

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **January 31, 2015**

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

(State or other jurisdiction of incorporation or organization)

27-1933597

(I.R.S. Employer Identification No.)

720 South Colorado Boulevard, Suite 1150N

Denver, CO

(Address of principal executive offices)

80246

(Zip Code)

Registrants telephone number: **(303) 333-4224**

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 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting 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

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

Class Common Stock, \$0.001 par value per share Outstanding as of March 10, 2015 113,098,156 shares

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS**

	<u>January 31,</u> <u>2015</u>	<u>April 30,</u> <u>2014</u>
	<u>(Unaudited)</u>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,158,339	\$ 247,380
Restricted cash	888,225	868,298
Accounts receivable, net of allowance of \$241,027 and \$221,537, respectively	888,499	649,890
Prepaid expenses	66,019	45,884
Net assets from discontinued operations (Note 1)	—	5,250
Total current assets	<u>3,001,082</u>	<u>1,816,702</u>
Property and equipment:		
Call center equipment	132,798	122,653
Computer and office equipment	73,286	66,118
Furniture and fixtures	42,698	36,446
Library (online)	100,000	100,000
Software	<u>2,147,783</u>	<u>1,894,215</u>
	2,496,565	2,219,432
Less accumulated depreciation and amortization	<u>(1,268,502)</u>	<u>(938,703)</u>
Total property and equipment, net	1,228,063	1,280,729
Courseware, net	158,280	108,882
Accounts receivable, secured - related party, net of allowance of \$625,962, and \$625,962, respectively	146,831	146,831
Debt issuance costs, net	—	205,515
Other assets	<u>26,678</u>	<u>25,181</u>
Total assets	<u>\$ 4,560,934</u>	<u>\$ 3,583,840</u>

(Continued)

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

	<u>January 31,</u> <u>2015</u>	<u>April 30,</u> <u>2014</u>
	<u>(Unaudited)</u>	
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable	\$ 458,997	\$ 454,783
Accrued expenses	223,072	144,466
Deferred revenue	716,642	653,518
Refunds Due Students	373,161	288,121
Deferred rent, current portion	11,750	13,699
Convertible notes payable, current portion	50,000	175,000
Debtore payable, net of discounts of \$0 and \$452,771	—	1,787,229
Total current liabilities	<u>1,833,622</u>	<u>3,516,816</u>
Line of credit	243,989	244,175
Loan payable officer - related party	1,000,000	1,000,000
Convertible notes payable - related party	600,000	600,000
Deferred rent	—	7,751
Total liabilities	<u>3,677,611</u>	<u>5,368,742</u>
Commitments and contingencies - See Note 8		
Stockholders' equity (deficiency):		
Common stock, \$0.001 par value; 250,000,000 shares authorized, 113,298,156 issued and 113,098,156 outstanding at January 31, 2015, 73,414,478 issued and 73,214,478 outstanding at April 30, 2014	113,298	73,414
Additional paid-in capital	22,170,190	16,302,118
Treasury stock (200,000 shares)	(70,000)	(70,000)
Accumulated deficit	<u>(21,330,165)</u>	<u>(18,090,434)</u>
Total stockholders' equity (deficiency)	<u>883,323</u>	<u>(1,784,902)</u>
Total liabilities and stockholders' equity (deficiency)	<u>\$ 4,560,934</u>	<u>\$ 3,583,840</u>

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2015	2014	2015	2014
Revenues	\$ 1,286,138	\$ 1,002,167	\$ 3,670,245	\$ 2,817,497
Operating expenses				
Cost of revenues (exclusive of depreciation and amortization shown separately below)	662,368	500,311	1,524,793	1,390,444
General and administrative	1,701,871	1,752,717	4,160,978	4,866,498
Receivable collateral valuation reserve	—	123,647	—	123,647
Depreciation and amortization	133,966	121,904	389,706	350,990
Total operating expenses	2,498,205	2,498,579	6,075,477	6,731,579
Operating loss from continuing operations	(1,212,067)	(1,496,412)	(2,405,232)	(3,914,082)
Other income (expense):				
Other income	2,277	136	7,157	750
Loss on Debt Extinguishment	—	—	(452,503)	—
Interest expense	(34,532)	(260,062)	(389,153)	(398,916)
Total other expense, net	(32,255)	(259,926)	(834,499)	(398,166)
Loss from continuing operations before income taxes	(1,244,322)	(1,756,338)	(3,239,731)	(4,312,248)
Income tax expense (benefit)	—	—	—	—
Loss from continuing operations	(1,244,322)	(1,756,338)	(3,239,731)	(4,312,248)
Discontinued operations (Note 1)				
Income from discontinued operations, net of income taxes	—	29,751	—	84,663
Net loss	\$ (1,244,322)	\$ (1,726,587)	\$ (3,239,731)	\$ (4,227,585)
Loss per share from continuing operations - basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.07)
Income per share from discontinued operations - basic and diluted	\$ —	\$ 0.00	\$ —	\$ 0.00
Net loss per share allocable to common stockholders - basic and diluted	\$ (0.01)	\$ (0.03)	\$ (0.03)	\$ (0.07)
Weighted average number of common shares outstanding:				
basic and diluted	112,753,454	59,780,884	96,548,329	59,098,885

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIENCY)
FOR THE NINE MONTHS ENDED January 31, 2015
(Unaudited)

	Common Stock		Additional Paid-In Capital	Treasury Stock	Accumulated Deficit	Stockholders' Equity (Deficiency)
	Shares	Amount				
Balance at April 30, 2014	73,414,478	\$ 73,414	\$ 16,302,118	\$ (70,000)	\$(18,090,434)	\$ (1,784,902)
Issuance of common shares for cash	35,614,154	35,615	5,512,211	—	—	5,547,826
Offering cost for professional services from private placement	—	—	(107,225)	—	—	(107,225)
Stock-based compensation	—	—	334,723	—	—	334,723
Shares issued for price protection	3,532,682	3,532	(3,532)	—	—	—
Conversion of convertible debt into shares	526,316	526	99,474	—	—	100,000
Shares issued for services rendered	210,526	211	32,421	—	—	32,632
Net loss, nine months ended January 31, 2015	—	—	—	—	(3,239,731)	(3,239,731)
Balance at January 31, 2015	113,298,156	\$ 113,298	\$ 22,170,190	\$ (70,000)	\$(21,330,165)	\$ 883,323

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

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

	For the Nine Months Ended January 31,	
	2015	2014
Cash flows from operating activities:		
Net loss	\$(3,239,731)	\$(4,227,585)
Less income from discontinued operations	—	84,663
Loss from continuing operations	(3,239,731)	(4,312,248)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	117,739	148,837
Receivable collateral valuation reserve	—	123,647
Amortization of debt issuance costs	75,458	77,058
Amortization of debt discount	166,241	174,351
Extinguishment of debentures	416,587	—
Depreciation and amortization	389,706	350,990
Stock-based compensation	334,723	395,940
Warrant modification expense	—	156,952
Amortization of prepaid shares for services	—	285,084
Changes in operating assets and liabilities:		
Accounts receivable	(356,348)	(443,863)
Prepaid expenses	(20,135)	58,922
Other assets	(1,497)	—
Accounts payable	4,214	63,195
Accrued expenses	111,238	4,578
Deferred rent	(9,700)	(7,239)
Refunds due students	85,040	(18,572)
Deferred revenue	63,124	(98,430)
Net cash used in operating activities	(1,863,341)	(3,040,798)
Cash flows from investing activities:		
Purchases of property and equipment	(277,133)	(298,140)
Purchases of courseware	(109,305)	(4,499)
Increase in restricted cash	(19,927)	(406)
Net cash used in investing activities	(406,365)	(303,045)
Cash flows from financing activities:		
Proceeds from (repayments on) line of credit, net	(186)	(5,825)
Proceeds from issuance of common shares and warrants, net	5,547,826	—
Proceeds from (retirement of) convertible notes and warrants, net of costs	(2,240,000)	1,639,298
Retirement of convertible notes payable	(25,000)	—
Proceeds from loan from related party	—	1,000,000
Proceeds from warrant exercise	—	804,049
Offering costs associated with private placement	(107,225)	(48,240)
Net cash provided by financing activities	3,175,415	3,389,282
Cash flows from discontinued operations:		
Cash flows from operating activities	5,250	80,206
Net cash provided by discontinued operations	5,250	80,206
Net increase in cash and cash equivalents	910,959	125,645
Cash and cash equivalents at beginning of period	247,380	724,982
Cash and cash equivalents at end of period	<u>\$ 1,158,339</u>	<u>\$ 850,627</u>

(Continued)

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

	For the	
	Nine Months Ended	
	January 31,	
	2015	2014
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 212,955	\$ 95,653
Cash paid for income taxes	\$ —	\$ —
Supplemental disclosure of non-cash investing and financing activities		
Common stock issued for services	\$ 32,632	\$ 216,000
Common stock issued from conversion of notes	\$ 100,000	\$ —
Warrant value recorded as debt issue cost	\$ —	\$ 94,316
Warrant value recorded as debt discount	\$ —	\$ 389,565

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

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

Note 1. Nature of Operations and Liquidity

Overview

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

On April 5, 2013, the Company gave 120-day notice to CLS 123, LLC of its intent to terminate the agreement between the Company and CLS 123, LLC dated November 9, 2011. Moreover, at the end of the 120-day period, the Company no longer offered the “Certificate in Information Technology with a specialization in Smart Home Integration” program. Accordingly, the activities related to CLS (or the “Smart Home Integration Certificate” program) are treated as discontinued operations. As this component of the business was not sold, there was no gain or loss on the disposition of this component (see below “Discontinued Operations”).

On April 25, 2013, our Board of Directors approved a change in our fiscal year-end from December 31 to April 30, with the change to the calendar year reporting cycle beginning May 1, 2013. Consequently, we filed a Transition Report on Form 10-KT for the four-month transition period ended April 30, 2013.

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. One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is that approximately 38% of our full-time degree-seeking students (as of January 31, 2015) were enrolled in Aspen’s School of Nursing.

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. This newly accredited undergraduate degree program is expected to grow rapidly given Aspen’s debtless education approach, which allows nurses to pay the \$9,750 tuition for the 10-course RN to BSN completion program at \$250 per month for 39 months. In fact, Aspen projects the BSN program to be the largest growth driver in the next 12 months, which we estimate will result in over 50% or the majority of the degree-seeking student body to be enrolled in the School of Nursing by early-2016. Initial marketing and enrollment results support this forecast.

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

Basis of Presentation

A. Interim Financial Statements

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

Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these interim consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Report on Form 10-K for the period ended April 30, 2014 as filed with the SEC on July 29, 2014. The April 30, 2014 balance sheet is derived from those statements.

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

B. Discontinued Operations

As of March 31, 2013, the Company decided to discontinue business activities related to its “Certificate in Information Technology with a specialization in Smart Home Integration” program so that it may focus on growing its full-time, degree-seeking student programs, which have higher gross margins. On April 5, 2013, the Company gave 120-day notice to CLS 123, LLC of its intent to terminate the agreement between the Company and CLS 123, LLC dated November 9, 2011. Thus, as of August 3, 2013, the Company is no longer offering the “Certificate in Information Technology with a specialization in Smart Home Integration” program. The termination of the “Smart Home Integration Certificate” program qualifies as a discontinued operation and accordingly the Company has excluded results for this component from its continuing operations in the consolidated statements of operations for all periods presented. The following table shows the results of the “Smart Home Integration Certificate” program component included in the income (loss) from discontinued operations:

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2015	2014	2015	2014
Revenues	\$ —	\$ —	\$ —	\$ 549,125
Costs and expenses:				
Instructional costs and services	—	—	—	494,213
General and administrative	—	(29,751)	—	(29,751)
Total costs and expenses	—	(29,751)	—	464,462
Income (loss) from discontinued operations, net of income taxes	\$ —	\$ 29,751	\$ —	\$ 84,663

The major classes of assets and liabilities of discontinued operations on the balance sheet are as follows:

	January 31, 2015	April 30, 2014
Assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net of allowance of \$486,781, and \$481,531, respectively	—	5,250
Other current assets	—	—
Net assets from discontinued operations	\$ —	\$ 5,250
Liabilities		
Accounts payable	\$ —	\$ —
Accrued expenses	—	—
Deferred revenue	—	—
Net liabilities from discontinued operations	\$ —	\$ —

C. Liquidity

At January 31, 2015, the Company had a cash balance of approximately \$2.0 million which includes \$888,225 of restricted cash. In September 2014, the Company completed the second closing of its equity financing of \$3,766,325. With the additional cash raised in the financing, the growth in the Company revenues and improving operating margins, the Company believes that it has sufficient cash to allow the Company to implement its long-term business plan.

