

ASPEN GROUP, INC.  
Form POS AM  
September 29, 2014

**As filed with the Securities and Exchange Commission on September 29, 2014**

**Registration No. 333-191728**

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**POST-EFFECTIVE AMENDMENT NO. 1 TO**  
**FORM S-1**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

**ASPEN GROUP, INC.**

*(Exact name of registrant as specified in its charter)*

**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**8200**  
*(Primary Standard Industrial  
Classification Code Number)*

**27-1933597**  
*(I.R.S. Employer  
Identification No.)*

**720 South Colorado Boulevard, Suite 1150N**

**Denver, CO 80246**

**(303) 333-4224**

*(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)*

**Michael Mathews**

**720 South Colorado Boulevard, Suite 1150N**

**Denver, CO 80246**

**(303) 333-4224**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

*Copies to:*

**Michael D. Harris, Esq.**

**Brian S. Bernstein, Esq.**

**Nason, Yeager, Gerson, White & Lioce, P.A.**

**1645 Palm Beach Lakes Boulevard, Suite 1200**

**West Palm Beach, FL 33401**

**(561) 686-3307**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer      ..

Non-accelerated filer      ..

Accelerated filer      ..

Smaller reporting company

Pursuant to Rule 429 under the Securities Act of 1933, the prospectus included in this registration statement is a combined prospectus. This combined prospectus includes the prospectuses contained in Registration Statements on Form S-1 (File Nos. 333-188277 and 333-191728).

**The registrant hereby amends this registration statement on such date or date(s) as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until the registration statement shall become effective on such date as the Commission acting pursuant to said Section 8(a) may determine.**

**Explanatory Note:** Aspen Group, Inc., or Aspen Group, previously filed a Registration Statement on Form S-1/A (File No. 333-188277) with the Securities and Exchange Commission, or the SEC, on August 8, 2013, which was declared effective on August 13, 2013, or the August Registration Statement.

Aspen Group also previously filed a Registration Statement on Form S-1 (File No. 333-191728) with the SEC on October 15, 2013 which was declared effective on October 21, 2013, or the October Registration Statement.

All filing fees payable in connection with the August Registration Statement and October Registration Statement were previously paid.

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission of which this prospectus is a part becomes effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**Subject to Completion, Dated September 29, 2014**

**ASPEN GROUP, INC.**

**PROSPECTUS**

**20,274,922 Shares of Common Stock**

This prospectus relates to the sale of up to 20,274,922 shares of Aspen Group, Inc. common stock which may be offered by the selling shareholders identified in this prospectus on page 65.

We will not receive any proceeds from the sales of shares of our common stock by the selling shareholders.

Our common stock trades on the Over-the-Counter Bulletin Board under the symbol `ASPU`. As of the last trading day before the date of this prospectus, the closing price of our common stock was \$0.23 per share.

**The common stock offered in this prospectus involves a high degree of risk. See **Risk Factors** beginning on page 4 of this prospectus to read about factors you should consider before buying shares of our common stock.**

**The selling shareholders are offering these shares of common stock. The selling shareholders may sell all or a portion of these shares from time to time in market transactions through any market on which our common stock is then traded, in negotiated transactions or otherwise, and at prices and on terms that will be determined by the then prevailing market price or at negotiated prices directly or through a broker or brokers, who may act as agent or as principal or by a combination of such methods of sale. The selling shareholders will receive**

**all proceeds from the sale of the common stock. For additional information on the methods of sale, you should refer to the section entitled Plan of Distribution.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined whether this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The date of this prospectus is \_\_\_\_\_, 2014**

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**You should rely only on information contained in this prospectus. We have not authorized anyone to provide you with information that is different from that contained in this prospectus. The selling shareholders are not offering to sell or seeking offers to buy shares of common stock in jurisdictions where offers and sales are not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.**





## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully including the section entitled Risk Factors before making an investment decision. In March 2012, Aspen Group, Inc., or Aspen Group, and Aspen University Inc., a privately held Delaware corporation, or Aspen, entered into a merger agreement whereby Aspen became a wholly-owned subsidiary of Aspen Group. We refer to the merger as the Reverse Merger. All references to we, our and us refer to Aspen Group and its subsidiaries (including Aspen University, Inc. unless the context otherwise indicates. In referring to academic matters, these words refer solely to Aspen University, Inc.*

### **Our Company**

Aspen is an online postsecondary education company. Founded in 1987, Aspen's mission is to offer any motivated college-worthy student the opportunity to receive a high quality, responsibly priced distance-learning education for the purpose of achieving sustainable economic and social benefits for themselves and their families. Because we believe higher education should be a catalyst to our students' long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in online higher education. Aspen is dedicated to providing the highest quality education experiences taught by top-tier professors - 61% of our adjunct professors hold doctorate degrees.

### **Corporate Information**

Our corporate headquarters are located at 720 South Colorado Boulevard, Suite 1150N, Denver, Colorado 80246 and our phone number is (303) 333-4224. Our corporate website can be found at [www.aspen.edu/investor-relations](http://www.aspen.edu/investor-relations). The information on our website is not incorporated in this prospectus.

### **Risks Affecting Us**

Our business is subject to numerous risks as discussed more fully in the section entitled "Risk Factors" immediately following this Prospectus Summary. In particular, our business would be adversely affected if:

we are unable to comply with the extensive regulatory requirements to which our business is subject, including Title IV of the Higher Education Act, or Title IV, and the regulations under that act, state laws and regulations, accrediting agency requirements, and our inability to comply with these regulations could result in our ceasing operations altogether;

we are unable to generate sufficient revenue to meet our future working capital needs;

our marketing and advertising efforts are not effective;

we are unable to develop new programs and expand our existing programs in a timely and cost-effective manner;

we are unable to increase our class starts by existing students and increase new enrollments;

our new monthly installment plan is unsuccessful;

we are unable to attract and retain key personnel needed to sustain and grow our business; or

our reputation is damaged by regulatory actions or negative publicity affecting us or other companies in the for-profit higher education sector.

For a discussion of these and other risks you should consider before making an investment in our common stock, see the section entitled **Risk Factors** beginning on page 4 of this prospectus.

## THE OFFERING

Common stock outstanding prior to the offering:	112,526,881 shares
Common stock offered by the selling shareholders:	20,274,922 shares (1)
Common stock outstanding immediately following the offering:	131,837,000 shares (2)
Use of proceeds:	Except for the proceeds we receive upon the exercise of warrants, we will not receive any proceeds from the sale of shares by the selling shareholders. See “Use of Proceeds” on page 22.
Stock symbol:	OTCBB: ASPU

The number of shares of common stock to be outstanding prior to and after this offering excludes:

a total of 13,266,412 shares of common stock issuable upon the exercise of outstanding stock options;  
a total of 1,033,588 shares of common stock reserved for future issuance under our 2012 Equity Incentive Plan, which we refer to as the “Plan”;  
a total of 44,007,963 shares of common stock issuable upon the exercise of warrants, which does not include the warrants referred to above; and  
a total of 1,314,732 shares of common stock issuable upon the conversion of notes.

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(1)

Consists of 964,803 shares of common stock currently outstanding and 19,310,119 shares issuable upon exercise of warrants.

(2)

Assumes all warrants are exercised for cash.



### SUMMARY FINANCIAL DATA

The following summary of our financial data should be read in conjunction with, and is qualified in its entirety by reference to Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements appearing elsewhere in this prospectus.

#### Statements of Operations Data

	<b>For the three months ended July 31, 2014 (Unaudited)</b>	<b>For the year ended April 30, 2014</b>	<b>For the year ended December 31, 2012</b>	<b>For the Four Months Ended 2013</b>	<b>April 30, 2012 (Unaudited)</b>
Revenues	\$ 1,169,860	\$ 3,981,722	\$ 2,684,931	\$ 1,229,096	\$ 745,656
Loss from continuing operations before income taxes	(864,261)	(5,435,011)	(6,147,044)	(1,291,055)	(2,361,632)
Net loss per share allocable to common stockholders basic and diluted	\$ (0.01)	\$ (0.09)	\$ (0.17)	\$ (0.03)	\$ (0.11)
Weighted average number of common shares outstanding:					
Basic and diluted	73,818,014	62,031,861	35,316,681	56,089,884	21,135,361

#### Balance Sheet Data

	<b>July 31,</b>	<b>April 30,</b>	<b>April 30,</b>
	<b>2014</b>	<b>2014</b>	<b>2013</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(\$)</b>
	<b>(Unaudited)</b>		
Cash and cash equivalents	1,416,407	247,380	724,982
Working capital (deficit)	(704,463)	(1,700,114)	(301,669)
Total assets	4,791,638	3,583,840	3,401,685
Total current liabilities	3,789,318	3,516,816	1,935,860
Accumulated deficit	(18,954,695)	(18,090,434)	(12,740,086)
Total shareholders' equity (deficit)	(845,460)	(1,784,902)	594,375

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following Risk Factors before deciding whether to invest in Aspen Group. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition. If any of the events discussed in the Risk Factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.*

### **Risks Relating to Our Business**

**If we are unable to generate positive cash flows from our operations, our ability to grow our business will be limited and we may encounter regulatory restrictions.**

We incurred a net loss of approximately \$5.35 million for the year ended April 30, 2014 and \$6 million in the year ended December 31, 2012. In July and September 2014, we raised approximately \$5.3 million in a private placement of which \$2.31 million was used to pay off the principal and interest under outstanding debentures. In the event that we are not successful at generating positive cash flows, we will be required to raise capital or we will be required to reduce our operating expenses which will limit our ability to grow our business. Moreover, we operate in a regulated environment and are required to meet fiscal responsibility requirements set by the Department of Education, which we refer to as the DOE, and the Distance Education and Training Council, which we refer to as the DETC. If we fail to meet these requirements, we may be unable to offer federal loans to students and may be precluded from continuing in business.

**Our business may be adversely affected by a further economic slowdown in the U.S. or abroad or by an economic recovery in the U.S.**

The U.S. and much of the world economy are experiencing difficult economic circumstances. We believe the economic downturn in the U.S. has contributed to a portion of our recent enrollment growth as an increased number of working students seek to advance their education to improve job security or reemployment prospects. This effect cannot be quantified. However, to the extent that the economic downturn and the associated unemployment have increased demand for our programs, an improving economy and increased employment may eliminate this effect and reduce such demand as fewer potential students seek to advance their education. We do not know whether the gradually reduced unemployment rate will reduce future demand for our services, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. Conversely, a worsening of

economic and employment conditions could adversely affect the ability or willingness of prospective students to pay our tuition and our former students to repay student loans, which could increase our bad debt expense, impair our ability to offer students loans under Title IV, and require increased time, attention and resources to manage defaults.

**If we cannot manage our growth, our results of operations may suffer and could adversely affect our ability to comply with federal regulations.**

The growth that we have experienced after our new management began in May 2011, as well as any future growth that we experience, may place a significant strain on our resources and increase demands on our management information and reporting systems and financial management controls. We have recently experienced growth at Aspen University even though we reduced our marketing expenses. With a portion of the proceeds from our recent private placement, we plan to materially increase our sales and marketing expenses in order to increase Aspen University's growth. Assuming we grow as planned, it may impact our ability to manage our business. If growth negatively impacts our ability to manage our business, the learning experience for our students could be adversely affected, resulting in a higher rate of student attrition and fewer student referrals. Future growth will also require continued improvement of our internal controls and systems, particularly those related to complying with federal regulations under the Higher Education Act, as administered by the DOE, including as a result of our participation in federal student financial aid programs under Title IV. If we are unable to manage our growth, we may also experience operating inefficiencies that could increase our costs and adversely affect our profitability and results of operations.



