



## **ASPEN GROUP, INC.**

State of Incorporation: Delaware  
4605 E. Elwood Street, Suite 300  
Phoenix, AZ 85040  
(646) 448-5144  
[www.aspu.com](http://www.aspu.com)  
[ir@aspen.edu](mailto:ir@aspen.edu)

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SIC Code: 8200

### **Quarterly Report**

For the period ending January 31, 2024  
(the "Reporting Period")

The number of shares outstanding of our Common Stock is 25,701,603 as of April 26, 2024

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

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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

Yes: ☐ No: ☒

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<sup>1</sup> "Change in Control" shall mean any events resulting in:

- i. Any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the "beneficial owner" (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- ii. The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- iii. A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- iv. The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

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

Exact name of issuer: Aspen Group, Inc.

Principal executive offices: 4605 E. Elwood Street, Suite 300  
Phoenix, AZ 85040  
(646) 448-5144  
www.aspu.com

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

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

**Item 2. Shares outstanding.**

Period End Date: January 31, 2024					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,572,816	13,004,893	98	102
Preferred Stock	1,000,000	—	—	—	—
Period End Date: October 31, 2023					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,548,046	12,598,944	98	102
Preferred Stock	1,000,000	—	—	—	—
Period End Date: July 31, 2023					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,548,046	12,803,944	98	102
Preferred Stock	1,000,000	—	—	—	—
Period End Date: April 30, 2023					
Class	Number of Shares Authorized	Number of Shares Outstanding	Freely Tradable Shares (Public Float)	Number of Beneficial Shareholders Owning at Least 100 Shares	Total Number of Shareholders of Record
Common Stock	60,000,000	25,437,316	14,419,048	98	102
Preferred Stock	1,000,000	—	—	—	—

Period End Date: April 30, 2022

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

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

Registered under the Exchange Act: Yes

Regulatory authority: Securities and Exchange Commission

**Item 3. Interim financial statements.**

**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>January 31, 2024</u>	<u>April 30, 2023</u>
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 563,416	\$ 1,353,635
Restricted cash	3,100,000	4,370,832
Accounts receivable, net of allowance of \$4,124,992 and \$3,506,895, respectively	22,028,567	22,121,237
Prepaid expenses	577,761	609,900
Other current assets	5,320,762	3,068,918
Total current assets	<u>31,590,506</u>	<u>31,524,522</u>
Property and equipment:		
Computer equipment and hardware	1,644,067	1,655,130
Furniture and fixtures	2,190,450	2,169,090
Leasehold improvements	8,074,818	8,055,363
Instructional equipment	756,568	756,568
Software	12,464,930	11,648,505
	25,130,833	24,284,656
Less: accumulated depreciation and amortization	<u>(14,652,130)</u>	<u>(11,922,435)</u>
Total property and equipment, net	10,478,703	12,362,221
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,900,000
Courseware, net	363,545	291,438
Long-term contractual accounts receivable	17,251,758	13,004,428
Deferred financing costs	—	73,897
Operating lease right-of-use assets, net	12,034,663	13,431,074
Deposits and other assets	573,618	210,536
<b>Total assets</b>	<u><u>\$ 85,204,225</u></u>	<u><u>\$ 83,809,548</u></u>

(Continued)

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

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

	<u>January 31, 2024</u>	<u>April 30, 2023</u>
	(Unaudited)	
<b>Liabilities and Stockholders' Equity</b>		
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,803,657	\$ 2,250,902
Accrued expenses	3,195,815	2,355,370
Advances on tuition	2,494,395	2,975,680
Deferred tuition	3,535,079	2,892,333
Due to students	2,569,316	2,624,831
Current portion of long-term debt	4,597,449	5,000,000
Operating lease obligations, current portion	2,502,281	2,502,810
Advance from related party	200,000	—
Other current liabilities	435,106	109,328
Total current liabilities	23,333,098	20,711,254
Long-term debt, net	15,005,158	10,000,000
Operating lease obligations, less current portion	15,642,023	17,551,512
Put warrants liabilities	1,569,085	—
Other long-term liabilities	37,930	—
Total liabilities	55,587,294	48,262,766
Commitments and contingencies – see Note 11		
<b>Stockholders' equity:</b>		
Preferred stock, \$0.001 par value; 1,000,000 shares authorized, 0 issued and 0 outstanding at January 31, 2024 and April 30, 2023	—	—
Common stock, \$0.001 par value; 60,000,000 shares authorized, 25,572,816 issued and 25,572,816 outstanding at January 31, 2024 25,592,802 issued and 25,437,316 outstanding at April 30, 2023	25,573	25,593
Additional paid-in capital	111,814,435	113,429,992
Treasury stock (0 shares at January 31, 2024 and 155,486 shares at April 30, 2023)	—	(1,817,414)
Accumulated deficit	(82,223,077)	(76,091,389)
Total stockholders' equity	29,616,931	35,546,782
<b>Total liabilities and stockholders' equity</b>	<b>\$ 85,204,225</b>	<b>\$ 83,809,548</b>

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

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

	<b>Three Months Ended January 31,</b>		<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	\$ 12,057,847	\$ 15,574,042	\$ 40,526,566	\$ 51,542,502
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	3,861,895	5,394,155	12,838,943	21,946,714
General and administrative	8,598,589	9,624,528	25,441,013	31,039,666
Bad debt expense	450,000	450,000	1,350,000	1,250,000
Depreciation and amortization	916,124	919,152	2,829,426	2,775,330
Total operating expenses	13,826,608	16,387,835	42,459,382	57,011,710
Operating loss	(1,768,761)	(813,793)	(1,932,816)	(5,469,208)
Other income (expense):				
Interest expense	(1,992,185)	(716,845)	(3,969,386)	(2,008,510)
Other (expense) income, net	(90,960)	12,847	(76,708)	28,138
Total other expense, net	(2,083,145)	(703,998)	(4,046,094)	(1,980,372)
Loss before income taxes	(3,851,906)	(1,517,791)	(5,978,910)	(7,449,580)
Income tax expense	28,531	37,249	152,778	114,071
Net loss	\$ (3,880,437)	\$ (1,555,040)	\$ (6,131,688)	\$ (7,563,651)
Net loss per share - basic and diluted	\$ (0.15)	\$ (0.06)	\$ (0.24)	\$ (0.30)
Weighted average number of common stock outstanding - basic and diluted	25,835,042	25,381,500	25,650,447	25,289,224

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

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

	<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>
	(Unaudited)	(Unaudited)
<b>Cash flows from operating activities:</b>		
Net loss	\$ (6,131,688)	\$ (7,563,651)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	1,350,000	1,250,000
Depreciation and amortization	2,829,426	2,775,330
Stock-based compensation	527,657	899,176
Change in fair value of put warrants	93,449	—
Amortization of warrant-based cost	21,000	21,000
Amortization of debt issuance costs	1,209,504	557,287
Amortization of original issue discount	308,832	—
Non-cash lease benefit	(513,603)	(267,290)
Common stock issued for services	—	24,500
Tenant improvement allowances	—	418,000
Changes in operating assets and liabilities:		
Accounts receivable	(5,504,660)	(4,282,195)
Prepaid expenses	32,139	432,745
Other current assets	(2,251,844)	(301,738)
Deposits and other assets	(363,082)	76,934
Accounts payable	1,552,755	(68,244)
Accrued expenses	840,445	297,101
Due to students	(55,515)	(1,086,446)
Advances on tuition and deferred tuition	161,461	2,185,152
Other current liabilities	325,778	176,222
Other long-term liabilities	37,930	—
<b>Net cash used in operating activities</b>	<b>(5,530,016)</b>	<b>(4,456,117)</b>
<b>Cash flows from investing activities:</b>		
Purchases of courseware and accreditation	(152,550)	(82,000)
Disbursements for reimbursable leasehold improvements	—	(418,000)
Purchases of property and equipment	(865,464)	(1,181,706)
<b>Net cash used in investing activities</b>	<b>(1,018,014)</b>	<b>(1,681,706)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from 15% Senior Secured Debentures, net of original issuance discount	11,000,000	—
Repayment of portion of 15% Senior Secured Debentures	(968,440)	—
Repayment of 2018 Credit Facility	(5,000,000)	—
Payments of debt issuance costs	(744,581)	(60,833)
Advance from related party	200,000	—
Payment of commitment fee for 2022 Credit Facility	—	(200,000)
Proceeds from sale of common stock, net of underwriter costs	—	9,535
<b>Net cash provided by (used in) financing activities</b>	<b>\$ 4,486,979</b>	<b>\$ (251,298)</b>