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

Note 2. Significant Accounting Policies

Principles of Consolidation

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

Use of Estimates

The preparation of the unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts in the unaudited consolidated financial statements. Actual results could differ from those estimates. Significant estimates in the accompanying unaudited consolidated financial statements include the allowance for doubtful accounts and other receivables, the valuation of collateral on certain receivables, amortization periods and valuation of courseware and software development costs, valuation of beneficial conversion features in convertible debt, valuation of stock-based compensation, the valuation of net assets and liabilities from discontinued operations and the valuation allowance on deferred tax assets.

Cash and Cash Equivalents

For the purposes of the unaudited condensed 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 January 31, 2015 and April 30, 2014 respectively. 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 January 31, 2015. As of January 31, 2015, there was \$176,602, \$760,169 and \$638,028 located in three institutions greater than the federally insured limits.

Restricted Cash

Restricted cash represents amounts pledged as security for letters of credit for transactions involving Title IV programs, as well as funds held in escrow. The company considers \$888,225 and \$868,298 as restricted cash (shown as a current asset as of January 31, 2015 and April 30, 2014 respectively).

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.

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

Refunds Due Students

The Company receives Title IV funds from the Department of Education to cover tuition and living expenses. Until forwarded to the student, this amount is captured in a current liability account called Refunds Due Students. Typically, the funds are paid to the students within two weeks.

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 allows a student to make three monthly tuition payments during each 10-week class. 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.

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 14,576,412 and 9,583,086 common shares, warrants to purchase 44,007,963 and 19,196,635 common shares, and \$650,000 and \$2,240,000 of convertible debt (convertible into 1,207,143 and 8,093,985 common shares, respectively) were outstanding during the nine months ended January 31, 2015 and 2014, 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.

Reclassifications

For the three and the nine months ending January 31, 2014, the Company reclassified \$55,314 and \$168,155 respectively, from Cost of Revenues to General and Administrative, both within Operating Expenses, to conform to the current period presentation.

	For the 9 Months ended January 31, 2014				
	Reclassifications				
<u>As Previously Reported</u>	<u>Dues, Fees, & Licenses</u>	<u>Internet Related Expense</u>	<u>Marketing Fees</u>	<u>Library Services</u>	<u>As Reclassified</u>
Operating Expenses:					
Instructional	\$ 734,597	(55,127)	(113,028)	—	\$ 566,442
Marketing	824,002	—	—	—	824,002
Cost of Revenues	\$ 1,558,599	(55,127)	(113,028)	—	\$ 1,390,444
Receivable collateral valuation reserve	123,647	—	—	—	123,647
General and administrative	4,698,343	55,127	113,028	—	4,866,498
Depreciation and amortization	350,990	—	—	—	350,990
Total Operating Expenses	\$ 6,731,579	—	—	—	\$ 6,731,579

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

For the 3 Months ended January 31, 2014

	Reclassifications					As Reclassified
	As Previously Reported	Dues, Fees, & Licenses	Internet Related Expense	Marketing Fees	Library Services	
Operating Expenses:						
Instructional	\$ 285,221	(14,878)	(40,436)	—	—	\$ 229,907
Marketing	270,404	—	—	—	—	270,404
Cost of Revenues	\$ 555,625	(14,878)	(40,436)	—	—	\$ 500,311
Receivable collateral valuation reserve	123,647	—	—	—	—	123,647
General and administrative	1,697,403	14,878	40,436	—	—	1,752,717
Depreciation and amortization	121,904	—	—	—	—	121,904
Total Operating Expenses	<u>\$ 2,498,579</u>	—	—	—	—	<u>\$ 2,498,579</u>

Recent Accounting Pronouncements

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after January 31, 2015 are not expected to have a significant effect on the Company's unaudited consolidated financial position or results of operations.

In August 2014, the FASB issued ASU 2014-15, "Presentation of Financial Statements – Going Concern (Topic 205-40)", which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern for each annual and interim reporting period. If substantial doubt exists, additional disclosure is required. This new standard will be effective for the Company for annual and interim periods beginning after December 15, 2016. Early adoption is permitted. The Company does not expect the implementation of this standard to have a material effect on its disclosures.

Note 3. Secured Note and Accounts Receivable – Related Parties

On March 30, 2008 and December 1, 2008, the Company 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. HEMG's president is Mr. Patrick Spada, the former Chairman of the Company, in the amount of \$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 654,850 common shares on March 13, 2012) of the Company as collateral for this account receivable. On March 8, 2012, due to the impending reduction in the value of the collateral as the result of the Series C conversion ratio and the Company's inability to engage Mr. Spada in good faith negotiations to increase HEMG's pledge, Michael Mathews, the Company's CEO, pledged 117,943 common shares of the Company, owned personally by him, valued at \$1.00 per share based on recent sales of capital stock as additional collateral to the accounts receivable, secured – related party. On March 13, 2012, the Company deemed the receivables stemming from the sale of courseware curricula to be in default. On April 4, 2012, the Company entered into an agreement with: (i) an individual, (ii) HEMG, and (iii) Mr. Patrick Spada. Under the agreement, (a) the individual purchased and HEMG sold to the individual 400,000 common shares of the Company at \$0.50 per share; (b) the Company guaranteed it would purchase at least 600,000 common shares of the Company at \$0.50 per share within 90 days of the agreement and the Company would use its best efforts to purchase from HEMG and resell to investors an additional 1,400,000 common shares of the Company at \$0.50 per share within 180 days of the agreement; and (c) the Company waived any default of the accounts receivable, secured - related party and extended the due date to September 30, 2014. Based on proceeds received on September 28, 2012 under a private placement at \$0.35 per unit (consisting of one share of common stock and one-half of a warrant exercisable at \$0.50 per share), the value of the aforementioned collateral decreased. Accordingly, as of December 31, 2012, the Company recognized an allowance of \$502,315 for this account receivable. Based on the reduction in value of the collateral to \$0.19, the Company recognized an expense of \$123,647 during the year ended April 30, 2014 as an additional allowance. As of both April 30, 2014, and January 31, 2015, the balance of the account receivable, net of allowance, was \$146,831.

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HEMG has failed to pay to Aspen University any portion of the \$772,793 amount due as of September 30, 2014, despite due demand for same. 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. In addition, Aspen University gave notice to HEMG that it intended to privately sell the 654,850 shares after March 10, 2015. (See Note 11)

Note 4. Property and Equipment

Property and equipment consisted of the following at January 31, 2015 and April 30, 2014:

	<u>January 31, 2015</u>	<u>April 30, 2014</u>
Call center hardware	\$ 132,798	\$ 122,653
Computer and office equipment	73,286	66,118
Furniture and fixtures	42,698	36,446
Library (online)	100,000	100,000
Software	<u>2,147,783</u>	<u>1,894,215</u>
	2,496,565	2,219,432
Accumulated depreciation and amortization	<u>(1,268,502)</u>	<u>(938,703)</u>
Property and equipment, net	<u>\$ 1,228,063</u>	<u>\$ 1,280,729</u>

Software consisted of the following at January 31, 2015 and April 30, 2014:

	<u>January 31, 2015</u>	<u>April 30, 2014</u>
Software	\$ 2,147,783	\$ 1,894,215
Accumulated amortization	<u>(1,021,466)</u>	<u>(720,823)</u>
Software, net	<u>\$ 1,126,317</u>	<u>\$ 1,173,392</u>

Amortization expense for all Property and Equipment as well as the portion for just software is presented for the three and nine months ended January 31, 2015 and 2014:

	<u>For the Three Months Ended January 31,</u>		<u>For the Nine Months Ended January 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	Depreciation and Amortization Expense	114,559	96,879	329,799
Software Amortization Expense	104,441	87,610	300,642	242,259

The following is a schedule of estimated future amortization expense of software at January 31, 2015:

<u>Year Ending April 30,</u>	
2015	\$ 107,389
2016	428,711
2017	305,979
2018	172,944
2019	<u>111,294</u>
Total	<u>\$ 1,126,317</u>

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Note 5. Courseware

Courseware costs capitalized were \$109,305 for the nine months ended January 31, 2015.

Courseware consisted of the following at January 31, 2015 and April 30, 2014:

	January 31, 2015	April 30, 2014
Courseware	\$ 2,213,343	\$ 2,104,038
Accumulated amortization	(2,055,063)	(1,995,156)
Courseware, net	<u>\$ 158,280</u>	<u>\$ 108,882</u>

Amortization expense of courseware for the three months and nine months ended January 31, 2015 and 2014:

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2015	2014	2015	2014
Amortization Expense	19,407	25,025	59,907	83,227

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

Year Ending April 30,	
2015	\$ 18,464
2016	50,891
2017	32,257
2018	24,168
2019	32,500
Total	<u>\$ 158,280</u>

Note 6. Loan Payable Officer – Related Party

On June 28, 2013, the Company received \$1,000,000 as a loan from the Chief Executive Officer. This loan was for a term of 6 months with an annual interest rate of 10%, payable monthly. On September 25, 2013, as a term of the convertible debenture issued as discussed in Note 7, the maturity of the debt to the CEO has been extended to April 2, 2015. On July 16, 2014, the maturity of the debt to the CEO was extended to January 1, 2016. Subsequently, in March 2015, the debt was extended to July 31, 2016.

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

On February 25, 2012, February 27, 2012 and February 29, 2012, loans payable of \$100,000, \$50,000 and \$50,000, respectively, were converted into two-year convertible promissory notes, bearing interest of 0.19% per annum. Beginning March 31, 2012, the notes were convertible into common shares of the Company at the rate of \$1.00 per share. 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 common shares on the note issue dates. These loans (now convertible promissory notes) were originally due in February 2014, and were included in current liabilities as of October 31, 2014 and April 30, 2014. Two of the above mentioned notes were modified in February 2014, see below, and the third became 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.

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On February 18, 2014 the Company renegotiated the terms of one of the \$50,000 convertible notes, specifically the one dated February 27, 2012. The maturity date was extended to December 1, 2014 and the conversion price has been reduced to \$0.19 per share. The interest rate has been amended to 3.25% from February 27, 2012. This was treated as a note extinguishment in accordance with ASC 470-50. No gain or loss on extinguishment was recorded and no beneficial conversion feature existed on the modification date. This note was converted to common shares on December 1, 2014. (See Note 9)

On February 28, 2014 the Company renegotiated the terms of the \$100,000 convertible note dated February 25, 2012. A payment was made in the amount of \$25,000 on February 28, 2014, reducing the principal to \$75,000. Another principal payment of \$25,000 was made on August 1, 2014 and \$50,000 will be made on December 1, 2014. The interest rate was raised to 3.25% from February 25, 2012. The conversion price was reduced to \$0.19 per share. This was treated as a note extinguishment in accordance with ASC 470-50. No gain or loss on extinguishment was recorded and no beneficial conversion feature existed on the modification date. The remaining \$50,000 balance of this note was converted to common shares on December 1, 2014. (See Note 9)

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 \$1.00 per share upon five days written notice to the Company. The Company evaluated the convertible note and determined that, for the embedded conversion option, there was no beneficial conversion value to record as the conversion price is considered to be the fair market value of the common shares on the note issue date. On September 4, 2012, the maturity date was extended to August 31, 2013. On July 16, 2014, the maturity of the debt to the CEO has been extended to January 1, 2016 and on March 4, 2015, the debt was extended to July 31, 2016. There was no accounting effect for these modifications.

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 is convertible into shares of common stock of the Company at a rate of \$0.35 per share (based on proceeds received on September 28, 2012 under a private placement at \$0.35 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. On September 4, 2012, the maturity date was extended to August 31, 2013. On December 17, 2012 the maturity date was extended to August 31, 2013. On September 25, 2013, as a term of the convertible Debenture issued as discussed further in this Note, the maturity of the debt to the CEO has been extended to April 5, 2015. On July 16, 2014, the maturity of the debt to the CEO has been extended to January 1, 2016 and on March 4, 2015, the debt was extended to July 31, 2016. There was no accounting effect for these modifications.

