various applicable regulatory requirements. As Title IV funds received in fiscal 2016 represented approximately 28% of the Company's cash basis revenues (including revenues from discontinued operations), as calculated in accordance with Department of Education guidelines, the loss of Title IV funding would have a material effect on the Company's future financial performance.

On March 27, 2012 and on August 31, 2012, Aspen University provided the DOE with letters of credit for which the due date was extended to December 31, 2013. On January 30, 2014, the DOE provided Aspen University with an option to become permanently certified by increasing the letter of credit to 50% of all Title IV funds received in the last program year, equaling $1,696,445, or to remain provisionally certified by increasing the 25% letter of credit to $848,225. Aspen informed the DOE of its desire to remain provisionally certified and posted the $848,225 letter of credit for the DOE on April 14, 2014. On February 26, 2015, Aspen University was informed by the DOE that it again had the option to become permanently certified by increasing the letter of credit to 50% of all Title IV funds received in the last program year, equaling $2,244,971, or to remain provisionally certified by increasing the existing 25% letter of credit to $1,122,485. Aspen informed the DOE on March 3, 2015 of its desire to remain provisionally certified and post the $1,122,485 letter of credit for the DOE by April 30, 2015. In November of 2015, the DOE informed Aspen that they no longer need to post a letter of credit. It was subsequently released. The DOE may impose additional or different terms and conditions in any final provisional program participation agreement that it may issue.

The HEA requires accrediting agencies to review many aspects of an institution's operations in order to ensure that the education offered is of sufficiently high quality to achieve satisfactory outcomes and that the institution is complying with accrediting standards. Failure to demonstrate compliance with accrediting standards may result in the imposition of probation, the requirements to provide periodic reports, the loss of accreditation or other penalties if deficiencies are not remediated.

Because Aspen University operates in a highly regulated industry, it may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions or common law causes of action.

On February 25, 2015, the DEAC informed Aspen University that it had renewed its accreditation for five years to January, 2019.

Return of Title IV Funds

An institution participating in Title IV Programs must correctly calculate the amount of unearned Title IV Program funds that have been disbursed to students who withdraw from their educational programs before completion and must return those unearned funds in a timely manner, no later than 45 days of the date the school determines that the student has withdrawn. Under Department regulations, failure to make timely returns of Title IV Program funds for 5% or more of students sampled on the institution's annual compliance audit in either of its two most recently completed fiscal years can result in the institution having to post a letter of credit in an amount equal to 25% of its required Title IV returns during its most recently completed fiscal year. If unearned funds are not properly calculated and returned in a timely manner, an institution is also subject to monetary liabilities or an action to impose a fine or to limit, suspend or terminate its participation in Title IV Programs.

Subsequent to a program review by the Department of Education ("DOE") during calendar year 2013, the Company recognized that it had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4). In November 2013, the Company returned a total of $102,810 of Title IV funds to the DOE. In the two most recent fiscal years (2015 and 2016), Aspen's compliance audit reflected no material findings related to the 2013 program review findings.

On February 8, 2017, the DOE issued a Final Program Review Determination ("FPRD") letter related to the 2013 program review. The FRPD includes a summary of the non-compliance areas and calculations of amounts due for the 126 students that they reviewed. We had 45 days to appeal the amounts calculated and while we were reviewing their calculations, we recognized that we would owe some amount in the range from $80,000 to $360,000. In accordance with ASC 450-20, we recorded a minimum liability of $80,000 at January 31, 2017. Of that amount, $55,000 was recorded against the accounts receivable reserve and $25,000 was expensed. In late March 2017, we agreed to not contest the calculations and paid the full amount of $378,090. As a result, we recorded an additional expense of $298,090 in the fiscal quarter ended April 30, 2017.

Delaware Approval to Confer Degrees

Aspen University is a Delaware corporation. Delaware law requires an institution to obtain approval from the Delaware Department of Education ("Delaware DOE") before it may incorporate with the power to confer degrees. In July 2012, Aspen received notice from the Delaware DOE that it was 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. Aspen University is authorized by the Colorado Commission on Education to operate in Colorado as a degree granting institution

Note 11. Stockholders' Equity

Common Stock

On June 8, 2015, in exchange for the termination of a consulting agreement with a Director, the Company issued 25,000 restricted stock units (with the value of $50,400 based on the market value on the grant date). Two-thirds are fully vested and the remaining balance vests in six equal monthly installments commencing on June 30, 2015. At January 31, 2016, the Company has recorded consulting expense of $50,400 and it was fully vested.

On January 19, 2016, the Company paid $29,500 as part of settlement to repurchase 3,500 shares. After adjusting for the shares, the Company recorded an expense of $23,662.

On April 22, 2016, the Company issued, 404,624 shares of common stock to two of its warrant holders in exchange for their early exercise of warrants at a reduced price of $1.86 (originally, $2.28) per share. The Company recorded a warrant modification expense of $48,555 in accordance with ASC 718-20-35 related to the incremental increase in value. The Company received gross proceeds of $752,500 from these exercises. As a condition of the warrant holders exercising their warrants, the CEO converted a $300,000 note and the related interest on the Note and the conversion price was reduced from $12.00 to $2.28 per share. In connection with these conversions, the CEO was issued 132,588 shares of common stock. (See Note 9)

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 contract with a value of $30,000. 12,500 shares were issued for services under a one year contract with a value of $22,500. The Company recorded a prepaid for the value of the services and is amortizing over the respective service periods.

Following approval from its shareholders, on January 10, 2017, the Company effected 1-for-12 reverse split of its common stock. All references to common shares and per-share data for all periods presented in this report have been retroactively adjusted to give effect to this reverse split.

On April 7, 2017, the Company raised $7,500,000 through the issuance of 2,000,000 common shares at a price of $3.75. The net proceeds were $6,996,000 and there were additional cash disbursements of $57,000. In addition, one firm received 20,000 shares of common stock for their services valued at $3.75 per share or $75,000.

Warrants

A summary of the Company's warrant activity during the year ended April 30, 2017 is presented below:

Warrants	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2016	2,001,356	$ 2.31	—	1,022,078
Granted	62,500	2.40	—	78,125
Exercised	(8,834)	3.99	—	—
Forfeited	(1,120,968)	1.86	—	—
Expired	(21,256)	3.99	—	—
Balance Outstanding, April 30, 2017	912,798	$ 2.82	1.6	$ 1,100,203
Exercisable, April 30, 2017	912,798	$ 2.82	1.6	$ 1,100,203

On April 22, 2016, the Company issued, 404,624 shares of common stock to two of its warrant holders in exchange for their early exercise of warrants at a reduced price of $1.86 (originally, $2.28) per share. The Company received gross proceeds of $752,500 from these exercises.

On June 24, 2016, the Company issued 208,333 shares and a cash payment of $400,000 to a warrant holder in exchange for 93,414 warrants.

On August 31, 2016, the Company announced that it had closed on a $3 million credit line with its largest shareholder. The Company paid a 2% origination fee of $60,000 and issued 62,500 common-stock warrants at an exercise price of $2.40 per share, which are redeemable by the Company if the closing price of its common stock averages at least $3.00 per share for 10 consecutive trading days.

Stock Incentive Plan and Stock Option Grants to Employees and Directors

On March 13, 2012, the Company adopted the 2012 Equity Incentive Plan (the "Plan") that provides for the grant of 1,691,667 effective November 2015 and 2,108,333 shares effective June 2016, in the form of incentive stock options, non-qualified stock options, restricted shares, stock appreciation rights and restricted stock units to employees, consultants, officers and directors. As of April 30, 2017, there were 38,783 shares remaining under the Plan for future issuance. The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term, expected dividend yield rate over the expected option term, and an estimate of expected forfeiture rates. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award. The following table summarizes the assumptions the Company utilized to record compensation expense for stock options granted to employees during the year ended April 30, 2017.

	April 30,	
	2017	2016
Expected life (years)	4-6.5	4 - 6.5
Expected volatility	40% - 43%	40% - 43%
Weighted-average volatility	0.38%	40.0%
Risk-free interest rate	0.00%	0.38%
Dividend yield	0.00%	0.00%
Expected forfeiture rate	n/a	n/a

The Company utilized the simplified method to estimate the expected life for stock options granted to employees. The simplified method was used as the Company does not have sufficient historical data regarding stock option exercises. The expected volatility is based on the average of the expected volatilities from the most recent audited financial statements available for comparative public companies that are deemed to be similar in nature to the Company. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected life of the related option at the time of the grant. Dividend yield is based on historical trends. While the Company believes these estimates are reasonable, the compensation expense recorded would increase if the expected life was increased, a higher expected volatility was used, or if the expected dividend yield increased.

A summary of the Company's stock option activity for employees and directors during the year ended April 30, 2017, is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2016	1,492,593	$ 2.29	—	—
Granted	671,666	$ 2.74	4.5	—
Exercised	—	—	—	—
Forfeited	(44,654)	$ 2.19	1.5	—
Expired	(23,055)	4.13	—	—
Balance Outstanding, April 30, 2017	2,096,550	$ 2.42	3.09	$ 2,715,101
Exercisable, April 30, 2017	1,963,217	$ 2.83	0.19	$ 1,375,198

On June 8, 2015, the Chief Academic Officer received a grant of 83,334 options which has a fair value of $60,000, the Chief Operating Officer received a grant of 58,834 options which has a fair value of $42,000 and the Chief Financial Officer received a grant of 25,000 options which has a fair value of $18,000. All of these options have an exercise price of $2.016 per share.

