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ASPEN GROUP, INC.

State of Incorporation: Delaware
276 Fifth Avenue, Suite 505
New York, NY 10001
(646) 448-5144
www.aspu.com
ir@aspen.edu

SIC Code: 8200

Quarterly Report

For the period ending July 31, 2023
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 25,548,046 as of September 14, 2023

The number of shares outstanding of our Common Stock was 25,456,063 as of April 30, 2023

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933 and Rule 12b-2 of the Exchange Act of 1934):

Yes: ☐ **No:** ☑

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ **No:** ☑

Indicate by check mark whether a Change in Control[1] of the company has occurred over this reporting period:

Yes: ☐ **No:** ☑

[1] "Change in Control" shall mean any events resulting in:

i. Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;

ii. The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;

iii. A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or

iv. The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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Item 1. Exact name of the issuer and the address of its principal executive offices.

Exact name of issuer: Aspen Group, Inc.

Principal executive offices: 276 Fifth Ave., Suite 505
New York, NY 10001
(646) 448-5144
www.aspu.com

Principal business offices: 4605 Elwood St., Suites 100, 110
4615 Elwood St., Suites 300, 400
Phoenix, AZ 85040

Investor relations contact: Kim Rogers
Hayden IR
(646) 536-7331
kim@haydenir.com
7320 E. Butherus Dr.
Scottsdale, AZ 85260

Item 2. Shares outstanding.

Period End Date: July 31, 2023

Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,548,046	12,803,944	98	102
Preferred Stock	1,000,000	—	—	—	—

Period End Date: April 30, 2023

Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,437,316	14,419,048	98	102
Preferred Stock	1,000,000	—	—	—	—

Period End Date: April 30, 2022

Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,202,278	14,902,057	101	105
Preferred Stock	1,000,000	—	—	—	—

Transfer agent: Securities Transfer Corporation
2901 N Dallas Parkway, Suite 380
Plano, Texas 75093
(469) 633-0101

Registered under the Exchange Act: Yes

Regulatory authority: Securities and Exchange Commission

Item 3. Interim financial statements.

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

	July 31, 2023 (Unaudited)	April 30, 2023 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 217,370	$ 1,353,635
Restricted cash	5,839,400	4,370,832
Accounts receivable, net of allowance of $3,554,460 and $3,624,427, respectively	21,820,749	22,057,297
Prepaid expenses	644,023	609,900
Other current assets	6,279,155	3,068,918
Total current assets	34,800,697	31,460,582
Property and equipment:		
Computer equipment and hardware	1,655,130	1,655,130
Furniture and fixtures	2,190,450	2,169,090
Leasehold improvements	8,055,363	8,055,363
Instructional equipment	756,568	756,568
Software	11,913,878	11,648,505
	24,571,389	24,284,656
Less: accumulated depreciation and amortization	(12,855,415)	(11,922,435)
Total property and equipment, net	11,715,974	12,362,221
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,900,000
Courseware, net	294,125	291,438
Long-term contractual accounts receivable	15,770,141	13,068,368
Deferred financing costs	148,867	23,897
Operating lease right-of-use assets, net	13,017,763	13,431,074
Deposits and other assets	781,550	210,536
Total assets	$ 89,440,549	$ 83,759,548

(Continued)

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

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

	July 31, 2023	April 30, 2023
	(Unaudited)	(Unaudited)
Liabilities and Stockholders' Equity		
Liabilities:		
Current liabilities:		
Accounts payable	$ 2,430,943	$ 2,250,902
Accrued expenses	2,570,229	2,355,370
Advances on tuition	2,987,470	2,975,680
Deferred tuition	3,693,180	2,892,333
Due to students	2,810,861	2,624,831
Current portion of long-term debt	—	5,000,000
Operating lease obligations, current portion	2,500,317	2,502,810
Other current liabilities	21,009	109,326
Total current liabilities	17,014,009	20,711,252
Long-term debt, net	20,326,771	9,950,000
Operating lease obligations, less current portion	16,943,973	17,551,512
Total liabilities	54,284,753	48,212,764
Commitments and contingencies – see Note 11		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized,		
0 issued and 0 outstanding at July 31, 2023 and April 30, 2023	—	—
Common stock, $0.001 par value; 60,000,000 shares authorized,		
25,548,046 issued and 25,548,046 outstanding at July 31, 2023		
25,592,802 issued and 25,437,316 outstanding at April 30, 2023	24,061	25,593
Additional paid-in capital	111,862,560	113,429,992
Treasury stock (0 shares at July 31, 2023 and 155,486 shares at April 30, 2023)	—	(1,817,414)
Accumulated deficit	(76,730,825)	(76,091,387)
Total stockholders' equity	35,155,796	35,546,784
Total liabilities and stockholders' equity	$ 89,440,549	$ 83,759,548

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

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

	Three Months Ended July 31,	
	2023	**2022**
	(Unaudited)	(Unaudited)
Revenue	$ 14,639,872	$ 18,893,913
Operating expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)	4,392,855	10,205,551
General and administrative	8,470,878	10,532,020
Bad debt expense	450,000	350,000
Depreciation and amortization	963,212	921,108
Total operating expenses	14,276,945	22,008,679
Operating income (loss)	362,927	(3,114,766)
Other income (expense):		
Interest expense	(936,481)	(581,293)
Other income, net	18,287	11,409
Total other expense, net	(918,194)	(569,884)
Loss before income taxes	(555,267)	(3,684,650)
Income tax expense	84,171	30,321
Net loss	$ (639,438)	$ (3,714,971)
Net loss per share - basic and diluted	$ (0.03)	$ (0.15)
Weighted average number of common stock outstanding - basic and diluted	25,567,351	25,202,278

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

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

	Three Months Ended July 31,	
	2023	**2022**
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	$ (639,438)	$ (3,714,971)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	450,000	350,000
Depreciation and amortization	963,212	921,108
Stock-based compensation	87,449	46,330
Amortization of warrant-based cost	7,000	7,000
Amortization of deferred financing costs	73,174	67,068
Amortization of debt discounts	77,208	33,890
Non-cash lease benefit	(196,720)	(158,410)
Changes in operating assets and liabilities:		
Accounts receivable	(2,915,225)	(1,713,462)
Prepaid expenses	(34,123)	(386,930)
Other current assets	(3,210,237)	(240,073)
Deposits and other assets	(571,014)	11,883
Accounts payable	180,041	(41,754)
Accrued expenses	214,859	325,524
Due to students	186,030	(100,102)
Advances on tuition and deferred tuition	812,637	355,619
Other current liabilities	(88,317)	621,087
Net cash used in operating activities	(4,603,464)	(3,616,193)
Cash flows from investing activities:		
Purchases of courseware and accreditation	(28,020)	(15,500)
Purchases of property and equipment	(291,632)	(476,833)
Net cash used in investing activities	(319,652)	(492,333)
Cash flows from financing activities:		
Proceeds from 15% Senior Secured Debentures, net of original issuance discount	11,000,000	—
Repayment of 2018 Credit Facility	(5,000,000)	—
Payments of deferred financing costs	(744,581)	—
Net cash provided by financing activities	5,255,419	—

(Continued)

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

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

	Three Months Ended July 31,	
	2023	**2022**
	(Unaudited)	(Unaudited)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ 332,303	$ (4,108,526)
Cash, cash equivalents and restricted cash at beginning of period	5,724,467	12,916,147
Cash, cash equivalents and restricted cash at end of period	$ 6,056,770	$ 8,807,621
Supplemental disclosure cash flow information:		
Cash paid for interest	$ 671,031	$ 416,164
Cash paid for income taxes	$ 59,172	$ 4,721
Supplemental disclosure of non-cash investing and financing activities:		
Warrants issued as part of the 15% Senior Secured Debentures	$ 154,000	$ —

The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the accompanying consolidated balance sheet to the total amounts shown in the accompanying unaudited consolidated statements of cash flows:

	July 31,	
	2023	**2022**
	(Unaudited)	(Unaudited)
Cash and cash equivalents	$ 217,370	$ 2,374,224
Restricted cash	5,839,400	6,433,397
Total cash, cash equivalents and restricted cash	$ 6,056,770	$ 8,807,621

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
July 31, 2023
(Unaudited)

Note 1. Nature of Operations

Overview

Aspen Group, Inc. ("AGI") is an education technology holding company. AGI has two subsidiaries, Aspen University Inc. ("Aspen University" or "AU") organized in 1987, and United States University Inc. ("United States University" or "USU").

All references to the “Company”, “AGI”, “Aspen Group”, “we”, “our” and “us” refer to Aspen Group, Inc., unless the context otherwise indicates.

AGI leverages its education technology infrastructure and expertise to allow its two universities, Aspen University and United States University, to deliver on the vision of making college affordable again. 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 higher education. AGI’s primary focus relative to future growth is to target the high growth nursing profession.

Since 1993, Aspen University has been institutionally accredited by the Distance Education Accrediting Commission (“DEAC”), an accrediting agency recognized by the United States Department of Education (the “DOE”), through January 2024.

Since 2009, USU has been institutionally accredited by WASC Senior College and University Commission (“WSCUC”), an accrediting agency recognized by the DOE, through 2030.

Both universities are qualified to participate under the Higher Education Act of 1965, as amended ("HEA") and the Federal student financial assistance programs (Title IV, HEA programs). USU had provisional certification resulting from the ownership change of control in connection with the acquisition by AGI on December 1, 2017. The provisional certification expired on December 31, 2020. The institution submitted its recertification application timely in October 2020, and received full certification on May 6, 2022, and a new Program Participation Agreement ("PPA") was issued with an effective period until December 31, 2025. On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the 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. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. The application for recertification was submitted on August 16, 2023.

Basis of Presentation

The interim unaudited consolidated financial statements included herein have been prepared by the Company, without audit. 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 July 31, 2023 and 2022, our cash flows for the three months ended July 31, 2023 and 2022, and our consolidated financial position as of July 31, 2023 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 unaudited 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 Annual Report for the fiscal year ended April 30, 2023 as filed with the OTC Markets Group Inc.("OTC") on August 11, 2023. The April 30, 2023 consolidated balance sheet is derived from those statements.

Note 2. Significant Accounting Policies

Basis of Consolidation

The Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP").

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

A full listing of our significant accounting policies is described in Note 2. Summary of Significant Accounting Policies of our Annual Report for the fiscal year ended April 30, 2023 as filed with the OTC on August 11, 2023.

Accounting Estimates

Management of the Company is required to make certain estimates, judgments and assumptions during the preparation of its consolidated financial statements in accordance with GAAP. These estimates, judgments and assumptions impact the reported amounts of assets, liabilities, revenue and expenses and the related disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Significant estimates in the accompanying consolidated financial statements include the allowance for doubtful accounts, the valuation of lease liabilities and the carrying value of the related right-of-use assets ("ROU assets"), depreciable lives of property and equipment, amortization periods and valuation of courseware, intangibles and software development costs, valuation of goodwill, valuation of loss contingencies, valuation of stock-based compensation and the valuation allowance on deferred tax assets.

Cash, Cash Equivalents, and Restricted Cash

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

	July 31, 2023	April 30, 2023
Cash and cash equivalents	$ 217,370	$ 1,353,635
Restricted cash:		
Collateral for corporate credit card at AGI	100,000	100,000
Letters of credit for operating leases at AU	241,741	770,832
Collateral for 15% Senior Secured Debentures at AGI	2,000,000	—
Collateral for surety bond at AGI (held on behalf of AU)	3,500,000	3,500,000
Total restricted cash	5,841,741	4,370,832
Total cash, cash equivalents and restricted cash as shown on the statement of cash flows	6,059,111	5,724,467

Concentration of Credit Risk

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 July 31, 2023. As of July 31, 2023 and April 30, 2023, the Company maintained deposits exceeding federally insured limits by approximately $2,108,915 and $1,322,659, respectively, held in two separate institutions.

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2023
(Unaudited)

Revenue Recognition, Advances on Tuition and Deferred Tuition

The Company follows Accounting Standards Codification 606 (ASC 606). ASC 606 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASC also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments.

Revenue consists primarily of tuition and course fees derived from courses taught by the Company online and in-person as well as from related educational resources and services that the Company provides to its students. Under ASC 606, tuition and course fee revenue is recognized pro-rata over the applicable period of instruction and are not considered separate performance obligations. Non-tuition related revenue and fees are recognized as services are provided or when the goods are received by the student. Students may receive discounts, scholarships, or refunds, which gives rise to variable consideration. Discounts or scholarships are applied to individual student accounts when such amounts are awarded. Therefore, the tuition is reduced directly by these discounts or scholarships from the amount of the standard tuition rate charged.

Advances on tuition 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.

The Company generally has in-process educational programs that have starting and ending dates that differ from its fiscal quarters. At the end of each fiscal quarter, the portion of tuition and fee revenue from these programs that is billed and recorded as accounts receivable but not yet earned, is recognized as deferred tuition in current liabilities in the accompanying consolidated balance sheets.