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On September 26, 2013, the Company and an institutional investor (the "Institutional Investor") signed a Securities Purchase Agreement (the "Agreement") with respect to a loan of \$2,240,000 evidenced by an 18 month original issue discount secured convertible debenture (the "Debenture") with gross proceeds of \$2,000,000 prior to fees. Payments on the Debenture were due 25% on November 1, 2014, 25% on January 1, 2015 and the remaining 50% on April 1, 2015 as a final payment. The Company had the option to pay the interest or principal in stock subject to certain "Equity Conditions" such as giving notice of its intent 20 trading days beforehand. The Agreement provided that the Debenture may have been converted at the holder's option at \$0.3325 per share at any time after the closing and subject to adjustments. The Company evaluated that for the embedded conversion option, there was no beneficial conversion value to record as the conversion price was greater than the fair market value of the common shares on the note issue date. Warrants with a relative fair value of \$389,565 were issued for 100% of the number of shares of common stock that could be purchased at the conversion price at closing or 6,736,842. The warrants have a five-year term and are exercisable for cash if an outstanding registration statement is in effect within 90 days of closing. The \$389,565 was recorded as a debt discount to be amortized over the debt term. The Debenture bore 8% per annum interest and was amortizable in installments over its term. The financing closed on September 26, 2013 and the Company received proceeds of approximately \$1.7 million, net of certain offering costs and before payment of various debt issue costs. Offering costs to the lender included an original issue discount of \$240,000 and cash loan fees of \$117,846. At July 31, 2014, the balance of the Debenture payable was \$1,911,572, which was the loan of \$2,240,000 less \$328,428 of unamortized original issue discount. On September 4, 2014, Aspen used part of the equity offering proceeds to fully prepay principal and interest owed under its outstanding debenture held by Institutional Investor. Aspen paid them \$2,310,000, after entering into an agreement whereby the Institutional Investor agreed to the prepayment and agreed to limit the future sale of shares of common stock upon exercise of its warrants or otherwise. Of the \$2,310,000 payment, \$70,000 was for interest. Upon repayment of the debenture, the \$70,000 interest payment, along with the balance of the debt discount and the debt issuance costs totaling \$452,503, was expensed in the Loss from debt extinguishment line on the Statement of Operations.

In September 2013 Company had entered into an engagement agreement with Laidlaw & Co. ("Laidlaw") to act as placement agent for the offering and receive customary compensation. Laidlaw introduced the Institutional Investor. As a placement agent fee, the Company paid Laidlaw \$207,500 and issued 1,347,368 five year warrants with an exercise price of \$0.3325, valued at \$94,316. The warrants and fees paid plus legal fees of \$35,356 were recorded as a debt issue cost asset and were being amortized over the debt term. The discount was expensed to interest expense upon repayment of the debenture.

Note 8. Commitments and Contingencies

Line of Credit

The Company maintains a line of credit with a bank, up to a maximum credit line of \$250,000. The line of credit bears interest equal to the prime rate plus 0.50% (overall interest rate of 3.75% at January 31, 2015). The line of credit requires minimum monthly payments consisting of interest only. The line of credit is 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 is for an unspecified time until the bank notifies the Company of the Final Availability Date, at which time payments on the line of credit become 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 January 31, 2015 was \$243,989. Since the earliest the line of credit is due and payable is over a five year period and the Company believes that it could obtain a comparable replacement line of credit elsewhere, the entire line of credit is included in long-term liabilities. The unused amount under the line of credit available to the Company at January 31, 2015 was \$6,011.

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 January 31, 2015, no performance bonuses have been earned.

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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 January 31, 2015, 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 derivative claims and all of the fiduciary duty claims. The state court in New York also granted the Company's motion to dismiss the duplicative breach of good faith and fair dealing claim, as well as the defamation claim. The state court in New York denied the Company's motion to dismiss as to the defamation per se claim. On December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in state court of New York. Discovery is currently being pursued by the parties. 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. The New York court dismissed the Company's related "money had and received", "money lent" and "unjust enrichment" claims as being duplicative of the fraud claim. HEMG and Spada have filed a notice of appeal of the New York court's decision to the extent it denied the non-fraud claims as being duplicative.

On November 21, 2013, HEMG and Mr. Spada filed a derivative suit on behalf of the Company against certain former senior management member and our directors in state court in Delaware. The Company is a nominal defendant. The complaint is substantially similar to the complaint filed in state court of New York, except that if successful, the Company will receive the benefits. On February 28, 2014, the Company filed a motion to dismiss the complaint. On November 3, 2014, the Chancery Court of the State of Delaware dismissed the shareholders' derivative lawsuit of Mr. Patrick Spada and Higher Education Management Group, Inc. against Aspen Group, Inc., certain members of the Company's Board of Directors and former Chief Financial Officer (collectively, the "Defendants"). The Court granted the Defendant's Motion to Dismiss in its entirety and therefore the Delaware case has been dismissed with prejudice and those claims are finally disposed of.

While the Company has been advised by its counsel that 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.

Finally, HEMG has failed to pay to the Company any portion of the \$772,793 amount overdue as of September 30, 2014 (as discussed in Note 3), despite due demand for same. Consequently, on November 18, 2014 the Company 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 and intends to sell the 654,850 pledged shares to reduce, in part, this overdue sum. See Note 3. HEMG failed to answer the complaint and as a result the Court entered a default against HEMG. We are awaiting the entry of a money judgment against HEMG.

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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, and since July 2011, potentially in the States where an institution offers postsecondary education through distance education. 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 2014 represented approximately 33% of the Company's cash 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 has 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. The DOE may impose additional or different terms and conditions in any final provisional program participation agreement that it may issue (See Note 2 "Restricted Cash").

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.

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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, 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 Department of Education.

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. On July 3, 2012, Aspen University received notice from the Delaware DOE that it is granted provisional approval status effective until June 30, 2015. Aspen University is authorized by the Colorado Commission on Education to operate in Colorado as a degree granting institution.

Letter of Credit

The Company maintains a letter of credit under a DOE requirement (See Note 2 "Restricted Cash").

Note 9. Stockholders' Equity (Deficiency)

Common Stock

On June 4, 2014, a member of the Board of Directors invested \$50,000 in exchange for 263,158 shares of common stock and 263,158 warrants at \$0.19 per share. On June 24, 2014, a member of the Board of Directors and the Company's CEO each invested \$50,000 in exchange for 263,158 shares of common stock and 263,158 warrants at \$0.19 per share.

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

On September 4, 2014, Aspen raised \$3,766,325 from the sale of 24,298,877 shares of common stock and 12,149,439 five-year warrants exercisable at \$0.19 per share in a private placement offering to 15 accredited investors. In connection with the offering, Aspen agreed to register the shares of common stock and the shares of common stock underlying the warrants. The net proceeds to Aspen were approximately \$3.7 million. As a result of the private placement, Aspen issued 59,423 shares of common stock to a prior investor who had price protection on his investment.

On December 1, 2014, \$100,000 of convertible debt was converted into common stock at the conversion rate of \$0.19 per share, equally for two investors. Each investor received 263,158 shares of common stock.

On January 14, 2015, 210,526 shares of stock were issued for services provided to Aspen. The shares were valued at the fair market value of the common stock or \$0.155 and accordingly, the Company recorded an expense of \$32,632.

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On September 30, 2014, Aspen Group filed a Certificate of Amendment to its Certification of Incorporation increasing its authorized shares from 120,000,000 shares to 250,000,000 shares.

Warrants

A summary of the Company's warrant activity during the nine months ended January 31, 2015 is presented below:

Warrants	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2014	23,144,005	\$ 0.31		
Granted	20,863,958	0.19		
Exercised	—			
Forfeited	—			
Expired	—			
Balance Outstanding, January 31, 2015	<u>44,007,963</u>	<u>\$ 0.25</u>	<u>4.1</u>	<u>\$ 299,903</u>
Exercisable, January 31, 2015	<u>44,007,963</u>	<u>\$ 0.25</u>	<u>4.1</u>	<u>\$ 299,903</u>

On June 4, 2014, a member of the Board of Directors invested \$50,000 in exchange for 263,158 shares of common stock and 263,158 warrants at \$0.19 per share. On June 24, 2014, a member of the Board of Directors and the Company's CEO each invested \$50,000 in exchange for 263,158 shares of common stock and 263,158 warrants at \$0.19 per share.

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

On September 4, 2014, as part of a private placement offering fifteen accredited investors paid a total of \$3,766,325 from the sale of 24,298,877 shares of common stock and 12,149,439 five-year warrants exercisable at \$0.19 per share. As a result of this private placement, on July 31, 2014, Aspen issued 59,423 shares of common stock to a prior investor who had price protection on his investment.

Warrants issued to an investor were modified on January 31, 2015 to reduce the exercise price to \$0.19 per share. As a result of the modification, the modification expense was not material.

Certain of the Company's warrants contain price protection. The Company evaluated whether the price protection provision of the warrant would cause derivative treatment. In its assessment, the Company determined that since its shares are not readily convertible to cash due to an inactive trading market, through January 31, 2015 the warrants are excluded from derivative treatment.

Stock Incentive Plan and Stock Option Grants to Employees and Directors

Immediately following the closing of the Reverse Merger, on March 13, 2012, the Company adopted the 2012 Equity Incentive Plan (the "Plan") that provides for the grant of 9,300,000 shares, 14,300,000 effective July 2014 and 16,300,000 effective September 2014, 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 January 31, 2015, there were 1,723,588 shares remaining under the Plan for future issuance.

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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.

A summary of the Company's stock option activity for employees and directors during the nine months ended January 31, 2015 is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2014	10,476,412	\$ 0.23	3.5	—
Granted	3,900,000	\$ 0.21	3.4	\$ 103,000
Exercised	—			
Forfeited	(20,000)	\$ 0.19	4.1	\$ 1,200
Expired	—			
Balance Outstanding, January 31, 2015	<u>14,356,412</u>	<u>\$ 0.21</u>	<u>3.4</u>	<u>\$ 103,000</u>
Exercisable, January 31, 2015	<u>5,710,470</u>	<u>\$ 0.26</u>	<u>2.9</u>	<u>\$ 4,000</u>

On September 4, 2014, 2,600,000 options were granted to the CEO and the Board of Directors. The fair value of these options on the date of grant is \$130,000 and the exercise price is \$0.155 per option. On September 16, 2014, 200,000 options were granted to two members of the Board of Directors. The fair value of these options on the date of grant is \$12,000 and the exercise price is \$0.20 per option.

On November 24, 2014, the CFO was granted 300,000 stock options. The fair value of these options is \$21,000 and the exercise price was \$0.234. On December 11, 2014, each of the 8 non-employee members of the Board of Directors was granted 100,000 stock options. The fair value of the options was \$7,000 each and the exercise price was \$0.2026.

As of January 31, 2015, there was \$644,450 of total unrecognized compensation costs related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 4 years.

The Company recorded compensation expense of \$123,085 and \$334,723 for the three and nine months ended January 31, 2015 in connection with employee stock options. \$98,610 and \$395,940 was recorded during the same period in 2014.

Stock Option Grants to Non-Employees

There were no stock options granted to non-employees during the nine months ended January 31, 2015. The Company recorded no compensation expense for the three months ended January 31, 2015 and \$748 for the nine months ended January 31, 2015 in connection with non-employee stock options. \$748 was recorded for the three months ended January 31, 2014, and \$1,496 for the six months ended January 31, 2014. There was no unrecognized compensation cost at January 31, 2015.

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

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

Options	Number of Shares	Weighted Average Exercise Price	Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2014	270,000	\$ 0.28	2.8	\$ —
Granted	—			
Exercised	—			
Forfeited	(50,000)	\$ 0.19	3.7	\$ —
Expired	—			
Balance Outstanding, January 31, 2015	<u>220,000</u>	<u>\$ 0.30</u>	<u>2.3</u>	<u>\$ 4,500</u>
Exercisable, January 31, 2015	<u>73,333</u>	<u>\$ 0.30</u>	<u>2.3</u>	<u>\$ 1,500</u>

Note 10. Related Party Transactions

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

Note 11. Subsequent Events

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

On February 26, 2015, Aspen University was informed by the DOE that it has 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.

