INDEX

PART I – FINANCIAL INFORMATION

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

	October 31	

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

	For the Six Months Ended October 31, 2017	For the Six Months Ended October 31, 2016
Cash flows from operating activities:		
Net loss	$ (1,248,629)	$ (388,907)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	85,500	—
Depreciation and amortization	284,074	290,055
Stock-based compensation	303,924	157,335
Amortization of debt discounts	—	6,250
Amortization of prepaid shares for services	—	35,000
Warrant buyback expense	—	206,000
Changes in operating assets and liabilities:		
Accounts receivable	(2,137,055)	(1,304,754)
Other receivables	(388,585)	—
Prepaid expenses	(39,392)	20,118
Accrued interest receivable	(36,800)	—
Other assets	(33,192)	(23,240)
Accounts payable		

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

You should read the following discussion in conjunction with our consolidated financial statements, which are included elsewhere in this Form 10-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 on July 25, 2017 with the Securities and Exchange Commission, or the SEC.

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

Company Overview

Aspen Group, Inc. is a post-secondary education company with an overarching vision of making higher education affordable again in America. To date, Aspen Group's sole operating subsidiary has been Aspen University, Inc., doing business as Aspen University. On December 1, 2017, Aspen Group completed the acquisition of United States University (USU), a regionally accredited for-profit university based in San Diego, California. In connection with the closing of the acquisition of United States University, the Company borrowed an additional $2.5 million under the $10 million senior secured term loan facility with Runway Growth Capital Fund.

Given the acquisition of USU was a subsequent event, disclosure below regarding results of operations will focus on the financial results of Aspen University, except where we refer to USU.

Founded in 1987, Aspen University's mission is to offer any motivated college-worthy student the opportunity to receive a high quality, responsibly priced distance-learning education for the purpose of achieving sustainable economic and social benefits for themselves and their families. Aspen is dedicated to providing the highest quality education experiences taught by top-tier professors - 54% of our adjunct professors hold doctorate degrees. We intend to apply this same philosophy to USU.

Because we believe higher education should be a catalyst to our students' long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in online higher education. In 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans. The monthly payment plan offers bachelor students (except RN to BSN) the opportunity to pay their tuition at $250/month for 72 months ($18,000), nursing bachelor students (RN to BSN) $250/month for 39 months ($9,750), master students $325/month for 36 months ($11,700) and doctoral students $375/month for 72 months ($27,000), interest free, thereby giving students a monthly tuition payment plan option versus taking out a federal financial aid loan.

One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is the fact that the majority of our active degree-seeking students (72% as of October 31, 2017) were enrolled in Aspen University's School of Nursing.

Student Population Overview*

Aspen's active degree-seeking student body increased year-over-year by 51% during the fiscal quarter ended October 31, 2017, from 3,726 to 5,641 students.

Our most popular school is our School of Nursing. Aspen's School of Nursing has grown from 68% of our active degree-seeking student body at October 31, 2016, to 72% at October 31, 2017. Aspen's School of Nursing grew from 2,538 to 4,068 student's year-over-year, which represented 80% of Aspen's active degree-seeking student body growth. At October 31, 2017, Aspen's School of Nursing included 2,639 active students in the RN to BSN program, 1,401 active students in the MSN program or the RN to MSN Bridge program, and 28 active students in the Doctor of Nursing Practice program.

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

Marketing Efficiency Analysis

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

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

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

Revenue per Enrollment (RPE)

*
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ACCOUNTS RECEIVABLES AND MONTHLY PAYMENT PLAN

Since the inception of

The Introduction of Long-Term Accounts Receivables

When a student signs up for the monthly payment plan, there is a contractual amount that Aspen can expect to earn over the life of the student's program. This contractual amount cannot be recorded as the student does have the option to stop attending. As a student takes a class, revenue is earned over that eight week class. Some students accelerate their program, taking two classes every eight week period, and as we discussed, that increases the student's accounts receivable balance. If any portion of that balance will be paid in a period greater than 12 months, that portion is reflected as long-term accounts receivable. At October 31, 2017 and April 30, 2017 those balances are $753,326 and $657,542, respectively.