**Because there is strong competition in the postsecondary education market, especially in the online education market, our cost of acquiring students may increase and our results of operations may be harmed.**

Postsecondary education is highly fragmented and competitive. We compete with traditional public and private two-year and four-year brick and mortar colleges as well as other for-profit schools, particularly those that offer online learning programs. Public and private colleges and universities, as well as other for-profit schools, offer programs similar to those we offer. Public institutions receive substantial government subsidies, and public and private institutions have access to government and foundation grants, tax-deductible contributions that create large endowments and other financial resources generally not available to for-profit schools. Accordingly, public and private institutions may have instructional and support resources that are superior to those in the for-profit sector. In addition, some of our competitors, including both traditional colleges and universities and online for-profit schools, have substantially greater name recognition and financial and other resources than we have, which may enable them to compete more effectively for potential students. We also expect to face increased competition as a result of new entrants to the online education market, including established colleges and universities that have not previously offered online education programs. Recently, major brick and mortar universities have advertised their online course offerings.

We may not be able to compete successfully against current or future competitors and may face competitive pressures including price pressures that could adversely affect our business or results of operations and reduce our operating margins. These competitive factors could cause our enrollments, revenues and profitability to decrease significantly.

**In the event that we are unable to update and expand the content of existing programs and develop new programs and specializations on a timely basis and in a cost-effective manner, our results of operations may be harmed.**

The updates and expansions of our existing programs and the development of new programs and specializations may not be accepted by existing or prospective students or employers. If we cannot respond to changes in market requirements, our business may be adversely affected. Even if we are able to develop acceptable new programs, we may not be able to introduce these new programs as quickly as students require or as quickly as our competitors introduce competing programs. To offer a new academic program, we may be required to obtain appropriate federal, state and accrediting agency approvals, which may be conditioned or delayed in a manner that could significantly affect our growth plans. In addition, a new academic program that must prepare students for gainful employment must be approved by the DOE for Title IV purposes if the institution is provisionally certified, which we are through March 31, 2015. If we are unable to respond adequately to changes in market requirements due to financial constraints, regulatory limitations or other factors, our ability to attract and retain students could be impaired and our financial results could suffer.

Establishing new academic programs or modifying existing programs may require us to make investments in management and faculty, incur marketing expenses and reallocate other resources. If we are unable to increase the number of students, or offer new programs in a cost-effective manner, or are otherwise unable to manage effectively the operations of newly established academic programs, our results of operations and financial condition could be adversely affected.

**Because our future growth and profitability will depend in large part upon the effectiveness of our marketing and advertising efforts, if those efforts are unsuccessful we may not be profitable in the future.**

Our future growth and profitability will depend in large part upon our media performance, including our ability to:

Grow our nursing programs;

Create greater awareness of our school and our programs;

Identify the most effective and efficient level of spending in each market and specific media vehicle;

Determine the appropriate creative message and media mix for advertising, marketing and promotional expenditures;  
and

Effectively manage marketing costs (including creative and media).

Our marketing expenditures may not result in increased revenue or generate sufficient levels of brand name and program awareness. If our media performance is not effective, our future results of operations and financial condition will be adversely affected.



**Although our management has spearheaded an in-house marketing and advertising program, it may not be successful long-term.**

Mr. Michael Mathews, our Chief Executive Officer, has developed a new marketing campaign designed to substantially increase our student enrollment and reducing and/or eliminating student debt. While initial results have been as anticipated, there are no assurances that this marketing campaign will continue to be successful. Among the risks are the following:

Our ability to compete with existing online colleges which have substantially greater financial resources, deeper management and academic resources, and enhanced public reputations;

the emergence of more successful competitors;

factors related to our marketing, including the costs of Internet advertising and broad-based branding campaigns;

limits on our ability to attract and retain effective employees because of the new incentive payment rule;

performance problems with our online systems;

our failure to maintain accreditation;

student dissatisfaction with our services and programs;

adverse publicity regarding us, our competitors or online or for-profit education generally;

a decline in the acceptance of online education;

a decrease in the perceived or actual economic benefits that students derive from our programs;

potential students may not be able to afford the monthly payments; and

potential students may not react favorably to our marketing and advertising campaigns, including our monthly payment plan.

If our new marketing campaign is not favorably received, our revenues may not increase. Moreover, in March 2014, we launched a monthly payment plan designed to encourage students to enroll in courses without borrowing. It is too soon to know if this plan will increase our revenues, although 26% of class starts in August 2014 were from students using a monthly payment program.

**If we incur system disruptions to our online computer networks, it could impact our ability to generate revenue and damage our reputation, limiting our ability to attract and retain students.**

Since early 2011, we have spent approximately \$2 million to update our computer network primarily to permit accelerated student enrollment and enhance our students' learning experience. We expect to spend \$500,000 in capital expenditures over the next 12 months. The performance and reliability of our technology infrastructure is critical to our reputation and ability to attract and retain students. Any system error or failure, or a sudden and significant increase in bandwidth usage, could result in the unavailability of our online classroom, damaging our reputation and could cause a loss in enrollment. Our technology infrastructure could be vulnerable to interruption or malfunction due to events beyond our control, including natural disasters, terrorist activities and telecommunications failures.

**If we are unable to develop awareness among, and attract and retain, high quality learners to Aspen University, our ability to generate significant revenue or achieve profitability will be significantly impaired.**

Building awareness of Aspen University and the programs we offer among working adult professionals is critical to our ability to attract prospective learners. If we are unable to successfully market and advertise our educational programs, Aspen University's ability to attract and enroll prospective learners in such programs could be adversely affected, and consequently, our ability to increase revenue or achieve profitability could be impaired. It is also critical to our success that we convert these prospective learners to enrolled learners in a cost-effective manner and that these enrolled learners remain active in our programs. Some of the factors that could prevent us from successfully enrolling and retaining learners in our programs include:

the emergence of more successful competitors;

factors related to our marketing, including the costs of Internet advertising and broad-based branding campaigns;

performance problems with our online systems;

failure to maintain accreditation;

learner dissatisfaction with our services and programs, including with our customer service and responsiveness;

adverse publicity regarding us, our competitors, or online or for-profit education in general;

price reductions by competitors that we are unwilling or unable to match;

a decline in the acceptance of online education or our degree offerings by learners or current and prospective employers;

increased regulation of online education, including in states in which we do not have a physical presence;

a decrease in the perceived or actual economic benefits that learners derive from our programs;

litigation or regulatory investigations that may damage our reputation; and

difficulties in executing on our strategy as a preferred provider to employers for the vertical markets we serve.

If we are unable to continue to develop awareness of Aspen University and the programs we offer, and to enroll and retain learners, our enrollments would suffer and our ability to increase revenues and achieve profitability would be significantly impaired.

**If we experience any interruption to our technology infrastructure, it could prevent students from accessing their courses, could have a material adverse effect on our ability to attract and retain students and could require us to incur additional expenses to correct or mitigate the interruption.**

Our computer networks may also be vulnerable to unauthorized access, computer hackers, computer viruses and other security problems. A user who circumvents security measures could misappropriate proprietary information, personal information about our students or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these security breaches or to alleviate problems caused by these breaches.

**Because we rely on third parties to provide services in running our operations, if any of these parties fail to provide the agreed services at an acceptable level, it could limit our ability to provide services and/or cause student dissatisfaction, either of which could adversely affect our business.**

We rely on third parties to provide us with services in order for us to efficiently and securely operate our business including our computer network and the courses we offer to students. Any interruption in our ability to obtain the services of these or other third parties or deterioration in their performance could impair the quality of our educational product and overall business. Generally, there are multiple sources for the services we purchase. Our business could be disrupted if we were required to replace any of these third parties, especially if the replacement became necessary on short notice, which could adversely affect our business and results of operations.

**If we or our service providers are unable to update the technology that we rely upon to offer online education, our future growth may be impaired.**

We believe that continued growth will require our service providers to increase the capacity and capabilities of their technology infrastructure. Increasing the capacity and capabilities of the technology infrastructure will require these third parties to invest capital, time and resources, and there is no assurance that even with sufficient investment their systems will be scalable to accommodate future growth. Our service providers may also need to invest capital, time and resources to update their technology in response to competitive pressures in the marketplace. If they are unwilling or unable to increase the capacity of their resources or update their resources appropriately and we cannot change over to other service providers efficiently, our ability to handle growth, our ability to attract or retain students, and our financial condition and results of operations could be adversely affected.

**Because we rely on third party administration and hosting of learning management system software for our online classroom, if that third party were to cease to do business or alter its business practices and services, it could have an adverse impact on our ability to operate.**

Beginning in the current fiscal quarter ending October 31, 2014, our online classroom will employ the Desire2Learn learning management system, or D2L. The system is a web-based portal that stores and delivers course content, provides interactive communication between students and faculty, and supplies online evaluation tools. We rely on third parties to host and help with the administration of it. We further rely on third parties, the D2L agreement and our internal staff for ongoing support and customization and integration of the system with the rest of our technology infrastructure. If D2L were unable or unwilling to continue to provide us with service, we may have difficulty maintaining the software required for our online classroom or updating it for future technological changes. Any failure to maintain our online classroom would have an adverse impact on our operations, damage our reputation and limit our ability to attract and retain students.





**Because the personal information that we or our vendors collect may be vulnerable to breach, theft or loss, any of these factors could adversely affect our reputation and operations.**

Possession and use of personal information in our operations subjects us to risks and costs that could harm our business. Aspen uses a third party to collect and retain large amounts of personal information regarding our students and their families, including social security numbers, tax return information, personal and family financial data and credit card numbers. We also collect and maintain personal information of our employees in the ordinary course of our business. Some of this personal information is held and managed by certain of our vendors. Errors in the storage, use or transmission of personal information could result in a breach of student or employee privacy. Possession and use of personal information in our operations also subjects us to legislative and regulatory burdens that could require notification of data breaches, restrict our use of personal information, and cause us to lose our certification to participate in the Title IV programs. We cannot guarantee that there will not be a breach, loss or theft of personal information that we store or our third parties store. A breach, theft or loss of personal information regarding our students and their families or our employees that is held by us or our vendors could have a material adverse effect on our reputation and results of operations and result in liability under state and federal privacy statutes and legal or administrative actions by state attorneys general, private litigants, and federal regulators any of which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

**Because the CAN-SPAM Act imposes certain obligations on the senders of commercial emails, it could adversely impact our ability to market Aspen's educational services, and otherwise increase the costs of our business.**

The Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003, or the CAN-SPAM Act, establishes requirements for commercial email and specifies penalties for commercial email that violates the CAN-SPAM Act. In addition, the CAN-SPAM Act gives consumers the right to require third parties to stop sending them commercial email.