On or about February 20, 2015, Aspen Group, Inc. filed a motion in the United States District Court, District of New Jersey, seeking the entry of a money judgment on default against Defendant, HEMG, in the amount of \$772,793, plus interest, costs, disbursements, and any other relief the Court deems just and proper. (See Note 3)

On March 4, 2015, Mr. Michael Mathews, for no consideration, extended the due date of his loans from January 1, 2016 to July 31, 2016.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion in conjunction with our unaudited consolidated financial statements, which are included elsewhere in this Form 10-Q. 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 in the Annual Report on Form 10-K filed July 29, 2014, filed with the Securities and Exchange Commission, or the SEC.

All references to "we," "our" and "us" refer to Aspen Group, Inc. and its subsidiaries (including Aspen), unless the context otherwise indicates. In referring to academic matters, these words refer solely to Aspen University.

Company Overview

Founded in 1987, 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. 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.

On March 20, 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 the opportunity to pay \$250/month for 60 months (\$15,000) and master/doctoral students the opportunity to pay \$325/month for 36 months (\$11,700), thereby giving students the ability to earn a degree debt free. In the eleven months since the announcement, already 33% of courses are now paid through monthly payment methods.

One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is that approximately 38% of our full-time degree-seeking students (as of January 31, 2015) were enrolled in Aspen's School of Nursing.

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. This newly accredited undergraduate degree program is expected to grow rapidly given Aspen's debtless education approach, which allows nurses to pay the \$9,750 tuition for the 10-course RN to BSN completion program at \$250 per month for 39 months. In fact, Aspen projects the BSN program to be the largest growth driver in the next 12 months, which we estimate will result in over 50% or the majority of the degree-seeking student body to be enrolled in the School of Nursing by early-2016.

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.

Student Population

Aspen's full-time degree-seeking student body increased year-over-year by 27% during the quarter ended January 31, 2015, from 2,373 to 3,011 students. In addition, 1,132 students are enrolled in part-time programs, such as continuing education courses and certificate level programs.

Our most popular school is our School of Nursing. Aspen's School of Nursing has grown from 5% of our full-time, degree-seeking student body at calendar year-end 2011, to 38% of our full-time, degree-seeking student body at January 31, 2015. Aspen's School of Nursing grew from 733 to 1,151 student's year-over-year, which represented 66% of Aspen's full-time degree-seeking student body growth.

New Student Enrollment Overview

Since the launch of the BSN marketing campaign in mid-November, 2014, the growth rate of new student enrollments has accelerated significantly. Typically, it takes 60-90 days for a new student lead to convert into an enrollment. However, Aspen began seeing BSN leads convert to new student enrollments at the beginning of January, only six weeks following the marketing campaign launch. As previously announced, Aspen is forecasting new student enrollments to increase 81% year-over-year in the current quarter ending April 30, 2015.

Aspen has updated its definition of a new student enrollment to only report those new students that complete their first seven (7) day assignment of their first course in their degree program. Based on that definition, below is a quarterly analysis of new student enrollments for the previous four quarters, including Aspen's forecast for the current quarter ending April 30, 2015.

New Student Enrollments

Fiscal Quarter End April 30, 2014	235
Fiscal Quarter End July 31, 2014	226
Fiscal Quarter End October 31, 2014	265
Fiscal Quarter End January 31, 2015	315
Fiscal Quarter End April 30, 2015 (forecast)	425+

In the month of February 2015, typically a seasonally slow month for new student enrollments, Aspen enrolled 141 new students which equals an average of 5.04 enrollments per day.

Aspen's estimated average revenue per new student enrollment is approximately \$6,000, earned over 3 years. Aspen delivered 1,008 new student enrollments in calendar year 2014, which equates to revenues of approximately \$6 million, earned over three years. However, should the pace of enrollments continue to rise by 81% year-over-year in calendar year 2015, that would equate to 1,704 new student enrollments with a revenue value of approximately \$10.2 million, earned over three years.

Results of Operations

For the Three Months Ended January 31, 2015 Compared with the Three Months Ended January 31, 2014

Revenue

Revenue from continuing operations for the three months ended January 31, 2015 ("2015 Quarter") increased to \$1,286,138 from \$1,002,167 for the three months ended January 31, 2014 ("2014 Quarter"), an increase of 28%. The increase is primarily attributable to the growth in Aspen's School of Nursing student enrollments and Nursing student class starts. Specifically, revenues from Aspen's School of Nursing increased to \$541,865 during the 2015 Quarter from \$388,650 during the 2014 Quarter, an increase of 39%.

Cost of Revenues (exclusive of amortization)

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

Instructional Costs and Services

Instructional costs and services for the 2015 Quarter rose to \$298,149 from \$229,907 for the 2014 Quarter, an increase of \$68,242 or 30%. As student enrollment levels increase, instructional costs and services should rise proportionately. However, as Aspen increases its full-time degree-seeking student enrollments and related class starts, the higher gross margins associated with such students should lead to the growth rate in instructional costs and services to significantly lag that of overall revenue growth.

Marketing and Promotional

Marketing and promotional costs for the 2015 Quarter were \$364,219 compared to \$270,404 for the 2014 Quarter, an increase of \$93,816 or 35%. This increase reflects an increased monthly marketing budget to \$110,000, starting in December, 2014. The planned spending increase was previously announced following the CCNE accreditation announcement of Aspen's BSN program in November, 2014.

As a result of the planned marketing spending increase in the 2015 quarter, Gross Profit was flat at 39% of revenues or \$499,922 for the 2015 Quarter compared to 39% of revenues or \$389,221 for the 2014 Quarter. Gross Profit (exclusive of amortization), a non-GAAP financial measure, declined slightly to 49% of revenues or \$623,770 for the 2015 Quarter from 50% of revenues or \$501,856 for the 2014 Quarter, a year-over-year decrease of 2%. The increase of Gross Profit (exclusive of amortization) from \$501,856 to \$623,770 is an increase of \$121,914 or 24% year-over-year.

Costs and Expenses

General and Administrative

General and administrative costs for the 2015 Quarter were \$1,701,871 compared to \$1,752,717 during the 2014 Quarter, a decrease of \$50,846 or 3%. The decrease is attributable primarily to the lower Bad Debt Expense, which was \$12,228 in 2015 Quarter compared to \$105,000 in the 2014 Quarter. Also, there were decreases in consulting expenses from 2014 Quarter, expenses resulting from the DOE Program Review. These decreases were completely offset by expenses in the 2015 Quarter relating to the consulting agreements with two former executives.

Receivable Collateral Valuation Reserve

In 2014 Quarter, a reserve of \$123,647 was taken to reflect the reduction in the price of the Company's stock. There was no comparable reserve for 2015 Quarter.

Depreciation and Amortization

Depreciation and amortization costs for the 2015 Quarter rose to \$133,966 from \$121,904 for the 2014 Quarter, an increase of \$12,062 or 10%. The increase is primarily attributable to higher levels of capitalized technology costs as Aspen launched a new academic learning system, Desire2Learn.

Other Income (Expense)

Other income for the 2015 Quarter increased to \$2,277 from \$136 in the 2014 Quarter, an increase of \$2,141 or 1,574%. The increase is primarily due to the sale of excess textbooks. Interest expense decreased from \$260,602 to \$34,532, a decrease of \$225,530 or 87%. The decrease is due to the elimination of the monthly interest to the Institutional Investor along with the amortization of the debt discount and the debt issuance costs.

Income Taxes

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

Net Loss

Net loss for the 2015 Quarter was (\$1,244,322) as compared to (\$1,726,587) for the 2014 Quarter, a decrease in the loss of \$482,265 or approximately 28%. Contributing to this lower loss was the increase in revenues in the 2015 Quarter, as well as lower interest expense in the 2015 Quarter and no receivable collateral valuation reserve in the 2015 Quarter.

For the Nine Months Ended January 31, 2015 Compared with the Nine Months Ended January 31, 2014

Revenue

Revenue from continuing operations for the nine months ended January 31, 2015 ("2015 Period") increased to \$3,670,245 from \$2,817,497 for the nine months ended January 31, 2014 ("2014 Period"), an increase of \$852,748 or 30%. Of particular note, revenues from Aspen's Nursing degree program increased to \$1,419,990 during the 2015 Period from \$1,002,372 during the 2014 Period, an increase of \$417,618 or 42%.

Cost of Revenues (exclusive of amortization)

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

Instructional Costs and Services

Instructional costs and services for the 2015 Period rose to \$816,681 from \$566,442 for the 2014 Period, an increase of \$250,239 or 44%. As student enrollment levels increase, instructional costs and services should rise proportionately. However, as Aspen increases its full-time degree-seeking student enrollments and related class starts, the higher gross margins associated with such students should lead to the growth rate in instructional costs and services to significantly lag that of overall revenue growth.

Marketing and Promotional

Marketing and promotional costs for the 2015 Period were \$708,112 compared to \$824,002 for the 2014 Period, a decrease of \$115,890 or 14%. This decrease reflects significant marketing efficiencies gained year-over-year. The company expects marketing and promotional costs to rise in future periods given the planned spend rate increase to an average of \$110,000 per month which began in December 2014.

Gross Profit rose to 49% of revenues or \$1,784,903 for the 2015 Period from 39% of revenues or \$1,101,567 for the 2014 Period. Gross Profit (exclusive of amortization), a non-GAAP financial measure, rose to 58% of revenues or \$2,145,452 for the 2015 Period from 51% of revenues or \$1,427,053 for the 2014 Period, a year-over-year increase of \$718,399 or 50%.

Costs and Expenses

General and Administrative

General and administrative costs for the 2015 Period were \$4,160,978 compared to \$4,866,498 during the 2014 Period, a decrease of \$705,520 or 15%. The decrease is attributable to the elimination of expenses year-over-year primarily due to a \$400,000 decrease in professional services, including \$170,000 due to the DOE program review, a reduction in \$300,000 in investor relations and \$40,000 due to the audit related to the change in our fiscal year to April 30. There was also a \$100,000 reduction in payroll expense, a \$92,000 reduction in a marketing consulting, a \$30,000 decrease of expenses related to the biennial graduation ceremony. Additionally, stock compensation was \$91,000 higher in the 2014 Period relating to the issuance of executive options and there was a \$157,000 warrant modification expense in the 2014 Period.

Depreciation and Amortization

Depreciation and amortization costs for the 2015 Period rose to \$389,706 from \$350,990 for the 2014 Period, an increase of \$38,716 or 11%. The increase is primarily attributable to higher levels of capitalized technology costs as Aspen launched a new academic learning system, Desire2Learn, in the 2015 Period.

Other Income (Expense)

Other income for the 2015 Period increased to \$7,157 from \$750 in the 2014 Period, an increase of \$6,407 or 854%. A significant portion of this increase is due to the sale of excess textbooks. Interest expense decreased from \$398,916 to \$389,153, a decrease of \$9,763 or 2%. Interest was higher each monthly year over year until the extinguishment in September 2014. Before the extinguishment, the monthly increase year over year was due to the monthly interest expense of \$13,333, the amortization of the original issue discount and the amortization of debt issuance costs, all associated with the issuance of debentures. In addition, there is the monthly interest expense of \$8,333 on the loan from our CEO.

Loss from Debt Extinguishment

In the 2015 Period, there is a \$452,503 loss from the extinguishment of the debenture. Included in this loss is the final interest payment of \$70,000, offset by an interest accrual of \$34,084, along with the writeoff of \$130,057 of remaining debt issuance costs and \$286,530 of remaining original issue discount.

Income Taxes

Income taxes expense (benefit) for both nine month periods 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 2015 Period was (\$3,239,731) as compared to (\$4,227,585) for the 2014 Period, a decrease in the loss of \$987,854 or approximately 23%. Contributing to this lower loss was the increase in revenues in the 2015 period, lower marketing costs, lower payroll and lower consulting expenses.