(Continued)

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



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

	<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>
	(Unaudited)	(Unaudited)
<b>Net decrease in cash, cash equivalents and restricted cash</b>	\$ (2,061,051)	\$ (6,389,121)
<b>Cash, cash equivalents and restricted cash at beginning of period</b>	5,724,467	12,916,147
<b>Cash, cash equivalents and restricted cash at end of period</b>	<u>\$ 3,663,416</u>	<u>\$ 6,527,026</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 2,423,307	\$ 1,446,728
Cash paid for income taxes	<u>\$ 89,441</u>	<u>\$ 25,253</u>
<b>Supplemental disclosure of non-cash investing and financing activities:</b>		
Reclassification of put warrants issued as part of the 15% Senior Secured Debentures	\$ 500,895	\$ —
Issuance of put warrants as part of the 15% Senior Secured Debentures	<u>\$ 1,569,085</u>	<u>\$ —</u>

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

	<b>January 31,</b>	
	<b>2024</b>	<b>2023</b>
	(Unaudited)	(Unaudited)
Cash and cash equivalents	\$ 563,416	\$ 1,603,501
Restricted cash	3,100,000	4,923,525
<b>Total cash, cash equivalents and restricted cash</b>	<u>\$ 3,663,416</u>	<u>\$ 6,527,026</u>

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

**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**January 31, 2024**  
**(Unaudited)**

**Note 1. Nature of Operations**

**Overview**

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

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

AGI leverages its education technology infrastructure and expertise to allow its two universities, Aspen University and United States University, to deliver on the vision of making college affordable again. Because we believe higher education should be a catalyst to our students' long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in higher education. AGI's primary focus relative to future growth is to target the high growth nursing profession.

Since 1993, Aspen University has been institutionally accredited by the Distance Education Accrediting Commission ("DEAC"), an accrediting agency recognized by the United States Department of Education (the "DOE"), through January 2025.

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

Both universities are qualified to participate under the Higher Education Act of 1965, as amended ("HEA") and the Federal student financial assistance programs (Title IV, HEA programs). USU had provisional certification resulting from the ownership change of control in connection with the acquisition by AGI on December 1, 2017. The provisional certification expired on December 31, 2020. The institution submitted its recertification application timely in October 2020, and received full certification on May 6, 2022, and a new Program Participation Agreement ("PPA") was issued with an effective period until December 31, 2025. On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the HEA and the Federal student financial assistance programs (Title IV, HEA programs) and set a subsequent program participation agreement reapplication date of March 31, 2021. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. The application for recertification was submitted on August 16, 2023. Certification continues month to month until a final decision is made by the DOE. See Note 11. Commitments and Contingencies Note for additional information.

**Basis of Presentation**

The interim unaudited consolidated financial statements included herein have been prepared by the Company. In the opinion of the Company's management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly the results of operations for the three and nine months ended January 31, 2024 and 2023, cash flows for the nine months ended January 31, 2024 and 2023, and the consolidated financial position as of January 31, 2024 have been made. The results of operations for such interim periods are not necessarily indicative of the operating results to be expected for the full year.

Certain information and disclosures normally included in the notes to the annual consolidated financial statements have been condensed or omitted from these interim unaudited consolidated financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Audited Annual Report for the fiscal year ended April 30, 2023 as filed with the OTC Markets Group Inc. ("OTC") on September 29, 2023. The April 30, 2023 consolidated balance sheet is derived from those statements.

**Note 2. Significant Accounting Policies**

**Basis of Consolidation**

**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**January 31, 2024**  
**(Unaudited)**

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

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

A full listing of our significant accounting policies is described in Note 2. Summary of Significant Accounting Policies of our Audited Annual Report for the fiscal year ended April 30, 2023 as filed with the OTC on September 29, 2023.

### **Accounting Estimates**

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

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

### **Cash, Cash Equivalents, and Restricted Cash**

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

	<b>January 31, 2024</b>	<b>April 30, 2023</b>
<b>Cash and cash equivalents</b>	<b>\$ 563,416</b>	<b>\$ 1,353,635</b>
<b>Restricted cash:</b>		
Collateral for corporate credit card at AGI	100,000	100,000
Letters of credit for operating leases at AU	—	770,832
Collateral for 15% Senior Secured Debentures at AGI	500,000	—
Collateral for surety bond at AGI (held on behalf of AU)	2,500,000	3,500,000
<b>Total restricted cash</b>	<b>3,100,000</b>	<b>4,370,832</b>
<b>Total cash, cash equivalents and restricted cash as shown on the statement of cash flows</b>	<b>\$ 3,663,416</b>	<b>\$ 5,724,467</b>

### **Concentration of Credit Risk**

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits of \$250,000 per financial institution. The Company has not experienced any losses in such accounts from inception through January 31, 2024. As of January 31, 2024 and April 30, 2023, the Company maintained deposits exceeding federally insured limits by approximately \$114,013 and \$1,072,659, respectively, held in two separate institutions.

### **Revenue Recognition, Advances on Tuition and Deferred Tuition**

The Company follows Accounting Standards Codification 606 ("ASC 606"). ASC 606 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASC also requires additional disclosure about the

**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**January 31, 2024**  
**(Unaudited)**

nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments.

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

Advances on tuition represents the amount of tuition, fees, and other student payments received in excess of the portion recognized as revenue, and it is included in current liabilities in the accompanying consolidated balance sheets. Other revenue may be recognized as sales occur or services are performed.

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

#### **Net Loss Per Share**

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

	January 31, 2024	April 30, 2023
Options to purchase common shares	132,684	565,210
Restricted stock units	—	—
Warrants to purchase common shares	6,271,018	425,000
Unvested restricted stock	1,941,139	513,254
Convertible Notes	10,000,000	10,000,000

#### **Segment Information**

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

#### **Recent Accounting Pronouncement**

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

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which significantly changes how entities will measure credit losses for most financial assets, including accounts receivable. ASU No. 2016-13 will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. On November 15, 2019, the FASB delayed the effective date of Topic 326 for certain small public companies and other private companies until fiscal years beginning after December 15, 2022 for SEC filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and

**ASPEN GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**January 31, 2024**  
**(Unaudited)**

not-for-profit entities. On May 1, 2023, the Company adopted ASU No. 2016-13 using the modified retrospective approach, and there was no cumulative effect arising from the adoption. The adoption of ASU No. 2016-13 did not have a material impact on the Company's consolidated financial statements.

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

### **Note 3. Accounts Receivable**

Accounts receivable consisted of the following at January 31, 2024 and April 30, 2023:

	January 31, 2024	April 30, 2023
Total accounts receivable, gross	\$ 43,405,317	\$ 38,632,560
Long-term contractual accounts receivable	(17,251,758)	(13,004,428)
Accounts receivable, gross	26,153,559	25,628,132
Less: allowance for doubtful accounts	(4,124,992)	(3,506,895)
Accounts receivable, net	<u>\$ 22,028,567</u>	<u>\$ 22,121,237</u>

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

### **Note 4. Property and Equipment**

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

When assets are disposed of before reaching the end of their useful lives both the recorded cost of the fixed asset and the corresponding amount of accumulated depreciation is reversed. Any remaining difference between the two, net of proceeds, is recognized as either other income or expense. There was no expense impact for such write-offs for the three and nine months ended January 31, 2024 and 2023.