Net Loss Per Share

Net loss per share is based on the weighted average number of shares of common stock outstanding during each period. Summarized below are shares not included in the computation of diluted net loss per share because the effects would have been anti-dilutive. The options, warrants, RSUs, unvested restricted stock and convertible notes are considered to be common stock equivalents and are only included in the calculation of diluted earnings per share of common stock when their effect is dilutive. See Note 7. Stockholders’ Equity.

	July 31, 2023	April 30, 2023
Options to purchase common shares	193,143	565,210
Restricted stock units	—	—
Warrants to purchase common shares	2,625,000	425,000
Unvested restricted stock	321,030	513,254
Convertible Notes	10,000,000	10,000,000

Segment Information

The Company operates in one reportable segment as a single educational delivery operation using a core infrastructure that serves the curriculum and educational delivery needs of its online and campus students regardless of geography. The Company's chief operating decision makers, its Chief Executive Officer, Chief Financial Officer and Chief Academic Officer, manage the Company's operations as a whole.

Recent Accounting Pronouncement Not Yet Adopted

ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which significantly changes how entities will measure credit losses for most financial assets, including accounts receivable. ASU No. 2016-13 will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. On November 15, 2019, the FASB delayed the effective date of Topic 326 for certain small public companies and other private companies until fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. On May 1, 2023, the Company adopted ASU No. 2016-13 using the modified retrospective approach and there was no cumulative effect arising from the adoption. The adoption of ASU No. 2016-13 did not have a material impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments-Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*. The guidance was issued as improvements to ASU No. 2016-13 described above. The vintage disclosure changes require an entity to disclose current-period gross write-offs by year of origination for financing receivables. The guidance is effective for financial statements issued for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. The amendments should be applied prospectively. On May 1, 2023, in connection with the adoption of ASU No. 2016-13 above, the Company adopted ASU No. 2022-02 using the modified retrospective approach and there was no cumulative effect arising from the adoption. The adoption of ASU No. 2022-02 did not have a material impact on the Company's consolidated financial statements.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at July 31, 2023 and April 30, 2023:

	July 31, 2023	April 30, 2023
Total accounts receivable, gross	$ 41,145,350	$ 38,753,092
Long-term contractual accounts receivable	(15,770,141)	(13,068,368)
Accounts receivable, gross	25,375,209	25,684,724
Less: allowance for doubtful accounts	(3,554,460)	(3,627,427)
Accounts receivable, net	$ 21,820,749	$ 22,057,297

In Q4 Fiscal 2023, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the MPP, and all other payment types including financial aid, to reduce their outstanding balance by 25% if the balance is paid in full within 30 days of receiving the offer. The program ended on March 1, 2023. Approximately $3.6 million was collected under the program. Of the total collected, approximately $1.2 million and $2.4 million was collected at AU and USU, respectively. $1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2023 Consolidated Statement of Operations.

Note 4. Property and Equipment

As property and equipment reach the end of their useful lives, the fully expired assets are written off against the associated accumulated depreciation and amortization.

When assets are disposed of before reaching the end of their useful lives both the recorded cost of the fixed asset and the corresponding amount of accumulated depreciation is reversed. Any remaining difference between the two, net of proceeds, is recognized as either other income or expense. There was no expense impact for such write-offs for the three months ended July 31, 2023 and 2022.

Software consisted of the following:

	July 31, 2023	April 30, 2023
Software	$ 11,913,878	$ 11,648,505
Accumulated amortization	(7,546,502)	(7,071,616)
Software, net	$ 4,367,376	$ 4,576,889

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
July 31, 2023
(Unaudited)

Depreciation and amortization expense for property and equipment and software is summarized below:

	Three Months Ended July 31,	
	2023	2022
Depreciation and amortization expense:		
Property and equipment, excluding software	$ 458,094	$ 428,925
Software	$ 474,886	$ 470,163

Note 5. Courseware and Accreditation

As courseware and accreditation reach the end of their useful life, they are written off against the accumulated amortization. There was no expense impact for such write-offs for the three months ended July 31, 2023 and 2022.

Courseware and accreditation consisted of the following:

	July 31, 2023	April 30, 2023
Courseware	$ 712,823	$ 684,803
Accreditation	59,350	59,350
	772,173	744,153
Accumulated amortization	(478,048)	(452,715)
Courseware and accreditation, net	$ 294,125	$ 291,438

Amortization expense for courseware and accreditation is summarized below:

	Three Months Ended July 31,	
	2023	2022
Courseware and accreditation amortization expense	$ 25,333	$ 22,020

Amortization expense is included in "Depreciation and amortization" in the unaudited consolidated statements of operations.

Note 6. Debt

	July 31, 2023	April 30, 2023
15% Senior Secured Debentures due May 12, 2026 (the "15% Debentures"); interest payable monthly	$ 12,389,743	$ —
14% Convertible Notes due March 14, 2027 (the "2022 Convertible Notes"); interest payable monthly in arrears	10,000,000	10,000,000
Credit Facility due November 4, 2023 (the "2018 Credit Facility"); interest payable monthly in arrears	—	5,000,000
Total long-term debt	22,389,743	15,000,000
Less: current portion of long-term debt	—	(5,000,000)
Less: original issue discount	(1,312,535)	
Less: unamortized debt discount	(750,437)	(50,000)
Total long-term debt, net	$ 20,326,771	$ 9,950,000

15% Debentures

On May 12, 2023, Aspen Group, Inc. completed a private offering of $12.4 million aggregate principal amount of 15% Senior Secured Debentures ("15% Debentures") due 2026. Of the $12.4 million of principal, $11.0 million was funded with the remainder recorded as debt discount. A portion of the proceeds from the Debentures ($5 million plus accrued interest) were used to fully repay the outstanding borrowings under the 2018 Credit Facility, discussed below, in addition to paying expenses associated with this offering; the remaining proceeds will be used for working capital needs. The Company also reimbursed the investors for expenses incurred in relation to legal expenses, due diligence and investment documentation of $90,000 in advance of entering into the 15% Debentures. After the discount, fees, expenses and the repayment of the 2018 Credit Facility, $3.4 million was made available to the Company as unrestricted cash, and $2.0 million was deposited into a restricted cash account (see covenants discussion below), which is included in "Restricted cash" in the accompanying consolidated balance sheets.

At closing of the 15% Debentures, the Company paid the investment bank fees, lender fees and legal expenses of $0.8 million associated with this offering, which are recorded as deferred financing costs and recorded $1.4 million of debt discount, which are recorded as debt discounts, both of which are being amortized over a three-year period in "interest expense" in the accompanying consolidated statements of operations. During the three months ended July 31, 2023, the Company recorded $44,143 and $77,208 of amortization of deferred financing costs and amortization of debt discount, respectively.

The 15% Debentures bear cash interest from May 12, 2023 at an annual rate of 15% payable monthly in arrears on the last business day of each month, beginning on May 1, 2023. The interest rate is subject to increase to 20% upon the occurrence of an event of default. The 15% Debentures will mature on May 12, 2026 unless earlier redeemed. The 15% Debentures are subject to monthly redemptions beginning in November 2023.

The Company may prepay the 15% Debentures at any time after May 12, 2024 at 105%.

As part of the offering, the Company also issued warrants to purchase 2.2 million shares of common stock, representing 8% of the outstanding common stock at closing, at an exercise price of $0.01 per share. The fair value of the warrants is $154,000 and is being amortized over a three-year term and contain anti-dilution protection. See Note 7. Stockholders' Equity for additional information.

The 15% Debentures contain covenants, including covenants that require the Company to maintain $2.0 million of restricted cash, maintain at least $20.0 million of accounts receivable at all times, and maintain enumerated quarterly revenue and quarterly Adjusted EBITDA amounts, which AGI defines as EBITDA excluding: (1) bad debt expense; (2) stock-based compensation; and (3) non-recurring charges or gains.

On August 1, 2023, the Company entered into an amendment with the purchasers pursuant to the 15% Debentures to unrestrict $750,000 of the $2 million restricted cash, required to be maintained as part of the covenants, until the earlier of August 22, 2023 or next Heightened Cash Management 2 ("HCM2") funding, discussed in Note 11. Commitments and Contingencies. On August 9, 2023, the Company replenished the restricted cash balance to $2 million and paid $100,000 of principal along with a $5,000 fee. See Note 12. Subsequent Events.

2022 Convertible Notes

On March 14, 2022, the Company issued $10 million in principal convertible notes (the "2022 Convertible Notes") to two unaffiliated lenders (individually a "Lender" and collectively, the "Lenders") in exchange for $5 million notes to each of the two unaffiliated Lenders. The proceeds are used for general corporate purposes, including funding the Company's previous expansion of its BSN Pre-licensure nursing degree program. The key terms of the Convertible Notes are as follows:

- At any time after issuance date, the Lenders had the right to convert the principal into shares of the Company's common stock at a conversion price of $1.00 per share;
- The Convertible Notes automatically convert at $1.00 per share into shares of the Company's common stock if the average closing price of our common stock is at least $2.00 over a 30 consecutive trading day period. This mandatory conversion is subject to each Lender's 9.9% beneficial ownership limitation;
- The Convertible Notes are due March 14, 2027 or approximately five years from the closing;
- The interest rate of the Convertible Notes was 12% per annum (payable monthly in arrears), which increased to 14% per annum on May 12, 2023 as consideration to the Lenders who agreed to subordinate their security interests therein to the security interests granted to the holders of the 15% Debentures;
- The Convertible Notes are secured by a first priority lien (which was subsequently subordinated, as disclosed in Note 12. Subsequent Events) in all current and future accounts receivable of the Company's subsidiaries, certain of the

deposit accounts of the Company and its subsidiaries and a pledge of the common stock of the Company held by its Chief Executive Officer (the "2022 Collateral").

At closing of the 2022 Convertible Notes, the Company agreed to pay each Lender's legal fees arising from this transaction of $135,562 and another $60,833 incurred during August 2022, which was recorded as a deferred financing cost debt discount and was being amortized over a one-year period in "interest expense" in the accompanying consolidated financial statements.

2022 Revolving Credit Facility

On March 14, 2022, the Company entered into Revolving Promissory Note and Security Agreements (the "2022 Revolver Agreements") with the same two unaffiliated Lenders of the 2022 Convertible Notes for a one-year, $20 million secured revolving line of credit that requires monthly interest payments on sums borrowed at the rate of 12% per annum (the "2022 Revolving Credit Facility"). The Company paid a 1% commitment fee of $200,000 at closing, which was recorded as a deferred financing cost, non-current asset, and was amortized over the term of the loan of one-year, and another 1% commitment fee of $200,000 six months from the closing date, or September 14, 2022, since the revolving credit facility had not been replaced. On March 14, 2023, the 2022 Revolving Credit Facility expired. At April 30, 2023, there were no outstanding borrowings under the 2022 Revolving Credit Facility.

Pursuant to the 2022 Convertible Notes (the "Notes"), all future indebtedness incurred by the Company, other than indebtedness expressly permitted by such Notes, will be subordinated to the Notes and the Prior Credit Facility, as defined below, with an exception for acquisitions of software and equipment under purchase money agreements and capital leases.

On March 14, 2022, in connection with the issuance of the Notes, the Company also entered into an intercreditor agreement (the "Intercreditor Agreement") among the Company, the Lenders and the lender under a prior credit facility dated November 5, 2018 (as amended, the "2018 Credit Facility"). The Intercreditor Agreement provides among other things that the Company's obligations under, and the security interests in the Collateral granted pursuant to the Notes and the 2018 Credit Facility shall rank pari passu to one another.

In connection with the issuance of the Notes, the Company also entered into an Investors/Registration Rights Agreement with the Lenders (the "Registration Rights Agreement") whereby, upon request of either Lender on or after August 15, 2022 the Company must file and obtain and maintain the effectiveness of a registration statement registering the shares of common stock issued or issuable upon conversion of the Convertible Notes. No lender requests have been made as of the date of this filing.

On March 14, 2022, the Company entered into an amendment with the lender pursuant to the 2018 Credit Facility to extend the maturity date of the 2018 Credit Facility by one year to November 4, 2023. See the "2018 Credit Facility" discussion below.

On March 14, 2022, the Company entered into a letter agreement with the Lenders (the "Letter Agreement"). Pursuant to the Letter Agreement, the Company and its subsidiaries made certain representations and warranties to the Lenders. The Letter Agreement also contained certain conditions precedent to the closing of the transactions.