On August 5, 2015, 41,667 options were granted to the Senior Vice President of Compliance. The exercise price was $2.16 and the fair value was $30,000. The options vest over 3 years.

On September 23, 2015, 38,750 options were granted to a total of 39 employees. The exercise prices were $1.572 and the fair value of the total grant was $48,600. The options vest over 3 years.

On November 20, 2015, three directors were each awarded 20,834 five- year options. The options vest over three years, the exercise prices were $1.98 and the fair value of the total grant of 62,500 options is $37,500.

On December 11, 2015, the Chief Executive Officer was granted 125,000 options that vest over three years. The exercise price is $2.10, the life of the options is ten years and the fair value of the grant is $105,000.

On May 19, 2016, the Company granted to each of its eight non-employee directors 12,500 five-year stock options. The Company granted an additional 4,167 five-year stock options to the chairman of the Compensation Committee and to the chairman of the Audit Committee. These options are exercisable at $1.92 and vest in three years. For the directors receiving 12,500, the fair value was approximately $7,500 per grant and for the two directors receiving 16,667 options, the fair value on the date of grant was approximately $10,000.

On June 20, 2016, the Company granted 2,500 options to an employee. The fair value was approximately $5,000 and vest over 3 years.

On June 23, 2016, the Company granted 166,667 stock options to the Chief Operating Officer, 58,333 stock options to the Chief Academic Officer and 25,000 to the Chief Financial Officer. The five-year options are exercisable at a price of $1.99 and vest over three years. On the date of grant, the grant to the Chief Operating Officer had a fair value of approximately $100,000, the grant to the Chief Academic Officer had a fair value of approximately $35,000 and the grant to the Chief Financial Officer had a fair value of approximately $15,000.

On September 12, 2016, the Company extended approximately 420,000 options that were expiring in 2017. The new expiration dates were extended three years. The cost associated with these extensions is approximately $150,000, which represents the difference between the fair value of the options before the modification and the fair value immediately after the modification. These extended options will vest over the next three years.

On October 1, 2016, the Company granted 20,417 options to a pool of employees. The fair value was approximately $17,000 and the options vest over 3 years.

On November 18, 2016, under the Plan the Company granted 41,667 five-year options to each of the two new directors elected at the annual meeting held that month. These options are exercisable at $3.24 per share. The options were valued at $40,000 each and vest over a three year term, subject to continued service.

On January 6, 2017, the Company granted 69,583 options to a pool of employees. The fair value was approximately $225,000 and the options vest over three years.

From February 1, 2017 to April 17, 2017 inclusive, the Company granted new employees a total of 20,000 options with an exercise price ranging from $3.60 to $4.50. All of these options are five year options that vest over 3 years. The fair value of the group of options is $22,710.

On April 12, 2017, the Board of Directors was issued a total of 113,333 five-year options that vest of 3 years. The strike price was $4.32 and the fair value is $140,533.

The Company recorded compensation expense of $338,294 for the year ended April 30, 2017 in connection with employee stock options. The Company recorded compensation expense of $308,260 for the year ended April 30, 2016 in connection with employee stock options.

As of April 30, 2017, there was approximately $585,000 of unrecognized compensation costs related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.0 years.

Stock Option Grants to Non-Employees

There were no stock options granted to non-employees during the year April 30, 2017 and 2016. The Company recorded no compensation expense for the years ended April 30, 2017, and 2016 in connection with non-employee stock options. There was no unrecognized compensation cost at April 30, 2017.

A summary of the Company's stock option activity for non-employees during the year ended April 30, 2017 is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2016	16,250	$ 3.48	0.9	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	(16,250)	—	—	—
Balance Outstanding, April 30, 2017	—	$ —	—	—
Exercisable, April 30, 2017	—	$ —	—	—

Note 12. Income Taxes

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

	For the Years Ended April 30, 2017	2016
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, 2017	April 30, 2016
Deferred tax assets:		
Net operating loss	$ 8,626,748	$ 8,271,894
Allowance for doubtful accounts (recovery)	(20,029)	26,793
Intangible assets	201,942	249,099
Deferred rent	16,911	11,678
Stock-based compensation	820,257	694,900
Contributions carryforward	93	93
Total deferred tax assets	9,645,922	9,254,457
Deferred tax liabilities:		
Property and equipment	(174,260)	(185,683)
Total deferred tax liabilities	(174,260)	(185,683)
Deferred tax assets, net	9,471,662	9,068,774
Valuation allowance:		
Beginning of year	(9,068,774)	(8,240,200)
(Increase) during period	(402,888)	(828,574)
Ending balance	(9,471,662)	(9,068,774)
Net deferred tax asset	$ —	$ —

A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized. The Company recorded a valuation allowance at April 30, 2017 and 2016 due to the uncertainty of realization. Management believes that based upon its projection of future taxable operating income for the foreseeable future, it is more likely than not that the Company will not be able to realize the tax benefit associated with deferred tax assets. The net change in the valuation allowance during the year ended April 30, 2017 was an increase of $402,888.

At April 30, 2017, the Company had $20,204,869 of net operating loss carryforwards which will expire from 2032 to 2037. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of April 30, 2017, tax years 2013 through 2016 remain open for IRS audit. The Company has received no notice of audit from the Internal Revenue Service for any of the open tax years.

A reconciliation of income tax computed at the U.S. statutory rate to the effective income tax rate is as follows:

	April 30, 2017	April 30, 2016
Statutory U.S. federal income tax rate	34.0%	34.0%
State income taxes, net of federal tax benefit	3.0	3.0
Other	(0.5)	(0.1)
Change in valuation allowance	(36.5)	(36.9)
Effective income tax rate	0.0%	0.0%

Note 13. Concentrations

Concentration of Credit Risk

As of April 30, 2017, the Company’s bank balances exceed FDIC insurance by $2,687,461.

Note 14. Related Party Transactions

See Note 4 for discussion of secured note and account receivable to related parties and see Notes 8 and 9 for discussion of loans payable and convertible notes payable to related parties.

Note 15. Fair Value Measurements – Warrant Derivative liability

The accounting standard for fair value measurements provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. Fair value is defined as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. The accounting standard established a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. This hierarchy prioritizes the inputs into three broad levels as follows. Level 1 input are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument. Level 3 inputs are unobservable inputs based on the Company's own assumptions used to measure assets and liabilities at fair value. An asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

Assets and liabilities measured at fair value on a recurring and non-recurring basis consisted of the following at April 30, 2017 which related to 62,500 warrants which contained price protection:

	Carrying Value at April 30, 2017	Fair value Measurements at April 30, 2017		
		(Level 1)	(Level 2)	(Level 3)
Warrant derivative liability	$ 52,500	$ —	$ —	$ 52,500

The following is a summary of activity of Level 3 liabilities for the year ended April 30, 2017:

Balance April 30, 2016	$ —
Initial valuation of warrant derivative liability	52,500
Change in valuation of warrant derivative liability	—
Balance April 30, 2017	$ 52,500

Changes in fair value of the warrant derivative liability are included in other income (expense) in the accompanying consolidated statements of operations.

There were no changes in the valuation techniques during year ended April 30, 2017.

Note 16. Pending Acquisition

On March 8, 2017, Aspen entered into a letter of intent to acquire a regionally accredited for profit university for $9 million. The letter of intent is non-binding in material respects except for a no shop and certain other aspects. It is subject to a number of contingencies including execution of a Merger Agreement within 60 days and there is an important financial contingency that must be met by the end of calendar 2017. In furtherance of this possible acquisition, the Company lent $900,000 to the target with the loan guaranteed by its principal owner. The Company also entered into a Marketing Consulting Agreement with this university. If the Merger Agreement is not entered into within 60 days or the parties otherwise terminate the proposed merger, the $900,000 and 8% per annum interest is immediately due. Otherwise it is a credit towards the $2.5 million cash due at closing. The Company drew the $900,000 from the third party line of credit. (See Note 10, and Note 17 for definitive agreement.)

Note 17. Subsequent Events

On May 13, 2017, the Company granted its executive officers a total of 500,000 five-year options to purchase shares of the Company's common stock under the 2012 Equity Incentive Plan. The options vest annually over three years, subject to continued employment at each applicable vesting date, and are exercisable at $4.90 per share. The Chairman and Chief Executive Officer received 200,000 options with a fair value of $282,000, the Chief Operating Officer received 200,000 options with a fair value of $282,000, the Chief Academic Officer received 70,000 options with a fair value of $98,700 and the Chief Financial Officer received 30,000 options with a fair value of $42,300.

On May 18, 2017, the Company announced it had entered into a definitive agreement to acquire United States University, a regionally accredited for-profit university based in San Diego, California for a total purchase price of $9 million. The transaction is subject to customary closing conditions and regulatory approvals by the U.S. Department of Education, WASC Senior College and University Commission, and state regulatory and programmatic accreditation bodies. The earliest that Aspen Group would receive required regulatory approvals would be December 2017.