Discontinued Operations

As of August 4, 2013, Aspen Group discontinued business activities related to its agreement with CLS. See Note 1 of the unaudited consolidated financial statements contained herein. The following table details the results of the discontinued operations for the three and nine months ended January 31, 2015 and 2014:

	For the Three Months Ended January 31,		For the Nine Months Ended January 31,	
	2015	2014	2015	2014
Revenues	\$ —	\$ —	\$ —	\$ 549,125
Costs and expenses:				
Instructional costs and services	—	—	—	494,213
General and administrative	—	(29,751)	—	(29,751)
Total costs and expenses	—	(29,751)	—	464,462
Income (loss) from discontinued operations, net of income taxes	\$ —	\$ 29,751	\$ —	\$ 84,663

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 Adjusted EBITDA and Gross Profit (exclusive of depreciation and amortization), 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. 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:

	Three Months Ended	
	01/31/2015	01/31/2014
Net loss allocable to common shareholders	\$ (1,244,322)	\$ (1,726,587)
Interest Expense, net of interest income	(34,532)	78,854
Loss from debt extinguishment	—	—
Bad Debt Expense	12,228	120,000
Receivable Collateral Valuation Reserve	—	123,664
Depreciation & Amortization	133,966	121,904
Amortization of Prepaid Services	—	105,013
Amortization of Debt Issue Costs	—	56,865
Amortization of Debt Discount	—	124,343
Warrant conversion exercise expense	—	156,952
Stock-based compensation	123,085	98,609
Non-recurring charges	339,522	133,001
Adjusted EBITDA (Loss)	<u>\$ (600,522)</u>	<u>\$ (607,382)</u>

The following table presents a reconciliation of Gross Profit (exclusive of amortization), a non-GAAP financial measure, to gross profit calculated in accordance with GAAP:

	For the		For the	
	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2015	2014	2015	2014
Revenues	<u>\$ 1,286,138</u>	<u>\$ 1,002,167</u>	<u>\$ 3,670,245</u>	<u>\$ 2,817,497</u>
Costs of revenues (exclusive of depreciation and amortization shown separately)	<u>662,368</u>	<u>500,311</u>	<u>1,524,793</u>	<u>1,390,444</u>
Gross profit (exclusive of depreciation and amortization)	623,770	501,856	2,145,452	1,427,053
Depreciation and amortization expenses excluded from cost of revenues	<u>123,848</u>	<u>112,635</u>	<u>360,549</u>	<u>325,486</u>
GAAP gross profit	<u>\$ 499,922</u>	<u>\$ 389,221</u>	<u>\$ 1,784,903</u>	<u>\$ 1,101,567</u>

Liquidity and Capital Resources

A summary of our cash flows is as follows:

	For the	
	Nine Months Ended	
	January 31,	
	2015	2014
Net cash used in operating activities	\$ (1,863,341)	\$ (3,040,798)
Net cash used in investing activities	(406,365)	(303,045)
Net cash provided by financing activities	3,175,415	3,389,282
Net cash provided by discontinued operations	5,250	80,206
Net increase (decrease) in cash and cash equivalents	<u>\$ 910,959</u>	<u>\$ 125,645</u>

Net Cash Used in Operating Activities

Net cash used in operating activities during the 2015 Period totaled (\$1,863,341) and resulted primarily from a net loss from continuing operations of (\$3,239,731) offset by non-cash items of \$1,341,390, comprised of \$416,587 from the non-cash portion of the loss on extinguishment of debt, \$166,241 of amortization of debt discount, \$389,706 in depreciation and amortization, \$75,458 of amortization of debt discount, \$334,723 of stock compensation expense and \$117,739 of bad debt expense, and a net change in operating assets and liabilities of \$(210,777), of which the \$(356,348) increase in accounts receivable was the most significant.

Net cash used in operating activities during the 2014 Period totaled (\$3,040,798) and resulted primarily from a net loss from continuing operations of \$(4,227,585) offset by non-cash items of \$1,271,450 and a net change in operating assets and liabilities of \$(441,409).

Net Cash Used in Investing Activities

Net cash used in investing activities during the 2015 Period totaled (\$406,365) and resulted primarily from capitalized technology expenditures.

Net cash used in investing activities during the 2014 Period totaled (\$303,045), resulting primarily from capitalized technology expenditures and increase in restricted cash.

Net Cash Provided By Financing Activities

Net cash provided by financing activities during the 2015 Period totaled \$3,175,415 which resulted primarily from proceeds from the private placements of \$5,547,825, offset by debt repayments of \$2,240,000.

Net cash provided by financing activities during the 2014 Period totaled \$3,389,282 which resulted primarily from the receipt of a \$1,000,000 loan from the CEO and proceeds of \$1,639,298 from issuance of convertible debt.

Historical Financings

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 July 1, 2013, Mr. Michael Mathews, our Chief Executive Officer, loaned Aspen Group \$1 million and was issued a \$1 million promissory note. The promissory note bears 10% interest per annum, payable monthly in arrears. Mr. Mathews also holds two \$300,000 convertible notes, one of which is convertible at \$0.35 per share and the other at \$1.00 per share. These Notes held by Mr. Mathews were recently extended to July 31, 2016.

In September 2013, the Company sold a \$2,240,000 Original Issue Discount Secured Convertible Debenture (the "Debenture") and 6,736,842 five-year warrants (exercisable at \$0.3325) in a private placement offering to an institutional investor. The Company received net proceeds of approximately \$1.7 million from this offering.

On January 15, 2014, a warrant exercise offering was completed whereby 4,231,840 warrants were exercised at an exercise price of \$0.19 per warrant. The total proceeds received were \$804,049 and since the exercise price was discounted from the stated prices of either \$0.50 or \$0.3325. Related to this, additional 5,178,947 new warrants were issued at \$0.19 per warrant as part of a price protection agreement with two investors.

On March 10, 2014, several members of the Board of Directors invested \$600,000 in exchange for 3,157,895 shares of common stock and 3,157,895 warrants at \$0.19 per share.

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

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

Liquidity and Capital Resource Considerations

As of March 10, 2015, the Company had a cash balance of approximately \$2.0 million (which includes approximately \$870,000 of restricted cash). In September 2014, the Company completed the second closing of its equity financing of \$3,766,325. With the additional cash raised in the financing, the growth in the Company revenues and improving operating margins, the Company believes that it has sufficient cash to allow the Company to implement its long-term business plan.

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

Critical Accounting Policies and Estimates

In response to financial reporting release FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, from the SEC, we have selected our more subjective accounting estimation processes for purposes of explaining the methodology used in calculating the estimate, in addition to the inherent uncertainties pertaining to the estimate and the possible effects on the our financial condition. The accounting estimates are discussed below and involve certain assumptions that, if incorrect, could have a material adverse impact on our results of operations and financial condition.

Revenue Recognition and Deferred Revenue

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

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. 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

At January 31, 2015, we included as a long term asset an account receivable of \$146,831 net of an allowance of \$625,962 from HEMG, controlled by Aspen's former Chairman. Although it is secured by stock pledges, there is a risk that we may not collect all or any of this amount.

HEMG has failed to pay to the Company any portion of the \$772,793 amount overdue as of September 30, 2014, despite due demand for same. Consequently, on November 18, 2014 the Company 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.

See Note 10 to our January 31, 2015 unaudited 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 January 31, 2015 unaudited consolidated financial statements included herein for discussion of recent accounting pronouncements.

Cautionary Note Regarding Forward Looking Statements

This report contains forward-looking statements including the expected growth in our undergraduate Nursing degree program, forecasted fourth quarter student enrollments, forecasted revenue from the expected forecasted student enrollments, expected increase or decrease in expenses including an increase in Internet marketing expenses, capital expenditures, 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 that could cause actual results to differ from those in the forward-looking statements include the failure to maintain regulatory approvals including our ability to obtain permanent certification from our accreditor, competition, ineffective media and/or marketing, failure to maintain growth in degree seeking students and the failure to generate sufficient revenue. Further information on our risk factors is contained in our filings with the SEC, including the Form 10-K filed on July 29, 2014 and the Prospectus dated October 14, 2014. Any forward-looking statement made by us in this report speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and 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.

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.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of January 31, 2015, there were no 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 other than described below or previously reported.

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 derivative claims and all of the fiduciary duty claims. The state court in New York also granted the Company's motion to dismiss the duplicative breach of good faith and fair dealing claim, as well as the defamation claim. The state court in New York denied the Company's motion to dismiss as to the defamation per se claim. On December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in state court of New York. Discovery is currently being pursued by the parties. 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. The New York court dismissed the Company's related "money had and received", "money lent" and "unjust enrichment" claims as being duplicative of the fraud claim. HEMG and Spada have filed a notice of appeal of the New York court's decision.

As previously reported, HEMG and Mr. Spada filed a derivative suit on behalf of the Company against certain former senior management member and our directors in state court in Delaware. The Company is a nominal defendant. The complaint was substantially similar to the complaint filed in state court of New York. On November 3, 2014, the Chancery Court of the State of Delaware dismissed the shareholders' derivative lawsuit of Mr. Patrick Spada and Higher Education Management Group, Inc. against Aspen Group, Inc., certain members of the Company's Board of Directors and former Chief Financial Officer (collectively, the "Defendants"). The Court granted the Defendant's Motion to Dismiss in its entirety. The Plaintiff's recently filed a Notice of Appeal.

While the Company has been advised by its counsel that 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 November 18, 2014, the Company filed a complaint against HEMG in the United States District Court for the District of New Jersey for failure to pay (despite demand) to the Company any portion of the \$772,793 amount overdue. The Company is seeking to collect the full amount due. HEMG failed to answer the complaint and as a result the Court entered a default against HEMG. We are awaiting the entry of a money judgment against HEMG.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

See the Exhibit Index at the end of this report.

SIGNATURES

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

Aspen Group, Inc.

March 11, 2015

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

March 11, 2015

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

EXHIBIT INDEX

Exhibit #	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date	Number	
3.1	Certificate of Amendment to Certificate of Incorporation				Filed
10.1	Form of Securities Purchase Agreement	8-K	7/30/14	10.1	
10.2	Form of Registration Rights Agreement	8-K	7/30/14	10.2	
10.3	Form of Warrant	8-K	7/30/14	10.3	
10.4	Form of Convertible Note – Mathews - \$1.00				Filed
10.5	Form of Convertible Note – Mathews - \$0.35				Filed
10.6	Promissory Note dated March 4, 2015 - Mathews				Filed
10.7	Form of Director Stock Option Agreement				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.

CERTIFICATE OF AMENDMENT OF CERTIFICATE OF INCORPORATION

Aspen Group, Inc. (the “Company”), a corporation organized and existing under the General Corporation Law of the State of Delaware, hereby certifies as follows:

FIRST: That at a meeting of the Board of Directors of the Company resolutions were duly adopted setting forth a proposed amendment to the Certificate of Incorporation of the Company, declaring said amendment to be advisable and calling a meeting of the stockholders of said corporation for consideration thereof. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the Certificate of Incorporation of the Company be amended by changing the Fourth Article thereof so that, as amended, said Article shall be and read as follows:

The total number of shares of stock of all classes and series the Company shall have authority to issue is 260,000,000 shares consisting of (i) 250,000,000 shares of common stock, par value of \$0.001 per share and (ii) 10,000,000 shares of preferred stock, par value \$0.001 with such rights, preferences and limitations as may be set from time to time by resolution of the board of directors and the filing of a certificate of designation as required by the Delaware General Corporation Law.

SECOND: That thereafter, pursuant to resolution of its Board of Directors, a meeting of the stockholders of the Company was duly called and held upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute and by the Certificate of Incorporation were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

Signature Page Follows

IN WITNESS WHEREOF, the undersigned has caused this certificate to be executed as of this 30th day of September, 2014.

ASPEN GROUP, INC.

By: /s/ Michael Mathews
Name: Michael Mathews
Title: Chief Executive Officer and Director

THE SHARES UNDERLYING THIS CONVERTIBLE NOTE AND THE CONVERTIBLE NOTE HAVE NOT BEEN REGISTERED UNDER THE FEDERAL OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR HYPOTHECATED IN ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH LAWS AS MAY BE APPLICABLE OR, AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT AN EXEMPTION FROM SUCH APPLICABLE LAWS EXIST.

CONVERTIBLE NOTE

\$300,000

March 4, 2015

FOR VALUE RECEIVED, Aspen Group, Inc., a Delaware corporation (the "Company"), hereby promises to pay to the order of Michael Mathews (together with his permitted successors and assigns, the "Holder") at 224 W. 30th Street Suite 604, New York, NY 10001, or at such other office as the Holder designates in writing to the Company, the principal sum of Three Hundred Thousand and No/100 Dollars (\$300,000.00), with unpaid interest thereon, on or before July 31, 2016 (the "Maturity Date"), if not paid or converted sooner. **This Convertible Note replaces one issued to the Holder on July 21, 2014, which replaced one issued to the Holder on September 25, 2013, which replaced one issued to the Holder on December 18, 2012, which replaced one issued to the Holder on September 4, 2012, which replaced one issued to the Holder on March 13, 2012.**

1. General Provisions

(a) Interest Rate. Interest payable on this Note shall accrue at the rate of Nineteen/One Hundred Percent (0.19%) per annum. Accrued interest will be payable on the Maturity Date, accelerated or otherwise, when the principal and remaining accrued but unpaid interest shall be due and payable. Interest shall accrue beginning March 13, 2012.