On April 22, 2022, the Company entered into an agreement with an insurance company (the "Insurance Company") which issued an approximately $18.3 million surety bond which was required by the Arizona State Board for Private Postsecondary Education. In order to cause the Insurance Company to deliver the surety bond, the Company entered into a First Amendment to the Intercreditor Agreement with the two Lenders of the March 14, 2022, financing arrangements to amend the Intercreditor Agreement entered into by the same parties on March 14, 2022 (the "Amendment"). The Amendment provided that the Company and each of the Lenders, at all times prior to the delivery of the Termination Certificate (as defined below), excluding funding as directed by the surety bond as described more fully below, (i) the Company shall not be permitted to make any draw request or borrow any funds under the 2022 Revolver Agreements and (ii) the Lenders shall not be required to fund any loan or advance any funds under the 2022 Revolver Agreements. Upon that certain surety bond ceasing to be outstanding, the Company shall deliver to the lenders a certificate (such certificate, the "Termination Certificate"), certifying that the surety bond is no longer outstanding and that there are no further obligations in respect of the surety bond owing by the Company to the Insurance Company. Prior to issuance of the Termination Certificate and during the time the surety bond is in effect, the Insurance Company may cause the Company to draw on funds for the express purposes of resolving claims filed under the surety bond. In addition to the draw restriction on the 2022 Revolver Agreements, the Insurance Company required the Company to restrict $5 million of cash. As consideration for the Lenders agreeing to enter into the Amendment, the Company agreed to issue each Lender 100,000 five-year warrants exercisable at $1.00 per share. The fair value of the warrants was

$118,000 and was amortized over one-year. The fair value of the warrants were treated as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets at April 30, 2023. Total amortized costs at April 30, 2023 were $118,000, which was included in "interest expense" in the accompanying consolidated statement of operations. See Note 7. Stockholders' Equity for additional information related to these warrants.

On October 31, 2022, Aspen University and the Arizona State Board for Private Postsecondary Education entered into a revised stipulated agreement that reduced AU's surety bond requirement from $18.3 million to $5.5 million and required Aspen University to pay a civil penalty of $12,000.

In December 2022, as a result of the revised stipulated agreement with the Arizona State Board for Private Postsecondary Education on October 31, 2022, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

On January 12, 2023, the Company entered into an agreement with an Insurance Company described above, the effect of which was to remove the Company's prohibition from borrowing under the 2022 Revolving Credit Facility. As a result, the Company and certain lenders entered into a Second Amendment to the Intercreditor Agreement, which removed a provision which was added by the First Amendment restricting the Company's ability to draw down from the 2022 Revolving Credit Facility while the Insurance Company's surety bond remained outstanding. The 2022 Revolving Credit Facility subsequently expired.

2018 Credit Facility

On November 5, 2018, the Company entered into the 2018 Credit Facility Agreement with the Leon and Toby Cooperman Family Foundation (the "Foundation"). The Credit Facility Agreement provides for a $5,000,000 revolving credit facility (the "2018 Credit Facility") evidenced by a revolving promissory note (the "Revolving Note"). Borrowings under the 2018 Credit Facility Agreement bear interest at 12% per annum. Interest payments are due monthly through the term of the 2018 Credit Facility.

On August 31, 2021, the Company extended the 2018 Credit Facility Agreement with the Foundation by one year from November 4, 2021, to November 4, 2022 (see below, which were extended by one year). In conjunction with the extension of the 2018 Credit Facility on August 31, 2021, the Company drew down funds of $5,000,000. On March 14, 2022, the Company extended the 2018 Credit Facility by one year to November 4, 2023, at an increased interest rate from 12% to 14% per annum. At April 30, 2023, there were $5,000,000 outstanding borrowings under the 2018 Credit Facility. On May 12, 2023, the 2018 Credit Facility was repaid with the proceeds from the closing of the 15% Debentures.

Additionally, on August 31, 2021, the Company issued to the Foundation warrants, as an extension fee, to purchase 50,000 shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of $5.85 per share. The fair value of the warrants is $137,500 and is being amortized to interest expense through the maturity date of November 4, 2023, as extended on March 14, 2022. The fair value of the warrants were recorded as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets. Total unamortized costs at April 30, 2023 were $23,897. In connection with repayment of the 2018 Credit Facility on May 12, 2023, the remaining fair value of these warrants was accelerated and fully expensed. See Note 7. Stockholders' Equity for additional information related to these warrants.

Note 7. Stockholders' Equity

AGI maintains two stock-based incentive plans: the 2012 Equity Incentive Plan (the "2012 Plan") and the 2018 Equity Incentive Plan (the "2018 Plan") that provide for the grant of shares in the form of incentive stock options, non-qualified stock options, restricted shares, stock appreciation rights and RSUs to employees, consultants, officers and directors.

As of July 31, 2023 and April 30, 2023, there were 1,761,191 and 1,263,882 shares, respectively, remaining available for future issuance under the 2018 Plan.

Voluntarily delist common stock from The Nasdaq Global Market

On March 13, 2023, Aspen Group, Inc. notified Nasdaq of the Company's decision to voluntarily delist its common stock from The Nasdaq Global Market. On March 23, 2023, the Company filed a Form 25 with the SEC, thereby terminating trading of its common stock on The Nasdaq Global Market. On July 6, 2023, the Company filed a Form 15 with the SEC to suspend the Company's reporting obligations under Sections 12(g) and 15(d) of the Securities Exchange Act of 1934. The reasons for this decision consist of the anticipated financial savings and lower operating costs, reduced management time commitment for compliance and reporting activities, and a simplified corporate governance structure.

As a result of the foregoing developments, the Company's common stock is now quoted on the OTC Pink Market ("OTC Pink") operated by OTC Markets Group Inc. (the "OTC"), and the Company no longer files reports with the SEC. The Company is working to complete the process to have its common stock quoted in the OTCQB as an alternative reporting company. The Company intends to continue to provide information to its stockholders and to take such actions within its control to enable its common stock to be quoted in the OTCQB or the OTC Pink so that a trading market may continue to exist for its common stock. There is no assurance, however, that a dealer will continue to make a market in the common stock and that trading of the common stock will continue on any market operated by OTC markets.

Preferred Stock

The Company is authorized to issue 1,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. As of July 31, 2023 and April 30, 2023, we had no shares of preferred stock issued and outstanding.

Common Stock

At both July 31, 2023 and April 30, 2023, the Company was authorized to issue 60,000,000 shares of common stock, respectively.

During the year ended April 30, 2023, no shares were granted to the members of the Board of Directors for services in the 2022 calendar year, however, the Company recorded an accrual for their services of $0.2 million, which is included in "Accrued expenses" in the accompanying consolidated balance sheets.

In connection with the closing of the 15% Debentures, on May 10, 2023, the Company granted 25,000 shares of common stock to Lampert Capital Advisors for financial advisory services. The grant had a grant date fair value of $1,750 based on a closing stock price of $0.08 per share, and it was fully vested on the grant date. The expense related to this grant of $1,750 was incurred in during the three months ended July 31, 2023, which is included in "General and administrative" expense in the consolidated statements of operations.

On August 4, 2022, the Compensation Committee approved a 25,000 common stock grant to Lampert Capital Advisors for financial advisory services to assist with locating and securing an accounts receivable financing facility to position the Company for future growth among its online post-licensure nursing degree programs. The grant had a grant date fair value of $24,500 based on a closing stock price of $0.98 per share, and it was fully vested on the grant date. The expense related to this grant of $24,500 was incurred in the second quarter of fiscal 2023. The expense is included in "General and administrative" expense in the consolidated statements of operations.

Restricted Stock

As of both July 31, 2023 and April 30, 2023, there were no unvested shares of restricted common stock outstanding. There is no unrecognized compensation expense related to restricted stock as of July 31, 2023.

Restricted Stock Units

A summary of the Company's RSU activity, granted under the 2012 and 2018 Equity Incentive Plans, during the three months ended July 31, 2023 is presented below:

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Restricted Stock Units	Number of Shares		Weighted Average Grant Date Fair Value
Unvested balance outstanding, April 30, 2023	513,254	$	7.98
Granted	—		—
Forfeits	(125,242)		8.17
Vested	(66,982)		0.11
Expired	—		—
Unvested balance outstanding, July 31, 2023	321,030	$	6.85

On August 16 2021, the Compensation Committee approved a grant of 125,000 RSUs to the Company's newly hired Chief Financial Officer ("CFO") as part of his employment agreement. The grant has a grant date fair value of $725,000 based on a closing stock price of $5.80 per share. On August 12, 2021, the Compensation Committee approved individual grants of 80,000 RSUs to the Company's Chief Operating Officer ("COO") and Chief Academic Officer ("CAO"). The grants have a total grant date fair value of $1.0 million based on a closing stock price of $6.48 per share. The three executive grants discussed above are under the Company's 2018 Plan and are scheduled to vest annually over a period of three years and are subject to continued employment as an officer of the Company on each applicable vesting date.

As of December 22, 2022 and August 11, 2023, the underlying shares of common stock for 41,667 and 41,667 vested RSUs, respectively, had not been not delivered to the CFO and were instead cancelled. The amortization expense related to this grant for the three months ended July 31, 2023 and 2022 was $60,417 and $60,417, respectively, which is included in "general and administrative expense" in the accompanying consolidated statements of operations.

As of August 11, 2023, the underlying shares of common stock for 26,667 vested RSUs had not been not delivered to the CAO and were instead cancelled. The amortization expense related to these grants for the three months ended July 31, 2023 and 2022 was $43,200 and $43,200, respectively, which is included in "general and administrative expense" in the accompanying consolidated statements of operations.

As a result of the resignation of the COO on May 15, 2023, the underlying shares of common stock for 53,334 unvested RSU's were forfeited. In addition, the COO forfeited 62,741 of unvested RSU's related to two other separate grants. The amortization expense related to these grants for the three months ended July 31, 2022 was $81,860, which is included in "general and administrative expense" in the accompanying consolidated statements of operations.

On July 21, 2021, as part of a new employment agreement, the Compensation Committee approved a grant of 125,000 RSUs to the Company's Chief Executive Officer under the Company's 2018 Plan. The grant had a grant date fair value of $873,750 based on a closing stock price of $6.99 per share. As stipulated in the grant, vesting is subject to continued employment with the Company and will occur in full on the date the Company files with the SEC a quarterly or annual report on Forms 10-Q or 10-K, as applicable, which reflects the Company's reported net income on a GAAP basis. The Company was amortizing the expense over three years through July 2024 (the anticipated filing date of the Form 10-K for Fiscal Year 2024). At July 31, 2022, the Company assessed that the performance condition will not be met. Therefore, the cumulative amortization expense related to this grant of $242,708 was reversed during the three months ended July 31, 2022, which is included in "general and administrative" expense in the consolidated statements of operations.

Of the 66,982 vested RSUs during the three months ended July 31, 2023, 36,666 shares are related to the accelerated vesting of RSU's resulting from the termination of the Chief Accounting Officer, on May 5, 2023. The remaining RSU vesting during the three months ended July 31, 2023 relates to time based employee vesting subject to continued employment..

Of the 321,030 unvested RSUs outstanding at July 31, 2023, 113,750 remain from the February 4, 2020 executive grant. These RSUs vest February 4, 2024 (four years from the grant date), in each case if the applicable executive is still employed by the Company on the vesting date and subject to accelerated vesting for all RSUs if the closing price of the Company's common stock is at least $12 for 20 consecutive trading days. On the grant date, the closing price of the Company's common stock on The Nasdaq Global Market was $9.49 per share. The amortization expense related to this grant for the three months ended July 31, 2023 and 2022 was an expense reversal of $167,827 and $34,150, respectively, which reflects the impact of the resignation of the COO and Chief Nursing Officer, on July 15, 2022, respectively. This expense reversal is included in "general and administrative expense" in the consolidated statements of operations. The remaining unvested RSUs during the three months ended July 31, 2023 were employee grants subject to time based vesting and continued employment.

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At July 31, 2023, total unrecognized compensation expense related to unvested RSUs is $664,436 and is expected to be recognized over a weighted-average period of approximately 1.00 years.

Warrants

The Company estimates the fair value of warrants utilizing the Black-Scholes pricing model, which is dependent upon several variables such as the expected term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected term and expected dividend yield rate over the expected term. The Company believes this valuation methodology is appropriate for estimating the fair value of warrants issued 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 expense on a straight-line basis over the vesting period of each warrant issued.

A summary of the Company's warrant activity during the three months ended July 31, 2023 is presented below:

Warrants	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2023	425,000	$ 3.56	2.77	$ —
Granted	2,200,000	$ 0.01	4.79	—
Exercised	—	$ —	—	—
Surrendered	—	$ —	—	—
Expired	—	$ —	—	—
Balance Outstanding, July 31, 2023	2,625,000	$ 0.58	4.42	$ —
Unvested	(8,333)			
Exercisable, July 31, 2023	2,616,667	$ 0.56	4.42	$ —

OUTSTANDING WARRANTS			EXERCISABLE WARRANTS		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
$ 0.01	0.01	2,200,000	$ 0.01	4.79	2,200,000
$ 1.00	1.00	200,000	$ 1.00	3.74	200,000
$ 4.89	$ 4.89	50,000	$ 4.89	0.7	50,000
$ 5.85	$ 5.85	50,000	$ 5.85	3.09	50,000
$ 6.00	$ 6.00	100,000	$ 6.00	0.6	100,000
$ 6.99	$ 6.99	25,000	$ 6.99	2.98	16,667
		2,625,000			2,616,667

On May 12, 2023, as part of the 15% Debentures offering, the Company issued warrants to the investors to purchase 2.2 million shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of $1.00 per share. See Note 6. Debt. The fair value of the warrants is $154,000 and is amortized over a three-year term and contain anti-dilution protection. The fair value of the warrants was treated as deferred financing costs, a non-current asset. The Company recognized $5,133 of amortization expense in connection with the fair value of the warrants for the three months ended July 31, 2023, which is included in "general and administrative" expense in the accompanying consolidated statement of operations.