Effective May 24, 2017, the Company entered into waiver agreements with all of its investors in the April 2017 common stock offering. In consideration for waiving their registration rights, the Company paid to each of the investors 1.5% of their investment amount in the offering. The total amount paid was $112,500.

Effective June 11, 2017, the Company increased the Chief Academic Officer's salary from $264,000 to $300,000, and granted 30,000 five-year options. The options vest quarterly over a three-year period in 12 equal quarterly increments with the first vesting date being September 11, 2017, subject to continued employment on each applicable employment date. The options are exercisable at $6.28 per share and the fair value is $54,000.

On June 20, 2017, the Company increased the Chief Financial Officer's salary from $231,000 to $250,000.

On July 24, 2017, the Board of Directors approved the increase of shares authorized to be granted under the 2012 Equity Incentive Plan to 3,500,000.

On July 25, 2017, the Company signed a $10 million senior secured term loan with Runway Growth Credit Fund (formerly known as GSV Growth Credit Fund). The Company will draw $5 million under the facility at closing, with the remaining $5 million to be drawn following the closing of the Company's acquisition of substantially all the assets of the United States University, including receipt of all required regulatory approvals, among other conditions to funding. Terms of the 4-year senior loan include a 10% over 3-month LIBOR per annum interest rate. The Company also issued 224,174 5-year warrants at an exercise price of $6.87 per share.

EXHIBIT INDEX

Exhibit #	Exhibit Description	Incorporated by Reference Form	Date	Number	Filed or Furnished Herewith
3.1	Certificate of Incorporation, as amended	10-Q	3/9/17	3.1	
3.2	Bylaws	8-K	3/19/12	3.2	
3.2(a)	Amendment No. 1 to Bylaws	8-K	3/12/14	3.1	
10.1	Promissory Note dated March 8, 2017 – Linden Finance				Filed
10.2	Form of Stock Purchase Agreement dated April 7, 2017	8-K	4/10/17	10.1	
10.3	Employment Agreement dated November 1, 2016 – Mathews*	10-Q	3/9/17	10.1	
10.4	Employment Agreement dated November 24, 2014 – Gerard Wendolowski*	10-K	7/28/15	10.19	
10.5	Employment Agreement dated June 11, 2017 – St. Arnauld*				Filed
10.6	2012 Equity Incentive Plan, as amended*	10-K	7/27/16	10.5	
10.7	Form of Non-Qualified Stock Option Agreement	8-K	12/17/15	10.1	
10.8	Form of Directors Indemnification Agreement	8-K/A	5/7/12	10.21	
10.9	Loan Agreement dated August 31, 2016 – Cooperman	8-K	9/7/16	2.1	
10.10	Revolving Promissory Note dated August 31, 2016 – Cooperman	8-K	9/7/16	2.2	
10.11	Warrant dated August 31, 2016 – Cooperman	8-K	9/7/16	3.1	
10.12	Note Conversion Agreement dated April 16, 2016 – Mathews	10-K	7/27/16	10.4	
10.13	Letter Agreement with Warrant Holders for Reduced Exercise Price and Early Exercise 2016	10-K	7/27/16	10.19	
10.14	Letter Agreement with Warrant Holders for Reduced Exercise Price and Early Exercise 2015	10-K	7/28/15	10.20	
10.15	Termination of AEK Consulting Agreement	10-K	7/28/15	10.12	
10.16	Consulting Agreement – AEK Consulting	10-K	7/29/14	10.24	
21.1	Subsidiaries				Filed
23.1	Consent of Independent Registered Public Accounting Firm				Filed
31.1	Certification of Principal Executive Officer (302)				Filed
31.2	Certification of Principal Financial Officer (302)				Filed
32.1	Certification of Principal Executive and Principal Financial Officer (906)				Furnished**
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

* Represents compensatory plan of management.

** This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

Exhibit 10.1

PROMISSORY NOTE

Principal Amount:
$900,000.00

New York, New York
Issue Date: March __, 2017

For value received, the undersigned, Linden Finance LLC, a Delaware limited liability company, (the "Borrower") hereby unconditionally promises to pay to the order of Aspen Group, Inc., a Delaware corporation having its principal place of business at 46 East 21st Street, Third Floor, New York, NY 10010 (the "Lender"), the principal amount of Nine Hundred Thousand and 00/100 U.S. Dollars ($900,000.00) (the "Principal Amount"), together with 8% per annum interest thereon (computed on the basis of a 360-day year for the actual number of days elapsed) according to the terms of this promissory note (this "Note").

This Note is delivered pursuant to the terms of that certain letter of intent of even date herewith, by and among Educación Significatíva, LLC (the "Company"), Linden Education Partners, LLC ("Linden"), and the Lender (the "Letter"). Capitalized terms used but not defined in this Note shall have the meanings ascribed to them in the Letter.

1. Repayment of the Note. The Principal Amount outstanding hereunder shall be payable upon the Maturity Date (as defined below). The entire Principal Amount and all accrued and unpaid interest shall be due and payable on the earlier to occur of (i) the Maturity Date, and (ii) an Event of Default (as defined below).

(a) **Optional Prepayments**. The Borrower may prepay any amounts owing under this Note, in whole or in part, at any time and from time to time, without premium or penalty.

(b) **Method of Payment**. The Borrower will make all payments of principal and interest under this Note by wire transfer of immediately available funds to the bank account specified by the Lender in written notice delivered to the Borrower at least three (3) business days before the applicable payment date.

(c) **Maturity Date**. The Principal Amount, together with any accrued and unpaid interest, shall become due and payable on: (i) the date that is 60 days after the date of the execution of this Note (or if such day is a Saturday, Sunday, or federally recognized holiday, on the next business day thereafter), if a Definitive Agreement has not been executed by the Lender and the Company; (ii) January 15, 2018, if the Closing of the Transaction has not occurred (as such terms are defined in the Letter); or (iii) the date upon which the Definitive Agreement is terminated in a manner expressly permitted therein (any, the "Maturity Date").

(d) **Closing of the Transaction**. In the event that the Closing of the Transaction occurs before January 15, 2018, the Principal Amount of this Note and accrued interest shall be credited against the cash portion of the Merger Consideration payable by the

Lender in accordance with the terms and conditions set forth in the Letter, and this Note shall be deemed to be paid in full.

(e) **Invalidated Payments**. To the extent that the Lender receives any payment on of any amounts owing under this Note, and any such payment(s) or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, subordinate and/or required to be repaid to a trustee, receiver or any other person or entity under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment(s) received, the Borrower's obligations or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment(s) had not been received by the Lender and applied on account of the Borrower's obligations under this Note.

(f) **Surrender and Cancellation**. Once the Principal Amount, plus all accrued but unpaid interest thereon, has been paid in full, all obligations under this Note will immediately and automatically terminate, and the Lender will promptly surrender this Note to the Borrower for cancellation.

2. Event of Default. An event of default will occur if the Borrower fails on the Maturity Date to pay timely the Principal Amount and accrued interest pursuant to this Note (an "Event of Default"). Upon an Event of Default, the unpaid portion of the Principal Amount will bear simple interest from the date of the Event of Default to the payment date at a rate equal to eighteen percent (18.00%) per annum, for the duration of such Event of Default.

3. Remedies.

(a) At any time an Event of Default exists or has occurred and is continuing, the Lender shall have all rights and remedies provided in this Note, the Uniform Commercial Code (the "UCC") and other applicable law, all of which rights and remedies may be exercised without notice to or consent by the Borrower except as such notice or consent is expressly provided for hereunder or required by applicable law. All rights, remedies and powers granted to the Lender hereunder, under the UCC or under other applicable law, are cumulative, not exclusive and enforceable, in the Lender's discretion, alternatively, successively, or concurrently on any one or more occasions.

(b) The Borrower hereby agrees to pay all reasonable out-of-pocket costs and expenses, including reasonable attorneys' fees, incurred by the Lender in the collection of the indebtedness evidenced by this Note, in enforcing any of the rights, powers, remedies and privileges of the Lender hereunder, or in connection with any further negotiations, modifications, releases, or otherwise incurred by the Lender in connection with this Note. As used in this Note, the term "attorneys' fees" shall mean reasonable charges and expenses for legal services rendered to or on behalf of the Lender in connection with the collection of the indebtedness evidenced by this Note at any time whether prior to the commencement of judicial proceedings and/or thereafter at the trial and/or appellate level and/or in pre-judgment and post-judgment or bankruptcy proceedings.

4. Miscellaneous.

(a) **Notices**. All notices, offers, acceptance and any other acts under this Note (except payment) shall be in writing, and shall be sufficiently given if delivered to the addresses in person, by Federal Express or similar overnight next business day delivery or by email delivery followed by overnight next business day delivery, as follows:

To the Borrower:	Linden Finance LLC c/o Educación Significatíva, LLC 301 Congress Avenue Austin, TX 78701 Attention: Oksana Malysheva Email: oksana@lindeneducation.com
With a Copy to:	David Lewis, Esq. DLA Piper LLP (US) 2525 E. Camelback Road, Suite 1000 Phoenix, Arizona 85016 Email: david.lewis@dlapiper.com
To the Lender:	Aspen Group, Inc., 46 East 21st Street, Third Floor, New York, NY 10010 Attention: Michael Mathews, CEO Email: michael.mathews@aspen.edu
With a Copy to:	Nason Yeager Gerson White & Lioce, P.A. 3001 PGA Boulevard, Suite 305 Palm Beach Gardens, FL 33410 Attention: Michael D. Harris, Esq. Email: mharris@nasonyeager.com

or to such other address as any of them, by notice to the other may designate from time to time. Time shall be counted from the date of transmission.