(b) Prepayment. This Note may be paid prior to the Maturity Date, without penalty. Such determination by the Company to prepay shall be made by the vote of a majority of the disinterested directors of the Company. Interest shall accrue through the actual payment date.

2. Conversion to Common Stock.

(a) Conversion Upon Election of Holder. The Holder shall be entitled upon (i) five days prior written notice to the Company (the "Conversion Notice") and (ii) the satisfaction of the requirements set forth in Section 2(d), to convert any part of the outstanding balance of this Note into a number of fully paid and nonassessable shares of the Company's common stock

(the “Common Stock”). Notwithstanding the preceding, following the Conversion Notice, the Company shall have the option to prepay that portion of the Note being converted by providing written notice to Holder within three business days following the Conversion Notice. Such determination by the Company to prepay shall be made by the vote of a majority of the disinterested directors of the Company.

(b) Conversion Price. The outstanding balance to be converted pursuant to Section 2(a) shall be convertible into the number of shares of Common Stock, which results from dividing such outstanding balance to be converted by the Conversion Price. The “Conversion Price” shall initially be \$1.00 per share of Common Stock. The Conversion Price shall be subject to adjustment pursuant to Section 3 from time to time. Following each adjustment, such adjusted Conversion Price shall remain in effect until a further adjustment hereunder.

(c) Fractional Shares. No fractional share of Common Stock shall be issued upon conversion of this Note. In lieu of a fractional share, the Holder shall be paid the value based upon Fair Market Value. Fair Market Value shall mean:

(i) if the Company’s Common Stock is traded on a national securities exchange, then the closing price of the Common Stock on the date notice of conversion is given; or

(ii) if the Company’s Common Stock is not traded on a national securities exchange, then the last reported sales price of the Common Stock on the principal trading market on the date notice of conversion is given.

Notwithstanding the foregoing, if there is no last reported sales price or, for the day in question, then Fair Market Value shall be determined as of the latest day prior to such day for which such last reported sales prices are available, unless such securities have not been traded any market in any of (i) through (ii) above for 30 or more days immediately prior to the day in question, in which case the Fair Market Value shall be determined in good faith by, and reflected in a formal resolution of, the board of directors of the Company.

(d) Mechanics of Conversion. Before the Holder shall be entitled to convert this Note into shares of Common Stock in connection with a conversion pursuant to Section 2(a), the Holder shall surrender this Note (or, if the Holder alleges that this Note has been lost, stolen or destroyed, an affidavit of loss and agreement reasonably acceptable to the Company to indemnify the Company against any claim that may be made against the Company on account of the alleged loss, theft or destruction of such original promissory note), at the office of the Company together with written notice that the Holder elects to convert all or any portion of this Note and, if applicable, any event on which such conversion is contingent. The notice shall state the Holder’s name or the names of the nominees in which such Holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Company, this Note shall be endorsed or accompanied by an investment letter in customary form and a written instrument or instruments of transfer, in form reasonably satisfactory to the Company, duly executed by the Holder or his, her or its attorney duly authorized in writing.

(e) New Promissory Note. In the event less than all of the remaining balance of this Note is converted, the Company shall promptly issue to the Holder a similar promissory note representing the outstanding balance of this Note.

3. Adjustments.

(a) Adjustment Upon Common Stock Event. At any time or from time to time after the date hereof (the "Original Issue Date"), upon the happening of a Common Stock Event (as hereinafter defined), the Conversion Price shall, simultaneously with the happening of such Common Stock Event, be adjusted by multiplying the Conversion Price in effect immediately prior to such Common Stock Event by a fraction, (i) the numerator of which shall be the number of shares of Common Stock issued and outstanding immediately prior to such Common Stock Event, and (ii) the denominator of which shall be the number of shares of Common Stock issued and outstanding immediately after such Common Stock Event, and the product so obtained shall thereafter be the Conversion Price. The Conversion Price shall be readjusted in the same manner upon the happening of each subsequent Common Stock Event. As used herein, the term "Common Stock Event" shall mean (i) the issue by the Company of additional shares of Common Stock as a dividend or other distribution on outstanding Common Stock, (ii) a subdivision of the outstanding shares of Common Stock into a greater number of shares of Common Stock, or (iii) a combination of the outstanding shares of Common Stock into a smaller number of shares of Common Stock.

(b) Adjustments for Other Dividends and Distributions. If at any time or from time to time after the Original Issue Date the Company pays a dividend or makes another distribution to the holders of the Common Stock payable in securities of the Company, other than an event constituting a Common Stock Event, then in each such event provision shall be made so that the Holder shall receive upon conversion thereof, in addition to the number of shares of Common Stock receivable upon conversion thereof, the amount of securities of the Company which the Holder would have received had this Note been converted into Common Stock on the date of such event (or such record date, as applicable) and had they thereafter, during the period from the date of such event (or such record date, as applicable) to and including the conversion date, retained such securities receivable by them as aforesaid during such period, subject to all other adjustments called for during such period under this Section 3 with respect to the rights of the Holder or with respect to such other securities by their terms.

(c) Adjustment for Reclassification, Exchange and Substitution. If at any time or from time to time after the Original Issue Date the Common Stock issuable upon the conversion of this Note is changed into the same or a different number of shares of any class or classes of stock, whether by recapitalization, reclassification or otherwise (other than by a Common Stock Event or a stock dividend, reorganization, merger, or consolidation provided for elsewhere in this Section 3), then in any such event, but subject to Section 2, the Holder and the Company shall have the right thereafter to convert this Note into the kind and amount of stock and other securities and property receivable upon such recapitalization, reclassification or other change by holders of the number of shares of Common Stock into which this Note could have been converted immediately prior to such recapitalization, reclassification or change, all subject

to further adjustment as provided herein or with respect to such other securities or property by the terms thereof.

(d) Reorganizations, Mergers and Consolidations. If at any time or from time to time after the Original Issue Date there is a reorganization of the Company (other than a recapitalization, subdivision, combination, reclassification or exchange of shares provided for elsewhere in this Section 3) or a merger or consolidation of the Company with or into another corporation (except a Liquidation Event), then, as a part of such reorganization, merger or consolidation, provision shall be made so that the Holder thereafter shall be entitled to receive, upon conversion of this Note, the number of shares of stock or other securities or property of the Company, or of such successor corporation resulting from such reorganization, merger or consolidation, to which a holder of Common Stock deliverable upon conversion would have been entitled on such reorganization, merger or consolidation. In any such case, appropriate adjustment shall be made in the application of the provisions of this Section 3 with respect to the rights of the Holder after the reorganization, merger or consolidation to the end that the provisions of this Section 3 (including adjustment of the Conversion Price then in effect and number of shares issuable upon conversion of this Note) shall be applicable after that event and be as nearly equivalent to the provisions hereof as may be practicable. This Section 3 shall similarly apply to successive reorganizations, mergers and consolidations.

4. Event of Default.

(a) For purposes of this Note, an “Event of Default” means:

(i) the Company shall default in the payment of interest and/or principal on this Note within five business days after the Company’s receipt of notice of default from the Holder;

(ii) the Company shall fail to materially perform any covenant, term, provision, condition, agreement or obligation of the Company under this Note (other than for non-payment) and such failure shall continue uncured for a period of 20 business days after notice from the Holder of such failure (or if such breach is not capable of being cured with such 20 business day period but the Company commences to cure and diligently and continuously acts to cure such breach, such longer period as may be necessary to cure such breach);

(iii) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (A) liquidation, reorganization or other relief in respect of the Company or any of their debts, or of a substantial part of its assets, under any federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (B) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Company or for a substantial part of any of its assets, and, in any such case, such proceeding or petition shall continue undismissed 30 days or an order or decree approving or ordering any of the foregoing shall be entered; or

(iv) the Company shall (A) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any federal, state or

foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (B) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 4(a)(iii), (C) apply for or consent to the appointment of a receiver, trustee, custodian, conservator or similar official for the Company or for a substantial part of its assets, (D) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (E) make a general assignment for the benefit of creditors or (F) take any action for the purpose of effecting any of the foregoing.

(b) Upon the occurrence of an Event of Default, the Holder shall have the right (but not the obligation) to declare the unpaid principal balance of this Note, and all interest and fees accrued thereon, immediately due and payable in full. Failure to exercise such option shall not constitute a waiver of the right to exercise the same in the event of any subsequent Event of Default.

5. Miscellaneous.

(a) Loss, Theft, Destruction or Mutilation of Note. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Note and, in the case of loss, theft or destruction, delivery of an indemnity agreement reasonably satisfactory in form and substance to the Company or, in the case of mutilation, on surrender and cancellation of this Note, the Company shall execute and deliver, in lieu of this Note, a new note executed in the same manner as this Note, in the same principal amount as the unpaid principal amount of this Note and dated the date to which interest shall have been paid on this Note or, if no interest shall have yet been so paid, dated the date of this Note.

(b) Waivers. The Company hereby waives notice of default, presentment or demand for payment, protest or notice of nonpayment or dishonor and all other notices or demands relative to this instrument.

(c) Usury. In the event that any interest paid on this Note is deemed to be in excess of the then legal maximum rate, then that portion of the interest payment representing an amount in excess of the then legal maximum rate shall be deemed a payment of principal and applied against the principal of this Note, and any surplus thereafter shall immediately be refunded to the Company.

(d) Waiver and Amendment. Any provision of this Note may be amended, waived or modified only by an instrument in writing signed by the party against which enforcement of the same is sought.

(e) 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 addressees in person, by FedEx or similar receipted next business day delivery, or by email delivery followed by overnight next business day delivery as follows:

- (i) If to the Holder, to: Michael Mathews
224 W. 30th Street Suite 604
New York, NY 10001
Email: michael.mathews@aspen.edu
- (ii) If to the Company, to: Aspen Group, Inc.
224 W. 30th Street Suite 604
New York, NY 10001
Janet.Gill@aspen.edu
Chief Financial Officer

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

(f) 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).

(g) Successors and Assigns. Upon any endorsement, assignment, or other transfer of this Note by the Holder or by operation of law, the term "Holder," as used herein, shall mean such endorsee, assignee, or other transferee or successor to the Holder, then becoming the holder of this Note. This Note shall inure to the benefit of the Holder and its successors and assigns and shall be binding upon the undersigned and their successors and assigns. The term "Company" as used herein, shall include the respective successors and assigns of the Company and any other obligor.

(h) Governing Law. This Note shall be governed by, and construed in accordance with, the internal laws of the State of New York without reference to principles of conflicts of laws. Any action, proceeding or claim against it arising out of, or relating in any way to, this Note must only be brought and enforced in the courts of the State of New York or of the United States of America located in the County of New York, State of New York, and Company and Holder irrevocably submit to such jurisdiction for such purpose. Company and Holder hereby irrevocably waive any objection to such exclusive jurisdiction or inconvenient forum.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Company has caused this Note to be executed as of the date aforesaid.

Aspen Group, Inc.

By: _____
Janet Gill, Chief Financial Officer

THE SHARES REPRESENTED BY THIS CONVERTIBLE NOTE AND THE CONVERTIBLE NOTE HAVE NOT BEEN REGISTERED UNDER THE FEDERAL OR ANY STATE SECURITIES LAWS AND MAY NOT BE SOLD, TRANSFERRED OR HYPOTHECATED IN ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH LAWS AS MAY BE APPLICABLE OR, AN OPINION OF COUNSEL, SATISFACTORY TO THE COMPANY, THAT AN EXEMPTION FROM SUCH APPLICABLE LAWS EXIST.