On April 22, 2022, as consideration for amending the Intercreditor Agreement, the Company issued warrants to the each of the same two unaffiliated lenders of the 2022 Convertible Notes, to each purchase 100,000 shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of $1.00 per share. See Note 6. Debt. The fair value of the warrants is $118,000 and was amortized over the 12-month term. The fair value of the warrants was treated as deferred financing costs, a non-current asset, and is fully amortized the accompanying consolidated balance sheets at April 30, 2023. Total amortized costs at July 31, 2023 were $5,900, which is included in "interest expense" in the accompanying consolidated statement of operations.

On August 31, 2021, the Compensation Committee approved the issuance of warrants to the Leon and Toby Cooperman Family Foundation as an extension fee in connection with the extension of the 2018 Credit Facility Agreement. The warrants allow for the purchase of 50,000 shares of the Company's common stock and have an exercise price of $5.85. The warrants have an exercise period of five years from the August 31, 2021 issuance date and will terminate automatically and immediately upon the expiration of the exercise period. The fair value of the warrants is $137,500 and was amortized over the 14-month line of credit period. The Company recognized $23,897 and 11,168 of amortization expense in connection with the fair value of the warrants for the three months ended July 31, 2023 and 2022, respectively, which is included in "interest expense" in the accompanying consolidated statements of operations. In connection with repayment of the 2018 Credit Facility on May 12, 2023, the remaining fair value of these warrants of $20,174 was accelerated and fully expensed.

On July 21, 2021, the Executive Committee approved the issuance of warrants to a former member of the Board of Directors for the purchase of 25,000 shares of the Company's common stock with an exercise price of $6.99 per share. The warrants have an exercise period of five years from the July 21, 2021 issuance date and vest annually over a three year period subject to continued service on the Company's Advisory Board on each applicable vesting date. The warrants will terminate automatically and immediately upon the expiration of the exercise period. The fair value of the warrants is $84,000 and was amortized over the three year vesting period. The Company recognized $7,000 and $7,000, of amortization expense in connection with the fair value of the warrants for the three months ended July 31, 2023 and 2022, respectively, which is included in "general and administrative" expense in the accompanying consolidated statement of operations.

Stock Option Grants to Employees and Directors

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 and expected dividend yield rate over the expected option term. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award.

The Company utilizes 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 historical volatility. 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.

There were no options granted to employees during the three months ended July 31, 2023 and 2022.

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A summary of the Company's stock option activity for employees and directors during the three months ended July 31, 2023, is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2023	565,210	$ 6.75	0.78	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	(372,067)	7.47	—	—
Balance Outstanding, July 31, 2023	193,143	$ 5.37	0.85	$ —
Exercisable, July 31, 2023	193,143	$ 5.37	0.85	$ —

OUTSTANDING OPTIONS			EXERCISABLE OPTIONS		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
$3.99 to $4.63	$ 4.38	75,251	$ 4.38	0.85	75,251
$5.12 to $5.28	$ 5.18	60,959	$ 5.18	0.39	60,959
$5.45 to $6.92	$ 6.90	56,933	$ 6.90	1.36	56,933
		193,143			193,143

As of July 31, 2023, there are no unrecognized compensation costs related to unvested stock options.

Stock-based compensation related to RSUs, restricted stock and stock options

A summary of the Company's stock-based compensation expense, which is included in "general and administrative" expense in the consolidated statement of operations is presented below:

	Three Months Ended July 31,	
	2023	2022
RSUs	$ 87,449	$ 41,053
Restricted Stock	—	—
Stock options	—	5,277
Total stock-based compensation expense	$ 87,449	$ 46,330

Treasury Stock

As of April 30, 2023, 155,486 shares of common stock were held in treasury representing shares of common stock surrendered upon the exercise of stock options in payment of the exercise prices and the taxes and similar amounts due arising from the option exercises. The values aggregating $1,817,414 were based upon the fair market value of shares surrendered as of the date of each applicable exercise date.

During the quarter ended July 31, 2023, the treasury shares were retired.

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Note 8. Revenue

Revenue consists 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 its online materials and learning management system. The Company also charges students fees for library and technology costs, which are recognized over the related service period and are not considered separate performance obligations. Other services, books, and exam fees are recognized as services are provided or when goods are received by the student. The Company's contract liabilities are reported as deferred tuition and due to students. Advances on tuition 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.

The following table represents the Company's revenue disaggregated by the nature and timing of services:

	Three Months Ended July 31,	
	2023	**2022**
Tuition - *recognized over period of instruction*	$ 12,359,960	$ 16,295,410
Course fees - *recognized over period of instruction*	1,851,106	2,116,079
Exam fees - *recognized at a point in time*	121,306	239,068
Service fees - *recognized at a point in time*	307,500	243,356
Revenue	$ 14,639,872	$ 18,893,913

Contract Balances and Performance Obligations

As the Company provides the performance obligation through the instruction of a course, revenue is recognized resulting in the creation of accounts receivable. The Company accounts for receivables in accordance with ASC 310, Receivables. The Company uses the portfolio approach.

Cash Receipts

The Company's students finance costs through a variety of funding sources, including, among others, monthly payment plans, installment plans, federal loan and grant programs (Title IV), employer reimbursement, and various veteran and military funding and grants, and cash payments. Most students elect to use the Company's monthly payment plan. This plan allows students to make fixed monthly payments over the length of the payment plan. Title IV and military funding typically arrive during the period of instruction, however, subsequent to AU's placement on HCM2, discussed in Note 11. Commitments and Contingencies, AU makes disbursements to students from its own institutional funds, and then a Reimbursement Payment Request must be submitted for those funds to the DOE. Students who receive reimbursement from employers typically do so after completion of a course. Students who choose to pay cash for a class typically do so before beginning the class.

Significant Judgment

We analyze revenue recognition on a portfolio approach under ASC 606-10-10-4. Significant judgment is utilized in determining the appropriate portfolios to assess for meeting the criteria to recognize revenue under ASC Topic 606. We have determined that all of our students can be grouped into one portfolio. Students behave similarly, regardless of their payment method. Enrollment agreements and refund policies are similar for all of our students. We do not expect that revenue earned for the portfolio is significantly different as compared to revenue that would be earned if we were to assess each student contract separately.

The Company maintains institutional tuition refund policies, 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 recognized as advances on tuition, under the Company's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded.

The Company had revenue from students outside the United States totaling approximately 2% of consolidated revenue for each of the three months ended July 31, 2023 and 2022, respectively.

Teach-out of the Pre-licensure Nursing Program

On September 20, 2022, Aspen University and the Arizona State Board of Nursing entered into a Consent Agreement under which Aspen agreed to voluntarily surrender its program approval for its pre-licensure nursing program in Phoenix. Having entered into this agreement, the Company also determined to voluntarily suspend new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas, and will complete instruction for currently enrolled Core nursing students in these locations. The state authorizing units and state boards of nursing were given notice to this effect on September 20, 2022.

For the three months ended July 31, 2023 and 2022, 10% and 23% of total consolidated AGI revenue was earned from its pre-licensure nursing program.

Note 9. Leases

The Company determines if a contract contains a lease at inception. The Company entered into operating leases totaling approximately 172,021 square feet of office and classroom space in Phoenix, San Diego, New York City, Denver, Austin, Tampa, Nashville, Atlanta and the New Brunswick Province in Canada. These leases expire at various dates through April 2031, and the majority contain annual base rent escalation clauses. Most of these leases include options to extend for additional five-year periods. Since it is not reasonably certain that the leases would be renewed, the Company does not consider the renewal option in the lease term. As permitted by ASC 842, leases with an initial term of twelve months or less are not recorded on the accompanying consolidated balance sheet. The Company does not have any financing leases.

On August 9, 2023, Aspen University terminated its operating lease for office and classroom space in Atlanta, Georgia, which commences following notice with a new tenant (within 90 days). See Note 12. Subsequent Events for additional information related to this lease.

As of July 31, 2023, our longer-term operating leases are located in Tampa, Phoenix, Austin, Nashville and Georgia and are set to expire in six to eight years. These leases make up approximately 95% of the total future minimum lease payments.

Operating lease ROU assets, represent the right to use an underlying asset for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating leases are included in "Operating lease right-of-use assets, net", "Operating lease obligations, current portion" and "Operating lease obligations, less current portion" in the consolidated balance sheets at July 31, 2023 and April 30, 2023. These assets and lease liabilities are recognized based on the present value of remaining lease payments over the lease term. Variable lease costs such as common area maintenance, property taxes and insurance are expensed as incurred. When the lease does not provide an implicit interest rate, the Company uses an incremental borrowing rate of 12% to determine the present value of the lease payments.

Lease incentives are deducted from the ROU assets. Incentives such as tenant improvement allowances are amortized as leasehold improvements, separately, over the life of the lease term. For the three months ended July 31, 2023 and 2022, the amortization expense for these leasehold improvements was $195,405 and $173,698, respectively.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for the three months ended July 31, 2023 and 2022 was $1,003,583 and $1,010,512, respectively, which is included in general and administrative expenses in the consolidated statements of operations.

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ROU assets are summarized below:

	July 31, 2023	April 30, 2023
ROU assets - Operating facility leases	$ 18,528,967	$ 18,528,967
Less: accumulated amortization	(5,511,204)	(5,097,893)
Total ROU assets	$ 13,017,763	$ 13,431,074

Operating lease obligations, related to the ROU assets are summarized below:

	July 31, 2023	April 30, 2023
Total lease liabilities	$ 26,058,494	$ 26,058,494
Reduction of lease liabilities	(6,614,204)	(6,004,172)
Total operating lease obligations	$ 19,444,290	$ 20,054,322

The following is a schedule by future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of July 31, 2023 (by fiscal year).

Maturity of Lease Obligations	Lease Payments
2024	$ 3,540,258
2025	4,547,151
2026	4,677,145
2027	4,782,909
2028	4,809,323
Thereafter	4,917,969
Total future minimum lease payments	27,274,755
Less: imputed interest	(7,830,465)
Present value of operating lease liabilities	$ 19,444,290

Balance Sheet Classification	July 31, 2023	April 30, 2022
Operating lease obligations, current portion	$ 2,500,317	$ 2,502,810
Operating lease obligations, less current portion	16,943,973	17,551,512
Total operating lease obligations	$ 19,444,290	$ 20,054,322

Other Information	July 31, 2023	April 30, 2022
Weighted average remaining lease term (in years)	5.80	6.00
Weighted average discount rate	12 %	12 %

Note 10. Income Taxes

The Company determined that it has a permanent establishment in Canada, as defined by article V(2)(c) of the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital (the “Treaty”), which would be subject to Canadian taxation as levied under the Income Tax Act. The Company filed Canadian T2 Corporation Income Tax Returns and related information returns under the Voluntary Disclosure Program with the Canada Revenue Agency ("CRA") to cover the 2013 through 2021 tax years during which a permanent establishment was in place. The Company will also file an annual Canadian T2 Corporation Income Tax return to report the ongoing activity of the permanent establishment for 2022 through 2024, and future taxation years.

As of April 30, 2023, the Company recorded a reserve of approximately $300,000 for the estimate of the 2013 through 2021 tax year foreign income tax liability during which a permanent establishment was in place in Canada. Additionally, for each of the

2022 and 2023 tax years, the Company recorded a reserve of $100,000 for the related foreign income tax liability. These reserves are included in "Accrued expenses" in the consolidated balance sheets. These amounts have not yet been remitted to the CRA.

For each of the three months ended July 31, 2023 and 2022, the Company recorded a reserve of $25,000, respectively, for the 2024 and 2023 tax year, respectively, related to the foreign income tax liability. These reserves are included in "Accrued expenses" in the consolidated balance sheets.

Note 11. Commitments and Contingencies

Operating Leases

The Company leases space for its campus and corporate operations. (See Note 9. Leases)

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 may or may not be performance-based in nature.

Legal Matters

From time to time, the Company may be involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this Report, except as discussed below, we are not aware of any other pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of our operations, and there are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

On April 6, 2022, Aspen University was served with a class action claim in Arizona Superior Court, alleging violations of the Arizona Consumer Fraud Act and Unjust Enrichment, based on the class representative's claims that Aspen University misstated the quality of its pre-licensure nursing program. This complaint was likely in response to the Arizona State Board of Nursing actions against Aspen University relating to the program, as outlined below. The complaint was transferred to the United States District Court, District of Arizona. The plaintiff's attorneys requested arbitration (Rule 408 settlement meeting), which occurred on June 29, 2023. A Stipulation of Settlement agreement was reached whereby the Company agreed to pay $550,000 in exchange for release of all claims of the Settlement Class inclusive of attorneys' fees and costs. Aspen University has E&O insurance with Lloyd's London that provides for a $500,000 limit of liability (each claim). The Settlement Class includes 53 students who were precluded from entering the BSN Pre-licensure Core Program and first year students who completed more than 15 credit hours toward their pre-requisites who have not been refunded for courses that did not transfer. The settlement agreement must be approved by the United States District Court, District of Arizona before it can take effect.