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

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

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

Seasonality Briefing

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

Results of Operations

For the Quarter Ended October 31, 2017 Compared with the Quarter Ended October 31, 2016

Revenue

Revenue from operations for the quarter ended October 31, 2017 ("2017 Quarter") increased to $4,851,639 from $3,465,026 for the quarter ended October 31, 2016 ("2016 Quarter"), an increase of $1,386,613 or 40%. Aspen's School of Nursing accounted for 74% of the revenues for the 2017 Quarter.

Cost of Revenues (exclusive of amortization)

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

Instructional Costs and Services

Instructional costs and services for the 2017 Quarter rose to $843,811 from $547,863 for the 2016 Quarter, an increase of $295,948 or 54%. Instructional costs and services for the 2017 Quarter as a percentage of revenue was 17% as compared to 16% for the 2016 Quarter. As previously projected, Instructional costs and services as a percentage of revenue declined sequentially from 20% to 17%.

Marketing and Promotional

Marketing and promotional costs for the 2017 Quarter were $1,020,848 compared to $686,993 for the 2016 Quarter, an increase of $333,855 or 49%. We expect marketing and promotional costs to rise in future periods given the planned spend rate increase to an average of $475,000 per month beginning in December 2017 (spending projection includes advertising expenditure planned for both Aspen University and United States University).

Gross profit was 59% of revenues or $2,860,772 for the 2017 Quarter as compared to 61% of revenues or $2,102,183 for the 2016 Quarter.

Costs and Expenses

General and Administrative

General and administrative costs for the 2017 Quarter were $3,16F7 [illegible], [illegible] s

Costs and Expenses

General and Administrative

General and administrative costs for the 2017 Period were $6,297,725 compared to $4,095,481 during the 2016 Period, an increase of $2,024,244 or 54%. During the six months ended October 31, 2017, we incurred three non-recurring charges totaling $320,000 that were unrelated to the ongoing operations; Nasdaq uplist fees, expenses related to the asset purchase agreement with USU, and fees associated with the waiver of registration rights granted in the April 2017 equity raise. In preparation to support a second institution of higher learning (pending regulatory approval), over the past 6 months Aspen Group has increased its full-time staff, not including faculty, from 81 to 140 employees. Aspen now employs 62 Enrollment Advisors, 15 Academic Advisors, 17 software developers, and 37 employees in academic operations and 9 in corporate/marketing.

Depreciation and Amortization

Depreciation and amortization costs for the 2017 Period decreased to $284,074 from $290,055 for the 2016 Period, a decrease of $5,981 or 2%.

Other Expense, net

Other income for the 2017 Period increased to $41,888 from $1,364 in the 2016 Period, an increase of $40,524, reflecting the interest earned on the receivable from USU. Interest expense increased to $186,093 from $95,661, an increase of $90,432 or 95%. This increase reflects increased interest expense after taking on the credit facility.

Income Taxes

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

Net Loss

Net loss for the 2017 Period was ($1,248,629) as compared to ($388,907) for the 2016 Period, an increase in the loss of $859,722. Although revenues in the 2017 Period grew at a higher rate than the increase of recurring operating costs, the higher non-recurring costs related to the USU acquisition, the Nasdaq uplist and the fee associated with the waiver of registration rights during the April 2017 equity raise, resulted in an increased loss for the 2017 Period.

Non-GAAP – Financial Measures

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

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

Aspen Group defines Adjusted EBITDA as earnings (or loss) from continuing operations before the items in the table below including non-recurring charges of $236,782. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature that affect comparability.

