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

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Three Months Ended October 31, 2019 and 2018
(Unaudited)

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

The following table provides a reconciliation of cash and restricted cash reported within the unaudited consolidfc ns

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2019
(Unaudited)

Note 1. Nature of Operations and Liquidity

Overview

Aspen Group, Inc. (together with its subsidiaries, the “Company,” “Aspen,” or “AGI”) is a holding company, which hasthree subsidiaries. They are Aspen University Inc. (“Aspen University”) organized in 1987, Aspen Nursing, Inc. (“ANI”) (a subsidiary of Aspen University) formed in October 2018 and United States University, Inc. (“USU”) formed in May 2017. USU was the vehicle we used to acquire United States University on December 1, 2017. (See Note 4). When we refer to USU in this Report, we refer to either the online university which has operated under the name United States University or our subsidiary which operates this university, as the context implies.

AGI is an education technology holding company that leverages its infrastructure and expertise to allow its two universities, Aspen Universitderivanvan, whic ch (to mF.chr

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDAUя U UЧ Ņ Ʊ Ň ή

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. Our adoption of this ASC, resulted in no change to our results of operations or our balance sheet.

Revenues consist primarily of tuition and course fees derived from courses taught by the Company online as well as from related educational resources and services that the Company provides to its students. Under ASC 606, the 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. (See Note 8)

[illegible] Revenues [illegible]

Cost of revenues consists of two categories, instructional costs and services, and marketing and promotional costs.

Instructional Costs and Services

Instructional costs and services 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 [illegible] educating and [illegible]

Marketing and [illegible]

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ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
October 31, 2019
(Unaudited)

ALL WARRANTS			EXERCISABLE WARRANTS		
Exercise Price	**Weighted Average Exercise Price**	**Outstanding No. of Warrants**	**Weighted Average Exercise Price**	**Weighted Average Remaining Life In Years**	**Exercisable No. of Warrants**
$ 4.89	$ 4.89	50,000	$ 4.89	4.70	—
$ 5.85	$ 5.85	92,049	$ 5.85	4.27	92,049
$ 6.00	$ 6.00	200,000	$ 6.00	4.60	200,000
$ 6.87	$ 6.87	224,174	$ 6.87	2.99	224,174
		566,223			516,223

On August 17, 2019 an investor elected a cashless exercise of 13,542 warrants, receiving 6,271 shares. On August 20, 2019 two investors elected cashless exercises of 18,818 and 88,710 warrants, receiving 8,970 and 42,285 shares, respectively.

On June 3, 2019, a former director elected a cashless exercise of 21,930 warrants, receiving 9,806 shares. On June 7, 2019, the Chief Executive Officer elected a cashless exercise for the same amount receiving 9,597 shares.

Stock Incentive Plan and Stock Option Grants to Employees and Directors

On March 13, 2012, the Company adopted the Aspen Group, Inc. 2012 Equity Incentive Plan (the “2012 Plan”) that provides for the grant of 3,500,000 shares in the form of incentive stock options, non-qualified stock options, restric ent of

[redacted]

[redacted]

ASPEN GROUP, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 t t to the et

ASPEN GROUP, INC. AND SUBSIDIARIES
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(Unaudited)

For the three and six months ended October 31, 2019, the Company recorded compensation expense of $492,130

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Cash Receipts

Our students finance costs through a variety of funding sources, including, a

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ASPEN GROUP, INC. AND SUBSIDIARIES
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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.

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 a[illegible] m com

Aspen University students paying tuition and fees through a monthly payment method grew by 17% year-over-year, from 5,074 to 5,927. Those 5,927 students paying through a monthly payment method represent 66% of Aspen University's total active student body. Aspen University's monthly payment plan students currently deliver monthly recurring tuition cash payments exceeding $1,300,000.

USU students paying tuition and fees through a monthly payment method grew from 1,053 to 1,101 students sequentially. Those 1,101 students paying through a monthly payment method represent 65% of USU's total active student body. USU's monthly payment plan students currently deliver monthly recurring tuition cash payments exceeding $300,000.