Software consisted of the following:

	January 31, 2024	April 30, 2023
Software	\$ 12,464,930	\$ 11,648,505
Accumulated amortization	(8,469,847)	(7,071,616)
Software, net	<u>\$ 3,995,083</u>	<u>\$ 4,576,889</u>

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

	<b>Three Months Ended January 31,</b>		<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Depreciation and amortization expense:</b>				
Property and equipment, excluding software	\$ 430,215	\$ 417,044	\$ 1,350,752	\$ 1,281,521
Software	\$ 456,766	\$ 478,455	\$ 1,398,231	\$ 1,425,787

**Note 5. Courseware and Accreditation**

As courseware and accreditation reach the end of their useful life, they are written off against the accumulated amortization. There was no expense impact for such write-offs for the three and nine months ended January 31, 2024 and 2023.

Courseware and accreditation consisted of the following:

	<b>January 31, 2024</b>	<b>April 30, 2023</b>
Courseware	\$ 789,953	\$ 684,803
Accreditation	106,750	59,350
	<u>896,703</u>	<u>744,153</u>
Accumulated amortization	(533,158)	(452,715)
Courseware and accreditation, net	<u>\$ 363,545</u>	<u>\$ 291,438</u>

Amortization expense for courseware and accreditation is summarized below:

	<b>Three Months Ended January 31,</b>		<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Courseware and accreditation amortization expense	\$ 29,143	\$ 23,653	\$ 80,443	\$ 68,022

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

**Note 6. Debt**

	<b>January 31, 2024</b>	<b>April 30, 2023</b>
15% Senior Secured Debentures due May 12, 2026 (the "15% Debentures"); interest payable monthly	\$ 11,421,303	\$ —
14% Convertible Notes due March 14, 2027 (the "2022 Convertible Notes"); interest payable monthly in arrears	10,000,000	10,000,000
Credit Facility due November 4, 2023 (the "2018 Credit Facility"); interest payable monthly in arrears	—	5,000,000
Total long-term debt	21,421,303	15,000,000
Less: current portion of long-term debt	(4,597,449)	(5,000,000)
Less: original issue discount	(1,080,911)	—
Less: unamortized debt issuance costs	(737,785)	—
Total long-term debt, net	<u>\$ 15,005,158</u>	<u>\$ 10,000,000</u>

**15% Debentures**

On May 12, 2023, Aspen Group, Inc. completed a private offering of \$12.4 million aggregate principal amount of 15% Senior Secured Debentures ("15% Debentures") due May 2026. Of the \$12.4 million of principal, \$11.0 million was funded with the remainder recorded as debt discount. A portion of the proceeds from the Debentures (\$5 million plus accrued interest) were used to fully repay the outstanding borrowings under the 2018 Credit Facility, discussed below, in addition to paying expenses

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associated with this offering; the remaining proceeds will be used for working capital needs. The Company also reimbursed the investors for expenses incurred in relation to legal expenses, due diligence and investment documentation of \$90,000 in advance of entering into the 15% Debentures. After the discount, fees, expenses and the repayment of the 2018 Credit Facility, \$3.4 million was made available to the Company as unrestricted cash, and \$2.0 million was deposited into a restricted cash account, which is included in "Restricted cash" in the accompanying consolidated balance sheets. The \$2.0 million restricted cash deposit was subsequently reduced to a \$500,000 restricted cash deposit (see Second Amendment discussion below).

At closing of the 15% Debentures, the Company paid the investment bank fees, lender fees and legal expenses of \$0.8 million associated with this offering, which are recorded as debt issuance costs and recorded a \$1.4 million original issue discount, both of which are being amortized over a three-year period in "interest expense" in the accompanying consolidated statement of operations. During the three and nine months ended January 31, 2024, the Company recorded \$66,216 and \$176,573 of amortization of debt issuance costs, respectively. During the three and nine months ended January 31, 2024, the Company recorded \$115,812 and \$308,832 of amortization of original issue discount, respectively.

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

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

As part of the offering, the Company also issued warrants to purchase 2.2 million shares of common stock, representing 6% of the outstanding common stock at closing, at an exercise price of \$0.01 per share ("May 2024 Warrants"). The fair value of the warrants was \$154,000 and was being amortized over a three-year term. The warrants contain anti-dilution protection. In connection with the Second Amendment, described below and in Note 7. Stockholders' Equity, these warrants was reclassified to liabilities in the third quarter of fiscal 2024. See Note 7. Stockholders' Equity for additional information.

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

First Amendment

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

Second Amendment

On October 31, 2023, the Company entered into a Second Amendment with the purchasers pursuant to the 15% Debentures to unrestrict \$1.5 million of the \$2.0 million restricted cash. Upon receipt of payments under the expected fifth HCM2 reimbursement payment, the Company is required to prepay \$1.5 million of the outstanding principal of the 15% Debentures ("Mandatory Prepayment"). Additionally, the Company must pay a prepayment premium as follows: (i) an amount equal to \$150,000 if such prepayment is received by the holder on or prior to November 30, 2023, (ii) an amount equal to \$200,000 if such prepayment is received by the holder on or prior to December 30, 2023, and (iii) an amount equal to \$250,000 if such prepayment is received by the holder on or prior to January 31, 2024. Monthly redemptions under the 15% Debentures which began in November 2023 will be reduced by 10% following the Mandatory Prepayment. As part of the Second Amendment to the 15% Debentures, the Company also issued additional warrants to purchase Common Stock. See Note 7. Stockholders' Equity for additional information on the warrants.

On February 8, 2024, the Company received the fifth HCM2 reimbursement payment, and immediately prepaid the \$1.5 million of the outstanding principal along with the prepayment premium of \$250,000.



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Third Amendment

On April 16, 2024, the Company entered into a Third Amendment with the holders of its outstanding 15% Debentures. See Note 13. Subsequent Events for information.

Fourth Amendment

On April 29, 2024, the Company entered into a Fourth Amendment with the holders of its outstanding 15% Debentures. See Note 13. Subsequent Events for information.

**2022 Convertible Notes**

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

- At any time after issuance date, the Lenders had the right to convert the principal into shares of the Company's common stock at a conversion price of \$1.00 per share;
- The Convertible Notes automatically convert at \$1.00 per share into shares of the Company's common stock if the average closing price of our common stock is at least \$2.00 over a 30 consecutive trading day period. This mandatory conversion is subject to each Lender's 9.9% beneficial ownership limitation;
- The Convertible Notes are due March 14, 2027 or approximately five years from the closing;
- The interest rate of the Convertible Notes was 12% per annum (payable monthly in arrears), which increased to 14% per annum on May 12, 2023 as consideration to the Lenders who agreed to subordinate their security interests therein to the security interests granted to the holders of the 15% Debentures;
- The Convertible Notes are secured by a lien in all current and future accounts receivable of the Company's subsidiaries, certain of the deposit accounts of the Company and its subsidiaries and a pledge of the common stock of the Company held by its Chief Executive Officer (the "2022 Collateral"). The lien is subordinate to the blanket lien security interests on all of the assets of the Company granted to the holders of the 15% Debentures.
- At closing of the 2022 Convertible Notes, the Company agreed to pay each Lender's legal fees arising from this transaction of \$135,562 and another \$60,833 incurred during August 2022, which was recorded as a debt issuance costs and was being amortized over a one-year period in "interest expense" in the accompanying consolidated financial statements.

On April 29, 2024, the two holders of the 2022 Convertible Notes exchanged their notes for 10,000 shares of the Company's Series A Convertible Preferred Stock relinquishing all other rights under the 2022 Convertible Notes. See Note 7. Stockholders' Equity and Note 13. Subsequent Events for more information.