CONVERTIBLE NOTE

\$300,000.00

March 4, 2015

FOR VALUE RECEIVED, Aspen Group, Inc., a Delaware, a Delaware corporation (the "Company"), hereby promises to pay to the order of Michael Mathews (the "Holder") at 224 West 30th Street, Suite 604, New York, NY 10001, or at such other office as the Holder designates in writing to the Company, the principal sum of Three Hundred Thousand Dollars and 00/100 (\$300,000.00) together with interest thereon computed at the annual rate of five percent (5%). Principal and interest shall be due and payable on July 31, 2016. Interest shall accrue beginning August 14, 2012. While in default, this Note shall bear interest at the rate of 18% per annual or such maximum rate of interest allowable under the laws of the State of New York. Payments shall be made in lawful money of the United States. **This Convertible Note replaces one issued to the Holder on July 21, 2014, which replaced one issued to the Holder on September 25, 2013, which replaced one issued to the Holder on December 18, 2012, which replaced one issued to the Holder on September 4, 2012, which replaced one issued to the Holder on August 14, 2012.**

1. Conversion to Common Stock. The Holder shall have the right at any time to convert this Note into shares of common stock of the Company at \$0.35 per share (the "Conversion Price"), as adjusted.

2. Anti-Dilution Protection.

(a) In the event, prior to the payment of this Note, the Company shall issue any of its shares of common stock as a stock dividend or shall subdivide the number of outstanding shares of common stock into a greater number of shares, then, in either of such events, the shares obtainable pursuant to conversion of this Note shall be increased proportionately; and, conversely, in the event that the Company shall reduce the number of outstanding shares of common stock by combining such shares into a smaller number of shares, then, in such event, the number of shares of common stock obtainable pursuant to the conversion of this Note shall be decreased proportionately. Any dividend paid or distributed upon the common stock in shares of any other class of capital stock of the Company or securities convertible into shares of common stock shall be treated as a dividend paid in common stock to the extent that the shares of common stock are

issuable upon the conversion of the Note. In the event that the Company shall pay a dividend consisting of the securities of any other entity or in cash or other property, upon conversion of this Note, the Holder shall receive the securities, cash, or property which the Holder would have been entitled to if the Holder had converted this Note immediately prior to the record date of such dividend.

(b) In the event, prior to the payment of this Note, the Company shall be recapitalized by reclassifying its outstanding common stock (other than into shares of common stock with a different par value, or by changing its outstanding shares of common stock to shares without par value), or in the event the Company or a successor corporation, partnership, limited liability company or other entity (any of which is defined as a "Corporation") shall consolidate or merge with or convey all or substantially all of its, or of any successor Corporation's property and assets to any other Corporation or Corporations (any such other Corporation being included within the meaning of the term "successor Corporation" used in the context of any consolidation or merger of any other Corporation with, or the sale of all or substantially all of the property of any such other Corporation to, another Corporation or Corporations), or in the event of any other material change in the capital structure of the Company or of any successor Corporation by reason of any reclassification, reorganization, recapitalization, consolidation, merger, conveyance or otherwise, then, as a condition of any such reclassification, reorganization, recapitalization, consolidation, merger or conveyance, a prompt, proportionate, equitable, lawful and adequate provision shall be made whereby the Holder of this Note shall thereafter have the right to purchase, upon the basis and the terms and conditions specified in this Note, in lieu of the securities of the Company theretofore purchasable upon the conversion of this Note, such shares, securities or assets as may be issued or payable with respect to or in exchange for the number of securities of the Company theretofore obtainable upon conversion of this Note as provided above had such reclassification, reorganization, recapitalization, consolidation, merger or conveyance not taken place; and in any such event, the rights of the Holder of this Note to any adjustment in the number of shares of common stock obtainable upon conversion of this Note, as provided, shall continue and be preserved in respect of any shares, securities or assets which the Holder becomes entitled to obtain. Notwithstanding anything herein to the contrary, this Section 2(b) shall not apply to a merger with a subsidiary provided the Company is the continuing Corporation and provided further such merger does not result in any reclassification, capital reorganization or other change of the securities issuable under this Note. The foregoing provisions of this Section 2(b) shall apply to successive reclassification, capital reorganizations and changes of securities and to successive consolidation, mergers, sales or conveyances.

(c) In the event the Company, at any time while this Note shall remain outstanding, shall sell all or substantially all of its assets, or dissolves, liquidates, or winds up its affairs, prompt, proportionate, equitable, lawful and adequate provision shall be made as part of the terms of any such sale, dissolution, liquidation, or winding up such that the Holder of this Note may thereafter receive, upon exercise hereof, in lieu of the securities of the Company which it would have been entitled to receive, the same kind and amount of any shares, securities or assets as may be issuable, distributable or payable upon any such sale, dissolution, liquidation or winding up with respect to each common share of the Company; provided, however, that in the event of any such sale, dissolution, liquidation or winding up, the right to convert this Note shall terminate on a date

fixed by the Company, such date so fixed to be not earlier than 6:00 p.m., New York time, on the 30th day after the date on which notice of such termination of the right to convert this Note has been given by mail to the Holder of this Note at such Holder's address as it appears on the books of the Company.

3. Event of Default. In the event the Company shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts, or seeking appointment of a receiver, custodian, trustee or other similar official for it or for all or any substantial part of its assets; or there shall be commenced against the Company, any case, proceeding or other action which results in the entry of an order for relief or any such adjudication or appointment remains undismissed, undischarged or unbonded for a period of 30 days; or there shall be commenced against the Company, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 10 days from the entry thereof; or the Company shall make an assignment for the benefit of creditors; or the Company shall be unable to, or shall admit in writing the inability to, pay its debts as they become due; or the Company shall take any action indicating its consent to, approval of, or acquiescence in, or in furtherance of, any of the foregoing; then, or any time thereafter during the continuance of any of such events, the entire unpaid balance of this Note then outstanding, together with accrued interest thereon, if any, shall be and become immediately due and payable without notice of conversion by Holder.

4. Miscellaneous.

(a) All makers and endorsers now or hereafter becoming parties hereto jointly and severally waive demand, presentment, notice of non-payment and protest.

(b) This Note may not be changed or terminated orally, but only with an agreement in writing, signed by the parties against whom enforcement of any waiver, change, modification, or discharge is sought with such agreement being effective and binding only upon attachment hereto.

(c) This Note and the rights and obligations of the Holder and of the undersigned shall be governed and construed in accordance with the laws of the State of Delaware.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Company has caused this Note to be executed as of the date aforesaid.

ASPEN GROUP, INC.

By: _____
Janet Gill, Chief Financial Officer

PROMISSORY NOTE

\$1,000,000.00**Issuance Date:** March 4, 2015**Maturity Date:** July 31, 2016

FOR VALUE RECEIVED, the undersigned (the "Maker") promises to pay to the order of Michael Mathews (the "Holder") the sum of one million and No/100 Dollars (\$1,000,000.00), or such lesser sum as shall have been advanced, together with interest thereon computed at the per annum rate of ten percent (10%) on the Maturity Date. Prior to maturity, the Maker shall pay the Holder interest on the last day of each month. **This Note replaces that certain promissory note dated July 21, 2014, which replaced a promissory note dated September 25, 2013, which replaced a promissory note dated July 1, 2013.**

While in default this Note shall bear interest at the rate of 18% per annum or such maximum rate of interest allowable under the laws of the State of New York. Interest shall accrue beginning July 1, 2013.

Payments shall be made in lawful money of the United States at 224 West 30th Street, Suite 604 New York, N.Y. 10001, or at such other place as may be designated in writing by the Holder.

This Note shall be considered in default at the option of the Holder when (i) any past due installment of interest has not been made within five days after notice of non payment has been provided to the Maker (ii) payment of principal and accrued interest required to be made hereunder shall not have been made on the due date or as provided in the next paragraph. This Note shall remain in default until said payment shall have been made. Failure at any time of the Holder to exercise said option shall not constitute a waiver of the right to exercise the same at any time.

In the event the Maker shall commence any case, proceeding or other action under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it as bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to its debts, or seeking appointment of a receiver, custodian, trustee or other similar official for it or for all or any substantial part of its assets; or there shall be commenced against the Maker, any case, proceeding or other action which results in the entry of an order for relief or any such adjudication or appointment remains undismitted, undischarged or unbonded for a period of 30 days; or there shall be commenced against the Maker, any case, proceeding or other action seeking issuance of a warrant of attachment, execution, restraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 10 days from the entry thereof; or the Maker

shall make an assignment for the benefit of creditors; or the Maker shall be unable to, or shall admit in writing the inability to, pay its debts as they become due; or the Maker shall take any action indicating its consent to, approval of, or acquiescence in, or in furtherance of, any of the foregoing; then, or any time thereafter during the continuance of any of such events, any of these events shall cause this Note to be in default and the entire unpaid balance of this Note then outstanding, together with accrued interest thereon, if any, shall be and become immediately due and payable without notice of demand by the Holder.

All makers and endorsers now or hereafter becoming parties hereto jointly and severally waive demand, presentment, notice of non-payment and protest and, if this Note becomes in default and is placed into the hands of an attorney for collection, to pay attorney's fees and all other costs incurred in connection with such collection provided the Holder is the prevailing party. "Attorney's fees" are defined to include, but are not limited to, all fees incurred in all matters of collection and enforcement, construction and interpretation, before, during and after suit, proceedings and appeals, as well as appearances in and connected with any bankruptcy proceedings or creditors, reorganization, or similar proceedings. "Attorney's fees" shall also include paralegal and law clerk fees.

The Maker knowingly, voluntarily and intentionally waives for itself and its heirs, successors and assigns, any rights which any one of them might have to a trial by jury with respect to any litigation, action, suit, or proceeding (whether at law or in equity) based on or arising out of this Note or any course of conduct, course of dealing (oral or written) or actions of any party or their respective officers, principals, partners, employees, agents or representatives in connection with the loan contemplated by this Note whether arising in contract, tort or otherwise and whether asserted by way of complaint, answer, cross claim, counter claim, affirmative defense or otherwise. No party shall seek to consolidate any such litigation, action, suit, or proceeding in which a jury trial cannot be or has not been waived with any other action in which a jury trial has been waived.

This Note may not be changed or terminated orally, but only with an agreement in writing, signed by the parties against whom enforcement of any waiver, change, modification, or discharge is sought with such agreement being effective and binding only upon attachment hereto.

This Note and the rights and obligations of the Holder and of the undersigned shall be governed and construed in accordance with the laws of the State of New York.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Company has caused this Note to be executed as of the date aforesaid.

ASPEN GROUP, INC., a Delaware corporation

By: _____
Janet Gill, Chief Financial Officer

NON-QUALIFIED STOCK OPTION AGREEMENT

THIS NON-QUALIFIED STOCK OPTION AGREEMENT (the "Agreement") is entered into as of December 11, 2014 (the "Grant Date") between Aspen Group, Inc. (the "Company") and _____ (the "Optionee").

WHEREAS, by action taken by the Board of Directors (the "Board") it has adopted the 2012 Equity Incentive Plan (the "Plan"); and

WHEREAS, pursuant to the Plan, it has been determined that in order to enhance the ability of the Company to attract and retain qualified employees, consultants and directors, the Company has granted the Optionee the right to purchase the common stock of the Company pursuant to stock options.

NOW THEREFORE, in consideration of the mutual covenants and promises hereafter set forth and for other good and valuable consideration, receipt of which is acknowledged, the parties hereto agree as follows:

. Grant of Non-Qualified Options. On the Grant Date, the Company irrevocably granted to the Optionee, as a matter of separate agreement and not in lieu of salary or other compensation for services, the right and option to purchase all or any part of 100,000 shares of authorized but unissued or treasury common stock of the Company (the "Options") on the terms and conditions herein set forth. The Optionee acknowledges receipt of a copy of the Plan, as amended.

. Price. The exercise price of the Options is \$0.2026 per share.

. Vesting - When Exercisable.

(a) The Options shall vest in three equal annual increments with the first vesting date being one year from the Grant Date, subject to the Optionee's continued service as a director of the Company on each applicable vesting date. Any fractional vesting shall be rounded up to the extent necessary. Notwithstanding any other provision in this Agreement, the Options shall vest immediately on the occurrence of a Change of Control as defined under the Plan. In the event of a Change of Control, the Options shall be assumed or substituted by the successor corporation or a parent or subsidiary of the successor corporation. If the successor corporation refuses to assume or substitute for the Options, all Options immediately prior to the closing of the Change of Control event will automatically be exercised by a net exercise of the Options, under which the Company will not require a payment of the exercise price of the Options in cash but will reduce the number of shares of stock issued upon exercise by a whole number of shares based upon the price paid per share by the successor corporation. For example, if the successor corporation pays \$2.00 per share and your exercise price is \$0.50, if you hold 1,000 options, the Company will issue you 750 shares immediately prior to the Change of Control event. If the successor corporation pays a price per share which is below the exercise price under Section 2, then the Options will terminate immediately upon the Change of Control event if they are not assumed.