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

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

	For the Three Months Ended October 31,	
	2017	**2016**
Net (loss) income	$ (481,551)	$ 116,541
Interest Expense, net of interest income	156,785	54,971
Depreciation & amortization	145,355	139,005
EBITDA (Loss) income	(179,411)	310,517
Bad debt expense	22,500	—
Acquisition expenses	99,065	—
Non-recurring charges	137,717	97,384
Stock-based compensation	144,624	61,728
Adjusted EBITDA	$ 224,495	$ 469,629

Liquidity and Capital Resources

A summary of our cash flows is as follows:

	For the Six Months Ended October 31,	
	2017	**2016**
Net cash used in operating activities	$ (1,673,058)	$ 26,323
Net cash used in investing activities	(565,973)	(389,040)
Net cash provided by financing activities	4,862,508	286,300
Net increase (decrease) in cash and cash equivalents	$ 2,623,477	$ (76,417)

Net Cash (Used in) Provided By Operating Activities

Net cash used in operating activities during the 2017 Period totaled ($1,673,058) and resulted primarily from a net loss of operations of ($1,248,629) and a net change in operating assets and liabilities of ($1,097,927), both offset by non-cash items of $673,498. The most significant change in operating assets and liabilities was an increase of $2,137,055 in accounts receivable, reflecting the expansion of the monthly payment plan. The most significant non-cash item was $303,927 for stock compensation expense.

Net cash provided in operating activities during the 2016 Period totaled $26,323 and resulted primarily by non-cash items of $692,905 and a net change in operating assets and liabilities of $277,674, reduced by the net loss of $388,907. The most significant item change operating assets and liabilities was an increase in accounts receivable of $1,304,754 which is primarily attributed to the growth in revenues from students paying through the monthly payment plan. The most significant non-cash items were depreciation and amortization expense of $290,055 and the warrant buyback expense of $206,000.

Net Cash Used in Investing Activities

Net cash used in investing activities during the 2017 Period totaled ($565923 and resuloe565923 anda290,0ansi pre pre pre q a0Ď “ w

Accounts Receivable and Allowance for Doubtful Accounts Receivable

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

For accounts receivable from students, both short term and long term, 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. Any receivable of a student on a monthly payment plan that exceeds 12 months, the portion that exceeds 12 months is reflected in long term accounts receivable.

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 c žžžre

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PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. There were no material changes to our legal proceedings as described in the Company's Form 10-K during the period covered by this report.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

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

In addition to those unregistered securities previously disclosed in reports filed with the Securities and Exchange Commission, we have sold securities without registration under the Securities Act of 1933 (the "Securities Act") as described below. Unless stated otherwise, all securities issued are shares of common stock.

Name or Class of Investor	Date Issued	No. of Securities	Reason for Issuance
Option Holders (1)	September 15, 2017; October 16, 2017 and October 17, 2017	29,191	Cash exercise of Stock Options
Warrant Holders (2)	August 2, 2017 and September 18, 2017	3,676	Cashless exercise of Warrants

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(1) Exempt under Section 4(a)(2) and Rule 506(b) of the Securities Act of 1933. Each investor acquired the common stock for investment and we reasonably believed each was an accredited investor.

(2) Exempt under Section 3(a)(9) of the Securities Act of 1933.

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 n E l'

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.
December 13, 2017	By: /s/ Michael Mathews Michael Mathews Chief Executive Officer (Principal Executive Officer)
December 13, 2017	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 Incorporation, as amended	10-Q	3/9/17	3.1	
3.2	Bylaws	8-K	3/19/12	3.2	
3.2(a)	Amendment No. 1 to Bylaws	8-K	3/12/14	3.1	
10.1	Loan and Security Agreement – Runway+	8-K	7/28/17	10.1	
10.2	Registration Rights Agreement – Runway	8-K	7/28/17	10.2	
10.3	Warrant Agreement – Runway +	8-K	7/28/17	10.3	
10.4	Form of Registration Rights Waiver	10-Q	9/14/17	10.4	
10.5	Promissory Note dated March 8 R n ľ Ě 8	n			

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Exhibit 32.1

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

In connection with the quarterly report of Aspen Group, Inc. (the “Company”) on Form 10-Q for the quarter ended October 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Michael Mathews, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The 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: December 13, 2017

In connection with the quarterly report of Aspen Group, Inc. (the “Company”) on Form 10-Q for the quarter ended October 31, 2017, as filed with the Securities and Exchange Commission on the date hereof, I, Janet Gill, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The 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: December 13, 2017