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 **July 31, 2017**

OR

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

For the transition period from ________ to ________

Commission file number: 000-55107

Aspen Group, Inc.

Delaware Ĉ lʼ η

INDEX

PART I – FINANCIAL INFORMATION

PART II – OTHER INFORMATION

ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED JULY 31, 2017
(Unauditedu)nau

A

ASPEN GROUP,

Note 6. Commitments and Contingencies

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 July 31, 2017, no performance bonuses have been earned.

Legal Matters

Aspen University to siunificant regulatory scrutiny on the basis of numerous standards that schools must satisfy to parr pate in the variouS

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 July 31, 2017, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations.

Regulatory Matters

The Company's subsidiary, Aspen University, is subject to extensive regulation by Federal and State governmental agencies and accrediting bodies. In parr lar, the aigher Tducation Act Yhe eaTArcand the regulations promulgated thereunder by the A T subjecd

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

A summary of the Company's stock option activity for employees and directors during the three months ended July 31, 2017, is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2017	2,097,384	$ 2.42	3.09	$ 7,267,892
Granted	535,500	4.98	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	—	—	—	—
Balance Outstanding, July 31, 2017	2,632,884	$ 2.94	3.14	$16,732,558

Note 8. Pending Acquisition

On May 13, 2017, the Company entered into a definitive agreement to acquire the operating assets of United States University ("USU"), a regionally accredited for-profit university based in San Diego, California for a total purchase price of $9 million. The transaction is subject to customary closing conditions and regulatory approvals by the DOE, WASC Senior College and University Commission, and state regulatory and programmatic accreditation bodies. The earliest that Aspen Group would receive required regulatory approvals would be November 2017.

In furtherance of this possible acquisition, the Company lent $900,000 to the target with the loan guaranteed by its principal owner. The Company also entered into a Marketing Consulting Agreement with USU. The note for $900,000 and 8% per annum interest is immediately due upon the earlier of (i) the closing of the acquisition in which case it shall be a credit towards the $2.5 million cash due at closing, (ii) January 15, 2018, or (iii) the termination of the acquisition. The Company drew the $900,000 from the third party line of credit. (See Note 5)

Note 9. Subsequent Events

On August 22, 2017, the DOE informed Aspen University of its determination that the institution has qualified to participate under HEA and the Federal student financial assistance programs (Title IV, HEA programs), and set a subsequent program participation agreement reapplication date of March 31, 2021.

*** 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.**

New Student Enrollment and Active Degree Seeking Student Body Growth

Since the launch of the BSN marketing campaign in November, 2014, Aspen's growth rate of new student enrollments has accelerated significantly. Below is a quarterly analysis of the growth of Aspen's new student enrollments, as well as the growth of the active degree seeking student body over the past eight quarters, including the recent quarter ending July 31, 2017.

	New Student Enrollments	Active Degree Seeking Student Body*
Fiscal quarter end October 31, 2015	557	2,422
Fiscal quarter end January 31, 2016	550	2,704
Fiscal quarter end April 30, 2016	572	2,932
Fiscal quarter end July 31, 2016	621	3,252
Fiscal quarter end October 31, 2016	811	3,726
Fiscal quarter end January 31, 2017	825	4,064
Fiscal quarter end April 30, 2017	986	4,681
Fiscal quarter end July 31, 2017	1,025	5,015

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

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

Nursing Revenue Summary

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

	Total Degree-Seeking Active Student Body	Nursing Degree-Seeking Active Student Body	nF	

The Introduction of Long-Term Accounts Receivables

When a student signs up for the monthly payment plan, there is a contractual amount that the Company can expect to earn over the life of the student's program. This contractual amount cannot be recorded as the student does have the option to stop attending. As a student takes a class, revenue is earned over that eight week class. Some students accelerate their program, taking two classes every eight week period, and as we discussed, that increases the student's accounts receivable balance. If any portion of that balance will be paid in a period greater than 12 months, that portion is reflected as long-term accounts receivable. At July 31, 2017 and April 30, 2017 those balances are $661,578 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, the Company explained that its first fiscal quarter (May – July) is the seasonal low point because it falls during the summer months and therefore students tend to take less courses during that quarter relative to the other three fiscal quarters. Conversely, the second fiscal quarter (August – October) is the seasonal high point given students' ingrained 'start of the school year' mentality.

