

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 **October 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.)

1660 S Albion Street, Suite 525

Denver, CO

(Address of principal executive offices)

80222

(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	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

(Do not check if a 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

<u>Class</u>	<u>Outstanding as of December 2, 2015</u>
Common Stock, \$0.001 par value per share	128,553,938 shares

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[Item 1.A.](#) ~~multi-jurisdictional dispute resolution and corporate proceedings.~~



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

For th



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

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Equity (Deficiency)</u>
	<u>Shares</u>	<u>Amount</u>				
Balance at April 30, 2015	128,253,605	\$ 128,254	\$ 24,898,647	\$ (70,000)	\$(22,358,722)	\$ 2,598,179
Stock-based compensation	—	—	128,987	—	—	128,987
Warrant Conversion Expense	—	—	6,000	—	—	6,000
Shares issued for services rendered	283,333	283	47,317	—	—	47,600
Attorney fees associated with Registration Statement	—	—	(679)	—	—	(679)
Net loss, six months ended October 31, 2015	—	—	—	—	(1,463,126)	(1,463,126)
Balance at October 31, 2015	<u>128,536,938</u>	<u>\$ 128,537</u>	<u>\$ 25,080,272</u>	<u>\$ (70,000)</u>	<u>\$(23,821,848)</u>	<u>\$ 1,316,961</u>

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

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

	For the Six Months Ended October 31,	
	<u>2015</u>	<u>2014</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 58,147	\$ 183,545
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>
Supplemental disclosure of non-cash investing and financing activities		
Common stock issued for services	<u>\$ 47,600</u>	<u>\$ —</u>

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

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2015
(Unaudit



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

Note 5. Courseware

Courseware costs capitalized were \$63,634 and \$66,479 for the six months ended October 31, 2015 and 2014 respectively.

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

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 was 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 with prejudice. The Plaintiff's have not taken an appeal and the time to do so has expired.

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

On October 15, 2015, HEMG filed bankruptcy pursuant to Chapter 7. As a result, the remaining claims and Aspen's counterclaims in the New York lawsuit are currently stayed.

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

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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 aid programs available to students.



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

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 provi* ę ,



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

Note 9. Stockholders' Equity (Deficiency)

Common Stock

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

A summary of the Company’s stock option activity for employees and directors during the three months ended October 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, 2015	14,206,412	\$ 0.21	3.5	\$ 103,000
Granted	2,965,000	\$ 0.17	4.9	—
Exercised	—	—	—	—
Forfeited	(509,099)	\$ 0.35	2.2	—
Expired	—	—	—	—
Balance Outstanding, October 31, 2015	<u>16,662,313</u>	<u>\$ 0.20</u>	<u>3.1</u>	<u>\$ 8,835</u>
Exercisable, October 31, 2015	<u>7,234,131</u>	<u>\$ 0.22</u>	<u>2.41</u>	<u>\$ —</u>

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

On August 5, 2015, 500,000 options were granted to the Senior Vice President of Compliance. The exercise price was \$0.18 and the fair value was \$30,000. The options vest over 3 years.

On September 23, 2015, 465,000 options were granted to a total of 39 employees. The exercise prices were \$0.131 and the fair value of the total grant was \$48,600. The options vest over 3 years.

As at October 31, 2015, there was approximately \$480,000 of unrecognized compensation costs related to nonvested share-based compensation arrangements. That cost is expected to be recognized over a weighted average period of approximately 2.6 years.

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

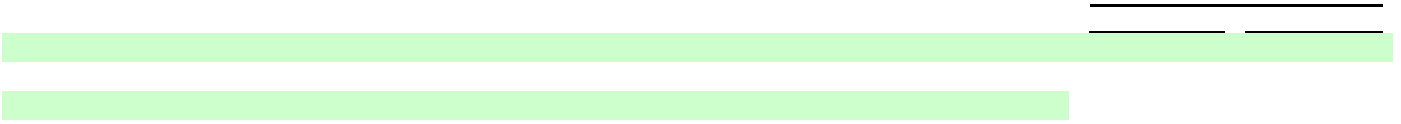
Note 10. Related Party Transactions

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 Event

On November 20, 2015, the Company amended its Equity Incentive Plan by 4,000,000 shares increasing the total number of authorized plan shares to 20,300,000. Effective that date, the Board granted 250,000 options to each of three directors for service on a special committee. The exercise price is \$0.165 and the fair value of each 250,000 grant is \$12,500. The options vest over 3 years.





Liquidity and Capital Resource Considerations

As of December 2, 2015, the Company had a cash balance of approximately \$2.2 million (which



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

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

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

Related Party Transactions

See Note 10 to our October 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 October 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 statements regarding growth 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. Over

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.

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 2, 2015

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

December 2, 2015

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

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