The CAN-SPAM Act covers email sent for the primary purpose of advertising or promoting a commercial product, service, or Internet website. The Federal Trade Commission, a federal consumer protection agency, is primarily responsible for enforcing the CAN-SPAM Act, and the Department of Justice, other federal agencies, State Attorneys General, and Internet service providers also have authority to enforce certain of its provisions.

The CAN-SPAM Act's main provisions include:

Prohibiting false or misleading email header information;

Prohibiting the use of deceptive subject lines;

Ensuring that recipients may, for at least 30 days after an email is sent, opt out of receiving future commercial email messages from the sender;

Requiring that commercial email be identified as a solicitation or advertisement unless the recipient affirmatively permitted the message; and

Requiring that the sender include a valid postal address in the email message.

The CAN-SPAM Act also prohibits unlawful acquisition of email addresses, such as through directory harvesting and transmission of commercial emails by unauthorized means, such as through relaying messages with the intent to deceive recipients as to the origin of such messages.

Violations of the CAN-SPAM Act's provisions can result in criminal and civil penalties, including statutory penalties that can be based in part upon the number of emails sent, with enhanced penalties for commercial email companies who harvest email addresses, use dictionary attack patterns to generate email addresses, and/or relay emails through a network without permission.

The CAN-SPAM Act acknowledges that the Internet offers unique opportunities for the development and growth of frictionless commerce, and the CAN-SPAM Act was passed, in part, to enhance the likelihood that wanted commercial email messages would be received.

The CAN-SPAM Act preempts, or blocks, most state restrictions specific to email, except for rules against falsity or deception in commercial email, fraud and computer crime. The scope of these exceptions, however, is not settled, and some states have adopted email regulations that, if upheld, could impose liabilities and compliance burdens in addition to those imposed by the CAN-SPAM Act.

Moreover, some foreign countries, including the countries of the European Union, have regulated the distribution of commercial email and the online collection and disclosure of personal information. Foreign governments may attempt to apply their laws extraterritorially or through treaties or other arrangements with U.S. governmental entities.



Because we use email marketing, our requirement to comply with the CAN-SPAM Act could adversely affect Aspen's marketing activities and increase its costs.

**If we lose the services of key personnel, it could adversely affect our business.**

Our future success depends, in part, on our ability to attract and retain key personnel. Our future also depends on the continued services of Mr. Michael Mathews, our Chief Executive Officer, who is critical to the management of our business and operations and the development of our strategic direction and would also be difficult to replace. We have a \$3 million key man life insurance policy on Mr. Mathews. The loss of the services of Mr. Mathews and other key individuals and the process to replace these individuals would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

**If we are unable to attract and retain our faculty, administrators, management and skilled personnel, we may not be able to support our growth strategy.**

To execute our growth strategy, we must attract and retain highly qualified faculty, administrators, management and skilled personnel. Competition for hiring these individuals is intense, especially with regard to faculty in specialized areas. If we fail to attract new skilled personnel or faculty or fail to retain and motivate our existing faculty, administrators, management and skilled personnel, our business and growth prospects could be severely harmed.

**If we are unable to protect our intellectual property, our business could be harmed.**

In the ordinary course of our business, we develop intellectual property of many kinds that is or will be the subject of copyright, trademark, service mark, trade secret or other protections. This intellectual property includes but is not limited to courseware materials, business know-how and internal processes and procedures developed to respond to the requirements of operating and various education regulatory agencies. We rely on a combination of copyrights, trademarks, service marks, trade secrets, domain names, agreements and registrations to protect our intellectual property. We rely on service mark and trademark protection in the U.S. to protect our rights to the mark "ASPEN UNIVERSITY" as well as distinctive logos and other marks associated with our services. We rely on agreements under which we obtain rights to use course content developed by faculty members and other third party content experts. We cannot assure you that the measures that we take will be adequate or that we have secured, or will be able to secure, appropriate protections for all of our proprietary rights in the U.S. or select foreign jurisdictions, or that third parties will not infringe upon or violate our proprietary rights. Despite our efforts to protect these rights, unauthorized third parties may attempt to duplicate or copy the proprietary aspects of our curricula, online resource material and other content, and offer competing programs to ours.

In particular, third parties may attempt to develop competing programs or duplicate or copy aspects of our curriculum, online resource material, quality management and other proprietary content. Any such attempt, if successful, could adversely affect our business. Protecting these types of intellectual property rights can be difficult, particularly as it relates to the development by our competitors of competing courses and programs.

We may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in these disputes. Third parties may raise a claim against us alleging an infringement or violation of the intellectual property of that third party.

**If we are subject to intellectual property infringement claims, it could cause us to incur significant expenses and pay substantial damages.**

Third parties may claim that we are infringing or violating their intellectual property rights. Any such claims could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages and prevent us from using our intellectual property that may be fundamental to our business. Even if we were to prevail, any litigation regarding the intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations.

**If we incur liability for the unauthorized duplication or distribution of class materials posted online during our class discussions, it may affect our future operating results and financial condition.**

In some instances, our faculty members or our students may post various articles or other third party content on class discussion boards. We may incur liability for the unauthorized duplication or distribution of this material posted online for class discussions. Third parties may raise claims against us for the unauthorized duplication of this material. Any such claims could subject us to costly litigation and impose a significant strain on our financial resources and management personnel regardless of whether the claims have merit. As a result we may be required to alter the content of our courses or pay monetary damages.

**Because we are an exclusively online provider of education, we are entirely dependent on continued growth and acceptance of exclusively online education and, if the recognition by students and employers of the value of online education does not continue to grow, our ability to grow our business could be adversely impacted.**

We believe that continued growth in online education will be largely dependent on additional students and employers recognizing the value of degrees and courses from online institutions. If students and employers are not convinced that online schools are an acceptable alternative to traditional schools or that an online education provides value, or if growth in the market penetration of exclusively online education slows, growth in the industry and our business could be adversely affected. Because our business model is based on online education, if the acceptance of online education does not grow, our ability to continue to grow our business and our financial condition and results of operations could be materially adversely affected.

**As Internet commerce develops, federal and state governments may draft and propose new laws to regulate Internet commerce, which may negatively affect our business.**

The increasing popularity and use of the Internet and other online services have led and may lead to the adoption of new laws and regulatory practices in the U.S. and to new interpretations of existing laws and regulations. These new laws and interpretations may relate to issues such as online privacy, copyrights, trademarks and service marks, sales taxes, fair business practices and the requirement that online education institutions qualify to do business as foreign corporations or be licensed in one or more jurisdictions where they have no physical location or other presence. New laws, regulations or interpretations related to doing business over the Internet could increase our costs and materially and adversely affect our enrollments, revenues and results of operations.

**If there is new tax treatment of companies engaged in Internet commerce, this may adversely affect the commercial use of our marketing services and our financial results.**

Due to the growing budgetary problems facing state and local governments, it is possible that governments might attempt to tax our activities. New or revised tax regulations may subject us to additional sales, income and other taxes. We cannot predict the effect of current attempts to impose taxes on commerce over the Internet. New or revised taxes and, in particular, sales or use taxes, would likely increase the cost of doing business online which could have an adverse effect on our business and results of operations.

### **Risks Related to the Regulation of Our Industry**

**If we fail to comply with the extensive regulatory requirements for our business, we could face penalties and significant restrictions on our operations, including loss of access to Title IV loans.**

We are subject to extensive regulation by (1) the federal government through the DOE and under the Higher Education Act, (2) state regulatory bodies and (3) accrediting agencies recognized by the DOE, including the DETC, a national accrediting agency recognized by the DOE. The U.S. Department of Defense and the U.S. Department of Veterans Affairs regulate our participation in the military's tuition assistance program and the VA's veterans' education benefits program, respectively. The regulations, standards and policies of these agencies cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations and financial condition. These regulatory requirements can also affect our ability to add new or expand existing educational programs and to change our corporate structure and ownership.



Institutions of higher education that grant degrees, diplomas, or certificates must be authorized by an appropriate state education agency or agencies. In addition, in certain states as a condition of continued authorization to grant degrees and in order to participate in various federal programs, including tuition assistance programs of the United States Armed Forces, a school must be accredited by an accrediting agency recognized by the U.S. Secretary of Education. Accreditation is a non-governmental process through which an institution submits to qualitative review by an organization of peer institutions, based on the standards of the accrediting agency and the stated aims and purposes of the institution. The Higher Education Act requires accrediting agencies recognized by the DOE to review and monitor many aspects of an institution's operations and to take appropriate action when the institution fails to comply with the accrediting agency's standards.

Our operations are also subject to regulation due to our participation in Title IV programs. Title IV programs, which are administered by the DOE, include loans made directly to students by the DOE. Title IV programs also include several grant programs for students with economic need as determined in accordance with the Higher Education Act and DOE regulations. To participate in Title IV programs, a school must receive and maintain authorization by the appropriate state education agencies, be accredited by an accrediting agency recognized by the U.S. Secretary of Education, and be certified as an eligible institution by the DOE. Our growth strategy is partly dependent on being able to offer financial assistance through Title IV programs as it may increase the number of potential students who may choose to enroll in our programs.

The regulations, standards, and policies of the DOE, state education agencies, and our accrediting agencies change frequently. Recent and impending changes in, or new interpretations of, applicable laws, regulations, standards, or policies, or our noncompliance with any applicable laws, regulations, standards, or policies, could have a material adverse effect on our accreditation, authorization to operate in various states, activities, receipt of funds under tuition assistance programs of the United States Armed Forces, our ability to participate in Title IV programs, receipt of veterans education benefits funds, or costs of doing business. Findings of noncompliance with these regulations, standards and policies also could result in our being required to pay monetary damages, or being subjected to fines, penalties, injunctions, limitations on our operations, termination of our ability to grant degrees, revocation of our accreditation, restrictions on our access to Title IV program funds or other censure that could have a material adverse effect on our business.

**If we do not maintain authorization in Colorado, our operations would be curtailed, and we may not grant degrees.**

Aspen is headquartered in Colorado and is authorized by the Colorado Commission on Higher Education to grant degrees, diplomas or certificates. If we were to lose our authorization from the Colorado Commission on Higher Education, we would be unable to provide educational services in Colorado and we would lose our eligibility to participate in the Title IV programs.

**Our failure to comply with regulations of various states could have a material adverse effect on our enrollments, revenues, and results of operations.**

Various states impose regulatory requirements on education institutions operating within their boundaries. Several states assert jurisdiction over online education institutions that have no physical location or other presence in the state but offer education services to students who reside in the state or advertise to or recruit prospective students in the state. State regulatory requirements for online education are inconsistent among states and not well developed in many jurisdictions. As such, these requirements change frequently and, in some instances, are not clear or are left to the discretion of state regulators.

State laws typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations, and other operational matters. To the extent that we have obtained, or obtain in the future, additional authorizations or licensure, changes in state laws and regulations and the interpretation of those laws and regulations by the applicable regulators may limit our ability to offer education programs and award degrees. Some states may also prescribe financial regulations that are different from those of the DOE. If we fail to comply with state licensing or authorization requirements, we may be subject to the loss of state licensure or authorization. If we fail to comply with state requirements to obtain licensure or authorization, we may be the subject of injunctive actions or penalties. Loss of licensure or authorization or the failure to obtain required licensures or authorizations could prohibit us from recruiting or enrolling students in particular states, reduce significantly our enrollments and revenues and have a material adverse effect on our results of operations. We enroll students in all 50 states, as well as the District of Columbia and Puerto Rico. We have sought and received confirmation that our operations do not require state licensure or authorization, or we have been notified that we are exempt from licensure or authorization requirements, in three states. We, through our legal counsel, are researching the licensure requirements and exemption possibilities in the remaining 47 states. It is anticipated that Aspen will be in compliance with all state licensure requirements by July 1, 2015. Because we enroll students in all 50 states, as well as the District of Columbia and Puerto Rico, we may have to seek licensure or authorization in additional states in the future.