Note that during fiscal Q2, Aspen University tested changing its monthly payment amounts for bachelorette- and master-level programs from $250 to $300 and $325 to $350, respectively. The cost per lead rose materially during the two wl from 5, wl elorett

The Company now expects annual revenue growth to meet or exceed 41% for the full fiscal year 2020.

Cost of Revenues (exclusive of amortization)

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

Instructional Costs and Services

Instructional costs and services for Fiscal 2020 Q2 increased to $2,181,067 or 18% of revenues from $1,586,904 or 20% of revenues for the Fiscal 2019 Q2, an increase of $594,163 or 37%. The increase was primarily due to the increase in the number of class starts year-over-year.

Aspen University instructional costs and services represented 16% of Aspen University revenues for the Fiscal 2020 Q2, while USU instructional costs and services equaled 23% of USU revenues during the Fiscal 2020 Q2.

Marketing and Promotional

Marketing and promotional costs for the Fiscal 2020 Q2 were $2,006,989 or 17% of revenues compared to $2,248,611 or 28% of revenues for the Fiscal 2019 Q2, a decrease of $241,622 or (11%).

Aspen University marketing and promotional costs represented 16% of Aspen University revenues for the Fiscal 2020 Q2, while USU marketing and promotional costs equaled 11% of USU revenues for the Fiscal 2020 Q2.

AGI corporate marketing expenses equaled $247,904 for the Fiscal 2020 Q2 compared to $205,969 for the Fiscal 2019 Q2, an increase of $41,936 or 20%.

Gross profit rose to 63% of revenues or $7,638,195 for the Fiscal 2020 Q2 from 50% of revenues, or $4,083,951 for the Fiscal 2019 Q2, an increase of 87% year over year.

Aspen University gross profit represented 65% of Aspen University revenues for the Fiscal 2020 Q2, while USU gross profit equaled 67% of USU revenues during the Fiscal 2020 Q2.

Costs and Expenses

General and Administrative

General and administrative costs for the Fiscal 2020 Q2 were $7,601,459 or 63% of revenues compared to $6,210,411 or 77% of revenues during the Fiscal 2019 Q2, an increase of $1,391,048, or 22%. The increase in expense is consistent with our long term expectations that general and administrative costs will grow at approximately half the rate of revenues. There is a portion of these costs that are variable which increased as our revenues increased; but there also is a fixed cost component that tends to grow at a slower rate.

Aspen University general and administrative costs which are included in the above amount represented 44% of Aspen University revenues for the Fiscal 2020 Q2, while USU general and administrative costs equaled 56% of USU revenues for the Fiscal 2020 Q2.

AGI's general and administrative costs for the Fiscal 2020 Q2 and Fiscal 2019 Q2 are included in the above amounts equaled $1,909,085 and $1,534,166, respectively, include corpdrate,teyosts rate

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Net loss applicable to stockholders was $(2,713,450), or net loss per share of $(0.14) for the six months ended October 31, 2019 as compared to $(5,312,354) for the six months ended October 31, 2018, a decrease in loss of $2,598,904, or 49% improvement.

Non-GAAP – Financial Measures

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

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

Aspen Group defines Adjusted EBITDA as earnings (or loss) from continuing operations before the items in the table below including non-recurring charges of approximately $0 in the Fiscal 2020 Q2 and approximately $118,872 in the Fiscal 2019 Q2. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature that affect comparability.

We have included a reconciliation of our non-GAAP financial measures to the most comparable financial measure calculated in accordance with GAAP. We believe that providing the non-GAAP financial measures, together with the reconciliation to GAAP, helps investors make comparisons between the Company 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 C N

USU generated net income of $151,359 and $0.5 million of Adjusted EBITDA for the Fiscal 2020 Q2 as compared to a net loss of $(1.1) million and an Adjusted EBITDA loss of approximately $(0.8) million during the Fiscal 2019 Q2.

Aspen Group corporate incurred an Adjusted EBITDA loss of ($1.7) million which contributed to the consolidated Aspen Group Adjusted EBITDA result of $1.4 million for the Fiscal 2020 Q2. Aspen Group corporate incurred an Adjusted EBITDA loss of $(1.4) million that contributed to the consolidated Aspen Group Adjusted EBITDA loss of $(1.3) million for the Fiscal 2019 Q2.