In June 2023, Aspen was served with a lawsuit filed by a former BSN Pre-licensure program student which is pending with the US District Court, District of Arizona. The student contends that she was falsely dismissed from the BSN Pre-licensure program in June 2021. She is not a member of the class described above. Aspen is currently in the discovery process regarding this lawsuit.

On February 11, 2013, HEMG, and its Chairman, Mr. Patrick 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 December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in the same state court of New York. By 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.

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

On July 21, 2021, the bankruptcy trustee paid the Company $498,120 based on assets available in the trust, which is included in "other income (expense), net" in the accompanying consolidated statements of operations. As a result, the Company wrote off the net receivable of $45,329 against the payment received as settlement in the first quarter of fiscal year 2022 and recognized a gain. No further assets are available for distribution.

On September 13, 2022, Spada, the remaining plaintiff, and AGI entered into a Stipulation Discontinuing Action under which the complaint and counterclaims were dismissed with prejudice.

Regulatory Matters

The Company's subsidiaries, Aspen University and United States University, are subject to extensive regulation by Federal and State governmental agencies and accrediting bodies. In particular, the HEA and the regulations promulgated thereunder by the DOE subject the subsidiaries 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.

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 our subsidiaries operate in a highly regulated industry, each 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.

Aspen University Regulatory Matters

Federal Financial Aid

On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the 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. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. The application for recertification was submitted on August 16, 2023.

BSN Pre-licensure Nursing Program

The Company is also subject to regulation by self-regulatory bodies such as accreditors and by state regulators in certain states including states where the Company has a physical presence. Aspen University's first-time pass rates for our BSN pre-licensure students taking the NCLEX-RN® test in Arizona fell from 80% in 2020 to 58% in 2021, which is below the minimum 80% standard set by the Arizona State Board of Nursing ("AZ BON"). As a result of the decline in NCLEX pass rates and other issues, and in alignment with a recommendation from the Arizona State Board of Nursing, the university voluntarily suspended BSN pre-licensure enrollments and the formation of new cohorts at its two Phoenix pre-licensure locations, effective February 2022. In March 2022, Aspen University entered into a Consent Agreement for Probation and a Civil Penalty (the "Consent Agreement") with the Arizona State Board of Nursing in which Aspen University's Provisional Approval was revoked, with the revocation stayed pending Aspen University's compliance with the terms and conditions of the Consent Agreement. The probationary period is 36 months from the date of the Consent Agreement. In June 2022, the AZ BON granted approval of

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Aspen University's request for provisional approval as long as the program is in compliance with the consent agreement through March 31, 2025. The stay was broken into two phases, the first lasting through the end of Calendar Year 2022. During Phase I, Aspen University was not permitted to enroll any new students into the core component of its pre-licensure nursing program in Arizona and must achieve the AZ BON-required 80% NCLEX-RN® pass rate for the Calendar Year 2022 annual reporting cycle. If this benchmark was not achieved, the AZ BON could lift the stay and initiate the revocation. If Phase I was completed successfully, Phase II would commence with Aspen University on Probation (regular or "stayed revocation" probation, depending on the outcome of Phase I). Aspen University was permitted to begin enrollments into the core component of its pre-licensure nursing program in Arizona once four consecutive quarters of 80% NCLEX-RN® first-time pass rates occur. However, once achieved, if the NCLEX-RN® pass rate fell below 80% for any quarter, the AZ BON could limit enrollments, and repeated failures may result in a required cessation of enrollments and teach-out of the program. The terms of the Consent Agreement also include requirements that the Company provide the AZ BON with monthly reports, provide that our faculty and administrators undergo additional training, retain an approved consultant to prepare and submit evaluations to the AZ BON, and hire a minimum of 35% full-time qualified faculty by September 30, 2022.

On September 20, 2022, Aspen University and the Arizona State Board of Nursing entered into a revised Consent Agreement under which Aspen agreed to voluntarily surrender its program approval for its pre-licensure nursing program in Phoenix, Arizona. Aspen sought the agreement after concluding that it was unable to meet the minimum 80% NCLEX-RN® first-time pass rates for calendar year 2022, which was a requirement of an earlier consent agreement that Aspen and the Board signed in March 2022. Aspen did so to minimize uncertainty for its students. Aspen had suspended admissions to its Arizona program in January 2022. For the calendar quarters ended March 31, 2022, June 30, 2022, September 30, 2022 and December 31, 2022, Aspen University's NCLEX-RN® first-time pass rates were 73.33%, 69.64%, 59.15% and 56.53%, respectively. For the calendar quarters ended March 31, 2023, and June 30, 2023, Aspen University's NCLEX-RN® first-time pass rates were 50.52% and 78.05%, respectively.

Under the terms of the revised Consent Agreement, many of the previous requirements were eliminated; for example, Aspen no longer has a requirement to use a consultant nor the requirement for a certain percentage of full-time faculty. However, Aspen will continue its current Arizona Core nursing program for all current students and provide regular reports to the Board of Nursing about the program. It remains accountable to the Board to ensure that its current students receive expected instruction and learning opportunities. Once all currently enrolled students in the program have either completed the program or ceased enrollment, or within two years, whichever is sooner, Aspen's program approval will be automatically voluntarily surrendered for a minimum period of two years. As expected, although the rate improved from the 2021 rate of 58%, Aspen's 2022 annual NCLEX-RN® first-time pass rate did not meet the Arizona State Board of Nursing's required pass rate in 2022 at 63.7%.

Having entered into the revised Consent Agreement with the Arizona State Board of Nursing, Aspen suspended new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas and will complete instruction for currently enrolled Core nursing students in Florida, Tennessee, and Texas. The Georgia facility did not open for Core nursing students. The state authorizing units and state boards of nursing were noticed to this effect on September 20, 2022.

On February 23, 2023, the Arizona State Board of Nursing informed Aspen of its intent to lift the stay of voluntary surrender at its scheduled March 2023 meeting. Board members expressed concerns regarding public safety and student safeness to practice on exit from the program, including concerns that the program was failing to provide minimum instruction as students were continuing to struggle with passing their NCLEX-RN® exam the first time, failing to meet basic standards of educational practice by inadequately ensuring the integrity and proctoring of exams, and improperly using students' work hours to count as clinical hours and counting clinical hours when the students were not in the facilities. Aspen disputed all of these concerns except the one related to the NCLEX-RN® first-time pass rate.

It was Aspen's position that a decision by the Board to conduct such a vote to lift the stay at its scheduled March 2023 meeting would be a breach of the September 2022 Consent Agreement, a breach of the covenant of good faith and fair dealing, and cause Aspen irreparable harm. The lifting of the stay would have closed the program immediately and affected almost 400 students across four states. On March 23, 2023, Aspen University and the Arizona State Board of Nursing signed an Amendment to the September 2022 Consent Agreement that permits the teach-out of the program to continue with heightened oversight and reporting. The University hired a Consultant and additionally an Ombudsperson to oversee critical aspects of the program in Arizona including testing and clinical practices. The signed Amendment means that the Arizona-based students are permitted to be taught out through January 2024, Nashville-based students through May 2024, and Texas- and Florida-based students through September 2024.

Arizona State Board for Private Postsecondary Education

On March 8, 2022, Aspen University has also entered into a Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which required the University to post a surety bond for $18.3 million in the fourth quarter of fiscal year 2022. The Stipulated Agreement required the cessation of enrollment in both the pre-professional nursing and core components of the program in Arizona, the submission of student records monthly, the removal of Arizona start date information from websites and catalogs, and monthly reporting to the Board staff. The collateral of $5 million for this surety bond was included in "Restricted cash" in the consolidated balance sheet at April 30, 2022.

On October 31, 2022, Aspen and the Arizona State Board for Private Postsecondary Education entered into a revised 2nd Stipulated Agreement that reduced AU's surety bond requirement from $18.3 million to $5.5 million, requires a civil penalty of $12,000 and enrollment stoppage and teach out of the pre-licensure program. Other requirements from the April 2022 Stipulated Agreement were carried forward to this revised agreement. In December 2022, as a result of the revised stipulated agreement with the Arizona State Board for Private Postsecondary Education, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

On February 20, 2023, Aspen University entered into a 3rd revised Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which requested transcripts from 1985-2019 and an institutional teach-out plan as well as increased monthly financial reporting requirements. Other requirements from the October 2022 Stipulated Agreement were carried forward to this revised agreement. The revised agreement was in response to the Show Cause Directive from DEAC.

National Council of State Authorization Reciprocity Agreements

Aspen University's State Authorization Reciprocity Agreement ("SARA") annual approval through the Colorado SARA State Portal Entity, which is overseen by a National Council ("NC-SARA"), has to be renewed by January 30 each year. Aspen University applied on January 18, 2022, and received its 2022 approval effective February 8, 2022. On February 23, 2022, Aspen University received a Notification of Provisional SARA Status from the Colorado SARA State Portal Entity. On March 4, 2022, the DOE provided the final approval for Aspen University's move from Colorado to Arizona. On March 29, 2022, Aspen University received a Notification of Loss of Eligibility for SARA through Colorado which permitted continued SARA coverage for students enrolled for courses between February 1, 2022 and August 2, 2022. On April 10, 2022, Aspen University submitted an official appeal of the eligibility loss to the Colorado SARA State Portal Entity. Aspen University sought a return to the prior provisional status while the appeal was pending or until the completion of the existing SARA term to February 2023 or until there was approval by the Arizona SARA Council. On April 12, 2022, Aspen University was restored to Provisional Status by the Colorado SARA State Portal Entity according to the terms of the February 23, 2022 letter. On May 17, 2022, Aspen University was informed that its appeal was denied and on June 10, 2022, Aspen University received a letter from the Colorado SARA State Portal Entry indicating that students currently enrolled in academic terms in progress as of May 17, 2022, were covered under SARA for 16 weeks, until September 6, 2022.

In the meantime, Aspen University submitted an application to the Arizona State SARA Portal Entry. This application to obtain approval to become an institutional participant again in NC-SARA from its new primary location in Arizona was deferred at the September 8, 2022 and January 19, 2023 meetings. Since February 2022, the start of the regulatory concerns over SARA approval, Aspen University has been seeking individual state authorizations for its students. Aspen University has succeeded in securing full approval, exemption, or has determined approval is not required, in 43 states, while 5 additional states allow our currently enrolled students to continue while applications are under review or in process. Students in these states represent over 99% of the current student body.

Aspen believes it has options for the few students in Rhode Island and the District of Columbia but has determined that it will not be able to secure authorization in Maryland. Articulation agreements for students in these two states and the District of Columbia are available for the students who choose not to wait for Aspen University to obtain NC-SARA approval through Arizona.

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DOE Program Review

On January 6, 2023, Aspen University received notice from the Department of Education, Office of the Multi-Regional and Foreign Schools Participation Division, that an off-site Program Review would begin on February 13, 2023. The review is designed to assess the University's administration of the Title IV, HEA programs in which it participates, covering the 2021-2022 and 2022-2023 award years. The University is cooperating fully in the review. Required university administrators from the offices of the president, provost, financial aid, finance, enrollment, registrar, institutional research, and student accounts have participated in requested meetings. They have provided requested documentation in a timely manner in a variety of areas, especially related to the Bachelor of Science in Nursing (Pre-licensure) degree program. The review is ongoing.

Show Cause Directive by DEAC

On February 1, 2023, AGI received notification that Aspen University had been issued a Show Cause Directive by DEAC requiring Aspen University to prove why its current accreditation should not be withdrawn and to require Aspen University to undergo a special visit by a team of DEAC evaluators. Show Cause is an enforcement action focused on specific areas of perceived non-compliance to which Aspen must respond through narrative, documentation, and other evidence within the specific remediation timeframe.

DEAC informed Aspen University that certain areas of concern raise serious questions as to Aspen University's ongoing compliance with DEAC Accreditation Standards III.D., V.A., X.B., XI.E., and DEAC Procedures under Part Two, Section XVII.E, including curricula and instructional materials; student achievement; reputation; operations; and notifications. These call into question Aspen University's organizational integrity, administrative capacity, and ability to serve students in a manner that complies with DEAC standards. The letter also required the University to submit certain information to DEAC prior to February 16, 2023, and to constituents within seven business days, and permits continuance of DEAC's monitoring of monthly financial reports. Aspen has complied with the request for monthly reporting timely each month.