Under DOE regulations, if an institution offers postsecondary education through distance education to students in a state in which the institution is not physically located or in which it is otherwise subject to state jurisdiction as determined by that state, the institution must have met any state requirements for it to be legally offering postsecondary distance education in that state. A federal court has vacated such requirement, and an appellate court affirmed that ruling on June 5, 2012, though further guidance is expected. Should the requirement be upheld or otherwise enforced, however, and if we fail to obtain required state authorization to provide postsecondary distance education in a specific state, we could lose our ability to award Title IV aid to students within that state.

The DOE's new requirement could lead some states to adopt new laws and regulatory practices affecting the delivery of distance education to students located in those states. In the event we are found not to be in compliance with a state's new or existing requirements for offering distance education within that state, the state could seek to restrict one or more of our business activities within its boundaries, we may not be able to recruit students from that state, and we may have to cease providing service to students in that state. In addition, under the DOE's regulation regarding state authorization and distance education, if and when the regulation is enforced or re-promulgated, we could lose eligibility to offer Title IV aid to students located in that state.

**If we fail to maintain our institutional accreditation, we would lose our ability to participate in the tuition assistance programs of the U.S. Armed Forces and also to participate in Title IV programs.**

Aspen is accredited by the DETC, which is a national accrediting agency recognized by the U.S. Secretary of Education for Title IV purposes. Accreditation by an accrediting agency that is recognized by the Secretary of Education is required for an institution to become and remain eligible to participate in Title IV programs as well as in the tuition assistance programs of the United States Armed Forces. DETC may impose restrictions on our accreditation or may terminate our accreditation. To remain accredited we must continuously meet certain criteria and standards relating to, among other things, performance, governance, institutional integrity, educational quality, faculty, administrative capability, resources and financial stability. Failure to meet any of these criteria or standards could result in the loss of accreditation at the discretion of the accrediting agency. The loss of accreditation would, among other things, render our students and us ineligible to participate in the tuition assistance programs of the U.S. Armed Forces or Title IV programs and have a material adverse effect on our enrollments, revenues and results of operations.

**Because we have only recently begun to participate in Title IV programs, our failure to comply with the complex regulations associated with Title IV programs would have a significant adverse effect on our operations and prospects for growth.**

We have only recently begun to participate in Title IV programs. Compliance with the requirements of the Higher Education Act and Title IV programs is highly complex and imposes significant additional regulatory requirements on

our operations, which require additional staff, contractual arrangements, systems and regulatory costs. We have a limited demonstrated history of compliance with these additional regulatory requirements. If we fail to comply with any of these additional regulatory requirements, the DOE could, among other things, impose monetary penalties, place limitations on our operations, and/or condition or terminate our eligibility to receive Title IV program funds, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

**Because we are only provisionally certified by the DOE, we must reestablish our eligibility and certification to participate in the Title IV programs, and there are no assurances that DOE will recertify us to participate in the Title IV programs.**

An institution generally must seek recertification from the DOE at least every six years and possibly more frequently depending on various factors. In certain circumstances, the DOE provisionally certifies an institution to participate in Title IV programs, such as when it is an initial participant in Title IV programs or has undergone a change in ownership and control. Beginning in 2009, and following our change of control in 2012, we have been provisionally certified. On January 30, 2014, the DOE notified us that we had the choice of posting a letter of credit for 25% of all Title IV funds and remain provisionally certified or post a 50% letter of credit and become permanently certified. We elected to post a 25% letter of credit and remain provisionally certified increasing our letter of credit to \$848,225. In the future, the DOE may impose additional or different terms and conditions in any final program participation agreement that it may issue, including growth restrictions or limitation on the number of students who may receive Title IV aid. The DOE could also decline to permanently certify Aspen, otherwise limit its participation in the Title IV programs, or continue provisional certification.

If the DOE does not ultimately approve our permanent certification to participate in Title IV programs, our students would no longer be able to receive Title IV program funds, which would have a material adverse effect on our enrollments, revenues and results of operations. In addition, regulatory restraints related to the addition of new programs could impair our ability to attract and retain students and could negatively affect our financial results.

**Because the DOE may conduct compliance reviews of us, we may be subject to adverse review and future litigation which could affect our ability to offer Title IV student loans.**

Because we operate in a highly regulated industry, we are subject to compliance reviews and claims of non-compliance and lawsuits by government agencies, regulatory agencies, and third parties, including claims brought by third parties on behalf of the federal government. If the results of compliance reviews or other proceedings are unfavorable to us, or if we are unable to defend successfully against lawsuits or claims, we may be required to pay monetary damages or be subject to fines, limitations, loss of Title IV funding, injunctions or other penalties, including the requirement to make refunds. Even if we adequately address issues raised by an agency review or successfully defend a lawsuit or claim, we may have to divert significant financial and management resources from our ongoing business operations to address issues raised by those reviews or to defend against those lawsuits or claims. Claims and lawsuits brought against us may damage our reputation, even if such claims and lawsuits are without merit.

**If the percentage of our revenues derived from Title IV programs is too high, we could lose our ability to participate in Title IV programs.**

Under the Higher Education Act, an institution is subject to loss of eligibility to participate in the Title IV programs if, on a cash accounting basis, it derives more than 90% of its fiscal year revenue, for two consecutive fiscal years, from Title IV program funds. An institution whose rate exceeds 90% for any single fiscal year is placed on provisional certification for at least two fiscal years and may be subject to other conditions specified by the U.S. Secretary of Education. This rule is known as the 90/10 rule. We have only recently begun to participate in Title IV programs, but must remain aware of the 90/10 calculation. Failure to comply with the 90/10 rule may result in restrictions on the amounts of Title IV funds that may be distributed to students; restrictions on expansion; requirements related to letters of credits or any other restrictions imposed by the DOE. Additionally, if we are determined to be ineligible to participate in Title IV programs due to the 90/10 rule, any disbursements of Title IV funds while ineligible must be repaid to the DOE.

Further, due to scrutiny of the sector, legislative proposals have been introduced in Congress that would heighten the requirements of the 90/10 rule, including proposals that would reduce the 90% maximum under the rule to 85% and/or prohibit tuition derived from military benefit programs to be included in the 85% portion.

**If our competitors are subject to further regulatory claims and adverse publicity, it may affect our industry and reduce our future enrollment.**

We are one of a number of for-profit institutions serving the postsecondary education market. In recent years, regulatory investigations and civil litigation have been commenced against several companies that own for-profit educational institutions. These investigations and lawsuits have alleged, among other things, deceptive trade practices and non-compliance with DOE regulations. These allegations have attracted adverse media coverage and have been the subject of federal and state legislative hearings. Although the media, regulatory and legislative focus has been primarily on the allegations made against specific companies, broader allegations against the overall for-profit school sector may negatively affect public perceptions of other for-profit educational institutions, including Aspen. In addition, in recent years, reports on student lending practices of various lending institutions and schools, including for-profit schools, and investigations by a number of state attorneys general, Congress and governmental agencies have led to adverse media coverage of postsecondary education. A large competitor, Corinthian Colleges, recently announced it was selling or shutting down its schools due to substantial regulatory investigations and recent DOE actions. Adverse media coverage regarding other companies in the for-profit school sector or regarding us directly could damage our reputation, could result in lower enrollments, revenues and operating profit, and could have a negative impact on our stock price. Such allegations could also result in increased scrutiny and regulation by the DOE, Congress, accrediting bodies, state legislatures or other governmental authorities with respect to all for-profit institutions, including us.

**Due to new regulations or congressional action or reduction in funding for Title IV programs, our future enrollment may be reduced and costs of compliance increased.**

The Higher Education Act comes up for reauthorization by Congress approximately every five to six years. When Congress does not act on complete reauthorization, there are typically amendments and extensions of authorization. Additionally, Congress reviews and determines appropriations for Title IV programs on an annual basis through the budget and appropriations process. There is no assurance that Congress will not in the future enact changes that decrease Title IV program funds available to students, including students who attend our institution. Any action by Congress that significantly reduces funding for Title IV programs or the ability of our school or students to participate in these programs would require us to arrange for other sources of financial aid and would materially decrease our enrollment. Such a decrease in enrollment would have a material adverse effect on our revenues and results of operations. Congressional action may also require us to modify our practices in ways that could result in increased administrative and regulatory costs and decreased profit margin.

There has been growing regulatory action and investigations of for-profit companies that offer online education. A larger competitor has accepted a deal with the DOE to sell or shut down most of its campuses.

We are not in position to predict with certainty whether any legislation will be passed by Congress or signed into law in the future. The reallocation of funding among Title IV programs, material changes in the requirements for participation in such programs, or the substitution of materially different Title IV programs could reduce the ability of students to finance their education at our institution and adversely affect our revenues and results of operations.

If our efforts to comply with DOE regulations are inconsistent with how the DOE interprets those provisions, either due to insufficient time to implement the necessary changes, uncertainty about the meaning of the rules, or otherwise, we may be found to be in noncompliance with such provisions and the DOE could impose monetary penalties, place limitations on our operations, and/or condition or terminate our eligibility to receive Title IV program funds. We cannot predict with certainty the effect the new and impending regulatory provisions will have on our business.

**Investigations by state attorneys general, Congress and governmental agencies regarding relationships between loan providers and educational institutions and their financial aid officers may result in increased regulatory burdens and costs.**

In the past few years, the student lending practices of postsecondary educational institutions, financial aid officers and student loan providers were subject to several investigations being conducted by state attorneys general, Congress and governmental agencies. These investigations concern, among other things, possible deceptive practices in the

marketing of private student loans and loans provided by lenders pursuant to Title IV programs. Higher Education Opportunity Act, or HEOA, contains new requirements pertinent to relationships between lenders and institutions. In particular, HEOA requires institutions to have a code of conduct, with certain specified provisions, pertinent to interactions with lenders of student loans, prohibits certain activities by lenders and guaranty agencies with respect to institutions, and establishes substantive and disclosure requirements for lists of recommended or suggested lenders of private student loans. In addition, HEOA imposes substantive and disclosure obligations on institutions that make available a list of recommended lenders for potential borrowers. State legislators have also passed or may be considering legislation related to relationships between lenders and institutions. Because of the evolving nature of these legislative efforts and various inquiries and developments, we can neither know nor predict with certainty their outcome, or the potential remedial actions that might result from these or other potential inquiries. Governmental action may impose increased administrative and regulatory costs and decrease profit margins.