(b) **Successors and Assigns**. This Note and the obligations hereunder shall inure to the benefit of and be binding upon the respective successors and assigns of the parties; provided, however, that neither party may assign any of its rights or obligations hereunder without the prior written consent of the other, except that the Lender may assign all or any portion of its rights hereunder to an affiliate of the Lender without such consent by giving written notice of such assignment to the Borrower. Assignment of all or any portion of this Note in violation of this Section 4(b) shall be null and void.

(c) **Amendment; Waiver**. No modification, amendment or waiver of any provision of this Note shall be effective unless in writing and approved by the Borrower and the Lender.

(d) **Setoff**. Upon the occurrence and during the continuation of any Event of Default, the Lender shall have the right, but not the obligation, to set off against this Note any monetary obligations owed by the Lender to the Borrower, if any.

(e) **No Third Party Beneficiaries**. Except as specifically set forth or referred to herein, nothing herein is intended or shall be construed to confer upon any person or entity other than the parties and their successors or assigns, any rights or remedies under or by reason of this Note.

(f) **Non-Waiver**. The parties' rights and remedies under this Note are cumulative and not alternative. Neither the failure nor any delay by any party in exercising any right, power or privilege under this Note will operate as a waiver of such right, power or privilege, and no single or partial exercise of any such right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver will be effective unless it is in writing and signed by an authorized representative of the waiving party. No waiver given will be applicable except in the specific instance for which it was given. No notice to or demand on a party will constitute a waiver of any obligation of such party or the right of the party giving such notice or demand to take further action without notice or demand as provided in this Note.

(g) **Excessive Charges**. Interest may not accrue under this Note in excess of the maximum interest rate allowed by applicable law. If the Lender receives interest payments at an interest rate in excess of the maximum interest rate allowed by applicable law, then the excess amount will be treated as being received on account of, and will automatically reduce, the Principal Amount then-outstanding under this Note, and if such excess amount exceeds the Principal Amount then-outstanding under this Note, then the Lender will refund to the Borrower the amount by which such excess exceeds the Principal Amount then-outstanding under this Note.

(h) **Severability**. If any court of competent jurisdiction holds any provision of this Note invalid or unenforceable, then the other provisions of this Note will remain in full force and effect. Any provision of this Note held invalid or unenforceable only in part or degree will remain in full force and effect to the extent not held invalid or unenforceable.

(i) **References**. The headings in this Note are provided for convenience only and will not affect the construction or interpretation of this Note. Unless otherwise provided, references to "Section(s)" refer to the corresponding section(s) of this Note.

(j) **Construction**. Both the Borrower and the Lender participated in the negotiation and drafting of this Note, assisted by such legal counsel as it desired, and contributed to its revisions. Any ambiguities with respect to any provision of this Note will be construed fairly as to both the Borrower and the Lender and not in favor of or against the Borrower or the Lender. All pronouns and any variation thereof will be construed to refer to such gender and number as the identity of the subject may require. The terms "include" and "including" indicate examples of a predicate word or clause and not a limitation on that word or clause. To the extent any provision of the Purchase Agreement conflicts with the provisions of this Note, the provisions of this Note will control.

(k) **Governing Law**. **This note is governed by the laws of the State of New York, without regard to conflict of laws principles**.

(l) **Consent to Jurisdiction**. Each of the Borrower and the Lender hereby (a) agrees to the exclusive jurisdiction of any state or federal court sitting in the City of New York, Borough of Manhattan, State of New York (and the appropriate appellate courts) with respect to any claim or cause of action arising under or relating to the Note, (b) waives any objection based on forum non conveniens and waives any objection to venue of any such suit, action or proceeding, (c) waives personal service of any and process upon it, and (d) consents that all services of process be made by registered or certified mail (postage prepaid, return receipt requested) directed to it at its address stated in this Note and service so made will be complete when received. Nothing in this Section (l) will affect the rights of the Borrower or the Lender to serve legal process in any other manner permitted by law.

(m) **Waiver of Trial by Jury**. **Each party hereby waives its right to a jury trial in connection with any suit, action or proceeding in connection with any matter relating to this note**.

[SIGNATURE PAGE IMMEDIATELY FOLLOWS]

The Borrower hereby signs this Note as of the date first written above.

BORROWER:

LINDEN FINANCE LLC

By: ______________________________

Name: ______________________________

Title: ______________________________

EXHIBIT 10.5

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the “Agreement”) entered into as of June 11, 2017 (the “Effective Date”), between Aspen Group, Inc., a Delaware corporation (the “Company”), and Cheri St. Arnauld, Ed. D (the “Executive”).

WHEREAS, in its business, the Company has acquired and developed certain trade secrets, including, but not limited to, academic curriculum processes and proceedings proprietary processes, sales methods and techniques, and other like confidential business and technical information, including but not limited to, technical information, design systems, pricing methods, pricing rates or discounts, processes, procedures, formulas, designs of computer software, or improvements, or any portion or phase thereof, whether patented, or not, or unpatentable, that is of any value whatsoever to the Company, as well as information relating to the Company’s Services (as defined), information concerning proposed new Services, market feasibility studies, proposed or existing marketing techniques or plans (whether developed or produced by the Company or by any other person or entity for the Company), other Confidential Information, as defined in Section 9(a), and information about the Company’s executives, officers, and directors, which necessarily will be communicated to the Executive by reason of her employment by the Company; and

WHEREAS, the Company has strong and legitimate business interests in preserving and protecting its investment in the Executive, its trade secrets and Confidential Information, and its substantial, significant, or key relationships with vendors and Students, as defined below, whether actual or prospective; and

WHEREAS, the Company desires to preserve and protect its legitimate business interests further by restricting competitive activities of the Executive during the term of this Agreement and for a reasonable time following the termination of this Agreement; and

WHEREAS, the Executive has a substantial employment, educational and experience background in the areas of expertise desired by the Company and will retain ownership and the right to use all prior-gained skills, insights, techniques and abilities which the Executive brings to this employment and nothing in this agreement will obligate the Executive to forfeit that or the right to make a living by use of these pre-developed abilities; and

WHEREAS, the Company desires to employ the Executive and to ensure the continued availability to the Company of the Executive’s services, and the Executive is willing to accept such employment and render such services, all upon and subject to the terms and conditions contained in this Agreement; and

WHEREAS, the Company represents to the Executive that it is and expects to be sufficiently financially solvent to meet the payment promises and obligations made to the Executive as set forth in this Agreement and understands that the Executive is relying on this representation in entering into this Agreement and her promises to the Company:

NOW, THEREFORE, in consideration of the premises and the mutual covenants set forth in this Agreement, and intending to be legally bound, the Company and the Executive agree as follows:

1. Representations and Warranties. The Executive hereby represents and warrants to the Company that she (i) is not subject to any non-solicitation or non-competition agreement affecting her employment with the Company (other than any prior agreement with the Company or an affiliate of the Company), (ii) is not subject to any confidentiality or nonuse/nondisclosure agreement affecting her employment with the Company (other than any prior agreement with the Company or an affiliate of the Company), and (iii) has brought to the Company no trade secrets, confidential business information, documents, or other personal property of a prior employer. The recitals above are incorporated in this Agreement as representations and covenants. Each party covenants to act in good faith in the discharge of this Agreement. This Agreement replaces the Employment Agreement, as amended, between Aspen University Inc. and the Executive.

2. Term of Employment.

(a) Term. The Company hereby employs the Executive, and the Executive hereby accepts employment with the Company for a period of three years commencing as of the Effective Date (such period, as it may be extended or renewed, the "Term"), unless sooner terminated in accordance with the provisions of Section 6. The Term shall be automatically renewed for successive one-year terms unless notice of non-renewal is given by either party at least 30 days before the end of the Term.

(b) Continuing Effect. Notwithstanding any termination of this Agreement, at the end of the Term or otherwise, the provisions of Sections 6(e), 7, 8, 9, 10, 12, 15, 18, 19, and 22 shall remain in full force and effect and the provisions of Section 9 shall be binding upon the legal representatives, successors and assigns of the Executive.

3. Duties.

(a) General Duties. The Executive shall serve as the Chief Academic Officer of the Company, with duties and responsibilities that are customary for such an executive. The Executive shall report to the Company's Chief Executive Officer. The Executive shall also perform services for subsidiaries and affiliates of the Company as may be necessary. The Executive shall use her best efforts to perform her duties and discharge her responsibilities pursuant to this Agreement competently, carefully and faithfully. In determining whether or not the Executive has used her best efforts hereunder, the Executive's and the Company's delegation of authority and all surrounding circumstances shall be taken into account and the best efforts of the Executive shall not be judged solely on the Company's earnings or other results of the Executive's performance, except as specifically provided to the contrary by this Agreement, and the determination shall in any event be reasonable and shall not be made arbitrarily or capriciously by Company. The Executive shall, if requested, serve as an officer of any subsidiaries of the Company.