Results of Operations

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

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 $354,536. 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 Quarters Ended July 31,	
	2017	**2016**
Net loss	$ (767,079)	$ (505,447)
Interest Expense, net of interest income	(12,581)	33,076
Depreciation & amortization	138,720	151,049
EBITDA (Loss)	(640,940)	(321,322)
Bad debt expense	63,000	—
Acquisition expenses	119,282	—
Warrant modification expense	—	206,000
Non-recurring charges	354,536	258,241
Stock-based compensation	159,300	95,607
Adjusted EBITDA	$ 55,178	$ 238,526

Liquidity and Capital Resources

A summary of our cash flows is as follows:

	For the Quarters Ended July 31,	
	2017	**2016**
Net cash (used in) provided by operating activities	$ (1,024,085)	$ 34,476
Net cash used in investing activities	(280,409)	(183,567)
Net cash provided (used in) by financing activities	4,761,846	(154,388)
Net increase (decrease) in cash	$ 3,457,352	$ (303,479)

Net Cash (Used in) Provided By Operating Activities

Net cash used in operating activities during the 2017 Quarter totaled ($1,024,085) and resulted primarily from a net loss of operations of ($767,079) and a net change in operating assets and liabilities of ($618,026), both offset by non-cash items of $361,020. The most significant change in operating assets and liabilities was an increase of $699,020 in accounts receivable, reflecting the expansion of the monthly payment plan. The most significant non-cash item was $159,300 for stock compensation expense.

Net cash provided from operating activities during the 2016 Quarter totaled $34,476, reflecting a net loss of ($505,447), a net change in operating assets and liabilities of $80,252 and non-cash items of $459,671. The most significant change in operating assets and liabilities was a $580,913 increase in accounts receivable. The most significant non-cash item was $206,000 for warrant buyback expense.

Net Cash Used in Investing Activities

Net cash used in investing activities during the 2017 Quarter totaled ($280,409), reflecting primarily fixed asset and courseware purchases.

Net cash used in investing activities during the 2016 Quarter totaled ($183,567), reflecting fixed asset and courseware purchases.

Net Cash Provided By (Used in) Financing Activities

Net cash provided by financing activities during the 2017 Quarter totaled $4,761,846, reflecting the net proceeds of $4,732,677 from the senior secured term loan.

Net cash used in financing activities during the 2016 Quarter totaled ($154,388) due to $400,000 paid for the warrant buyback offset by proceeds from the line of credit of $247,000.

Liquidity and Capital Resource Considerations

Historically, our primary source of liquidity is cash receipts from tuition and the issuances of debt and equity securities. More recently, we were able to secure traditional debt financing not convertible into shares of common stock. The primary uses of cash are payroll related expenses, professional expenses and instructional and marketing expenses. On April 7, 2017, the Company raised $7,500,000 through the issuance of 2,000,000 shares of common stock. The net proceeds of $6,996,000 were partially used to terminate the third party line of credit with an outstanding balance of approximately $2,150,000 and the repayment of approximately $1,300,000 under notes held by the Company's CEO. Accrued interest was paid on all retirements. In addition, on July 25, 2017, the Company finalized a $10 million senior secured term loan, $5 million of which was funded at the close.

As of September 13, 2017, the Company had a cash balance of approximately $5.7 million. With the cash from the Company's $7.5 million equity raise, the senior secured term loan of $10 million in total, the growth in the Company revenues, and improving operating margins, the Company believes that it has sufficient cash to allow the Company to meet its operational expenditures and close the USU acquisition for at least the next 12 months.

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

Critical Accounting Policies and Estimates

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

New Accounting Pronouncements

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

Forward Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding nursing and active student growth, expected Marketing Efficiency Ratio, increase in marketing and promotional costs, 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, competition, and ineffective media and/or marketing, failure to maintain growth in degree seeking students and the failure to generate sufficient revenue. Further information on our risk factors is contained in our filings with the SEC, including the Form 10-K for the year ended April 30, 2017. 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

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
Consultant (1)	April 17, 2017	20,000	Consulting Services
Warrant Holders (1)	July 11, 2017	14,858	Cash exercise of Warrants
Warrant Holders (2)	May 10, 2017 and July 12, 2017	74,622	Cashless exercise of Warrants

(1) Exempt under Section 4(a)(2) and Rule 506(b) of the Securities Act.
(2) Exempt under Section 3(a)(9) of the Securities Act.

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.

EXHIBIT 10.8

Amendment No. 9 to the
Aspen Group, Inc.
2012 Equity Incentive Plan

This Amendment No. 9 to the 2012 Equity Incentive Plan (the "Plan") amends the number of shares authorized under Section 4 of the Plan by deleting the 3,300,000 and replacing it with 3,500,000.

Exhibit 31.2

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: September 14, 2017

/s/ Janet Gill

Janet Gill
Chief Financial Officer
(Principal Financial Officer)