**Because we are subject to sanctions if we fail to calculate correctly and return timely Title IV program funds for students who stop participating before completing their educational program, our future operating results may be adversely affected.**

A school 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, generally within 45 days after the date the school determines that the student has withdrawn. Under recently effective DOE regulations, institutions that use the last day of attendance at an academically-related activity must determine the relevant date based on accurate institutional records (not a student's certificate of attendance). For online classes, academic attendance means engaging in an academically-related activity, such as participating in class through an online discussion or initiating contact with a faculty member to ask a question; simply logging into an online class does not constitute academic attendance for purposes of the return of funds requirements. Because we only recently began to participate in Title IV programs, we have limited experience complying with these Title IV regulations. Under DOE regulations, late return of Title IV program funds for 5% or more of students sampled in connection with the institution's annual compliance audit constitutes material non-compliance. If unearned funds are not properly calculated and timely returned, we may have to repay Title IV funds, post a letter of credit in favor of the DOE or otherwise be sanctioned by the DOE, which could increase our cost of regulatory compliance and adversely affect our results of operations. This may have an impact on our systems, our future operations and cash flows.

**If we fail to demonstrate financial responsibility, Aspen may lose its eligibility to participate in Title IV programs or be required to post a letter of credit in order to maintain eligibility to participate in Title IV programs.**

To participate in Title IV programs, an eligible institution must satisfy specific measures of financial responsibility prescribed by the DOE, or post a letter of credit in favor of the DOE and possibly accept other conditions, such as additional reporting requirements or regulatory oversight, on its participation in Title IV programs. The DOE may also apply its measures of financial responsibility to the operating company and ownership entities of an eligible institution and, if such measures are not satisfied by the operating company or ownership entities, require the institution to meet the alternative standards described under Regulation on page 36 herein. Any of these alternative standards would increase our costs of regulatory compliance. If we were unable to meet these alternative standards, we would lose our eligibility to participate in Title IV programs. If we fail to demonstrate financial responsibility and thus lose our eligibility to participate in Title IV programs, our students would lose access to Title IV program funds for use in our institution, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

**If we fail to demonstrate administrative capability, we may lose eligibility to participate in Title IV programs.**

DOE regulations specify extensive criteria an institution must satisfy to establish that it has the requisite administrative capability to participate in Title IV programs. If an institution fails to satisfy any of these criteria or comply with any other DOE regulations, the DOE may require the repayment of Title IV funds, transfer the institution from the "advance" system of payment of Title IV funds to cash monitoring status or to the "reimbursement" system of payment, place the institution on provisional certification status, or commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs. If we are found not to have satisfied the DOE's "administrative capability" requirements we could be limited in our access to, or lose, Title IV program funding, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

**Because we rely on a third party to administer our participation in Title IV programs, its failure to comply with applicable regulations could cause us to lose our eligibility to participate in Title IV programs.**

We have been eligible to participate in Title IV programs for a relatively short time, and we have not developed the internal capacity to handle without third-party assistance the complex administration of participation in Title IV programs. A third party assists us with administration of our participation in Title IV programs, and if it does not comply with applicable regulations, we may be liable for its actions and we could lose our eligibility to participate in Title IV programs. In addition, if it is no longer able to provide the services to us, we may not be able to replace it in a timely or cost-efficient manner, or at all, and we could lose our ability to comply with the requirements of Title IV programs, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operation.

**If we pay impermissible commissions, bonuses or other incentive payments to individuals involved in recruiting, admissions or financial aid activities, we will be subject to sanctions.**

A school participating in Title IV programs may not provide any commission, bonus or other incentive payment based, directly or indirectly, on success in enrolling students or securing financial aid to any person involved in student recruiting or admission activities or in making decisions regarding the awarding of Title IV program funds. If we pay a bonus, commission, or other incentive payment in violation of applicable DOE rules, we could be subject to sanctions, which could have a material adverse effect on our business. Effective July 1, 2011, the DOE abolished 12 safe harbors that described permissible arrangements under the incentive payment regulation. Abolition of the safe harbors and other aspects of the new regulation may create uncertainty about what constitutes impermissible incentive payments. The modified incentive payment rule and related uncertainty as to how it will be interpreted also may influence our approach, or limit our alternatives, with respect to employment policies and practices and consequently may affect negatively our ability to recruit and retain employees, and as a result our business could be materially and adversely affected.

In addition, the General Accounting Office, or the GAO, has issued a report critical of the DOE's enforcement of the incentive payment rule, and the DOE has undertaken to increase its enforcement efforts. If the DOE determines that an institution violated the incentive payment rule, it may require the institution to modify its payment arrangements to the DOE's satisfaction. The DOE may also fine the institution or initiate action to limit, suspend, or terminate the institution's participation in the Title IV programs. The DOE may also seek to recover Title IV funds disbursed in connection with the prohibited incentive payments. In addition, third parties may file qui tam or whistleblower suits on behalf of the DOE alleging violation of the incentive payment provision. Such suits may prompt DOE investigations. Particularly in light of the uncertainty surrounding the new incentive payment rule, the existence of, the costs of responding to, and the outcome of, qui tam or whistleblower suits or DOE investigations could have a material adverse effect on our reputation causing our enrollments to decline and could cause us to incur costs that are material to our business, among other things. As a result, our business could be materially and adversely affected.

**If our student loan default rates are too high, we may lose eligibility to participate in Title IV programs.**

DOE regulations provide that an institution's participation in Title IV programs ends when historical default rates reach a certain level in a single year or for a number of years. Because of our limited experience enrolling students who are participating in these programs, we have no historical default rates. Relatively few students are expected to enter the repayment phase in the near term, which could result in defaults by a few students having a relatively large impact on our default rate. If Aspen loses its eligibility to participate in Title IV programs because of high student loan default rates, our students would no longer be eligible to use Title IV program funds in our institution, which would significantly reduce our enrollments and revenues and have a material adverse effect on our results of operations.

**If our institutional accrediting agency loses recognition by the U.S. Secretary of Education or we fail to maintain our institutional accreditation, we may lose our ability to participate in Title IV programs.**

Increased regulatory scrutiny of accrediting agencies and their accreditation of universities is likely to continue. While Aspen is accredited by the DETC, a DOE-recognized accrediting body, if the DOE were to limit, suspend, or terminate the DETC's recognition, we could lose our ability to participate in the Title IV programs. While the DOE has provisionally certified Aspen, there are no assurances that we will remain certified. If we were unable to rely on DETC accreditation in such circumstances, among other things, our students and our institution would be ineligible to participate in the Title IV programs, and such consequence would have a material adverse effect on enrollments, revenues and results of operations. In addition, increased scrutiny of accrediting agencies by the Secretary of Education in connection with the DOE's recognition process may result in increased scrutiny of institutions by accrediting agencies.

Furthermore, because the for-profit education sector is growing at such a rapid pace, it is possible that accrediting bodies will respond to that growth by adopting additional criteria, standards and policies that are intended to monitor, regulate or limit the growth of for-profit institutions like us. Actions by, or relating to, an accredited institution, including any change in the legal status, form of control, or ownership/management of the institution, any significant changes in the institution's financial position, or any significant growth or decline in enrollment and/or programs, could open up an accredited institution to additional reviews by the DETC.

**If Aspen fails to meet standards regarding gainful employment, it may result in the loss of eligibility to participate in Title IV programs.**

In March 2014, the DOE proposed a new gainful employment rule. Under the proposed gainful employment rule, programs with high debt-to-earnings ratios or high program-level cohort default rates would lose Title IV eligibility for three years based on a variety of specific scenarios outlined by the DOE. The final version of the gainful employment rule is expected to be released in October 2014 and go into effect on July 1, 2015. While the final rule has not yet been released, we anticipate that under this new regulation, the continuing eligibility of our educational programs for Title IV funding may be at risk due to factors beyond our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, changes in the percentage of our former students who are current in repayment of their student loans, and other factors. In addition, even though deficiencies in the metrics may be correctible on a timely basis, the disclosure requirements to students following a failure to meet the standards may adversely impact enrollment in that program and may adversely impact the reputation of our educational institutions.

**If we fail to obtain required DOE approval for new programs that prepare students for gainful employment in a recognized occupation, it could materially and adversely affect our business.**

Under the DOE regulations, an institution must notify the DOE at least 90 days before the first day of class when it intends to add a program that prepares students for gainful employment in a recognized occupation. The institution may proceed to offer the program, unless the DOE advises the institution that the DOE must approve the program for Title IV purposes. In addition, if the institution does not provide timely notice to the DOE regarding the additional program, the institution must obtain approval of the program for Title IV purposes. If the DOE denies approval, the institution may not award Title IV funds in connection with the program. Were the DOE to deny approval to one or more of our new programs, our business could be materially and adversely affected. Furthermore, compliance with these new procedures could cause delay in our ability to offer new programs and put our business at a competitive disadvantage. Compliance could also adversely affect our ability to timely offer programs of interest to our students and potential students and adversely affect our ability to increase our revenues. As a result, our business could be materially and adversely affected.

**If we fail to comply with the DOE's substantial misrepresentation rules, it could result in sanctions against us.**

The DOE may take action against an institution in the event of substantial misrepresentation by the institution concerning the nature of its educational programs, its financial charges or the employability of its graduates. Under new regulations, the DOE has expanded the activities that constitute a substantial misrepresentation. Under the DOE regulations, an institution engages in substantial misrepresentation when the institution itself, one of its

representatives, or an organization or person with which the institution has an agreement to provide educational programs, marketing, advertising, or admissions services, makes a substantial misrepresentation directly or indirectly to a student, prospective student or any member of the public, or to an accrediting agency, a state agency, or to the Secretary of Education. The final regulations define misrepresentation as any false, erroneous or misleading statement, and they define a misleading statement as any statement that has the likelihood or tendency to deceive or confuse. The final regulations define substantial misrepresentation as any misrepresentation on which the person to whom it was made could reasonably be expected to rely, or has reasonably relied, to the person's detriment. If the DOE determines that an institution has engaged in substantial misrepresentation, the DOE may revoke an institution's program participation agreement, impose limitations on an institution's participation in the Title IV programs, deny participation applications made on behalf of the institution, or initiate a proceeding against the institution to fine the institution or to limit, suspend or termination the institution's participation in the Title IV programs. We expect that there could be an increase in our industry of administrative actions and litigation claiming substantial misrepresentation, which at a minimum would increase legal costs associated with defending such actions, and as a result our business could be materially and adversely affected.

**If we fail to comply with the DOE's credit hour requirements, it could result in sanctions against us.**

The DOE has defined credit hour for Title IV purposes. The credit hour is used for Title IV purposes to define an eligible program and an academic year and to determine enrollment status and the amount of Title IV aid that an institution may disburse in a payment period. The final regulations define credit hour as an institutionally established equivalency that reasonably approximates certain specified time in class and out of class and an equivalent amount of work for other academic activities. The final regulations also require institutional accreditors to review an institution's policies, procedures, and administration of policies and procedures for assignment of credit hours. An accreditor must take appropriate actions to address an institution's credit hour deficiencies and to notify the DOE if it finds systemic noncompliance or significant noncompliance in one or more programs. The DOE has indicated that if it finds an institution to be out of compliance with the credit hour definition for Title IV purposes, it may require the institution to repay the amount of Title IV awarded under the incorrect assignment of credit hours and, if it finds significant overstatement of credit hours, it may fine the institution or limit, suspend, or terminate its participation in Title IV programs, as a result of which our business could be materially and adversely affected.