(b) Devotion of Time. Subject to the last sentence of this Section 3(b), the Executive shall devote her full time, attention and energies to the affairs of the Company and its subsidiaries and affiliates as are necessary to perform her duties and responsibilities pursuant to this Agreement. The Executive shall have reasonable off-hours and off-duty times for personal use. The Executive shall not enter the employ of or serve as a consultant to, or in any way perform any services with or without compensation to, any other persons, business, or organization, without the prior consent of the Board of Directors of the Company (the "Board"). Notwithstanding the above, the Executive shall be permitted to devote a limited amount of her time, to rest and to Executive's personal, professional, charitable or similar pursuits and interests and to organizations, including serving as a non-executive director or an advisor to a board of directors, committee of any company or organization and the Executive shall have the right to continue the following personal pursuits to complete currently contracted work with students as well as agreements around her newly published book.

(c) Location of Office. The Executive's principal business office shall be in Scottsdale, Arizona; provided, however, that for an initial term in the discretion of the Board and estimated to be three months from the date hereof, the Executive shall work remotely from San Diego, California for purposes of supporting the Company's acquisition of United States University. The Executive's job responsibilities shall include all business travel necessary for the performance of her job, including Company-paid travel to and lodging to the Company's other office locations.

(d) Adherence to Inside Information Policies. The Executive acknowledges that the Company is publicly-held and, as a result, has implemented inside information policies designed to preclude its executives and those of its subsidiaries and affiliates from violating the federal securities laws by trading on material, non-public information or passing such information on to others in breach of any duty owed to the Company, or any third party. The Executive shall promptly execute any agreements generally distributed by the Company to its employees requiring such employees to abide by its inside information policies.

4. Compensation and Expenses.

(a) Salary. For the services of the Executive to be rendered under this Agreement, the Company shall pay the Executive an annual salary of $300,000 (the "Base_Salary"), less such deductions as shall be required to be withheld by applicable law and regulations payable in accordance with the Company's customary payroll practices.

(b) Target Bonus. For each fiscal year during the Term beginning May 1st and ending April 30th of the applicable fiscal year, the Executive shall have the opportunity to earn a bonus up to 30%, 66% or 100% of her then Base Salary (the "Target Bonus") as follows:

When the Company achieves annual Adjusted EBITDA (as defined below) at certain threshold levels (each, an "EBITDA Threshold"), the Executive shall receive an automatic cash bonus (the "Automatic Cash Bonus") equal to a percentage of her then Base Salary, and shall receive a grant of fully vested shares of the Company's common stock having an aggregate Fair Market Value (as such term is defined in the Company's 2012 Equity Incentive Plan, as amended) equal to a percentage of the Executive's then Base Salary (the "Automatic

Equity Bonus"). In addition, the Executive shall be eligible to receive an additional percentage of her then Base Salary as a cash bonus (the "Discretionary Cash Bonus") and an additional grant of fully vested shares of the Company's common stock having an aggregate Fair Market Value equal to a percentage of the Executive's then Base Salary (the "Discretionary Equity Bonus") based on the Board's determination that the Executive has achieved certain annual performance objectives established by the Board, based on the mutual agreement of the Chief Executive Officer and the Executive, at the beginning of each fiscal year.

The EBITDA Thresholds and corresponding bonus levels are set forth in the table below. For the avoidance of doubt, the Executive shall only be eligible to receive the bonuses associated with a single EBITDA Threshold; i.e., in the event the Company attains EBITDA Threshold (2), only the bonuses associated with EBITDA Threshold (2) below (and not the bonuses associated with EBITDA Threshold (1)) shall be applicable.

EBITDA Threshold	Automatic Cash Bonus	Automatic Equity Bonus	Discretionary Cash Bonus	Discretionary Equity Bonus
(1) $1,000,000 - $1,999,999	7.5%	7.5%	Up to 7.5%	Up to 7.5%
(2) $2,000,000 - $3,999,999	16.5%	16.5%	Up to 16.5%	Up to 16.5%
(3) $4,000,000 and over	25%	25%	Up to 25%	Up to 25%

<u>Provided</u>, <u>however</u>, that the earning of the Automatic Cash Bonus is subject to the Company having at least $2,000,000 in available cash after deducting the Target Bonus paid to all executive officers of the Company or its subsidiaries under the same Target Bonus formula pursuant to such executives' employment agreements (the "Cash Threshold") and the Executive continuing to provide services under this Agreement on the applicable Target Bonus determination date. If the Company is unable to pay the Automatic Cash Bonus as a result of not meeting the Cash Threshold, no Automatic Cash Bonus will be earned for that fiscal year. As used in this Agreement, Adjusted EBITDA is calculated as earnings (or loss) from continuing operations before preferred dividends, interest expense, income taxes, collateral valuation adjustment, bad debt expense, depreciation and amortization, and amortization of stock-based compensation; however, if Adjusted EBITDA shall be defined differently in any filing of the Company with the Securities and Exchange Commission subsequent to the date of this Agreement, then Adjusted EBITDA shall thereafter be defined in accordance with the definition most recently set forth in any such filing at each Target Bonus determination date.

(c) Equity Incentive Compensation. The Company has granted the Executive the following, subject to commencing employment: 70,000 stock options (exercisable at $4.90 per share) which shall vest in three approximately equal increments (with fractional shares rounded up for the first period and rounded down for the remaining periods) on May 13, 2018, 2019 and 2020; and 30,000 options (exercisable at $6.28 per share) which shall vest quarterly over a three-year period in twelve equal quarterly increments with the first vesting date being on September 11, 2017, subject to continued service as an employee of the Company on each applicable vesting date.

All of the options shall be subject to the terms of the Company's 2012 Equity Incentive Plan (the "Incentive Plan") and will be exercisable for a period of five years from the date of this Agreement provided that they are vested at time of exercise. The exercisability of the options shall be subject to the execution of the Company's standard option agreement which is attached as Exhibit A.

(d) Expenses. The Company will pay expenses related to a house or apartment in the San Diego, California area not to exceed $8,000 per month without the consent of the Company Chief Executive Officer and reimburse her for her additional automobile expenses during the course of her temporary assignment during the months of July – September, 2017. In addition to any compensation received pursuant to this Section 4, the Company will reimburse or advance funds to the Executive for all reasonable documented travel, meals and lodging (including travel expenses incurred by the Executive related to her travel between Arizona and California, to the Company's other offices and on business missions for the Company), entertainment and miscellaneous expenses incurred in connection with the performance of her duties under this Agreement, provided that the Executive properly provides a written accounting of such expenses to the Company in accordance with the Company's practices. Such reimbursement or advances will be made in accordance with policies and procedures of the Company in effect from time to time relating to reimbursement of, or advances to, its executive officers, except that no policy shall change the terms of this Agreement.

(e) Discretionary Bonus. During the term of the Agreement, the Compensation Committee shall have the discretion to award the Executive a bonus, in cash or the Company's common stock, based upon the Executive's job performance, the Company's revenue growth or any other factors as determined by the Compensation Committee.

5. Benefits.

(a) Paid Time Off. For each 12-month period during the Term, the Executive shall be entitled to three weeks of Paid Time Off without loss of compensation or other benefits to which she is entitled under this Agreement, to be taken at such times as the Executive may select and the affairs of the Company may permit. Any unused days will be carried over to the next 12-month period.

(b) Employee Benefit Programs. The Executive is entitled to participate in any pension, 401(k), insurance or other employee benefit plan that is maintained by the Company for its executives, including programs of life insurance and reimbursement of membership fees in professional organizations. The Company will also provide health insurance covering the Executive and family dependents. The benefits provided to the Executive may not be less than the Company provides to any of its executive employees.

6. Termination.

(a) Death or Disability. Except as otherwise provided in this Agreement, this Agreement shall automatically terminate upon the death or disability of the Executive. For purposes of this Section 6(a), "disability" shall mean (i) the Executive is unable to engage in her customary duties by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for a continuous period of not less than 12 months; (ii) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death, or last for continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company; or (iii) the Executive is determined to be totally disabled by the Social Security Administration. Any question as to the existence of a disability shall be determined by the written opinion of the Executive's regularly attending physician (or her guardian) (or the Social Security Administration, where applicable). In the event that the Executive's employment is terminated by reason of Executive's death or disability, the Company shall pay the following to the Executive or her personal representative: (i) any accrued but unpaid Base Salary for services rendered to the date of termination, (ii) any accrued but unpaid expenses required to be reimbursed under this Agreement, (iii) any earned but unpaid bonuses, and (iv) all equity awards previously granted to the Executive under the Incentive Plan or similar plan shall thereupon become fully vested, and the Executive or her legally appointed guardian, as the case may be, shall have up to three months from the date of termination (or one year from the date of death) to exercise all such previously granted options, provided that in no event shall any option be exercisable beyond its term.