**2022 Revolving Credit Facility**

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

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



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

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

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

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

On April 22, 2022, the Company entered into an agreement with an insurance company (the "Insurance Company") which issued an approximately \$18.3 million surety bond which was required by the Arizona State Board for Private Postsecondary Education. In order to cause the Insurance Company to deliver the surety bond, the Company entered into a First Amendment to the Intercreditor Agreement with the two Lenders of the March 14, 2022, financing arrangements to amend the Intercreditor Agreement entered into by the same parties on March 14, 2022 (the "Amendment"). The Amendment provided that the Company and each of the Lenders, at all times prior to the delivery of the Termination Certificate (as defined below), excluding funding as directed by the surety bond as described more fully below, (i) the Company shall not be permitted to make any draw request or borrow any funds under the 2022 Revolver Agreements and (ii) the Lenders shall not be required to fund any loan or advance any funds under the 2022 Revolver Agreements. Upon that certain surety bond ceasing to be outstanding, the Company shall deliver to the lenders a certificate (such certificate, the "Termination Certificate"), certifying that the surety bond is no longer outstanding and that there are no further obligations in respect of the surety bond owing by the Company to the Insurance Company. Prior to issuance of the Termination Certificate and during the time the surety bond is in effect, the Insurance Company may cause the Company to draw on funds for the express purposes of resolving claims filed under the surety bond. In addition to the draw restriction on the 2022 Revolver Agreements, the Insurance Company required the Company to restrict \$5 million of cash. As consideration for the Lenders agreeing to enter into the Amendment, the Company agreed to issue each Lender 100,000 five-year warrants exercisable at \$1.00 per share. The fair value of the warrants was \$118,000 and was amortized over one-year. The fair value of the warrants were treated as deferred financing costs, a non-current asset, in the accompanying consolidated balance sheets at April 30, 2023. Total amortized costs at April 30, 2023 were \$118,000, which was included in "interest expense" in the accompanying consolidated statement of operations. See Note 7. Stockholders' Equity for additional information related to these warrants.

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

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

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

**2018 Credit Facility**

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

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

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

**Note 7. Stockholders' Equity**

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

As of January 31, 2024 and April 30, 2023, there were 264,478 and 1,263,882 shares, respectively, remaining available for future issuance under the 2018 Plan.

**Voluntarily delist common stock from The Nasdaq Global Market**

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

As a result of the foregoing developments, the Company no longer files reports with the SEC. After terminating trading on NASDAQ, the Company's common stock was quoted on the OTC Pink Market ("OTC Pink") operated by OTC Markets Group Inc. (the "OTC"), and on October 18, 2023, the Company up-listed from the OTC Pink to the OTCQB® Venture Market (the "OTCQB") as an alternative reporting company. The Company intends to continue to provide information to its stockholders and to take such actions within its control to enable its common stock to continue to be quoted in the OTCQB or the OTC Pink so that a trading market may continue to exist for its common stock. There is no assurance, however, that a dealer will continue to make a market in the common stock and that trading of the common stock will continue on any market operated by OTC.

**Preferred Stock**

The Company is authorized to issue 1,000,000 shares of "blank check" preferred stock with designations, rights and preferences as may be determined from time to time by our Board of Directors. As of January 31, 2024 and April 30, 2023, there were no shares of preferred stock issued and outstanding.

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On April 25, 2024, the Company's Board of Directors approved the designation of the Company's new series of preferred stock as Series A Convertible Preferred Stock ("Series A"). Accordingly, on April 26, 2024, the Company filed a Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (the "Certificate of Designation") with the Delaware Secretary of State which was necessary to issue the Series A. On April 29, 2024, the Company and the holders of its outstanding \$10 million of 2022 Convertible Notes entered into an Exchange Agreement where they exchanged the Convertible Notes for 10,000 shares of Series A with a total stated value of \$10 million, which was equal to the total principal of the Convertible Notes.

Each share of Series A has a par value of \$0.001 per share and an initial stated value of \$1,000 per share. Retroactive to April 1, 2024 shares of the Series A shall be entitled to receive dividends at the rate of 14.0% per annum of the stated value payable solely in shares of AGI Common Stock (the "Dividend Shares"). Such dividends shall accrue and be cumulative from and including April 1, 2024 and shall be payable quarterly in arrears on each dividend payment date, commencing May 1, 2024. Dividends will be paid using a conversion price of \$0.50 per share. Each share of Series A is convertible into 2,000 shares of AGI common stock at a conversion price of \$0.50. The Series A has a beneficial ownership limitation on the Common Stock of 24.99% per shareholder.

The Company has undertaken that within 65 days from April 29, 2024 (the "Shareholder Approval Period") to take such action necessary to obtain shareholder approval to increase its authorized Common Stock to up to 85,000,000 shares (the "Share Increase") so as to adequately reserve for the conversion of the Series A and any future Common Stock dividends on the Series A. In the event that the Company does not obtain shareholder approval of the Share Increase during the Shareholder Approval Period, the transactions contemplated by the Exchange Agreement and each of the related documents shall be unwound, each holder shall surrender the Series A received pursuant to the Exchange Agreement and the Company shall issue to each of the holders a new convertible note (collectively, the "New Convertible Notes") in the principal amount of \$5 million and pay to each holder in cash an amount equal to the interest that would have accrued on the 2022 Convertible Notes had the 2022 Convertible Notes not been exchanged for the Series A. The New Convertible Notes shall be in a form acceptable to the holders and shall, among other things, (i) include an initial Conversion Price (as defined in the 2022 Convertible Notes) of \$0.50 per share of Common Stock, (ii) include a Maximum Percentage (as defined in the 2022 Convertible Notes) of 24.99% of the number of shares of Common Stock outstanding and (iii) be in a form otherwise substantially similar to the 2022 Convertible Notes.

### **Common Stock**

At both January 31, 2024 and April 30, 2023, the Company was authorized to issue 60,000,000 shares of common stock, respectively.

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

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

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

### **Restricted Stock**

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As of both January 31, 2024 and April 30, 2023, there were no unvested shares of restricted common stock outstanding. There is no unrecognized compensation expense related to restricted stock as of January 31, 2024.

### **Restricted Stock Units**

A summary of the Company's RSU activity, granted under the 2018 Equity Incentive Plans, during the nine months ended January 31, 2024 is presented below:

<b>Restricted Stock Units</b>	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested balance outstanding, April 30, 2023	513,254	\$ 7.98
Granted	1,730,000	0.15
Forfeits	(197,828)	8.21
Vested	(104,287)	0.17
Expired	—	—
Unvested balance outstanding, January 31, 2024	1,941,139	\$ 0.94

### CEO RSUs

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

On September 29, 2023, the Board of Directors approved a 1.0 million RSU grant to the Company's CEO. The grant has a grant date fair value of \$180,000 based on a closing stock price of \$0.19 per share. The amortization expense related to this grant for the three and nine months ended January 31, 2024 was \$22,500 and \$30,000, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

### CFO RSUs

On August 16, 2021, the Compensation Committee approved a grant of 125,000 RSUs to the Company's Chief Financial Officer ("CFO") as part of his employment agreement. The grant had a grant date fair value of \$725,000 based on a closing stock price of \$5.80 per share and was scheduled to vest annually over a period of three years and subject to continued employment as an officer of the Company on each applicable vesting date.

As of December 22, 2022 and August 16, 2023, the vested portion of the underlying shares of common stock for 41,667 and 41,667 vested RSUs, respectively, had not been delivered to the CFO and were instead cancelled. The amortization expense related to this grant for the three and nine months ended January 31, 2024 was \$60,417 and \$181,250, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations. The amortization expense related to this grant for the three and nine months ended January 31, 2023 was \$60,417 and \$181,250, respectively.

On August 29, 2023, the Board of Directors approved a 500,000 RSU grant to the Company's CFO. The grant has a grant date fair value of \$65,000 based on a closing stock price of \$0.13 per share. The amortization expense related to this grant for the three and nine months ended January 31, 2024 was \$5,417 and \$7,222, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

### CAO RSUs

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On August 12, 2021, the Compensation Committee approved a grant of 80,000 RSUs to the Company's Chief Academic Officer ("CAO"). The grant had a grant date fair value of \$518,400 based on a closing stock price of \$6.48 per share and was scheduled to vest annually over a period of three years and subject to continued employment as an officer of the Company on each applicable vesting date.