**The U.S. Congress recently conducted an examination of the for-profit postsecondary education sector that could result in legislation or additional DOE rulemaking that may limit or condition Title IV program participation of proprietary schools in a manner that may materially and adversely affect our business.**

In recent years, the U.S. Congress has increased its focus on for-profit education institutions, including with respect to their participation in the Title IV programs, and has held hearings regarding such matters. In addition, the GAO released a series of reports following undercover investigations critical of for-profit institutions. We cannot predict the extent to which, or whether, these hearings and reports will result in legislation, further rulemaking affecting our participation in Title IV programs, or more vigorous enforcement of Title IV requirements. Additionally, the DOE recently created a special unit for the purpose of monitoring publicly traded for-profit educational institutions. Moreover, political consideration could result in a reduction of Title IV funding. To the extent that any laws or regulations are adopted that limit or condition Title IV program participation of proprietary schools or the amount of federal student financial aid for which proprietary school students are eligible, our business could be materially and adversely affected.

**Unfavorable laws and regulations may impede our growth.**

Existing and future laws and regulations may create increased regulatory risk, which could impede our growth. These regulations and laws may cover consumer protection, mobile communications, privacy, data protection, electronic communications, pricing and taxation.

## Other Risks

**Because our common stock is subject to the penny stock rules, brokers cannot generally solicit the purchase of our common stock which adversely affects its liquidity and market price.**

The Securities and Exchange Commission, or the SEC, has adopted regulations which generally define penny stock to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock on the Over-The-Counter Bulletin Board, or the Bulletin Board, is substantially less than \$5.00 per share and therefore we are considered a penny stock according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules limit the ability of broker-dealers to solicit purchases of our common stock and therefore reduce the liquidity of the public market for our shares.

Moreover, as a result of apparent regulatory pressure from the SEC and the Financial Industry Regulatory Authority, a growing number of broker-dealers decline to permit investors to purchase and sell or otherwise make it difficult to sell shares of penny stocks like Aspen. This may have a depressive effect upon our common stock price.

**Because of their share ownership, our management may be able to exert control over us to the detriment of minority shareholders.**

As of September 23, 2014, our executive officers and directors owned approximately 12.6% of our outstanding common stock. These shareholders, if they act together, may be able to control our management and affairs and all matters requiring shareholder approval, including significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing our change in control and might affect the market price of our common stock.



**If our common stock becomes subject to a chill imposed by the Depository Trust Company, or DTC, your ability to sell your shares may be limited.**

The DTC acts as a depository or nominee for street name shares that investors deposit with their brokers. Until December of 2012, our stock was not eligible to be electronically transferred among DTC participants (broker-dealers) and required delivery of paper certificates as a result of a chill imposed by DTC. As a result of becoming DTC-Eligible, our common stock is no longer subject to a chill. However, DTC in the last several years has increasingly imposed a chill or freeze on the deposit, withdrawal and transfer of common stock of issuers whose common stock trades on the Bulletin Board. Depending on the type of restriction, a chill or freeze can prevent shareholders from buying or selling shares and prevent companies from raising money. A chill or freeze may remain imposed on a security for a few days or an extended period of time (in at least one instance a number of years). While we have no reason to believe a chill or freeze will be imposed against our common stock again in the future, if it were your ability to sell your shares would be limited. In such event, your investment will be adversely affected.

**Due to factors beyond our control, our stock price may be volatile.**

Any of the following factors could affect the market price of our common stock:

Our failure to generate increasing material revenues;

Our failure to become profitable or meet our publicly announced goal of achieving positive adjusted Earnings Before Interest, Taxes, Depreciation and Amortization;

Our failure to raise working capital;

Our public disclosure of the terms of any financing which we consummate in the future;

Disclosure of the results of our monthly payment plan;

Actual or anticipated variations in our quarterly results of operations;

Announcements by us or our competitors of significant contracts, new services, acquisitions, commercial relationships, joint ventures or capital commitments;

The loss of Title IV funding or other regulatory actions;

Our failure to meet financial analysts' performance expectations;

Changes in earnings estimates and recommendations by financial analysts;

The sale of large numbers of shares of common stock which we have registered;

Short selling activities; or

Changes in market valuations of similar companies.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

**Because we may issue preferred stock without the approval of our shareholders and have other anti-takeover defenses, it may be more difficult for a third party to acquire us and could depress our stock price.**

Our Board may issue, without a vote of our shareholders, one or more additional series of preferred stock that have more than one vote per share. This could permit our Board to issue preferred stock to investors who support us and our management and give effective control of our business to our management. Additionally, issuance of preferred stock could block an acquisition resulting in both a drop in our stock price and a decline in interest of our common stock. This could make it more difficult for shareholders to sell their common stock. This could also cause the market

price of our common stock shares to drop significantly, even if our business is performing well.

**An investment in Aspen Group may be diluted in the future as a result of the issuance of additional securities.**

If we need to raise additional capital to meet our working capital needs, we expect to issue additional shares of common stock or securities convertible, exchangeable or exercisable into common stock from time to time, which could result in substantial dilution to investors. Investors should anticipate being substantially diluted based upon the current condition of the capital and credit markets and their impact on small companies.

**Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.**

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we acquire additional capital.

**Since we intend to retain any earnings for development of our business for the foreseeable future, you will likely not receive any dividends for the foreseeable future.**

We have not and do not intend to pay any dividends in the foreseeable future, as we intend to retain any earnings for development and expansion of our business operations. As a result, you will not receive any dividends on your investment for an indefinite period of time.

**If we do not successfully defend the pending litigation brought by our former chairman and large shareholder, we may incur material damages.**

In 2013, our former Chairman and a company he controls sued us, certain senior management members and our directors in state court in New York seeking damages arising from losses and other matters incurred in the operation of Aspen's business since May 2011, our filings with the SEC and the DOE where we stated that he and his company borrowed \$2.2 million without board authority and our failure to use our best efforts to purchase certain shares of common stock from him. While we have been advised by our counsel that the lawsuit is baseless, we cannot assure you that we will be successful. Defending the litigation will be expensive and divert our management from Aspen's business. If we are unsuccessful, the damages we pay may be material. In addition, after dismissal by the Court in New York of certain claims, the Plaintiffs filed a shareholders' derivative action in the Delaware Chancery Court against most of our directors and a former officer. While any recovery will be paid to Aspen Group, defense of derivative suits is generally expensive. See Legal Proceedings below for a further description of the litigation.



## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements including statements regarding liquidity, expected positive cash flow, anticipated marketing spending and capital expenditures and our DOE application for permanent certification. All statements other than statements of historical facts contained in this prospectus, 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, 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. These forward-looking statements are subject to a number of risks, uncertainties and assumptions described in Risk Factors elsewhere in this prospectus. Other sections of this prospectus may include additional factors which could adversely affect our business and financial performance. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any risk factor, or combination of risk factors, may cause actual results to differ materially from those contained in any forward-looking statements. Except as otherwise required by applicable laws, we undertake no obligation to publicly update or revise any forward-looking statements or the risk factors described in this prospectus, whether as a result of new information, future events, changed circumstances or any other reason after the date of this prospectus.

## DILUTION

There will be no dilution to our existing shareholders except to the extent warrants are exercised.



## PRIVATE PLACEMENTS

This prospectus covers the offer and sale of certain shares of common stock and all of the common stock issuable upon exercise of the warrants issued to the investors in the private placement offerings described below. Any shares sold in the private placements below which may be sold under Rule 144 (with no volume restrictions) are not being registered hereunder. This prospectus does not include any securities which were sold in private placements subsequent to September 2013.

From March to July 2012, we sold approximately \$1.7 million of secured convertible notes, or Notes, and approximately 1.3 million warrants to purchase our common stock from which we received approximately \$1.4 million in net proceeds. The Notes converted into Aspen Group's common stock at \$0.3325 per share. The warrants are exercisable over a five-year period and are exercisable at \$0.3325 per share. Additionally, 202,334 shares and 50,591 warrants were issued in connection with accumulated interest accruing as of the conversion date.

In September 2012, we sold \$2,757,000 of units. The units contained 7,877,144 shares of common stock and 3,938,570 five-year warrants exercisable at \$0.50 per share.

In December 2012, we sold \$715,000 of units. The units contained 2,042,857 shares of common stock and 1,021,432 five-year warrants exercisable at \$0.50 per share.

In February 2013, we sold \$315,000 of units. The units contained 900,000 shares of common stock and 450,000 five-year warrants exercisable at \$0.50 per share.

In March 2013, we sold \$250,000 of units. The units contained 714,286 shares of common stock and 357,143 five-year warrants exercisable at \$0.50 per share.

In April 2013, we sold \$600,328 of units. The units contained 1,715,217 shares of common stock and 857,606 five-year warrants exercisable at \$0.50 per share.

In September 2013, we sold a \$2.24 million Original Issue Discount Secured Convertible Debenture, which we refer to as the Debenture, and 6,736,842 warrants in a private placement offering to Hillair Capital Investments L.P., or



Hillair, for gross proceeds of \$2.0 million. On September 4, 2014, we repaid the full amount of the Debenture. The warrants are exercisable over a five-year period at \$0.3325 per share. As a result of price protection provisions in Hillair's warrants, the number of shares issuable upon exercise of warrants held by Hillair has increased to 14,451,613.

We used, or are using, the proceeds from the private placements to support our growth and for general corporate purposes, including working capital.

### **USE OF PROCEEDS**

We will not receive any proceeds upon the sale of shares by the selling shareholders. We will however receive proceeds from the exercise of the warrants. We plan on using these proceeds received from the selling shareholders to support our growth and for general corporate purposes, including working capital.

## CAPITALIZATION

The following table sets forth our capitalization as of July 31, 2014. The table should be read in conjunction with the consolidated financial statements and related notes included elsewhere herein:

	<b>As of</b>	
	<b>July 31, 2014 (1)</b>	
Cash and cash equivalents	\$	1,416,407
Restricted Cash		898,225
Debt:		
Convertible notes, current portion		175,000
Debenture payable, net of discounts of \$328,428		1,911,572
Shareholders' equity (deficiency):		
Common stock		88,203
Treasury stock		(70,000)
Additional paid-in capital		18,091,032
Accumulated deficit		(18,954,695)
Total shareholders' equity (deficiency)	\$	(845,460)

(1)

Subsequent to July 31, 2014, the Debenture was repaid. Also does not give effect to the \$3.7 million capital raise which closed after the date of this table.

## MARKET FOR COMMON STOCK

Our stock trades on the Bulletin Board, under the symbol ASPU. The last reported sale price of our common stock as reported by the Bulletin Board on September 26, 2014 was \$0.23. As of that date, we had approximately 250 record holders of our common stock and we believe that there are substantially more beneficial owners than record holders.

The following table provides the high and low bid price information for our common stock. The prices reflect inter-dealer prices, without retail mark-up, mark-down or commission and does not necessarily represent actual transactions. Our common stock does not trade on a regular basis.