(b) Termination by the Company for Cause or by the Executive Without Good Reason . The Company may terminate the Executive's employment pursuant to the terms of this Agreement at any time for Cause (as defined below) by giving the Executive written notice of termination. Such termination shall become effective upon the giving of such notice. Upon any such termination for Cause, or in the event the Executive terminates her employment with the Company without Good Reason (as defined in Section 6(c)), then the Executive shall have no right to compensation, or reimbursement under Section 4, or to participate in any Executive benefit programs under Section 5, except for payments and benefits accrued up to the time of the termination and except as may otherwise be provided for by law, for any period subsequent to the effective date of termination. For purposes of this Agreement, "Cause" shall mean: (i) the Executive is convicted of, or pleads guilty or nolo contendere to, a felony related to the business of the Company; (ii) the Executive, in carrying out her duties hereunder, has acted with gross negligence or intentional misconduct resulting, in any case, in harm to the Company; (iii) the Executive misappropriates Company funds or otherwise defrauds the Company; (iv) the Executive breaches her fiduciary duty to the Company resulting in profit to her, directly or indirectly; (v) the Executive materially breaches any written agreement with the Company and fails to cure such breach within 10 days of receipt of notice, unless the act is incapable of being cured; (vi) the Executive breaches any provision of Section 8 or Section 9; (vii) the Executive becomes subject to a preliminary or permanent injunction issued by a United States District

Court enjoining the Executive from violating any securities law administered or regulated by the Securities and Exchange Commission; (viii) the Executive becomes subject to a cease and desist order or other order issued by the Securities and Exchange Commission after an opportunity for a hearing; (ix) the Executive refuses to carry out a resolution adopted by the Company's Board at a meeting in which the Executive was offered a reasonable opportunity to argue that the resolution should not be adopted, provided that the resolution did not direct the Executive to act or refrain from acting in a manner which is contrary to this Agreement, is unlawful or would expose the Executive to regulatory, civil or criminal liability; or (x) the Executive abuses alcohol or drugs in a manner that interferes with the successful performance of her duties. Any termination made by the Company under this Agreement shall be approved by the Board.

(c) Other Termination.

(1) This Agreement may be terminated: (i) by the Executive for Good Reason (as defined below), (ii) by the Company without Cause, (iii) upon any Change of Control event as defined in Treasury Regulation Section 1.409A-3(i)(5) provided, that, within 12 months of the Change of Control event (A) the Company terminates the Executives employment or changes her title as Chief Academic Officer, or (B) the Executive terminate her employment or (iv) at the end of a Term after the Company provides the Executive with notice of non-renewal.

(2) In the event this Agreement is terminated by the Executive for Good Reason or by the Company "without Cause", the Executive shall be entitled to the following:

(A) any accrued but unpaid Base Salary for services rendered to the date of termination;

(B) any accrued but unpaid expenses required to be reimbursed under this Agreement;

(C) a payment equal to six months of the then Base Salary ("Severance Amount");

(D) the Executive or her legally appointed guardian, as the case may be, shall have up to three months from the date of termination to exercise all such previously granted options, provided that in no event shall any option be exercisable beyond its Term;

(E) any benefits (except perquisites) to which the Executive was entitled pursuant to Section 5(b) hereof shall continue to be paid or provided by the Company, as the case may be, for three months, subject to the terms of any applicable plan or insurance contract and applicable law provided that such benefits are exempt from Section 409A of the Code by reason of Treasury Regulation 1.409A-1(a)(5) or otherwise. In the event all or a portion of the benefits to which the Executive was entitled pursuant to Section 5(b) hereof are subject to 409A of the Code, the Executive shall not be entitled to the benefits that are subject to Section 409A of the Code subsequent to the "applicable 2 ½ month period" (as such term is defined under Treasury Regulation Section 1.409A-1(b)(4)(i)(A)).

(3) In the event of a Change of Control during the Term subject to the termination of employment as outlined in section 6(c)91), the Executive shall be entitled to receive each of the provisions of Section 6(c)(2)(A) – (E) above except the Severance Amount shall be equal to three months of the then Base Salary and the benefits under Section 6(c)(2)(E) shall continue for a three month period provided that such benefits are exempt from Section 409A of the Code by reason of Treasury Regulation 1.409A-1(a)(5) or otherwise. In the event all or a portion of the benefits under Section 6(c)(2)(E) are subject to 409A of the Code, the Executive shall not be entitled to the benefits that are subject to Section 409A of the Code subsequent to the "applicable 2 ½ month period" (as such term is defined under Treasury Regulation Section 1.409A-1(b)(4)(i)(A)).

(4) In the event this Agreement is terminated at the end of a Term after the Company provides the Executive with notice of non-renewal and the Executive remains employed until the end of the Term, the Executive shall be entitled to the following:

(A) any accrued but unpaid Base Salary for services rendered to the date of termination;

(B) any accrued but unpaid expenses required to be reimbursed under this Agreement;

(C) the Executive or her legally appointed guardian, as the case may be, shall have up to three months from the date of termination to exercise all such previously granted options, provided that in no event shall any option be exercisable beyond its Term; and

(5) In the event of a termination for Good Reason or without Cause, the payment of the Severance Amount shall be made at the same times as the Company pays compensation to its employees over the applicable monthly period and any other payments owed under Section 6(c) shall be promptly paid. Provided, however, that any balance of the Severance Amount remaining due on the "applicable 2 ½ month period" (as such term is defined under Treasury Regulation Section 1.409A-1(b)(4)(i)(A)) after the end of the tax year in which the Executive's employment is terminated or the Term ends shall be paid on the last day of the applicable 2 ½ month period. The payment of the Severance Amount shall be conditioned on the Executive signing an Agreement and General Release (in the form which is attached as Exhibit B) which releases the Company or any of its affiliates (including its officers, directors and their affiliates) from any liability under this Agreement or related to the Executive's employment with the Company provided that (x) the payment of the Severance Amount is made on or before the 90th day following the Executive's termination of employment; (y) such Agreement and General Release is executed by the Executive, submitted to the Company, and the statutory period during which the Executive is entitled to revoke the Agreement and General Release under applicable law has expired on or before that 90th day; and (z) in the event that the 90 day period begins in one taxable year and ends in a second taxable year, then the payment of the Severance Amount

shall be made in the second taxable year. Upon any Change of Control event, all payments owed under Section 6(c)(3) shall be paid immediately.

The term "Good Reason" shall mean: (i) a material diminution in the Executive's authority, duties or responsibilities due to no fault of the Executive other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law (unless the Executive has agreed to such diminution); (ii) the Company no longer maintains an office in the metropolitan Phoenix, Arizona area or (iii) any other action or inaction that constitutes a material breach by the Company under this Agreement. Prior to the Executive terminating her employment with the Company for Good Reason, the Executive must provide written notice to the Company, within 30 days following the Executive's initial awareness of the existence of such condition, that such Good Reason exists and setting forth in detail the grounds the Executive believes constitutes Good Reason. If the Company does not cure the condition(s) constituting Good Reason within 30 days following receipt of such notice, then the Executive's employment shall be deemed terminated for Good Reason.

(d) Upon (1) voluntary or involuntary termination of the Executive's employment or (2) at the Company's request at any time during the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property, including keys, key cards, access cards, security devices, employer credit cards, network access devices, computers, cell phones, smartphones, manuals, work product, thumb drives or other removable information storage devices, and hard drives, and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or work product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with her employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the Executive's possession or control, including those stored on any non-Company devices, networks, storage locations and media in the Executive's possession or control.

7. Indemnification. The Company shall indemnify the Executive, to the maximum extent permitted by applicable law against all costs, charges and expenses incurred or sustained by her in connection with any action, suit or proceeding to which he may be made a party by reason of her being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company. This indemnification shall be pursuant to an Indemnification Agreement, a copy of which is annexed as Exhibit C.

8. Non-Competition Agreement.

(a) Competition with the Company. Until termination of her employment, unless she is terminated by the Company without Cause or if the Company breaches this Agreement and the Company fails to cure the breach within 10 days after receipt of notice, and for a period of one year commencing on the date of any other termination, the Executive (individually or in association with, or as a shareholder, director, officer, consultant, employee, partner, joint venturer, member, or otherwise, of or through any person, firm, corporation, partnership, association or other entity) shall not, directly or indirectly, compete with the

Company (which for the purpose of this Agreement also includes any of its subsidiaries or affiliates) by acting as an employee or officer (or comparable position) of, owning an interest in, or providing services substantially similar to those services the Executive provided to the Company to any entity within any metropolitan area in the United States or other country in which the Company was actually engaged in business as of the time of termination of employment or where the Company reasonably expected to engage in business within three months of the date of termination of employment. For purposes of this Agreement, the term "compete with the Company" shall refer to any business activity in which the Company was engaged as of the termination of the Executive's employment or reasonably expected to engage in within three months of termination of employment; provided, however, the foregoing shall not prevent the Executive from (i) accepting employment with an enterprise engaged in two or more lines of business, one of which is the same or similar to the Company's business (the "Prohibited Business") if the Executive's employment is totally unrelated to the Prohibited Business, (ii) competing in a country where as of the time of the alleged violation the Company has ceased engaging in business, or (iii) competing in a line of business which as of the time of the alleged violation the Company has either ceased engaging in or publicly announced or disclosed that it intends to cease engaging in; provided, further, the foregoing shall not prohibit the Executive from owning up to 5% of the securities of any publicly-traded enterprise provided that the Executive is not a director, officer, consultant, employee, partner, joint venturer, manager, or member of, or to such enterprise, or otherwise compensated for services rendered thereby.