As of August 16, 2023, the vested portion of underlying shares of common stock for 26,667 vested RSUs had not been delivered to the CAO and were instead cancelled. The amortization expense related to these grants for the three and nine months ended January 31, 2024 was \$43,200 and \$129,600, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations. The amortization expense related to these grants for the three and nine months ended January 31, 2023 was \$43,200 and \$129,600, respectively.

On September 21, 2023, the Board of Directors approved a 100,000 RSU grant to the Company's CAO. The grant has a grant date fair value of \$18,000 based on a closing stock price of \$0.19 per share. The amortization expense related to this grant for the three and nine months ended January 31, 2024 was \$1,583 and \$2,111, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Former COO RSUs

On August 12, 2021, the Compensation Committee approved a grant of 80,000 RSUs to the Company's former Chief Operating Officer ("COO"). The grant had a grant date fair value of \$518,400 based on a closing stock price of \$6.48 per share and was scheduled to vest annually over a period of three years and subject to continued employment as an officer of the Company on each applicable vesting date.

As a result of the resignation of the COO on May 15, 2023, the underlying shares of common stock for 53,334 unvested RSU's were forfeited. In addition, the COO forfeited 62,741 of unvested RSU's related to two other separate grants. The amortization expense related to these grants for the three and nine months ended January 31, 2023 was \$43,200 and \$129,600, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Other RSUs

Of the 104,287 vested RSUs during the nine months ended January 31, 2024, 36,666 shares are related to the accelerated vesting of RSUs resulting from the termination of the Chief Accounting Officer, on May 5, 2023, and 29,148 shares related to officers vesting of RSUs.

Of the 1,941,139 unvested RSUs outstanding at January 31, 2024, 1.6 million shares are related to the CFO, CEO and CAO RSU grants discussed above and 113,750 shares remain from the February 4, 2020 executive grant. These RSUs vested on February 4, 2024 (four years from the grant date). The amortization expense related to this executive grant for the three and nine months ended January 31, 2024 was \$63,492 and an expense reversal of \$(40,843), respectively, which reflects expense reversal from the impact of the resignation of the COO, on May 15, 2023. This expense reversal is included in "general and administrative expense" in the consolidated statements of operations. The amortization expense related to this executive grant for the three and nine months ended January 31, 2023 was \$91,531 and \$148,911, respectively.

The remaining unvested RSUs during the nine months ended January 31, 2024 were employee grants subject to time based vesting and continued employment.

At January 31, 2024, total unrecognized compensation expense related to unvested RSUs is \$495,466 and is expected to be recognized over a weighted-average period of approximately 2.66 years.

**Warrants**

The Company estimates the fair value of warrants utilizing the Black-Scholes pricing model, unless indicated otherwise, which is dependent upon several variables such as the expected term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected term and expected dividend yield rate over the expected term. The Company believes this valuation methodology is appropriate for estimating the fair value of warrants issued which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes expense on a straight-line basis over the vesting period of each warrant issued.



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A summary of the Company's warrant activity during the nine months ended January 31, 2024 is presented below:

Warrants	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2023	425,000	\$ 3.56	2.77	\$ —
Granted	5,846,018	\$ 0.01	4.28	—
Exercised	—	\$ —	—	—
Surrendered	—	\$ —	—	—
Expired	—	\$ —	—	—
Balance Outstanding, January 31, 2024	6,271,018	\$ 0.25	4.13	\$ —
Unvested	(8,333)			
Exercisable, January 31, 2024	6,262,685	\$ 0.24	4.13	\$ —

OUTSTANDING WARRANTS			EXERCISABLE WARRANTS		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Warrants
\$ 0.01	\$ 0.01	5,846,018	\$ 0.01	4.28	5,846,018
\$ 1.00	\$ 1.00	200,000	\$ 1.00	3.23	200,000
\$ 4.89	\$ 4.89	50,000	\$ 4.89	0.19	50,000
\$ 5.85	\$ 5.85	50,000	\$ 5.85	2.58	50,000
\$ 6.00	\$ 6.00	100,000	\$ 6.00	0.09	100,000
\$ 6.99	\$ 6.99	25,000	\$ 6.99	2.47	16,667
		6,271,018			6,262,685

#### 15% Debentures - Warrants

On May 12, 2023, as part of the 15% Debentures offering, the Company issued warrants to the investors to purchase 2.2 million shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of \$0.01 per share. See Note 6. Debt. The fair value of the warrants was \$154,000 and amortized over a three-year term and contain anti-dilution protection. The fair value of the warrants was treated as a deferred financing cost. The Company recognized \$12,833 and \$34,222, of amortization expense in connection with the fair value of the warrants for the three and nine months ended January 31, 2024, respectively, which is included in "interest expense" in the accompanying consolidated statement of operations. In connection with the Second Amendment, described below, these warrants were reclassified to liabilities in the third quarter of fiscal 2024. At January 31, 2024, the fair value of these May 2024 Warrants was \$594,274. The Company reclassified \$500,825 from "Additional paid-in capital" to "Put warrants liabilities" in the accompanying consolidated balance sheet; and recognized a \$93,449 loss of fair value adjustment in "Other (expense) income, net" in the accompanying consolidated statement of operations.

As part of the Second Amendment to the 15% Debentures, entered into on October 31, 2023, which is discussed in Note 6. Debt, the Company also issued warrants to purchase Common Stock at an exercise price of \$0.01 based on the outstanding principal balances of the Debentures, which are the same term as the warrants issued in May 2023 with the 15% Debenture Agreement (collectively, the "New Warrants"):

- a. on the effective date of the Second Amendment, New Warrants to purchase 403,545 shares of Common Stock, which is equal to 1% of the Company's outstanding shares on a fully diluted basis;

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- b. if the Mandatory Prepayment of \$1.5 million has not been made by December 30, 2023, on such date, New Warrants to purchase a number of shares of Common Stock equal to 3% of the Company's issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of \$1.5 million had not been made by December 30, 2023, the Company issued an additional 1,210,634 warrants; and
- c. if the Mandatory Prepayment of \$1.5 million has not been made by January 31, 2024, on such date and every 30 days thereafter until such mandatory prepayment has been made, New Warrants to purchase a number of shares of Common Stock equal to 5% of the Company's issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of \$1.5 million had not been made by January 31, 2024, but rather on February 8, 2024, the Company issued an additional 2,017,724 warrants.

The Second Amendment also provides that upon the first to occur of the (i) the 15% Debenture Maturity Date, (ii) after the occurrence and during the continuance of an event of default, and (iii) the repayment in full of the 15% Debentures, the Company shall, upon the written request, repurchase the warrants issued in May 2023 and the New Warrants for a purchase price of \$100,000 in cash per one percentage point of ownership of the Company's issued and outstanding common stock on a fully diluted basis as of the date of the Second Amendment (subject to adjustment for stock splits, stock dividends, stock combinations, reverse stock splits, recapitalizations and similar transactions) underlying such warrants issued in May 2023 and New Warrants (the "put warrants"). At October 31, 2023, the fair value of the put warrants was de minimis. At January 31, 2024, the fair value of these put warrants was \$1,569,085, which is included in "Put warrants liabilities" in the accompanying consolidated balance sheet.

2022 Convertible Notes - Warrants

On April 22, 2022, as consideration for amending the Intercreditor Agreement, the Company issued warrants to the each of the same two holders of the 2022 Convertible Notes, to each purchase 100,000 shares of the Company's common stock exercisable for five years from the date of issuance at the exercise price of \$1.00 per share. These warrants had price protection so as a result of making the Debentures convertible, the exercise price automatically was reduced to \$0.50. In addition, for regulatory reasons, a 24.9% beneficial ownership limitation was inserted into the warrants. See Note 6. Debt. The fair value of the warrants is \$118,000 and was amortized over the 12-month term. The fair value of the warrants was treated as deferred financing costs, a non-current asset, and is fully amortized in the accompanying consolidated balance sheets at April 30, 2023.