(b) Subject to Section 24 of the Plan, any of the vested Options may be exercised prior to and until 6:00 p.m. New York time five years from the Grant Date (the "Expiration Date"). None of the Options may be exercised prior to vesting.

(c) Notwithstanding any other provision of this Agreement, upon resolution of the Board or the Committee (as defined in the Plan), the Options, whether vested or unvested, shall be immediately forfeited if any of the events specified in Sections 24(a) or (b) of the Plan, as applicable, occur.

4. Termination of Relationship. The Options granted hereunder shall be subject to the termination provisions under Sections 10 and 11 of the Plan.

5. Profits on the Sale of Certain Shares; Redemption. The Options granted hereunder shall be subject to the redemption provisions under Section 24(c) of the Plan.

6. Method of Exercise. The Options shall be exercisable by a written notice in the form attached to this Agreement, which shall:

(a) be signed by the person or persons entitled to exercise the Options and, if the Options are being exercised by any person or persons other than the Optionee, be accompanied by proof, satisfactory to counsel for the Company, of the right of such person or persons to exercise the Options;

(b) be accompanied by full payment of the exercise price by tender to the Company of an amount equal to the exercise price multiplied by the number of underlying shares being purchased either in cash, by wire transfer, or by certified check or bank cashier's check, payable to the order of the Company;

(c) be accompanied by payment of any amount that the Company, in its sole discretion, deems necessary to comply with any federal, state or local withholding requirements for income and employment tax purposes. If the Optionee fails to make such payment in a timely manner, the Company may: (i) decline to permit exercise of the Options or (ii) withhold and set-off against compensation and any other amounts payable to the Optionee the amount of such required payment. Such withholding may be in the shares underlying the Options at the sole discretion of the Company.

The certificate or certificates for shares of common stock as to which the Options shall be exercised shall be registered in the name of the person or persons exercising the Options.

7. Anti-Dilution Provisions. The Options granted hereunder shall have the anti-dilution rights set forth in Section 14 of the Plan.

8. Necessity to Become Holder of Record. Neither the Optionee, the Optionee's estate, nor any Transferee shall have any rights as a shareholder with respect to any shares underlying the Options until such person shall have become the holder of record of such shares. No dividends or cash distributions, ordinary or extraordinary, shall be provided to the holder if the record date is prior to the date on which such person became the holder of record thereof.

9. Reservation of Right to Terminate Relationship. Nothing contained in this Agreement shall restrict the right of the Company to terminate the relationship of the Optionee at any time, with or without cause. The termination of the relationship of the Optionee by the Company, regardless of the reason therefor, shall have the results provided for in Section 24 of the Plan.

10. Conditions to Exercise of Options. If a Registration Statement on Form S-8 (or any other successor form) is not effective as to the shares of common stock issuable upon exercise of the Options, the remainder of this Section 10 is applicable as to federal law. In order to enable the Company to comply with the Securities Act of 1933 (the “Securities Act”) and relevant state law, the Company may require the Optionee, the Optionee’s estate, or any Transferee as a condition of the exercising of the Options granted hereunder, to give written assurance satisfactory to the Company that the shares subject to the Options are being acquired for such person’s own account, for investment only, with no view to the distribution of same, and that any subsequent resale of any such shares either shall be made pursuant to a registration statement under the Securities Act and applicable state law which has become effective and is current with regard to the shares being sold, or shall be pursuant to an exemption from registration under the Securities Act and applicable state law.

The Options are further subject to the requirement that, if at any time the Board shall determine, in its discretion, that the listing, registration, or qualification of the shares of common stock underlying the Options upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with the issue or purchase of shares underlying the Options, the Options may not be exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected.

11. Sale of Shares Acquired Upon Exercise of Options. If the Optionee is an officer (as defined by Section 16(b) of the Securities Exchange Act of 1934 (“Section 16(b)”) or a director of the Company, any shares of the Company’s common stock acquired pursuant to the Options cannot be sold by the Optionee until at least six months elapse from the Grant Date except in case of death or disability or if the grant was exempt from the short-swing profit provisions of Section 16(b).

12. Transfer. No transfer of the Options by the Optionee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the letters testamentary or such other evidence as the Board may deem necessary to establish the authority of the estate and the acceptance by the Transferee or Transferees of the terms and conditions of the Options.

13. Duties of the Company. The Company will at all times during the term of the Options:

(a) Reserve and keep available for issue such number of shares of its authorized and unissued common stock as will be sufficient to satisfy the requirements of this Agreement;

(b) Pay all original issue taxes with respect to the issuance of shares pursuant hereto and all other fees and expenses necessarily incurred by the Company in connection therewith;

(c) Use its best efforts to comply with all laws and regulations which, in the opinion of counsel for the Company, shall be applicable thereto.

14. Parties Bound by Plan. The Plan and each determination, interpretation or other action made or taken pursuant to the provisions of the Plan shall be final and shall be binding and conclusive for all purposes on the Company and the Optionee and the Optionee’s respective successors in interest.

15. Severability. In the event any parts of this Agreement are found to be void, the remaining provisions of this Agreement shall nevertheless be binding with the same effect as though the void parts were deleted.

16. Arbitration. Except to the extent a party is seeking equitable relief, any controversy, dispute or claim arising out of or relating to this Agreement, or its interpretation, application, implementation, breach or enforcement which the parties are unable to resolve by mutual agreement, shall be settled by submission by either party of the controversy, claim or dispute to binding arbitration in New York County, New York (unless the parties agree in writing to a different location), before a single arbitrator in accordance with the rules of the American Arbitration Association then in effect. The decision and award made by the arbitrator shall be final, binding and conclusive on all parties hereto for all purposes, and judgment may be entered thereon in any court having jurisdiction thereof.

17. Benefit. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their legal representatives, successors and assigns.

18. Notices and Addresses. All notices, offers, acceptance and any other acts under this Agreement (except payment) shall be in writing and shall be delivered to the addresses in person, by FedEx or similar receipted delivery as follows:

The Optionee: at the address on the Signature Page

The Company: Aspen Group, Inc.
224 West 30th Street, Suite 604
New York, NY 10001
Attention: Michael Mathews

with a copy to: Michael D. Harris, Esq.
Nason, Yeager, Gerson, White & Lioce, P.A.
1645 Palm Beach Lakes Blvd.,
Suite 1200
West Palm Beach, FL 33401

or to such other address as either of them, by notice to the other may designate from time to time.

19. Attorney's 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 a reasonable attorneys' fees, costs and expenses.

20. Governing Law. This Agreement and any dispute, disagreement, or issue of construction or interpretation arising hereunder whether relating to its execution, its validity, the obligations provided herein or performance whether sounding in contract, tort or otherwise shall be governed or interpreted according to the laws of Delaware without regard to choice of law considerations.

21. Oral Evidence. 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.

22. 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.

23. Section or Paragraph Headings. Section headings herein have been inserted for reference only and shall not be deemed to limit or otherwise affect, in any matter, or be deemed to interpret in whole or in part any of the terms or provisions of this Agreement.

24. Stop-Transfer Orders.

(a) The Optionee agrees that, in order to ensure compliance with the restrictions set forth in the Plan and this Agreement, the Company may issue appropriate “stop transfer” instructions to its duly authorized transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

(b) The Company shall not be required (i) to transfer on its books any shares of the Company’s common stock that have been sold or otherwise transferred in violation of any of the provisions of the Plan or the Agreement or (ii) to treat the owner of such shares of common stock or to accord the right to vote or pay dividends to any purchaser or other Transferee to whom such shares of common stock shall have been so transferred.

25. Exclusive Jurisdiction and Venue. Any action brought by either party against the other concerning the transactions contemplated by or arising under this Agreement shall be brought only in the state or federal courts of New York and venue shall be in New York County or appropriate federal district and division. The parties to this Agreement hereby irrevocably waive any objection to jurisdiction and venue of any action instituted hereunder and shall not assert any defense based on lack of jurisdiction or venue or based upon forum non conveniens.

[Signature Page to Follow]

IN WITNESS WHEREOF the parties hereto have set their hand and seals the day and year first above written.

WITNESSES:

ASPEN GROUP, INC.

By:

Michael Mathews
Chief Executive Officer

OPTIONEE:

Address:



NOTICE OF EXERCISE

To: _____

Attention _____, _____

Facsimile: (____) ____ - _____

Please be advised that I hereby elect to exercise my option to purchase shares of _____, pursuant to the Stock Option Agreement dated _____.

Number of Shares to Be Purchased: _____

Multiplied by: Purchase Price Per Share \$ _____

Total Purchase Price \$ _____

Please check the payment method below:

____ Enclosed is a check for the total purchase price above.

____ Wire transfer sent on _____, 20__.

Please contact me as soon as possible to discuss the possible payment of withholding taxes and any other documents we may require.

Name of Option Holder (Please Print): _____

Address of Option Holder

Telephone Number of Option Holder: _____

Social Security Number of Option Holder: _____

If the certificate is to be issued to person other than the Option Holder, please provide the following for such person:

(Name)

(Address)

(Telephone Number)

(Social Security Number)

In connection with the issuance of the Common Stock, **if the Common Stock may not be immediately publicly sold**, I hereby represent to the Company that I am acquiring the Common Stock for my own account for investment and not with a view to, or for resale in connection with, a distribution of the shares within the meaning of the Securities Act of 1933 (the "Securities Act").

I am _____ am not _____ [*please initial one*] an accredited investor for at least one of the reasons on the attached Exhibit A. If the SEC has amended the rule defining the definition of accredited investor, the new provisions shall be applicable. I acknowledge that as a condition to exercise the Options, the Company may request updated information regarding the Holder's status as an accredited investor. My exercise of the Options shall be in compliance with the applicable exemptions under the Securities Act and applicable state law.

Signature of Option Holder

Dated: _____

Exhibit A To Stock Option Agreement

For Individual Investors Only:

1. A person who has an individual net worth, or a person who with his or her spouse has a combined net worth, in excess of \$1,000,000. For purposes of calculating net worth under this paragraph (1), (i) the primary residence shall not be included as an asset, (ii) to the extent that the indebtedness that is secured by the primary residence is in excess of the fair market value of the primary residence, the excess amount shall be included as a liability, and (iii) if the amount of outstanding indebtedness that is secured by the primary residence exceeds the amount outstanding 60 days prior to exercising the stock options, other than as a result of the acquisition of the primary residence, the amount of such excess shall be included as a liability.

2a. A person who had individual income (exclusive of any income attributable to the person's spouse) of more than who has \$200,000 in each of the two most recently completed years and who reasonably expects to have an individual income in excess of \$200,000 this year.

2b. Alternatively, a person, who with his or her spouse, has joint income in excess of \$300,000 in each applicable year.

3. A director or executive officer of the Company.

Other Investors:

4. Any bank as defined in Section 3(a)(2) of the Securities Act of 1933 ("Securities Act") whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934; insurance company as defined in Section 2(13) of the Securities Act; investment company registered under the Investment Company Act of 1940 or a business development company as defined in Section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has total assets in excess of \$5,000,000; employee benefit plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, if the investment decision is made by a plan fiduciary, as defined in Section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment advisor, or if the employee benefit plan has total assets in excess of \$5,000,000, or if a self-directed plan, with investment decisions made solely by persons that are accredited investors.

5. A private business development company as defined in Section 202(a)(22) of the Investment Advisors Act of 1940.

6. An organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000.

7. A trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in Rule 506(b)(2)(ii) of the Securities Act.

8. An entity in which all of the equity owners are accredited investors.

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, Michael Mathews, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2015

/s/ Michael Mathews

Michael Mathews
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Janet Gill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 11, 2015

/s/ Janet Gill

Janet Gill
Chief Financial Officer
(Principal Financial Officer)

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

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

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

/s/ Michael Mathews

Michael Mathews
Chief Executive Officer
(Principal Executive Officer)
Dated: March 11, 2015

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

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

/s/ Janet Gill

Janet Gill
Chief Financial Officer
(Principal Financial Officer)
Dated: March 11, 2015