To date, Aspen University has provided multiple regulatory bodies with requested records and data and Aspen University will willingly comply with the DEAC's continued oversight through the show cause period. The maximum length of the show cause remediation period is up to two years or 150% of the length of the Institution's longest program. DEAC expects to schedule its review of Aspen University's response to the show cause directive and the associated record within the next six to nine months. During the show cause remediation period, Aspen University remains fully accredited. DEAC expected Aspen to submit its response to the Show Cause Directive, May 19, 2023, which it submitted timely, and conducted a site visit on June 13, 2023. Aspen received the Chair's Report on August 8, 2023, and responded to it timely on September 8, 2023.

On September 7, 2023, Aspen received notification from DEAC that it had expanded the original Show Cause Directive's focus on Standard XI.E to include all of Standard XI due to a heightened concern with fiscal resources and management. Aspen University is expected to provide additional related information by October 4, 2023, and during the full reaccreditation site visit currently scheduled for October 19, 2023.

Heightened Cash Management 2 ("HCM2")

On February 8, 2023, Aspen University received notification from the DOE that effective February 7, 2023 the DOE had placed Aspen University on Heightened Cash Management 2 ("HCM2"). Under the HCM2 method of payment, Aspen University may continue to obligate funds under the federal student financial assistance programs authorized by Title IV of HEA.

HCM2 is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. Subsequent to its receipt of the first financial aid payment under HCM2, Aspen University will now be able to submit for financial aid reimbursement once every 30 days. Reimbursement payments could be delayed if the DOE has findings upon review of each of our reimbursement files. Aspen University received its first financial aid payment under HCM2 on June 15, 2023 and the second payment on August 10, 2023.

The letter from the DOE stated that the DOE acted in response to the Show Cause Directive from DEAC.

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United States University Regulatory Matters

On March 27, 2023, United States University received a request for information from its institutional accreditor, WSCUC, regarding information on the current financial and operational status of the university due to both AGI's delisting from The Nasdaq Global Market and Aspen University's Show Cause Directive from DEAC. USU provided the required information timely on April 4, 2023.

Title IV Funding

Aspen University and United States University derive a portion of their revenue from financial aid received by its students under programs authorized by Title IV of the HEA, which are administered by the DOE. When students seek funding from the federal government, they receive loans and grants to fund their education under the following Title IV Programs: (1) the Federal Direct Loan program, or Direct Loan; (2) the Federal Pell Grant program, or Pell; (3) Federal Work Study and (4) Federal Supplemental Opportunity Grants. For the fiscal years ended April 30, 2022, 36.37% of Aspen University's and 28.06% of United States University's cash-basis revenue for eligible tuition and fees was derived from Title IV Programs.

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 the DOE 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.

Approval to Confer Degrees

Aspen University is a Delaware corporation and is authorized by the Arizona State Board for Private Postsecondary Education in the State of Arizona to operate as a degree-granting institution for all degrees. Aspen University is authorized to operate as a degree-granting institution for bachelor degrees by the Texas Higher Education Coordinating Board in the State of Texas. Aspen University has been granted Optional Expedited Authorization as a postsecondary educational institution in Tennessee for its Bachelor of Science in Nursing (Pre-licensure) degree program. Aspen University has received a Provisional License for its Bachelor of Science in Nursing (Pre-licensure) degree program to operate in the state of Florida by the Commission for Independent Education of the Florida Department of Education. United States University is a Delaware corporation and is authorized by the California Bureau for Private Postsecondary Education to operate as a degree-granting institution for all degrees.

Note 12. Subsequent Events

Aspen Group, Inc.

15% Senior Secured Note

On August 1, 2023, the Company entered into an amendment with the purchasers pursuant to the 15% Debentures to unrestrict $750,000 of the $2 million restricted cash, required to be maintained as part of the covenants, until the earlier of August 22, 2023 or next HCM2 funding. On August 9, 2023, the Company replenished the restricted cash balance to $2 million and paid $100,000 of principal along with a $5,000 fee.

Aspen University Lease Termination in Atlanta

On August 9, 2023, Aspen University agreed to terminate its operating lease for office and classroom space in Atlanta, Georgia, contingent upon receiving notice from a new tenant (within 90 days). The early termination fee requires Aspen University to pay the landlord, monthly, 45% of the base monthly rent and additional rent that would have been due through January 31, 2030, or approximately $1.5 million, which will be included in other expense in the consolidated statements of operations and a corresponding other non-current liability in the consolidated balance sheet. In accordance with ASU No. 2016-2, *Leases (Topic 842)*, this early lease termination would result in removing the operating lease right-of-use asset, net and the operating lease obligations, net, from the consolidated balance sheet, with an approximate $1.0 million gain recognized for the difference, which will be included in other expense in the consolidated statements of operations. Simultaneously, the landlord will immediately reduce the letter of credit for the security deposit by 45% from $239,400 to $107,730; releasing a corresponding amount of restricted cash for use in operating activities.

On August 11, 2023, the Board of Directors approved a 500,000 RSU grant to the Company's CFO. The grant has a grant date fair value of $79,750 based on a closing stock price of $0.16 per share.

As of August 16, 2023, the vested portion of the August 16, 2021 grant of 125,000 RSUs to the Company's CFO of common stock for 41,667 vested RSUs had not been not delivered to Mr. LaVay and were instead cancelled.

As of August 12, 2023, the vested portion of the August 12, 2021 grant of 80,000 RSUs to the Company's Chief Academic Officer for 26,667 vested RSUs had not been delivered to Dr. St. Arnauld and were instead cancelled.

Item 4. Management's discussion and analysis or plan of operation.

You should read the following discussion in conjunction with our unaudited consolidated financial statements, which are included elsewhere in this Quarterly Report. This Quarterly Report contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. See "Cautionary Note Regarding Forward Looking Statements" for more information.

Key Terms

In connection with the management of our businesses, we identify, measure and assess a variety of operating metrics. The principal metrics we use in managing our businesses are set forth below:

Operating Metrics

- **Lifetime Value ("LTV")** - is the weighted average total amount of tuition and fees paid by every new student that enrolls in the Company's universities, after giving effect to attrition.

- **Bookings** - defined by multiplying LTV by new student enrollments for each operating unit.

- **Average Revenue per Enrollment ("ARPU")** - defined by dividing total Bookings by total enrollments for each operating unit.

Operating costs and expenses

- **Cost of revenue** - consists of instructional costs and services and marketing and promotional costs.

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

    - **Marketing and promotional costs** - include costs associated with producing marketing materials and advertising, and outside sales costs. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing efforts, and expenditures on advertising initiatives for new and existing academic programs. We engage non-direct response advertising activities, which are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. These are included in cost of revenue.

- **General and administrative expense -** consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs for personnel engaged in executive and academic management and operations, finance, legal, tax, information technology and human resources, recruiting, fees for professional services, financial aid processing costs, non-capitalizable courseware and software costs, corporate taxes and facilities costs.

Non-GAAP financial measures:

- **Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") -** is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of net income (loss) to EBITDA for the three months ended July 31, 2023 and 2022.

- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") -** is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of net income (loss) to Adjusted EBITDA for the three months ended July 31, 2023 and 2022.

Company Overview

Aspen Group, Inc. ("AGI") is an education technology holding company. AGI has two subsidiaries, Aspen University Inc. ("Aspen University" or "AU") organized in 1987, and United States University Inc. ("United States University" or "USU").

All references to the “Company”, “AGI”, “Aspen Group”, “we”, “our” and “us” refer to Aspen Group, Inc., unless the context otherwise indicates.

AGI leverages its education technology infrastructure and expertise to allow its two universities, Aspen University and United States University, to deliver on the vision of making college affordable again. 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 higher education. AGI’s primary focus relative to future growth is to target the high growth nursing profession. As of July 31, 2023, 7,115 of 8,591 or 83% of all active students across both universities are degree-seeking nursing students. Of the students seeking nursing degrees, 6,765 are RNs studying to earn an advanced degree, including 4,416 at Aspen University and 2,349 at USU. In contrast, the remaining 350 nursing students are enrolled in Aspen University’s BSN Pre-licensure program in the Phoenix, Austin, Tampa and Nashville metros. The majority of the year-over-year Aspen University nursing student body decrease is a result of the enrollment stoppage and teach out of the pre-licensure program and the $4.5 million reduction in marketing spend in the first quarter of fiscal 2024 as compared to the same quarter of fiscal 2023 (see the following student population discussion).

Since 1993, Aspen University has been institutionally accredited by the Distance Education Accrediting Commission (“DEAC”), an accrediting agency recognized by the United States Department of Education (the “DOE”), through January 2024.

Since 2009, USU has been institutionally accredited by WASC Senior College and University Commission (“WSCUC”), an accrediting agency recognized by the DOE, through 2030.

Both universities are qualified to participate under the Higher Education Act of 1965, as amended ("HEA") and the Federal student financial assistance programs (Title IV, HEA programs). USU had provisional certification resulting from the ownership change of control in connection with the acquisition by AGI on December 1, 2017. The provisional certification expired on December 31, 2020. The institution submitted its recertification application timely in October 2020, and received full certification on May 6, 2022, and a new Program Participation Agreement ("PPA") was issued with an effective period until December 31, 2025. On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the 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. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. The application for recertification was submitted on August 16, 2023.

AGI Student Population Overview

AGI’s active degree-seeking student body, including AU and USU, declined 29% year-over-year to 8,591 at July 31, 2023 from 12,048 at July 31, 2022. AU's total active student body decreased by 34% year-over-year to 6,001 at July 31, 2023 from 9,133 at July 31, 2022. On a year-over-year basis, USU's total active student body decreased by 11% to 2,590 at July 31, 2023 from 2,915 at July 31, 2022.

Total active student body for the past five quarters is shown below:

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Aspen University	9,133	7,973	7,232	6,670	6,001
USU	2,915	2,984	2,724	2,729	2,590
Total	12,048	10,957	9,956	9,399	8,591

AGI Nursing Student Population

Nursing student body for the past five quarters are shown below:

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Aspen University	7,686	6,640	5,899	5,392	4,766
USU	2,708	2,752	2,450	2,490	2,349
Total	10,394	9,392	8,349	7,882	7,115

AGI New Student Enrollments

On a Company-wide basis, new student enrollments were down 23% year-over-year. New student enrollments at AU decreased 28% year-over-year and at USU by 13% year-over-year reflecting lower marketing advertising spend across all programs to maintenance levels. We anticipate the resumption of marketing spend in the second half of fiscal 2024 at a level necessary to provide enrollments needed to grow the student body and allow for the generation of positive operating cash flow.

New student enrollments for the past five quarters are shown below:

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Aspen University	868	784	695	574	626
USU	447	506	374	360	389
Total	1,315	1,290	1,069	934	1,015

Bookings Analysis and ARPU

On a year-over-year basis, Q1 Fiscal 2024 Bookings decreased 36%, to $12.0 million from $18.8 million in the prior year. As previously discussed, the pre-licensure enrollment stoppage and the reduction in marketing spend by $4.5 million caused Bookings to decrease year-over-year.

On a year-over-year basis, Q1 Fiscal 2024 ARPU decreased 17% from the prior year period due primarily to a decrease in Bookings at Aspen University in the pre-licensure program.

	First Quarter Bookings[1] and Average Revenue Per Enrollment (ARPU)[1]				
	Q1'23 Enrollments	Q3'22 Bookings [1]	Q1'24 Enrollments	Q3'23 Bookings [1]	Percent Change Total Bookings & ARPU [1]
Aspen University	868	$ 10,882,200	626	$ 5,115,600	
USU	447	$ 7,965,540	389	$ 6,931,980	
Total	1,315	$ 18,847,740	1,015	$ 12,047,580	(36)%
ARPU		$ 14,333		$ 11,870	(17)%

[1] "Bookings" are defined by multiplying (LTV by new student enrollments for each operating unit. ARPU is defined by dividing total Bookings by total student enrollments for each operating unit.

Accounts Receivable – Monthly Payment Plan ("MPP")

The Company offers several payment options to its students including a monthly payment plan ("MPP"), installment plans and financial aid. Our current and long-term accounts receivable balances are predominantly the result of students taking advantage of our groundbreaking monthly payment plan, which we introduced in 2014 at Aspen University and subsequently in Fiscal Year 2018 at USU. At July 31, 2023, gross MPP accounts receivable was 89% of total gross accounts receivable. Of the gross accounts receivable, approximately 36% and 53% relates to AU and USU MPP accounts receivable, respectively.

The MPP is a private education loan in the form of a retail installment contract with a 0% fixed rate of interest (0% APR) and no down payment. Each month the student will make one payment of $250, $325, $350 or $375 (depending on the program) until the program tuition is paid in full. The attractive aspect of being able to pay for a degree over a fixed period of time fueled the growth of the MPP plan and as a result our short-term and long-term accounts receivable. The MPP is designed so students can build the cost of their degree into their monthly budget.

Long-Term Accounts Receivable

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 full contractual amount cannot be recorded as accounts receivable upon enrollment. As a student takes a class, revenue and the associated accounts receivable is earned over that eight-week class. Some students accelerate their program, taking two classes every eight-week period, and that increases the student's accounts receivable balance. If any portion of the accounts receivable balance will be paid in a period of greater than 12 months, that portion is classified as long-term accounts receivable.