<b>Year</b>	<b>Period Ended</b>	<b>Prices</b>	
		<b>High (\$)</b>	<b>Low (\$)</b>
Fiscal 2014	July 31	0.17	0.11
	April 30	0.20	0.101
	January 31	0.23	0.12
	October 31	0.335	0.176
Fiscal 2013	July 31	0.51	0.25
	April 30	0.55	0.26
	January 31	0.80	0.50
	October 31	3.75	0.75

### **Dividend Policy**

We have not paid cash dividends on our common stock and do not plan to pay such dividends in the foreseeable future. Our Board will determine our future dividend policy on the basis of many factors, including results of operations, capital requirements, and general business conditions.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*This discussion should be read in conjunction with the other sections contained herein, including the risk factors and the consolidated financial statements and the related exhibits contained herein. The various sections of this discussion contain a number of forward-looking statements, all of which are based on our current expectations and could be affected by the uncertainties and risk factors described throughout this prospectus as well as other matters over which we have no control. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth in this prospectus. See Risk Factors and Cautionary Note Regarding Forward-Looking Statements.*

### Company Overview

Founded in 1987, Aspen's mission is to offer any motivated college-worthy student the opportunity to receive a high quality, responsibly priced distance-learning education for the purpose of achieving sustainable economic and social benefits for themselves and their families. Because we believe higher education should be a catalyst to our students long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in online higher education. On March 20, 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans. The monthly payment plan offers bachelor students the opportunity to pay \$250/month for 60 months (\$15,000) and master/doctoral students the opportunity to pay \$325/month for 36 months (\$11,700), thereby giving students the ability to earn a degree debt free. In the five months since the announcement, already 26% of courses are now paid through monthly payment methods.

One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is an emphasis on post-graduate degree programs (master or doctorate). As of July 31, 2014, 2,624 students were enrolled as full-time degree-seeking students with 2,275 of those students or 87% in a master or doctoral graduate degree program.

### Student Population

Aspen's full-time degree-seeking student body increased by 30% during the quarter ended July 31, 2014, from 2,016 to 2,624 students. In addition, 1,092 students are engaged in part-time programs, such as continuing education courses and certificate level programs.

Our most popular school is our School of Nursing. Aspen's School of Nursing has grown from 5% of our full-time, degree-seeking student body at year-end 2011, to 35% of our full-time, degree-seeking student body at July 31, 2014. Aspen's School of Nursing grew from 467 to 920 students year-over-year, which represented 75% of Aspen's full-time degree-seeking student body growth.

## **Results of Operations**

### **For the Three Months Ended July 31, 2014 Compared with the Three Months Ended July 31, 2013**

#### **Revenue**

Revenue from continuing operations for the quarter ended July 31, 2014 or the 2014 Quarter increased to \$1,169,860 from \$901,199 for the three months ended July 31, 2013 or the 2013 Quarter, an increase of 30%. The increase is primarily attributable to the growth in Aspen's School of Nursing student enrollments, as well as the 27% increase in new class starts and the 11% increase in average tuition rates from the comparable prior year period. Of particular note, revenues from Aspen's Nursing degree program increased to \$395,075 during the quarter ended July 31, 2014 from \$231,980 during the quarter ended July 31, 2013, an increase of 70%.

Our revenues for the quarter ended July 31, 2013 were impacted by the 2011 (and previous years) pre-payment tuition plan, or the Legacy Tuition Plan, which was discontinued on July 15, 2011. The Legacy Tuition Plan had students pre-paying tuition for a degree program's first four courses (\$675/course) and a steeply discounted tuition rate for the program's eight course balance (\$112.50/course). Specifically, the Legacy Tuition Plan produced immediate cash flow, but unsustainably low gross profit margins over the length of the degree program. As of July 31, 2014, 488 of our full-time degree-seeking students were still enrolled under the Legacy Tuition Plan. However the contribution from Legacy Tuition Plan students to overall Aspen revenue and profits has diminished steadily as the population of full-time degree-seeking students paying regular tuition rates increased to 81% of the population and the population of Legacy Tuition Plan students fell to 19%. In fact, Legacy Tuition Plan students' contribution to financial results was immaterial for the quarter ended July 31, 2014.

### **Cost of Revenues (exclusive of amortization)**

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

### **Instructional Costs and Services**

Instructional costs and services for the 2014 Quarter rose to \$269,833 from \$162,670 for the 2013 Quarter, an increase of \$107,163 or 66%. As student enrollment levels increase, instructional costs and services should rise proportionately. However, as Aspen increases its full-time degree-seeking student enrollments and related class starts, the higher gross margins associated with such students should lead to the growth rate in instructional costs and services to significantly lag that of overall revenues growth.

### **Marketing and Promotional**

Marketing and promotional costs for the 2014 Quarter were \$179,265 compared to \$293,089 for the 2013 Quarter, a decrease of \$113,824 or 39%. This decrease reflects significant marketing efficiencies gained, specifically the fact that enrollment costs have dropped to \$557 from \$920 year-over-year. With the cash from our recently completed offering, we expect that beginning in November 2014, internet advertising expenses will increase by at least \$50,000 per month and sales expenses will increase by at least \$60,000 per month.

GAAP Gross Profit rose to 52% of revenues or \$604,572 for the 2014 Quarter from 38% of revenues or \$343,049 for the 2013 Quarter. Gross Profit (exclusive of amortization) rose to 62% of revenues or \$720,762 for the 2014 Quarter from 49% of revenues or \$445,440 for the 2013 Quarter, a year-over-year increase of \$275,322 or 62%. This 62% increase year-over-year primarily reflects the increase in new class starts and higher average tuition rates described above, as well as marketing efficiency improvements.

### **Costs and Expenses**

### **General and Administrative**

General and administrative costs for the 2014 Quarter were \$1,200,216 compared to \$1,476,767 during the 2013 Quarter, a decrease of \$276,551 or 19%. The decrease is attributable to the elimination of expenses year-over-year including \$25,000 of expenses related to the biennial graduation ceremony, \$40,000 due to the audit related to the switch in our fiscal year to April 30, and consulting expense reduction of \$125,000 compared to the 2013 Quarter. Additionally, stock compensation was \$52,000 higher in the 2013 Quarter relating to the issuance of executive options.

### **Depreciation and Amortization**

Depreciation and amortization costs for the 2014 Quarter rose to \$125,607 from \$109,435 for the 2013 Quarter, an increase of \$16,172 or 15%. The increase is primarily attributable to higher levels of capitalized technology costs as Aspen prepares to launch a new academic learning system, Desire2Learn.

### **Interest Income (Expense)**

Interest income for the 2014 Quarter increased to \$1,671 from \$289 in the 2013 Quarter, an increase of \$1,382 or 478%. Interest expense increased from \$16,160 to \$260,871, an increase of \$244,711 or 1,514%. The increase is due to the monthly interest expense of \$13,333, primarily resulting from the amortization of the original issue discount and the amortization of debt issuance costs, all associated with the then outstanding Debenture.

### **Income Taxes**

Income taxes expense (benefit) for the 2014 Quarter and 2013 Quarter was \$0 as Aspen Group experienced operating losses in both periods. As management made a full valuation allowance against the deferred tax assets stemming from these losses, there was no tax benefit recorded in the statement of operations in both periods.

**Net Loss**

Net loss for the 2014 Quarter was (\$864,261) as compared to (\$1,134,370) for the 2013 Quarter, a decrease in the loss of \$270,109 or approximately 24%. Contributing to this lower loss was the increase in revenues in the 2014 Quarter, lower marketing costs, lower payroll and lower consulting expenses. Included in these numbers are the Discontinued Operations results.

**Discontinued Operations**

As of August 4, 2013, Aspen Group discontinued business activities related to its agreement with CLS. See Note 1 of the unaudited consolidated financial statements contained herein. The following table details the results of the discontinued operations for the three months ended July 31, 2014 and 2013:

	<b>For the</b>	
	<b>Three Months Ended</b>	
	<b>July 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues	\$	\$ 222,625
Costs and expenses:		
Instructional costs and services		200,362
Total costs and expenses		200,362
Income (loss) from discontinued operations, net of income taxes	\$	\$ 22,263

**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 Adjusted EBITDA and Gross Profit (exclusive of depreciation and amortization), 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 interest expense, income taxes, depreciation and amortization, amortization of stock-based compensation and the additional items in the table below. Adjusted EBITDA is an important measure of our operating performance because it allows management, investors and analysts to evaluate and assess our core operating results from period-to-period after removing the impact of items of a non-operational nature that affect comparability.

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

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

Note that the Adjusted EBITDA loss declined by 69% in the 2014 quarter as compared to the 2013 quarter, and declined 32% sequentially from \$(374,720) to \$(253,720).

	<b>07/31/2014</b>	<b>Three Months Ended 4/30/2014</b>	<b>7/31/2013</b>
Net loss allocable to common shareholders	\$ (864,261)	\$ (1,122,763)	\$ (1,134,370)
Interest Expense, net of interest income	78,417	86,287	15,871
Bad Debt Expense	105,511	5,895	13,837
Depreciation & Amortization	125,608	123,762	109,435
Amortization of Prepaid Services			25,060
Amortization of Debt Issue Costs	56,440	54,599	
Amortization of Debt Discount	124,343	120,289	
Stock-based compensation	97,203	212,489	149,356
Non-recurring charges	23,019	144,722	
Adjusted EBITDA (Loss)	\$ (253,720)	\$ (374,720)	\$ (820,811)

The following table presents a reconciliation of Gross Profit (exclusive of amortization), a non-GAAP financial measure, to gross profit calculated in accordance with GAAP:

	<b>For the Three Months Ended</b>	
	<b>July 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues	\$ 1,169,860	\$ 901,199
Costs of revenues (exclusive of amortization shown separately)	449,098	455,759
Gross profit (exclusive of amortization)	720,762	445,440
Amortization expenses excluded from cost of revenues	116,190	102,391
GAAP gross profit	\$ 604,572	\$ 343,049

GAAP gross profit increased to 52% of revenues or \$604,572 for the 2014 Period compared to 38% or \$343,049 for the 2013 Period. Gross Profit (exclusive of amortization) for the 2014 Quarter increased to 62% of revenues or \$720,762 compared to 49% for the 2013 Quarter or \$445,440.

**Note:** Because Aspen Group changed its fiscal year from December 31<sup>st</sup> to April 30<sup>th</sup> effective April 30, 2013, the comparisons which follow are for the fiscal year ended April 30, 2014 to the calendar year ended December 31, 2012.

For the Year Ended April 30, 2014 Compared with Year Ended December 31, 2012

**Revenue**

Revenue for the year ended April 30, 2014 increased to \$3,981,722 from \$2,684,931 for the year ended December 31, 2012, an increase of 48%. The increase is primarily attributable to the growth in revenues from Aspen's Nursing degree programs which increased to \$1,433,972 from \$409,938, an increase of 350%.

Our fiscal year 2014 and calendar year 2012 revenues were impacted by the 2010 (and previous years) pre-payment tuition plan, or the Legacy Tuition Plan, which was discontinued on July 15, 2011. The Legacy Tuition Plan had students paying full-rate tuition for a degree program's first four courses (\$675/course) and a steeply discounted tuition rate for the program's eight course balance (\$112.50/course). Specifically, the Plan produced immediate cash flow, but unsustainably low gross profit margins over the length of the degree program. At April 30, 2014, 19% of our class starts on average were from students on the Legacy Tuition Plan. However, those Legacy Tuition Plan students only represented approximately 5% of Aspen's full-time degree-seeking revenues for the fiscal year ended April 30, 2014. During fiscal year 2015, the number of old Legacy Tuition Plan students will cease to be material.