(b) Solicitation of Students. During the periods in which the provisions of Section 8(a) shall be in effect, the Executive, directly or indirectly, will not seek nor accept Prohibited Business from any Students (as defined below) on behalf of herself or any enterprise or business other than the Company, refer Prohibited Business from any Student to any enterprise or business other than the Company or receive commissions based on sales or otherwise relating to the Prohibited Business from any Student, or any enterprise or business other than the Company. For purposes of this Agreement, the term "Student" means any person who enrolled in an online university or school which is a subsidiary of the Company as a student during the 24-month period prior to the time at which any determination is required to be made as to whether any such person is a Student.

(c) Solicitation of Employees. During the period in which the provisions of Section 8(a) and (b) shall be in effect, the Executive agrees that she shall not, directly or indirectly, request, recommend or advise any employee of the Company to terminate his or her employment with the Company, for the purposes of providing services for a Prohibited Business, or solicit for employment or recommend to any third party the solicitation for employment of any individual who was employed by the Company or any of its subsidiaries and affiliates at any time during the one year period preceding the Executive's termination of employment.

(d) Non-disparagement. The Executive agrees that, after the end of her employment, she will refrain from making, directly or indirectly, in writing or orally, any unfavorable comments about the Company, its operations, policies, or procedures that would be likely to injure the Company's reputation or business prospects; provided, however, that nothing herein shall preclude the Executive from responding truthfully to a lawful subpoena or other compulsory legal process or from providing truthful information otherwise required by law.

(e) No Payment. The Executive acknowledges and agrees that no separate or additional payment will be required to be made to her in consideration of her undertakings in this Section 8, and confirms she has received adequate consideration for such undertakings, provided the Company has not breached this Agreement.

(f) References. References to the Company in this Section 8 shall include the Company's subsidiaries and affiliates.

9. Non-Disclosure of Confidential Information .

(a) For purposes of this Agreement, "Confidential Information" excludes the skills, experience, education and abilities the Executive brings to this employment with her, but includes, but is not limited to, trade secrets, processes, policies, procedures, techniques, designs, drawings, show-how, technical information, specifications, computer software and source code, information and data relating to the development, research, testing, costs, marketing, and uses of the Services (as defined herein), the Company's budgets and strategic plans, and the identity and special needs of Students, vendors, and suppliers, subjects and databases, data, and all technology relating to the Company's businesses, systems, methods of operation, and Student lists, Student information, solicitation leads, marketing and advertising materials, methods and manuals and forms, all of which pertain to the activities or operations of the Company, the names, home addresses and all telephone numbers and e-mail addresses of the Company's directors, employees, officers, executives, former executives, Students and former Students. Confidential Information also includes, without limitation, Confidential Information received from the Company's subsidiaries and affiliates. For purposes of this Agreement, the following will not constitute Confidential Information (i) information which is or subsequently becomes generally available to the public through no act or fault of the Executive, (ii) information set forth in the written records of the Executive prior to disclosure to the Executive by or on behalf of the Company which information is given to the Company in writing as of or prior to the date of this Agreement, and (iii) information which is lawfully obtained by the Executive in writing from a third party (excluding any affiliates of the Executive) who lawfully acquired the confidential information and who did not acquire such confidential information or trade secret, directly or indirectly, from the Executive or the Company or its subsidiaries or affiliates and who has not breached any duty of confidentiality. As used herein, the term "Services" shall include all services offered for sale and marketed by the Company during the Term, which as of the Effective Date consist of operating an online university in compliance with all applicable regulatory requirements.

(b) Legitimate Business Interests. The Executive recognizes that the Company has legitimate business interests to protect and as a consequence, the Executive agrees to the restrictions contained in this Agreement because they further the Company's legitimate business interests. These legitimate business interests include, but are not limited to (i) trade secrets; (ii) valuable confidential business, technical, and/or professional information that otherwise may not qualify as trade secrets, including, but not limited to, all Confidential Information; (iii) substantial, significant, or key relationships with specific prospective or existing Students, vendors or suppliers; (iv) Student goodwill associated with the Company's business; and (v) specialized training relating to the Company's technology, Services, methods, operations and procedures. Notwithstanding the foregoing, nothing in this Section 9(b) shall be construed to impose restrictions greater than those imposed by other provisions of this Agreement.

(c) Confidentiality. During the Term of this Agreement and following termination of employment, for any reason, the Confidential Information shall be held by the Executive in the strictest confidence and shall not, without the prior express written consent of the Company, be disclosed to any person other than in connection with the Executive's employment by the Company. The Executive further acknowledges that such Confidential Information as is acquired and used by the Company or its subsidiaries or affiliates is a special, valuable and unique asset. The Executive shall exercise all due and diligent precautions to protect the integrity of the Company's Confidential Information and to keep it confidential whether it is in written form, on electronic media, oral, or otherwise. The Executive shall not copy any Confidential Information except to the extent necessary to her employment nor remove any Confidential Information or copies thereof from the Company's premises except to the extent necessary to her employment. All records, files, materials and other Confidential Information obtained by the Executive in the course of her employment with the Company are confidential and proprietary and shall remain the exclusive property of the Company, its Students. The Executive shall not, except in connection with and as required by her performance of her duties under this Agreement, for any reason use for her own benefit or the benefit of any person or entity other than the Company or disclose any such Confidential Information to any person, firm, corporation, association or other entity for any reason or purpose whatsoever without the prior express written consent of an executive officer of the Company (excluding the Executive).

(d) References. References to the Company in this Section 9 shall include the Company's subsidiaries and affiliates.

(e) Whistleblowing. Nothing contained in this Agreement shall be construed to prevent the Executive from reporting any act or failure to act to the SEC or other governmental body or prevent the Executive from obtaining a fee as a "whistleblower" under Rule 21F-17(a) under the Securities and Exchange Act of 1934 or other rules or regulations implemented under the Dodd-Frank Wall Street Reform Act and Consumer Protection Act.

10. Equitable Relief.

(a) The Company and the Executive recognize that the services to be rendered under this Agreement by the Executive are special, unique and of extraordinary character, and that in the event of the breach by the Executive of the terms and conditions of this Agreement or if the Executive, without the prior express consent of the Board, shall leave her employment for any reason and/or take any action in violation of Section 8 and/or Section 9, the Company shall be entitled to institute and prosecute proceedings in any court of competent jurisdiction referred to in Section 10(b) below, to enjoin the Executive from breaching the provisions of Section 8 and/or Section 9.

(b) Any action must be commenced only in the appropriate state or federal court located in Phoenix, Arizona. The Executive and the Company irrevocably and unconditionally submit to the exclusive jurisdiction of such courts and agree to take any and all future action necessary to submit to the jurisdiction of such courts. The Executive and the Company irrevocably waive any objection that they now have or hereafter may have to the laying of venue of any suit, action or proceeding brought in any such court and further irrevocably waive any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum. Final judgment against the Executive or the Company in any such suit shall be conclusive and may be enforced in other jurisdictions by suit on the judgment, a certified or true copy of which shall be conclusive evidence of the fact and the amount of any liability of the Executive or the Company therein described, or by appropriate proceedings under any applicable treaty or otherwise.

11. Conflicts of Interest. While employed by the Company, the Executive shall not, unless approved by the Compensation Committee, directly or indirectly:

(a) participate as an individual in any way in the benefits of transactions with any of the Company's vendors or Students, including, without limitation, having a financial interest in the Company's vendors or Students, or making loans to, or receiving loans, from, the Company's vendors or Students, or subjects;

(b) realize a personal gain or advantage from a transaction in which the Company has an interest or use information obtained in connection with the Executive's employment with the Company for the Executive's personal advantage or gain; or

(c) accept any offer to serve as an officer, director, partner, consultant, manager with, or to be employed in a professional, technical, or managerial capacity by, a person or entity which does business with the Company.