2018 Credit Facility Agreement - Warrants

On August 31, 2021, the Compensation Committee approved the issuance of warrants to the Leon and Toby Cooperman Family Foundation as an extension fee in connection with the extension of the 2018 Credit Facility Agreement. The warrants allow for the purchase of 50,000 shares of the Company's common stock and have an exercise price of \$5.85. These warrants had price protection so as a result of making the Debentures convertible, the exercise price automatically was reduced to \$0.50. In addition, for regulatory reasons, a 24.9% beneficial ownership limitation was inserted into the warrants. The warrants have an exercise period of five years from the August 31, 2021 issuance date and will terminate automatically and immediately upon the expiration of the exercise period. The fair value of the warrants is \$137,500. In connection with repayment of the 2018 Credit Facility on May 12, 2023, the remaining fair value of these warrants of \$23,897 was accelerated and fully expensed during the second quarter of fiscal 2024, which is included in "interest expense" in the accompanying consolidated statement of operations. The Company recognized \$11,168 and \$33,504 of amortization expense in connection with the fair value of the warrants for the three and nine months ended January 31, 2023, respectively.

Former Member of the Board of Directors - Warrants

On July 21, 2021, the Executive Committee approved the issuance of warrants to a former member of the Board of Directors for the purchase of 25,000 shares of the Company's common stock with an exercise price of \$6.99 per share. The warrants have an exercise period of five years from the July 21, 2021 issuance date and vest annually over a three-year period subject to continued service on the Company's Advisory Board on each applicable vesting date. The warrants will terminate automatically and immediately upon the expiration of the exercise period. The fair value of the warrants is \$84,000 and was amortized over the three-year vesting period. The Company recognized \$7,000 and \$21,000, of amortization expense in connection with the fair value of the warrants for the three and nine months ended January 31, 2024, respectively, which is included in "general and administrative" expense in the accompanying consolidated statement of operations. The Company recognized \$7,000 and

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\$21,000, of amortization expense in connection with the fair value of the warrants for the three and nine months ended January 31, 2023, respectively.

**Stock Option Grants to Employees and Directors**

The Company estimates the fair value of share-based compensation utilizing the Black-Scholes option pricing model, which is dependent upon several variables such as the expected option term, expected volatility of the Company's stock price over the expected term, expected risk-free interest rate over the expected option term and expected dividend yield rate over the expected option term. The Company believes this valuation methodology is appropriate for estimating the fair value of stock options granted to employees and directors which are subject to ASC Topic 718 requirements. These amounts are estimates and thus may not be reflective of actual future results, nor amounts ultimately realized by recipients of these grants. The Company recognizes compensation on a straight-line basis over the requisite service period for each award.

The Company utilizes the simplified method to estimate the expected life for stock options granted to employees. The simplified method was used as the Company does not have sufficient historical data regarding stock option exercises. The expected volatility is based on historical volatility. The risk-free interest rate is based on the U.S. Treasury yields with terms equivalent to the expected life of the related option at the time of the grant. Dividend yield is based on historical trends. While the Company believes these estimates are reasonable, the compensation expense recorded would increase if the expected life was increased, a higher expected volatility was used, or if the expected dividend yield increased.

There were no options granted to employees during the nine months ended January 31, 2024 and 2023.

A summary of the Company's stock option activity for employees and directors during the nine months ended January 31, 2024, is presented below:

Options	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance Outstanding, April 30, 2023	565,210	\$ 6.75	0.53	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	—	—	—	—
Expired	(432,526)	7.15	—	—
Balance Outstanding, January 31, 2024	132,684	\$ 5.46	0.56	\$ —
Exercisable, January 31, 2024	132,684	\$ 5.46	0.56	\$ —

OUTSTANDING OPTIONS			EXERCISABLE OPTIONS		
Exercise Price	Weighted Average Exercise Price	Outstanding Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life In Years	Exercisable Number of Options
\$3.99 to \$4.63	\$ 4.38	75,251	\$ 4.38	0.85	75,251
\$5.28 to \$6.92	\$ 5.18	57,433	\$ 5.18	1.36	57,433
		132,684			132,684

As of January 31, 2024, there are no unrecognized compensation costs related to unvested stock options.

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



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

	<b>Three Months Ended January 31,</b>		<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
RSUs	\$ 222,076	\$ 394,510	\$ 527,657	\$ 893,769
Restricted Stock	—	—	—	—
Stock options	—	—	—	5,407
Total stock-based compensation expense	<u>\$ 222,076</u>	<u>\$ 394,510</u>	<u>\$ 527,657</u>	<u>\$ 899,176</u>

### **Treasury Stock**

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

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

### **Note 8. Revenue**

Revenue consists primarily of tuition and fees derived from courses taught by the Company online as well as from related educational resources that the Company provides to its students, such as access to its online materials and learning management system. The Company also charges students fees for library and technology costs, which are recognized over the related service period and are not considered separate performance obligations. Other services, books, and exam fees are recognized as services are provided or when goods are received by the student. The Company's contract liabilities are reported as deferred tuition and due to students. Advances on tuition represents the amount of tuition, fees, and other student payments received in excess of the portion recognized as revenue and it is included in current liabilities in the accompanying consolidated balance sheets.

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

	<b>Three Months Ended January 31,</b>		<b>Nine Months Ended January 31,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Tuition - <i>recognized over period of instruction</i>	\$ 10,359,430	\$ 13,301,292	\$ 34,434,542	\$ 44,264,750
Course fees - <i>recognized over period of instruction</i>	1,361,599	1,745,950	4,870,666	5,760,009
Exam fees - <i>recognized at a point in time</i>	89,485	219,869	371,541	690,395
Service fees - <i>recognized at a point in time</i>	247,333	306,931	849,817	827,348
Revenue	<u>\$ 12,057,847</u>	<u>\$ 15,574,042</u>	<u>\$ 40,526,566</u>	<u>\$ 51,542,502</u>

### **Contract Balances and Performance Obligations**

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

### **Cash Receipts**

The Company's students finance costs through a variety of funding sources, including, among others, monthly payment plans, installment plans, federal loan and grant programs (Title IV), employer reimbursement, and various veteran and military funding and grants, and cash payments. Most students elect to use the Company's monthly payment plan. This plan allows students to make fixed monthly payments over the length of the payment plan. Title IV and military funding typically arrive

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during the period of instruction, however, subsequent to AU's placement on HCM2, discussed in Note 11. Commitments and Contingencies, AU makes disbursements to students from its own institutional funds, and then a reimbursement payment request must be submitted for those funds to the DOE. Students who receive reimbursement from employers typically do so after completion of a course. Students who choose to pay cash for a class typically do so before beginning the class.

**Significant Judgment**

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

The Company maintains institutional tuition refund policies, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. Certain states in which students reside impose separate, mandatory refund policies, which override the Company's policy to the extent in conflict. If a student withdraws at a time when a portion or none of the tuition is refundable, then in accordance with its revenue recognition policy, the Company recognizes as revenue the tuition that was not refunded. Since the Company recognizes revenue pro-rata over the term of the course and because, under its institutional refund policy, the amount subject to refund is never greater than the amount recognized as advances on tuition, under the Company's accounting policies revenue is not recognized with respect to amounts that could potentially be refunded.

The Company had revenue from students outside the United States totaling approximately 2% of consolidated revenue for each of the three and nine months ended January 31, 2024 and 2023.

**Teach-out of the Pre-licensure Nursing Program**

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

For the three and nine months ended January 31, 2024, 4% and 19%, respectively, of total consolidated AGI revenue was earned from its pre-licensure nursing program. For the three and nine months ended January 31, 2023, 19% and 21%, respectively, of total consolidated AGI revenue was earned from its pre-licensure nursing program.