For the Six Months Ended October 31, 2019 (Fiscal Year 2020 Q2) Compared with the Six Months Ended October 31, 2018 (Fiscal Year 2019 Q2)

The Company reported Adjusted EBITDA of $1,274,709 for the six months ended October 31, 2019 as compared to an Adjusted EBITDA loss of $(3,082,914) for the six months ended October 31, 2018, an improvement of >100%.

Aspen University generated $2.7 million of net income and $4.1 million of Adjusted EBITDA for the six months ended October 31, 2019 as compared to approximately net income of $0.4 million and $1.2 million of Adjusted EBITDA for the six months ended October 31, 2018.

USU incurred a net loss of $(267 nths $($0.5 mill□ of□Adjus 1, 2018.

and liabilities. The most significant item change in operating assets and liabilities was an increase in accounts receivable of $4,028,143 which is primarily attributed to the growth in revenues from students paying through the monthly payment pla□

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

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

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

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

Business Combinations

We include the results of operations of businesses we acquire from the date of the respective acquisition. We allocate the purchase price of acquisitions to the assets acquired and liabilities assumed at fair value. The excess of the purchase price of an acquired business over the amount assigned to the assets acquired and liabilities assumed is recorded as goodwill. We expense transaction costs associated with business combinations as incurred.

Goodwill and Intangibles

Goodwill currently represents the excess of purchase price over the fair market value of assets acquired and liabilities assumed from Educacion Significativa, LLC. Goodwill has an indefinite life and is not amortized. Goodwill is tested annually for impairment.

Intangible assets represent both indefinite lived and definite lived assets. Accreditation and regulatory approvals and Trade name and trademarks are deemed to have indefinite useful lives and accordingly are nFff

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding future revenue growth, the expectations from highest LTV programs, expected pace of increase in expenses, future bottom line results, reductions in future cash used in operations, the expected future effect of seasonality on our operating results, the Pre-Licensure BSN program campus expansion plans, the expected timing of launching of, and anticipated capital expenditures and other costs related to, new campuses, collection of our accounts receivable and liquidity. All statements other than statements of historical facts contained in this report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "could," "target," "potential," "is likely," "will," "expect" and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include continued high demand for nurses, the continued effectiveness of our marketing efforts, signing leases and unanticipated issues with, and delays in, launching our third and fourth campuses, future U.S. economic conditions and the impact on our enrollments and our students ability to make monthly payment plan payments, the failure of our students to meet minimum NCLEX scores required by applicable states, and our failure to continue obtaining enrollments at low acquisition costs and keeping teaching costs down. Further information on the risk factors affecting our business is contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended April 30, 2019, as updated by the Quarterly Report on Form 10-Q for the three months ended July 31, 2019. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures. Our management carried out an evaluation, with the participation of our Principal Executive Officer and Principal Financial Officer, required by Rule 13a-15 or 15d-15 of the Securities Exchange Act of 1934 (the "Exchange Act") of the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act. Based on their evaluation, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time-to-time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of the date of this report, 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.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies. However, the Company did adqreFr Nsee

SIGNATURES

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

	Aspen Group, Inc.
December 10, 2019	By: /s/ Michael Mathews Michael Mathews Chief Executive Officer (Principal Executive Officer)
December 10, 2019	By: /s/ Frank Cotroneo Frank Cotroneo Chief Financial Officer (Principal Financial Officer)
December 10, 2019	By: /s/ Robert Alessi Robert Alessi Chief Accounting Officer (Principal Accounting Officer)

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EXHIBIT INDEX

		Incorporated by Reference			Filed or Furnished Herewith
Exhibit #	**Exhibit Description**	**Form**	**Date**	**Number**	
3.1	Certificate of Incorporation, as amended	[illegible]	[illegible]		

Exhibit 31.3

CERTIFICATION OF PRINCIPAL ACCOUNTING OFFICER

I, Robert Alessi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Aspen Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial re•t Fa

Exhibit