12. Inventions, Ideas, Processes, and Designs. Except for the scope of pre-existing knowledge which the Executive has prior to commencement of employment with the Company, all inventions, ideas, processes, programs, software, and designs (including all improvements) (i) conceived or made by the Executive during the course of her employment with the Company (whether or not actually conceived during regular business hours) and for a period of six months subsequent to the termination (whether by expiration of the Term or otherwise) of such employment with the Company, and (ii) related to the business of the Company, shall be disclosed in writing promptly to the Company and shall be the sole and exclusive property of the Company, and the Executive hereby assigns any such inventions to the Company. An invention, idea, process, program, software, or design (including an improvement) shall be deemed related to the business of the Company if (a) it was made with the Company's funds, personnel, equipment, supplies, facilities, or Confidential Information, (b) results from work performed by the Executive for the Company, or (c) pertains to the current business or demonstrably anticipated research or development work of the Company. The Executive shall cooperate with the Company and its attorneys in the preparation of patent and copyright applications for such developments and, upon request, shall promptly assign all such inventions, ideas, processes, and designs to the Company. The decision to file for patent or copyright protection or to maintain such development as a trade secret, or otherwise, shall be in the sole discretion of the Company, and the Executive shall be bound by such decision. The Executive hereby irrevocably assigns to the Company, for no additional consideration, the Executive's entire right, title and interest in and to all work product and intellectual property rights, including the right to sue, counterclaim

and recover for all past, present and future infringement, misappropriation or dilution thereof, and all rights corresponding thereto throughout the world. Nothing contained in this Agreement shall be construed to reduce or limit the Company's rights, title or interest in any work product or intellectual property rights so as to be less in any respect than the Company would have had in the absence of this Agreement. If applicable, the Executive shall provide as a schedule to this Agreement, a complete list of all inventions, ideas, processes, and designs, if any, patented or unpatented, copyrighted or otherwise, or non-copyrighted, including a brief description, which she made or conceived prior to her employment with the Company and which therefore are excluded from the scope of this Agreement. References to the Company in this Section 12 shall include the Company, its subsidiaries and affiliates.

13. Indebtedness. If, during the course of the Executive's employment under this Agreement, the Executive becomes indebted to the Company for any reason, the Company may, if it so elects, and if permitted by applicable law, set off any sum due to the Company from the Executive and collect any remaining balance from the Executive unless the Executive has entered into a written agreement with the Company.

14. Assignability. With written notice to the Executive, the rights and obligations of the Company under this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the Company, provided that such successor or assign shall acquire all or substantially all of the securities or assets and business of the Company. The Executive's obligations hereunder may not be assigned or alienated and any attempt to do so by the Executive will be void.

15. Severability.

(a) The Executive expressly agrees that the character, duration and geographical scope of the non-competition provisions set forth in this Agreement are reasonable in light of the circumstances as they exist on the date hereof. Should a decision, however, be made at a later date by a court of competent jurisdiction that the character, duration or geographical scope of such provisions is unreasonable, then it is the intention and the agreement of the Executive and the Company that this Agreement shall be construed by the court in such a manner as to impose only those restrictions on the Executive's conduct that are reasonable in the light of the circumstances and as are necessary to assure to the Company the benefits of this Agreement. If, in any judicial proceeding, a court shall refuse to enforce all of the separate covenants deemed included herein because taken together they are more extensive than necessary to assure to the Company the intended benefits of this Agreement, it is expressly understood and agreed by the parties hereto that the provisions of this Agreement that, if eliminated, would permit the remaining separate provisions to be enforced in such proceeding shall be deemed eliminated, for the purposes of such proceeding, from this Agreement.

(b) If any provision of this Agreement otherwise is deemed to be invalid or unenforceable or is prohibited by the laws of the state or jurisdiction where it is to be performed, this Agreement shall be considered divisible as to such provision and such provision shall be inoperative in such state or jurisdiction and shall not be part of the consideration moving from either of the parties to the other. The remaining provisions of this Agreement shall be valid and binding and of like effect as though such provisions were not included.

16. Notices and Addresses. All notices, offers, acceptance and any other acts under this Agreement (except payment) shall be in writing, and shall be sufficiently given if delivered to the addressees in person, by FedEx or similar receipted delivery, or next business day delivery to the addresses detailed below (or to such other address, as either of them, by notice to the other may designate from time to time), or by e-mail delivery (in which event a copy shall immediately be sent by FedEx or similar receipted delivery), as follows:

To the Company:	Michael Mathews Chief Executive Officer Aspen Group, Inc. 46 East 21st Street, 3rd Floor New York, NY 10010 Email: michael.mathews@aspen.edu
With a copy to:	Nason, Yeager, Gerson White & Lioce, P.A. Attn: Michael D. Harris, Esq. 3001 PGA Blvd., Suite 305 Palm Beach Gardens, Florida 33410 Email: mharris@nasonyeager.com
To the Executive:	Cheri St. Arnauld 11811 N Tatum Blvd. #4000 Phoenix, AZ 85028 Email: carnauld@cox.net

17. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The execution of this Agreement may be by actual or facsimile signature.

18. Attorneys' Fees. In the event that there is any controversy or claim arising out of or relating to this Agreement, or to the interpretation, breach or enforcement thereof, and any action or proceeding is commenced to enforce the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees, costs and expenses (including such fees and costs on appeal).

19. Governing Law. This Agreement shall be governed or interpreted according to the internal laws of the State of Delaware without regard to choice of law considerations and all claims relating to or arising out of this Agreement, or the breach thereof, whether sounding in contract, tort, or otherwise, shall also be governed by the laws of the State of Arizona without regard to choice of law considerations.

20. Entire Agreement. This Agreement constitutes the entire Agreement between the parties and supersedes all prior oral and written agreements between the parties hereto with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, except by a statement in writing signed by the party or parties against which enforcement or the change, waiver discharge or termination is sought.

21. Section and Paragraph Headings. The section and paragraph headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

22. Section 409A Compliance.

(a) This Agreement is intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended ("Section 409A"), or an exemption thereunder. This Agreement shall be construed and administered in accordance with Section 409A. Notwithstanding any other provision of this Agreement to the contrary, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service (including a voluntary separation from service for good reason that is considered an involuntary separation for purposes of the separation pay exception under Treasury Regulation 1.409A-1(n)(2)) or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest, or other expenses that may be incurred by the Executive on account of non-compliance with Section 409A.

(b) Notwithstanding any other provision of this Agreement, if at the time of the Executive's termination of employment, the Executive is a "specified employee", determined in accordance with Section 409A, any payments and benefits provided under this Agreement that constitute "nonqualified deferred compensation" subject to Section 409A (e.g., payments and benefits that do not qualify as a short-term deferral or as a separation pay exception) that are provided to the Executive on account of the Executive's separation from service shall not be paid until the first payroll date to occur following the six-month anniversary of the Executive's termination date ("Specified Employee Payment Date"). The aggregate amount of any payments that would otherwise have been made during such six-month period shall be paid in a lump sum on the Specified Employee Payment Date without interest and thereafter, any remaining payments shall be paid without delay in accordance with their original schedule. If the Executive dies during the six-month period, any delayed payments shall be paid to the Executive's estate in a lump sum upon the Executive's death.

(c) To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(i) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(ii) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year following the calendar year in which the expense was incurred; and

(iii) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

(d) In the event the Company determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code at the time of the Executive's separation from service, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive's separation from service would be considered deferred compensation subject to Section 409A as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (i) six months and one day after the Executive's separation from service, or (ii) the Executive's death (the "Six Month Delay Rule").

(i) For purposes of this subparagraph, amounts payable under the Agreement should not provide for a deferral of compensation subject to Section 409A to the extent provided in Treasury Regulation Section 1.409A-1(b)(4) (e.g., short-term deferrals), Treasury Regulation Section 1.409A-1(b)(9) (e.g., separation pay plans, including the exception under subparagraph (iii)), and other applicable provisions of the Treasury Regulations.

(ii) To the extent that the Six Month Delay Rule applies to payments otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of the Six Month Delay Rule, and the balance of the installments shall be payable in accordance with their original schedule.

(iii) To the extent that the Six Month Delay Rule applies to the provision of benefits (including, but not limited to, life insurance and medical insurance), such benefit coverage shall nonetheless be provided to the Executive during the first six months following her separation from service (the "Six Month Period"), provided that, during such Six-Month Period, the Executive pays to the Company, on a monthly basis in advance, an amount equal to the Monthly Cost (as defined below) of such benefit coverage. The Company shall reimburse the Executive for any such payments made by the Executive in a lump sum not later than 30 days following the six-month anniversary of the Executive's separation from service. For purposes of this subparagraph, "Monthly Cost" means the minimum dollar amount which, if paid by the Executive on a monthly basis in advance, results in the Executive not being required to recognize any federal income tax on receipt of the benefit coverage during the Six Month Period.

(e) The parties intend that this Agreement will be administered in accordance with Section 409A. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section

409A and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(f) The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A but do not satisfy an exemption from, or the conditions of, such Section.

[Signature Page To Follow]

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the date and year first above written.

Aspen Group, Inc.

By: ____________________________

Michael Mathews,
Chief Executive Officer

Executive:

____

Cheri St. Arnauld

EXHIBIT 21.1

SUBSIDIARIES

Aspen University, Inc., a Delaware corporation

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 previously filed on December 13, 2016, of our report dated July 25, 2017 on the consolidated financial statements of Aspen Group, Inc. and Subsidiaries as of and for the years ended April 30, 2017 and 2016, which report is included in this Annual Report on Form 10-K of Aspen Group, Inc. for the year ended April 30, 2017.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.
Boca Raton, Florida
July 25, 2017

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) 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: July 25, 2017

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

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Janet Gill, 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) 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: July 25, 2017

/s/ Janet Gill

Janet Gill
Chief Financial Officer
(Principal Financial Officer)

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, 2017, 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 annual 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 annual 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: July 25, 2017

In connection with the annual report of Aspen Group, Inc. (the “Company”) on Form 10-K for the fiscal year ended April 30, 2017, 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 annual 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 annual 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: July 25, 2017