**Note 9. Leases**

The Company determines if a contract contains a lease at inception. The Company entered into operating leases totaling approximately 172,021 square feet of office and classroom space in Phoenix, San Diego, New York City (lease ended January 31, 2024), Denver, Austin, Tampa, Nashville, Atlanta and the New Brunswick Province in Canada (lease ended December 31, 2023). These leases expire at various dates through April 2031, and the majority contain annual base rent escalation clauses. Most of these leases include options to extend for additional five-year periods. Since it is not reasonably certain that the leases would be renewed, the Company does not consider the renewal option in the lease term. As permitted by ASC 842, leases with an initial term of twelve months or less are not recorded on the accompanying consolidated balance sheet. The Company does not have any financing leases.

Aspen University subleased a portion of its Austin campus, which commenced on February 1, 2024. This sublease income will be included as an offset to lease expense in general and administrative expense in the consolidated statement of operations.

As of January 31, 2024, our longer-term operating leases are located in Tampa, Phoenix, Austin, Nashville and Atlanta and are set to expire in four to seven years. These leases make up approximately 95% of the total future minimum lease payments.

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Operating lease ROU assets, represent the right to use an underlying asset for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating leases are included in "Operating lease right-of-use assets, net", "Operating lease obligations, current portion" and "Operating lease obligations, less current portion" in the consolidated balance sheets at January 31, 2024 and April 30, 2023. These assets and lease liabilities are recognized based on the present value of remaining lease payments over the lease term. Variable lease costs such as common area maintenance, property taxes and insurance are expensed as incurred. When the lease does not provide an implicit interest rate, the Company uses an incremental borrowing rate of 12% to determine the present value of the lease payments.

Lease incentives are deducted from the ROU assets. Incentives such as tenant improvement allowances are amortized as leasehold improvements, separately, over the life of the lease term. For the three and nine months ended January 31, 2024, the amortization expense for these leasehold improvements was \$195,404 and \$586,214, respectively. For the three and nine months ended January 31, 2023, the amortization expense for these leasehold improvements was \$171,133 and \$530,076, respectively.

Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for the three and nine months ended January 31, 2024 was \$997,974 and \$3,005,409, respectively, which is included in "General and administrative" expenses in the consolidated statements of operations. Lease expense for the three and nine months ended January 31, 2023 was \$1,002,215 and \$3,093,914, respectively.

ROU assets are summarized below:

	January 31, 2024	April 30, 2023
ROU assets - Operating facility leases	\$ 18,423,652	\$ 18,528,967
Less: accumulated amortization	(6,388,989)	(5,097,893)
Total ROU assets	<u>\$ 12,034,663</u>	<u>\$ 13,431,074</u>

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

	January 31, 2024	April 30, 2023
Total lease liabilities	\$ 26,058,494	\$ 26,058,494
Reduction of lease liabilities	(7,914,190)	(6,004,172)
Total operating lease obligations	<u>\$ 18,144,304</u>	<u>\$ 20,054,322</u>

The following is a schedule by future minimum lease payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of January 31, 2024 (by fiscal year).

Maturity of Lease Obligations	Lease Payments
2024 (remaining)	\$ 1,113,287
2025	4,547,151
2026	4,677,145
2027	4,782,909
2028	4,809,323
Thereafter	4,917,969
Total future minimum lease payments	24,847,784
Less: imputed interest	(6,703,480)
Present value of operating lease liabilities	<u>\$ 18,144,304</u>

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<b><u>Balance Sheet Classification</u></b>	<b><u>January 31, 2024</u></b>	<b><u>April 30, 2023</u></b>
Operating lease obligations, current portion	\$ 2,502,281	\$ 2,502,810
Operating lease obligations, less current portion	15,642,023	17,551,512
Total operating lease obligations	<u>\$ 18,144,304</u>	<u>\$ 20,054,322</u>

  

<b><u>Other Information</u></b>	<b><u>January 31, 2024</u></b>	<b><u>April 30, 2023</u></b>
Weighted average remaining lease term (in years)	5.38	6.00
Weighted average discount rate	12 %	12 %

#### **Note 10. Income Taxes**

The Company determined that it has a permanent establishment in Canada, as defined by article V(2)(c) of the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital (the "Treaty"), which would be subject to Canadian taxation as levied under the Income Tax Act. The Company filed Canadian T2 Corporation Income Tax Returns and related information returns under the Voluntary Disclosure Program with the Canada Revenue Agency ("CRA") to cover the 2013 through 2023 tax years during which a permanent establishment was in place. The Company will also file an annual Canadian T2 Corporation Income Tax return to report the ongoing activity of the permanent establishment for 2024, the final year that permanent establishment is in place.

As of April 30, 2023, the Company recorded a reserve of approximately \$300,000 for the estimate of the 2013 through 2021 tax year foreign income tax liability during which a permanent establishment was in place in Canada. Additionally, for each of the 2022 and 2023 tax years, the Company recorded a reserve of \$100,000 for the related foreign income tax liability. These reserves are included in "Accrued expenses" in the consolidated balance sheets. These amounts have not yet been remitted to the CRA.

For each of the three and nine months ended January 31, 2024, the Company recorded a reserve of \$25,000 and \$63,000, respectively, for the 2024 tax year, respectively, related to the foreign income tax liability. These reserves are included in "Accrued expenses" in the consolidated balance sheets. For each of the three and nine months ended January 31, 2023, the Company recorded a reserve of \$25,000 and \$75,000, respectively, for the 2023 tax year, respectively, related to the foreign income tax liability.

#### **Note 11. Commitments and Contingencies**

##### **Operating Leases**

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

##### **Employment Agreements**

From time to time, the Company enters into employment agreements with certain of its employees. These agreements typically include bonuses, some of which may or may not be performance-based in nature.

##### **Legal Matters**

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

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

In June 2023, Aspen was served with a lawsuit filed by a former BSN Pre-licensure program student which is pending with the US District Court, District of Arizona. The student contends that she was falsely dismissed from the BSN Pre-licensure program in June 2021. She is not a member of the class described above. Discovery is complete and a mediation settlement conference took place on November 13, 2023 before a magistrate judge with the District Court, District of Arizona. The judge called an end to the meeting prior to a settlement being reached. The Court has accepted Plaintiff's lawyer's petition to withdraw as counsel of record. Aspen submitted a defendant's motion for summary judgement to the Court and awaits disposition. The Company assessed that it is not probable that the plaintiff will prevail; therefore, no amounts have been accrued in the financial statements.

In March 2021, United States University, Inc., Aspen Group, Inc., and former President of USU (subsequently deceased), were sued in CA Supreme Court by a former employee (subsequently deceased), alleging discrimination (age/gender/disability), failure to prevent harassment, breach of contract, among others. A mandatory settlement conference occurred March 12, 2024. A settlement agreement was reached on April 16, 2024 in exchange for a payment of \$54,000, and the Escrow account is scheduled to be funded by May 16, 2024.

### **Regulatory Matters**

The Company's subsidiaries, Aspen University and United States University, are subject to extensive regulation by Federal and State governmental agencies and accrediting bodies. In particular, the HEA and the regulations promulgated thereunder by the DOE subject the subsidiaries to significant regulatory scrutiny on the basis of numerous standards that schools must satisfy to participate in the various types of federal student financial assistance programs authorized under Title IV of the HEA.

The HEA requires accrediting agencies to review many aspects of an institution's operations in order to ensure that the education offered is of sufficiently high quality to achieve satisfactory outcomes and that the institution is complying with accrediting standards. Failure to demonstrate compliance with accrediting standards may result in the imposition of probation, the requirements to provide periodic reports, the loss of accreditation or other penalties if deficiencies are not remediated.

Because our subsidiaries operate in a highly regulated industry, each may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions or common law causes of action.

### **Aspen University Regulatory Matters**

#### **Federal Financial Aid**

On August 22, 2017, the DOE informed Aspen University of its determination that the institution had qualified to participate under the HEA and the Federal student financial assistance programs (Title IV, HEA programs) and set a subsequent program participation agreement reapplication date of March 31, 2021. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. The application for recertification was submitted on August 16, 2023. Certification continues month to month until a final decision is made by the DOE.