## **Cost of Revenues**

Aspen Group's cost of revenues consists of instructional costs and services and marketing and promotional costs which were previously reported separately.

### **Instructional Costs and Services**

Instructional costs and services for the year ended April 30, 2014, was \$836,274, an increase of 13% or \$97,663, from the December 31, 2012 amount of \$738,611. The increase is primarily attributable to increased enrollment. As student enrollment levels increase, instructional costs and services should rise commensurately. However, as Aspen increases its full-time degree-seeking student enrollments, the higher gross margins associated with such students should lead to the growth rate in instructional costs and services to lag that of overall revenues.

### **Marketing and Promotional**

Marketing and promotional costs for the year ended April 30, 2014 decreased to \$1,023,490, from \$1,330,201, for the year ended December 31, 2012, a decrease of 23% or \$306,711. This decrease reflects more efficient use of internet advertising and higher conversion rates. With the cash from our recently completed offering, we expect that beginning in November 2014 internet advertising expenses will increase by approximately \$50,000 per month and sales expenses will increase by \$60,000 per month.

Gross Profit (exclusive of depreciation or amortization) of Aspen operations rose to \$2,121,958 or 53%, for the year ended April 30, 2014, from \$616,119 or 23%, for the year ended December 31, 2012. This increase reflects the decrease in influence of the lower tuition paid by the students under the Legacy Tuition Plan and our more efficient marketing programs.

### **Costs and Expenses**

#### **General and Administrative**

General and administrative costs for the year ended April 30, 2014, increased to \$6,300,229, from \$5,508,507 for the year ended December 31, 2012, an increase of 14% or \$791,722. This increase reflects a \$300,000 increase in stock compensation expense, \$200,000 in additional expenses relating to a Title IV program review, \$156,000 in warrant expense and \$90,000 in legal fees associated with the Spada lawsuit.

### **Receivable Collateral Valuation Reserve**

Due to a change in the estimated value of the collateral supporting the Account Receivable, secured related party from \$1.00/share to \$0.35/share based on the financing by Aspen Group that closed September 28, 2012, a non-cash valuation reserve expense of \$502,315 was recorded for the year ended December 31, 2012. An additional expense of \$123,647 was recognized during the year ended April 30, 2014, for a decrease in the stock price from \$0.35 to \$0.19.

### **Depreciation and Amortization**

Depreciation and amortization costs for the year ended April 30, 2014, increased by \$76,829 to \$474,752, from \$397,923 for the year ended December 31, 2012, an increase of 19%. The increase is primarily attributable to higher levels of capitalized technology costs as Aspen continues the infrastructure build-out initiated in 2011.

### **Other Income (Expense)**

Other expense for the year ended April 30, 2014, increased to \$658,341, from \$354,418 for the year ended December 31, 2012, an increase of \$303,923 or 86%. The increase is primarily attributable to interest expense related to the debentures payable during the period including the related amortization of debt issue costs and the debt discount. In addition, interest expense for the year ended April 30, 2014 included approximately \$60,000 in interest paid to the loan from our CEO.

### **Income Taxes**

Income taxes expense (benefit) for the year ended April 30, 2014 and for the year ended December 31, 2012 were \$0 as Aspen Group experienced operating losses in both periods. As management made a full valuation allowance against the deferred tax assets stemming from these losses, there was no tax benefit recorded in the statement of operations in both periods.



**Net Loss**

Net loss allocable to common shareholders for the year ended April 30, 2014, decreased to (\$5,350,348) from (\$6,048,113) for the year ended December 31, 2012, a decrease of 11%. The decrease is primarily attributable to higher gross profits and management's efforts to contain costs at all levels. The losses were also higher in 2012 due to the Reverse Merger and the costs of becoming a publicly-traded company.

**Discontinued Operations**

As of March 31, 2013, Aspen Group discontinued business activities related to its agreement with CLS 123, LLC, or CLS. See Note 1 of the consolidated financial statements contained herein. The following table details the results of the discontinued operations for the years ended April 30, 2014, and December 31, 2012:

	<b>For the year ended April 30, 2014</b>	<b>For the year ended December 31, 2012</b>
Revenues	\$ 549,125	\$ 2,332,283
Costs and expenses:		
Instructional costs and services	494,213	2,026,928
General and administrative	(29,751)	169,045
Total costs and expenses	464,462	2,195,973
Income (loss) from discontinued operations, net of income taxes	\$ 84,663	\$ 136,310

For the Four Months Ended April 30, 2013 Compared with the Four Months Ended April 30, 2012

**Revenue**

Revenue from continuing operations for the four months ended April 30, 2013, which we refer to as the 2013 Transition Period increased to \$1,229,096 from \$745,656 for the four months ended April 30, 2012, or the 2012 Transition Period, an increase of 65%. The increase is primarily attributable to the growth in Aspen student enrollments and the increase in average tuition rates from approximately \$500 to \$700 for the comparable periods. Of particular note, revenues from Aspen's Nursing degree program increased to \$287,902 during the 2013 Transition Period from \$107,640 during the 2012 Transition Period, an increase of 167%.

Our 2013 Transition Period and 2012 Transition Period revenues were impacted by the 2011 (and previous years) pre-payment tuition plan, or the Legacy Tuition Plan, which was discontinued on July 15, 2011. The Legacy Tuition Plan had students pre-paying tuition for a degree program's first four courses (\$675/course) and a steeply discounted tuition rate for the program's eight course balance (\$112.50/course). Specifically, the Legacy Tuition Plan produced immediate cash flow, but unsustainably low gross profit margins over the length of the degree program. As of April 30, 2013, 709 of our full-time degree-seeking students were still enrolled under the Legacy Tuition Plan. However the contribution from Legacy Tuition Plan students to overall Aspen revenue and profits diminished steadily over the course of the past 12 months as the population of full-time degree-seeking students paying regular tuition rates increased to 68% of the population and the population of Legacy Tuition Plan students fell to 32%. Accordingly, much as 2012 was affected negatively by the lingering impact of the Legacy Tuition Plan, future revenue should demonstrate a dramatically diminished effect from the Legacy Tuition Plan and a much greater contribution from the growing number of regular rate students. In fact, Aspen Group expects Legacy Tuition Plan students' contribution to financial results to be immaterial for fiscal year 2015.



### **Cost of Revenues (exclusive of depreciation and amortization)**

Aspen Group's cost of revenues consists of instructional costs and services and marketing and promotional costs which were previously reported separately.

#### **Instructional Costs and Services**

Instructional costs and services for the 2013 Transition Period rose to \$345,727 from \$266,682 for the 2012 Transition Period, an increase of \$79,045 or 30%. The increase is primarily attributable to higher faculty cost due to the increase in overall student course completions. As student enrollment levels increase, instructional costs and services should rise proportionately. However, as Aspen increases its full-time degree-seeking student enrollments, the higher gross margins associated with such students should lead to the growth rate in instructional costs and services to significantly lag that of overall revenues growth.

#### **Marketing and Promotional**

Marketing and promotional costs for the 2013 Transition Period was \$404,203 compared to \$598,728 for the 2012 Transition Period, a decrease of \$194,525 or 32%. These expenses are primarily attributable to marketing efficiency specifically Aspen's cost per exclusive lead has decreased by 33% year-over-year for the Transition Period, from an average cost per exclusive lead of \$78.27 for the 2012 Transition Period to \$58.66 for the 2013 Transition Period. Moreover, Aspen's vertically-integrated strategy of proprietary lead generation marketing has effectively allowed Aspen Group to drop the marketing spend by 32% year-over-year, while achieving 63% more new full-time, degree-seeking enrollments year-over-year.

#### **Costs and Expenses**

##### **General and Administrative**

General and administrative costs for the 2013 Transition Period were \$1,670,812 compared to \$2,123,685 during the 2012 Transition Period, a decrease of \$452,873 or 21%. The decrease is comprised of two major components payroll costs and professional fees. Payroll costs decreased by approximately \$225,000 and professional fees decreased by

approximately \$276,000 primarily related to legal and accounting fees. Included in the 2012 amounts were professional fees associated with the reverse merger regulatory filings with the DOE and the DETC, post-reverse merger regulatory filings with the DOE, the filing of the Super 8-K and activities for Aspen's capital raising activities. Professional fees declined during the 2013 Transition Period, particularly as a result of a reduction of these one-time costs and Aspen Group's auditors agreeing to a flat-fee arrangement. Stock based compensation included in general and administration expense increased by \$72,457 or 89% as a result of the implementation of, and stock option grants under, the 2012 Equity Incentive Plan.

### **Depreciation and Amortization**

Depreciation and amortization costs for the 2013 Transition Period rose to \$159,269 from \$121,812 for the 2012 Transition Period, an increase of 31%. The increase is primarily attributable to higher levels of capitalized technology costs as Aspen continues the infrastructure build-out initiated in 2011.

### **Other Income (Expense)**

Other income for the 2013 Transition Period increased to \$59,860 from \$3,617 in the 2012 Transition Period, an increase of \$56,243. The increase is primarily attributable to a tax credit received in Canada related to our technology infrastructure build out.

### **Income Taxes**

Income taxes expense (benefit) for the 2013 and 2012 Transition Periods was \$0 as Aspen Group experienced operating losses in both periods. As management made a full valuation allowance against the deferred tax assets stemming from these losses, there was no tax benefit recorded in the statement of operations in both periods.

### **Net Loss**

Net loss allocable to common stockholders for the 2013 Transition Period was (\$1,402,982) as compared to (\$2,213,119) for the 2012 Transition Period, a decrease of \$810,138 or approximately 58%. The decrease is primarily attributable to the absence of the one-time costs in general and administrative cost and the gross profit improvements discussed above.



**Discontinued Operations**

As of March 31, 2013, Aspen Group discontinued business activities related to its agreement with CLS. See Note 1 of the consolidated financial statements contained herein. The following table details the results of the discontinued operations for the 2013 Transition Period and 2012 Transition Period:

	<b>For the Four Months Ended April 30,</b>	
	<b>2013</b>	<b>2012</b>
Revenues	\$ 140,732	\$ 1,077,875
Costs and expenses:		
Cost of revenue	126,659	929,362
General and Administrative	126,000	
Total costs and expenses	252,659	929,362
Income (loss) from discontinued operations, net of income taxes	\$ (111,927)	\$ 148,513

**Non-GAAP Financial Measures**

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

	<b>For the year ended April 30, 2014</b>	<b>For the year ended December 31, 2012</b>	<b>For the Four Months Ended April 30, 2013</b>		<b>2012</b>
Net loss allocable to common shareholders	\$ (5,350,348)	\$ (6,048,113)	\$ (1,402,982)	\$	(2,213,119)
Accretion of preferred dividends		37,379			37,379
Interest Expense, net of interest income	230,931	93,824	6,407		2,261
Bad Debt Expense	154,732	302,952	37,000		32,955
Depreciation & Amortization	474,752	397,923	159,269		121,812
Receivable collateral valuation reserve	123,647	502,315			
Amortization of prepaid services	285,084	113,000			

Amortization of debt issue costs	131,657	266,473
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