As a result of the growing acceptance of our monthly payment plans, our long-term accounts receivable balance has grown from $13,068,368 at April 30, 2023 to $15,770,141 at July 31, 2023. Generally, students in the USU MSN-FNP program make payments over a 72-month period, and as a result, a portion of USU's 72-month payment plan becomes long-term accounts receivable.

Accounts receivable is considered short-term to the extent the remaining payments are 12 months or less. Payments due in greater than 12 months are considered long-term. Here is a graphic of both short-term and long-term receivables, as well as contractual value:

A	B	C
The portion of remaining payments owed for classes taken under a monthly payment plan due in 12 months or less	The portion of remaining payments owed for classes taken under a monthly payment plan due in greater than 12 months	Expected future 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.

Results of Operations

Set forth below is the discussion of the results of operations of the Company for the three months ended July 31, 2023 (“Q1 Fiscal 2024”) compared to the three months ended July 31, 2022 (“Q1 Fiscal 2023”).

Restructuring Plan Q1 Fiscal 2023

In late Q1 Fiscal 2023, we implemented a restructuring plan that resulted in significant cash benefits for the Company starting in Q2 Fiscal 2023 and continuing for the remainder of the fiscal year. The restructuring resulted in the elimination approximately 70 positions mostly within the general and administrative functions at AU and AGI. The resulting on-going quarterly compensation-related savings are approximately $1.0 million. Compensation-related savings in Fiscal 2023 were approximately $2.6 million. Additionally, the Q2 Fiscal 2023 restructuring program temporarily decreased marketing advertising spend across all programs to maintenance levels. Further details are included in the following discussion of operating results. Our restructuring efforts were designed to achieve break-even to positive annual operating cash flows starting in Fiscal 2024, which will permit the resumption of marketing spend at a level that will renew growth in our post-licensure student body.

In late Q4 Fiscal 2023, we implemented a second restructuring plan that resulted in additional significant cash benefits for the Company starting in Q1 Fiscal 2024. The restructuring resulted in the elimination approximately 17 positions within AU and Corporate, including our Chief Accounting Officer. The resulting on-going quarterly compensation-related savings are approximately $0.5 million effective Q1 Fiscal 2024.

Revenue

The following table presents the consolidated statement of operations as a percentage of revenue (differences due to rounding):

	Three Months Ended July 31,	
	2023	2022
Revenue	100 %	100 %
Operating expenses:		
Cost of revenue (exclusive of depreciation and amortization shown separately below)		
Instructional costs and services	30 %	30 %
Marketing and promotional costs	— %	24 %
Total cost of revenue (exclusive of depreciation and amortization shown separately below)	30 %	54 %
General and administrative	58 %	56 %
Bad debt expense	3 %	2 %
Depreciation and amortization	7 %	5 %
Total operating expenses	98 %	116 %
Operating income (loss)	2 %	(16)%
Other income (expense):		
Interest expense	(6)%	(3)%
Other income, net	— %	— %
Total other expense, net	(6)%	(3)%
Loss before income taxes	(4)%	(20)%
Income tax expense	1 %	— %
Net loss	(4)%	(20)%

The following tables present our revenue, both per-subsidiary and total:

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
AU	$ 7,722,925	$ (4,225,169)	(35)%	$11,948,094
USU	6,916,947	(28,872)	—%	6,945,819
Revenue	$14,639,872	$ (4,254,041)	(23)%	$18,893,913

AU and USU combined revenue decreased (23)% in Q1 Fiscal 2024 compared to Q1 Fiscal 2023. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses, which accounted for $2.8 million of the decrease, and the remainder of the decrease resulted from lower post-licensure enrollments from the effect of decreased marketing spend initiated late in Q1 Fiscal 2023. The active student body at AU decreased by 34% year-over-year to 6,001 at July 31, 2023 from 9,133 at July 31, 2022. The USU revenue decrease reflects lower MSN-FNP program enrollments attributed to lower marketing spend initiated in late Q1 Fiscal 2023. The active student body at USU decreased by 11% to 2,590 at July 31, 2023 from 2,915 at July 31, 2022.

The trend of decreased revenue at AU is expected to continue in Fiscal Year 2024 given the Company’s suspension of new enrollments in its pre-licensure program associated with the related teach-out, which accounted for 10% of consolidated revenue in Q1 Fiscal 2024, and the effect of the pause in marketing spend starting in Q2 Fiscal Year 2023. The AU revenue decline is expected to slow in the second half of Fiscal 2024 due to forecasted year-over-year enrollment growth starting in Q2 Fiscal 2024 driven by strong demand for nursing degrees and students obtaining legacy pricing prior to the September 2023 price increases and the planned resumption of marketing spend in Q3 Fiscal Year 2024. AU revenue growth is expected to resume in Fiscal Year 2025 due to end of the pre-licensure teach-out and growth in post-licensure enrollments driven by the resumption of marketing spend. The USU student body was not significantly impacted by the Fiscal Year 2023 pause in marketing spend due to strong demand, therefore we are anticipating little to no decrease in USU revenue in Fiscal Years 2024 and 2025.

Cost of revenue (exclusive of depreciation and amortization shown separately below)

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
Instructional costs and services	$4,384,858	$ (1,318,121)	(23)%	$5,702,979
Marketing and promotional	7,997	(4,494,575)	(100)%	4,502,572
Cost of Revenue (exclusive of depreciation and amortization shown separately below)	$4,392,855	$ (5,812,696)	(57)%	$10,205,551

Instructional Costs and Services

Consolidated instructional costs and services for Q1 Fiscal 2024 was 30% of revenue, which remained flat from 30% of revenue for Q1 Fiscal 2023, as described below.

AU instructional costs and services were 33% and 32% of AU revenue for Q1 Fiscal 2024 and Q1 Fiscal 2023, respectively. As a percentage of revenue, instructional costs and services increased slightly due primarily to the inflationary impact on faculty compensation and the need for more instructors in the BSN Pre-licensure program, which is the result of more students entering the core curriculum. The core curriculum requires an increase in the ratio of instructors to students, especially as students enter the clinical portion of the program.

USU instructional costs and services were 27% of USU revenue for Q1 Fiscal 2024, which remained flat from 27% of USU revenue for Q1 Fiscal 2023.

Marketing and Promotional

Consolidated marketing and promotional costs in Q1 Fiscal 2024 were $7,997 compared to $4.5 million or 24% of revenue in Q1 Fiscal 2023. The decrease is primarily the result of the $4.5 million quarter-over-quarter planned reduction in marketing spend associated with the Fiscal 2023 restructuring plan. The restructuring program decreased marketing advertising spend across all programs and is anticipated to resume in the second half of fiscal 2024. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented —% and 25% of AU revenue for Q1 Fiscal 2024 and Q1 Fiscal 2023, respectively.

USU marketing and promotional costs represented —% and 16% of USU revenue for each Q1 Fiscal 2024 and Q1 Fiscal 2023, respectively.

Corporate marketing and promotional costs were $0 in Q1 Fiscal 2024 compared to $374,313 in Q1 Fiscal 2023.

General and administrative

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
General and administrative	$ 8,470,878	$ (2,061,142)	(20)%	$10,532,020

Consolidated general and administrative expense for Q1 Fiscal 2024 was $8,470,878 or 58% of revenue compared to $10,532,020 or 56% of revenue for Q1 Fiscal 2023, a decrease of $2,061,142 or 20%. As part of the Company's recent restructuring plan, which was initiated late Q1 Fiscal 2023, the Company eliminated approximately 70 positions within AU and Corporate, resulting in on-going quarterly compensation-related savings of approximately $1.0 million. The Company initiated a second restructuring plan, effective Q1 Fiscal 2024, with quarterly savings of approximately $0.5 million. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased by $0.8 million year-over-year and was 46% and 36% of AU revenue for Q1 Fiscal 2024 and Q1 Fiscal 2023, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management.

USU general and administrative expense decreased by $0.1 million year-over-year and was 32% and 34% of USU revenue for Q1 Fiscal 2024 and Q1 Fiscal 2023, respectively. The decrease is principally due to decreased facilities costs related to the move to our new campus at the end of Q2 Fiscal 2023.

Corporate general and administrative expense was $2.7 million and $3.9 million in Q1 Fiscal 2024 and Q1 Fiscal 2023, respectively. The decrease was primarily due to planned corporate cost control which resulted in lower compensation expense of $1.4 million and lower professional and consultant fees of $0.8 million. General and administrative expense in Q1 Fiscal 2023 includes the reversal of stock-based compensation expense for (i) $0.2 million related to a performance award for which the Company assessed the performance condition will not be met and (ii) $0.1 million related to a grant forfeited by the resignation of the Chief Nursing Officer, on July 15, 2022. Additionally, general and administrative expense in Q1 Fiscal 2023 includes severance expense related to the resignation of the Chief Nursing Officer.

Bad debt expense

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
Bad debt expense	$450,000	$100,000	29%	$350,000

Based on our review of additional student accounts associated with current period revenue and previously existing student accounts receivable and historical write-off trends, the Company evaluated its reserve methodology and adjusted reserves for AU and USU accordingly.

At AU and USU, $0.4 million and $0.1 million, respectively, of student accounts receivable were written off against the accounts receivable allowance during Q1 Fiscal 2024.

At AU and USU, $0.1 million and $0.1 million, respectively, of student accounts receivable were written off against the accounts receivable allowance during Q1 Fiscal 2023.

Depreciation and amortization

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
Depreciation and amortization	$963,212	$42,104	5%	$921,108

The increase includes depreciation which is primarily due to the Q2 Fiscal 2023 commencement of the lease for the Atlanta campus and the move to the new USU campus. Related capital expenditures include leasehold improvements and computer equipment. The increase also includes amortization related to internally developed capitalized software placed into service to support the Company's instructional services. These increases are partially offset by a decrease related to fully depreciated assets.

Interest expense

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
Interest expense	$ 936,481	$355,188	61%	$ 581,293

Interest expense increased due principally to the interest on the proceeds of $12.4 million from the 15% Senior Secured Debentures, which closed on May 12, 2023; and an increase in interest rate of the 2022 Convertible Notes from 12% per annum to 14% on May 12, 2023 as consideration to the Lenders who agreed to subordinate their security interests therein to the security interests granted to the holders of the 15% Debentures; partially offset by an interest expense decrease related to the repayment of the $5 million Credit Facility with the proceeds from the 15% Debentures.

Other income, net

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
Other income, net	$18,287	$6,878	60%	$11,409

Income tax expense

	Three Months Ended July 31,			
	2023	$ Change	% Change	2022
Income tax expense	$84,171	$53,850	178%	$30,321

The Company determined that it has a permanent establishment in Canada, as defined by article V(2)(c) of the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital (the "Treaty"), which would be subject to Canadian taxation as levied under the Income Tax Act. The Company filed Canadian T2 Corporation Income Tax Returns and related information returns under the Voluntary Disclosure Program with the Canada Revenue Agency ("CRA") to cover the 2013 through 2021 tax years during which a permanent establishment was in place. The Company will also file an annual Canadian T2 Corporation Income Tax return to report the ongoing activity of the permanent establishment for 2022 through 2024, and future taxation years.

Income tax expense in Q1 Fiscal 2024 and Q1 Fiscal 2023 includes a reserve of $25,000 and $25,000, respectively, related to the estimated Fiscal Years 2024 and 2023 Canada foreign income tax year liability, respectively. These reserves are included in "Accrued expenses" in the consolidated balance sheets.

Additionally, in Q1 Fiscal 2024 the Company paid approximately $50,000 for the 2022 Delaware Annual Franchise Tax Report.

Non-GAAP Financial Measures

This 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 (loss), operating income (loss), and cash flow from operating activities, liquidity or any other financial measures. They may not be indicative of the historical operating results of AGI 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, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Gross Profit, which are non-GAAP financial measures. We believe that management, analysts and shareholders benefit from referring to the following non-GAAP financial measures to evaluate and assess our core operating results from period-to-period after removing the impact of items that affect comparability. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the excluded items described below.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measures 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 AGI 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.

<u>EBITDA and Adjusted EBITDA</u>

AGI defines Adjusted EBITDA as EBITDA excluding: (1) bad debt expense; (2) stock-based compensation; and (3) non-recurring charges or gains. The following table presents a reconciliation of net loss to EBITDA and Adjusted EBITDA and of net loss margin to Adjusted EBITDA Margin.

	Three Months Ended July 31,	
	2023	2022
Net loss	$ (639,438)	$ (3,714,971)
Interest expense, net	936,460	580,580
Taxes	84,171	30,321
Depreciation and amortization	963,212	921,108
EBITDA	1,344,405	(2,182,962)
Bad debt expense	450,000	350,000
Stock-based compensation	87,449	46,330
Severance	—	125,000
Non-recurring charges (income) - Other	—	484,932
Adjusted EBITDA	$ 1,881,854	$ (1,176,700)
Net loss Margin	(4)%	(20)%
Adjusted EBITDA Margin	13%	(6)%

In Q1 Fiscal 2024, the increase in Adjusted EBITDA was attributable to the savings from the restructuring plan, which includes reducing marketing spend to maintenance levels and a reduction in general and administrative costs associated with planned cost control and a reduction in headcount, partially offset by lower revenue at AU related to the enrollment stoppage for the pre-licensure program and decreased AU online enrollments related to decreased marketing spend.

In Q1 Fiscal 2023, severance of $125,000 relates to the resignation of the Chief Nursing Officer, effective July 15, 2022. Non-recurring charges - Other of $484,932 includes non-recurring professional fees and consulting costs.

The following tables present a reconciliation of net income (loss) to EBITDA and Adjusted EBITDA and of net loss margin to the Adjusted EBITDA Margin by subsidiary:

	Three Months Ended July 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (639,438)	$ (3,805,601)	$ 646,376	$ 2,519,787
Interest expense, net	936,460	936,481	(6)	(15)
Taxes	84,171	54,766	19,425	9,980
Depreciation and amortization	963,212	75,642	761,307	126,263
EBITDA	1,344,405	(2,738,712)	1,427,102	2,656,015
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	87,449	46,872	33,058	7,519
Adjusted EBITDA	$ 1,881,854	$ (2,691,840)	$ 1,685,160	$ 2,888,534
Net income (loss) Margin	(4)%	NM	8 %	36 %
Adjusted EBITDA Margin	13 %	NM	22 %	42 %

	Three Months Ended July 31, 2022			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (3,714,971)	$ (4,898,587)	$ (209,429)	$ 1,393,045
Interest expense, net	580,580	581,279	(578)	(121)
Taxes	30,321	5,600	14,721	10,000
Depreciation and amortization	921,108	69,442	744,744	106,922
EBITDA	(2,182,962)	(4,242,266)	549,458	1,509,846
Bad debt expense	350,000	—	225,000	125,000
Stock-based compensation	46,330	(25,330)	51,924	19,736
Severance	125,000	125,000	—	—
Non-recurring charges - Other	484,932	484,932	—	—
Adjusted EBITDA	$ (1,176,700)	$ (3,657,664)	$ 826,382	$ 1,654,582
Net income (loss) Margin	(20)%	NM	(2)%	20 %
Adjusted EBITDA Margin	(6)%	NM	7 %	24 %

The Adjusted EBITDA Margin improved to 13% in Q1 Fiscal 2024 from (6)% in Q1 Fiscal 2023 due primarily to the decrease in marketing spend and planned cost controls and headcount reductions associated with the restructuring initiative in Q1 Fiscal 2023.

Adjusted Gross Profit

GAAP Gross Profit is revenue less cost of revenue less amortization expense. The Company defines Adjusted Gross Profit as GAAP Gross Profit adjusted to exclude amortization expense. The following table presents a reconciliation of GAAP Gross Profit to Adjusted Gross Profit:

	Three Months Ended July 31,	
	2023	2022
Revenue	$14,639,872	$18,893,913
Cost of Revenue	4,392,855	10,205,551
Adjusted Gross Profit	10,247,017	8,688,362
Less amortization expense included in cost of revenue:		
Intangible asset amortization	25,334	22,020
Call center software/website amortization	471,497	466,920
Total amortization expense included in cost of revenue	496,831	488,940
GAAP Gross Profit	$9,750,186	$8,199,422
GAAP Gross Profit as a percentage of revenue	67%	43%
Adjusted Gross Profit as a percentage of revenue	70%	46%

GAAP Gross profit and gross margin increased due primarily to lower cost of revenue associated with the decrease in marketing spend initiatives in Q1 Fiscal 2023.

Liquidity and Capital Resources

Cash flow information

A summary of the Company's cash flows is as follows:

	Three Months Ended July 31,	
	2023	2022
Net cash (used in) provided by		
Operating activities	$ (4,603,464)	$ (3,616,193)
Investing activities	(319,652)	(492,333)
Financing activities	5,255,419	—
Net increase (decrease) in cash	$ 332,303	$ (4,108,526)

Net Cash Used in Operating Activities

Net cash used in operating activities increased from $3,616,193 in Q1 Fiscal 2023 to $4,603,464 in Q1 Fiscal 2024. Our net loss for Q1 Fiscal 2024 adjusted for non-cash activities improved to cash positive cash generated of $0.8 million as compared to a $2.4 million use of cash in the prior year period. The positive change was primarily the result of $3.1 million decrease in our net loss. Approximately $5.4 million of cash used in operations is attributed to decreased working capital which is attributed to increases in short-term and long-term monthly payment plan accounts receivable resulting from strong enrollments and an increase in financial aid related reimbursements in other current assets resulting from the Heightened Cash Management 2 ("HCM2") payment method. Further discussion follows.

The decrease in cash from changes in working capital primarily consists of increases in other current assets, accounts receivable, and deposits and other assets, offset by increases in advances on tuition and deferred tuition. The increase in other current assets is primarily due to the placement of AU on the HCM2 method of financial aid reimbursement by the Department of Education (“DOE”) under Title IV Programs. This reimbursement method results in a delay in receiving funds until after a Reimbursement Payment Request is submitted to the DOE, resulting is a receivable from the DOE. This is the primary reason for the increase in other current assets. Additionally, a $0.2 million reserve in other current assets required by our former MPP credit card processor is expected to be returned to the universities in our second fiscal quarter. Accounts receivable increased due to strong enrollments in our post licensure programs and new students taking advantage of our MPP. The increase in deposits and other assets is due primarily to the reclass of security deposits for campus locations from "Restricted cash" to "Deposits and other assets." Advances on tuition and deferred tuition increased primarily due to timing of billings for class starts, specifically class starts close to quarter end.

The increase in non-cash adjustments consists of an increase in amortization of debt discount related to the 15% Senior Secured Debentures, which closed on May 12, 2022; higher depreciation and amortization expense associated with the opening of new campus locations and the implementation of internal use software also contributed to the increase; and an increase in stock-based compensation expense. The increase in stock-based compensation expense is due to prior period Q1 Fiscal 2023 adjustments related to (i) the reversal of $242,708 of amortization expense related to the Chief Executive Officer's performance-based RSU grant that the Company assessed will not be met as of July 31, 2022; and (ii) the reversal of $139,431 of amortization expense related to the resignation of the Chief Nursing Officer on July 15, 2022.

The Company expects working capital to trend lower during Fiscal 2024 as fewer students enroll in the monthly payment plan due to decreased marketing spend. Additionally, there may be working capital volatility from quarter to quarter, regarding the timing of financial aid payments relating to HCM2 (effective February 7, 2023) and the timing and size of student course starts that impact advances on tuition and deferred tuition and accounts receivable balances.

Net Cash Used in Investing Activities

Net cash used in investing activities in Q1 Fiscal 2024 decreased from Q1 Fiscal 2023 primarily due to lower capital expenditures associated with the opening of pre-licensure locations including tenant improvements.

Net Cash Provided By Financing Activities

Net cash provided by financing activities in Q1 Fiscal 2024 relates to proceeds from the 15% Senior Secured Debentures, net of original issuance discount, of $11.0 million and $744,581 of deferred financing costs related to these proceeds, and repayment of the outstanding borrowings under the $5 million Credit Facility.

Liquidity and Capital Resources

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

Financing Arrangements

15% Senior Secured Debentures

On May 12, 2023, Aspen Group, Inc. completed a private offering of $12.4 million aggregate principal amount of 15% Senior Secured Debentures ("Debentures") due 2026 of which $11.0 million was funded and the remainder recorded as debt discount. A portion of the proceeds from these Debentures was used to repay the outstanding borrowings under the $5 million Credit Facility and to pay expenses associated with this offering; the remaining proceeds will be used for working capital needs and need to fund a $2.0 million restricted cash reserve required by the agreement. The Company also reimbursed the investors for expenses incurred in relation to any legal expenses, due diligence and investment documentation of $90,000. The Debentures mature on May 12, 2026 unless earlier redeemed. After the discount, fees, expenses, repayment of the 2018 Revolving Credit Facility, and the funding of the $2.0 million reserve, $3.4 million was made available to the Company as unrestricted cash.

The investors also received warrants to purchase 2.2 million shares of common stock, representing 8% of the outstanding common stock at closing, at an exercise price of $0.01 per share. These warrants have a three-year term and contain anti-dilution protection.

The Company may prepay the Debentures any time after May 12, 2024 at 105%. The Debentures accrue interest at a rate of 15% per annum, payable monthly, subject to increase to 20% upon the occurrence of an event of default. The Debentures contain covenants, that require the Company to (1) maintain $2 million of restricted cash; (2) have at least $20 million of student accounts receivable at all times; and (3) meet enumerated quarterly revenue and quarterly Adjusted EBITDA amounts.

On August 1, 2023, the Company entered into an amendment with the purchasers pursuant to the 15% Debentures to unrestrict $750,000 of the $2 million restricted cash, required to be maintained as part of the covenants, until the earlier of August 22, 2023 or next HCM2 funding. On August 9, 2023, the Company replenished the restricted cash balance to $2 million and paid $100,000 of principal along with a $5,000 fee.

Credit Facility

On March 14, 2022, the Company extended its $5 million Credit Facility by one additional year to November 4, 2023, at an increased interest rate of 14% per annum. The Company used these funds for general business purposes.

On May 12, 2023, the $5 million of outstanding borrowings under the facility were repaid with proceeds from the Debentures.

Sufficiency of Working Capital

The Q1 Fiscal '24 ending unrestricted cash balance of approximately $0.2 million was the result of the timing of financial aid payments received from the DOE. On February 8, 2023, Aspen University received notification from the DOE that effective February 7, 2023 the DOE had placed Aspen University on HCM2. Under the HCM2 method of payment, Aspen University may continue to obligate funds under the federal student financial assistance programs. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. The transition to the HCM2 payment method created variability in our unrestricted cash balance during Q1 Fiscal 2024 because receipt of the first payment under the program is generally delayed due to extended DOE review time. On August 10, 2023, we received the second reimbursement payment under the HCM2 program of approximately $2.9 million, which substantially increased our unrestricted cash balance. Additionally, now that Aspen University has received two payments under HCM2, DOE review times are expected to decrease. We believe shorter review times combined with our ability to submit for financial aid reimbursement under HCM2 once every 30 days will result in less unrestricted cash variability.

As of September 8, 2023, the Company had approximately $1 million of unrestricted cash on hand. Cost reductions associated with the restructuring plans and other corporate cost reductions were implemented to ensure we will have sufficient cash to meet our working capital needs for the next 12 months.

Capital and other expenditures

The Company anticipates that it will need to make capital and other expenditures in connection with on-going operations.

Cautionary Note Regarding Forward Looking Statements.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the effect of our restructuring initiatives including efforts to reduce expenditures such as general and administrative and marketing expenses and the anticipated results and benefits of these efforts, the use of proceeds from our recent financing transaction and the perceived advantages of such uses, our plans to restructure expenditures and the anticipated benefits of those efforts, including achieving positive annual operating cash flows starting in Fiscal 2024 and the resumption of marketing spend at a level that will renew growth in our post licensure student body, and our liquidity. All statements other than statements of historical facts contained in this report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include, without limitation, our ability to enroll new students and generate revenue given the prior sharp reduction in marketing, the continued demand of nursing students for our programs, our ability to successfully resolve the regulatory matters involving agencies in Arizona and elsewhere, our ability to maintain and grow enrollments in our active programs with increased marketing, the continued attraction of online learning as the COVID-19 pandemic has receded, student attrition, national and local economic factors including a possible recession and increasing unemployment, uncertainties arising from high inflation, Federal Reserve interest rate increases, the banking crisis, and the Russian invasion of Ukraine including its effect on the U.S. economy, the competitive impact from the trend of major non-profit universities using online education and consolidation among our competitors, and the myriad of risks which may affect our ability to maintain our operations, advance our business plan, manage our costs, grow our revenue, and repay our obligations as and when they come due. Further information on the risks and uncertainties affecting our business is contained elsewhere in this report and in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended April 30, 2022. 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 5. Legal proceedings.

Information regarding certain legal proceedings appears in Exhibit B to our Annual Report for the year ended April 30, 2023.

Item 6. Defaults upon senior securities.

None.

Item 7. Other information.

None.

Item 8. Exhibits.

Our articles of incorporation and bylaws were filed as Exhibit H and Exhibit I, respectively, to our Annual Report for the year ended April 30, 2023. Information regarding purchases of equity securities by the issuer and affiliated purchasers appears in Item 19 of our Annual Report for the year ended April 30, 2023.

Item 9. Certifications.

I, Michael Mathews, certify that:

1. I have reviewed this quarterly disclosure statement of Aspen Group, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: September 14, 2023

/s/ Michael Mathews
Chief Executive Officer

I, Matt LaVay, certify that:

1. I have reviewed this quarterly disclosure statement of Aspen Group, Inc.;

2. Based on my knowledge, this disclosure statement 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 disclosure statement; and

3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: September 14, 2023

/s/ Matt LaVay
Chief Financial Officer