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**BSN Pre-licensure Nursing Program**

The Company is also subject to regulation by self-regulatory bodies such as accreditors and by state regulators in certain states including states where the Company has a physical presence. Aspen University's first-time pass rates for our BSN pre-licensure students taking the NCLEX-RN® test in Arizona fell from 80% in 2020 to 58% in 2021, which is below the minimum 80% standard set by the Arizona State Board of Nursing ("AZ BON"). As a result of the decline in NCLEX pass rates and other issues, and in alignment with a recommendation from the Arizona State Board of Nursing, the university voluntarily suspended BSN pre-licensure enrollments and the formation of new cohorts at its two Phoenix pre-licensure locations, effective February 2022. In March 2022, Aspen University entered into a Consent Agreement for Probation and a Civil Penalty (the "Consent Agreement") with the Arizona State Board of Nursing in which Aspen University's Provisional Approval was revoked, with the revocation stayed pending Aspen University's compliance with the terms and conditions of the Consent Agreement. The probationary period is 36 months from the date of the Consent Agreement. In June 2022, the AZ BON granted approval of Aspen University's request for provisional approval as long as the program is in compliance with the consent agreement through March 31, 2025. The stay was broken into two phases, the first lasting through the end of Calendar Year 2022. During Phase I, Aspen University was not permitted to enroll any new students into the core component of its pre-licensure nursing program in Arizona and must achieve the AZ BON-required 80% NCLEX-RN® pass rate for the Calendar Year 2022 annual reporting cycle. If this benchmark was not achieved, the AZ BON could lift the stay and initiate the revocation. If Phase I was completed successfully, Phase II would commence with Aspen University on Probation (regular or "stayed revocation" probation, depending on the outcome of Phase I). Aspen University was permitted to begin enrollments into the core component of its pre-licensure nursing program in Arizona once four consecutive quarters of 80% NCLEX-RN® first-time pass rates occur. However, once achieved, if the NCLEX-RN® pass rate fell below 80% for any quarter, the AZ BON could limit enrollments, and repeated failures may result in a required cessation of enrollments and teach-out of the program. The terms of the Consent Agreement also include requirements that the Company provide the AZ BON with monthly reports, provide that our faculty and administrators undergo additional training, retain an approved consultant to prepare and submit evaluations to the AZ BON, and hire a minimum of 35% full-time qualified faculty by September 30, 2022.

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

For the calendar quarters ended below, Aspen University's NCLEX-RN® first-time pass rates for its Arizona program were:

	NCLEX-RN® first-time pass rates
<u>Calendar Year 2024</u>	
March 31, 2024	81.32 %
<u>Calendar Year 2023</u>	
December 31, 2023	88.57 %
September 30, 2023	67.42 %
June 30, 2023	78.05 %
March 31, 2023	50.52 %
<u>Calendar Year 2022</u>	
December 31, 2022	56.53 %
September 30, 2022	59.15 %
June 30, 2022	69.64 %
March 31, 2022	73.33 %



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Under the terms of the revised Consent Agreement, many of the previous requirements were eliminated; for example, Aspen no longer has a requirement to use a consultant nor the requirement for a certain percentage of full-time faculty. However, Aspen will continue its current Arizona Core nursing program for all current students and provide regular reports to the Board of Nursing about the program. It remains accountable to the Board to ensure that its current students receive expected instruction and learning opportunities. Once all currently enrolled students in the program have either completed the program or ceased enrollment, or within two years, whichever is sooner, Aspen's program approval will be automatically voluntarily surrendered for a minimum period of two years.

Having entered into the revised Consent Agreement with the Arizona State Board of Nursing, Aspen suspended new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas and will complete instruction for currently enrolled Core nursing students. The state authorizing units and state boards of nursing were noticed to this effect on September 20, 2022.

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

It was Aspen's position that a decision by the Board to conduct such a vote to lift the stay at its scheduled March 2023 meeting would be a breach of the September 2022 Consent Agreement, a breach of the covenant of good faith and fair dealing, and cause Aspen irreparable harm. The lifting of the stay would have closed the program immediately and affected almost 400 students across four states. On March 23, 2023, Aspen University and the Arizona State Board of Nursing signed an Amendment to the September 2022 Consent Agreement that permits the teach-out of the program to continue with heightened oversight and reporting. The University hired a consultant and additionally an ombudsperson to oversee critical aspects of the program in Arizona including testing and clinical practices. The Arizona-based students completed their teach-out in January 2024. At its meeting on January 19, 2024, the Board affirmed that the signed Amendment permits Nashville-based students to be taught out through May 2024, and Texas- and Florida-based students through September 2024.

**Arizona State Board for Private Postsecondary Education**

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

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

On February 20, 2023, Aspen University entered into a 3<sup>rd</sup> revised Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which requested transcripts from 1985-2019 and an institutional teach-out plan as well as increased monthly financial reporting requirements. Other requirements from the October 2022 Stipulated Agreement were carried forward to this revised agreement. The revised agreement was in response to the Show Cause Directive from DEAC, which is discussed below. At its meeting on December 7, 2023, the Arizona State Board for Private Postsecondary Education lowered Aspen's surety bond requirement to \$2.5 million, reflecting the execution of the 4th Amended Stipulated Agreement signed December 18, 2023. See Note 13. Subsequent Events for return of cash collateral for the surety bond.

**National Council of State Authorization Reciprocity Agreements**

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

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

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

#### **DOE Program Review**

On January 6, 2023, Aspen University received notice from the Department of Education, Office of the Multi-Regional and Foreign Schools Participation Division, that an off-site Program Review would begin on February 13, 2023. The review is designed to assess the University's administration of the Title IV, HEA programs in which it participates, covering the 2021-2022 and 2022-2023 award years. The University is cooperating fully in the review. Required university administrators from the offices of the president, provost, financial aid, finance, enrollment, registrar, institutional research, and student accounts have participated in requested meetings. They have provided requested documentation in a timely manner in a variety of areas, exclusively related to the Bachelor of Science in Nursing (Pre-licensure) degree program. As of the date of issuance of this report, the Review is no longer ongoing and the University awaits a final determination.

#### **Show Cause Directive by DEAC**

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

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



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

On September 7, 2023, Aspen received notification from DEAC that it had expanded the original Show Cause Directive's focus on Standard XI.E to include all of Standard XI due to a heightened concern with fiscal resources and management. Aspen University provided additional related information by October 4, 2023, and again during the full reaccreditation site visit on October 19, 2023. Aspen University received the Chair's Report on February 6, 2024 and submitted its Response on March 6, 2024. Aspen was noticed on April 25, 2024 that the Show Cause Directive will be reviewed at the June 2024 Commission meeting and that action on its application for reaccreditation will be deferred until January 2025. Additional requested information is due June 1, 2024, and December 1, 2024, respectively.

#### **Arizona Department of Veterans' Services**

On December 11, 2023, the Arizona Department of Veterans' Services, Arizona State Approving Agency (SAA), notified Aspen that it intended to conduct a Risk-Based Survey of the university. The purpose of a risk-based survey is to advise the university of the laws and regulations governing its existing program approval and to review any potential areas of risk that could hinder its success. Aspen submitted the required Pre-Survey List of Required Action Items on January 12, 2024, which included documentation from most operational areas of the university, and it underwent an onsite visit on March 20, 2024. Aspen awaits the outcome of the review.

#### **Heightened Cash Monitoring 2 ("HCM2")**

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

HCM2 is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. Subsequent to its receipt of the first financial aid payment under HCM2 in June 2023, Aspen University is now able to submit for financial aid reimbursement once every 30 days. Reimbursement payments could be delayed if the DOE has findings upon review of reimbursement files. As of January 31, 2024, \$4.8 million due from the DOE was included in "Other current assets" in the accompanying consolidated balance sheets. The letter from the DOE stated that the DOE acted in response to the Show Cause Directive from DEAC.

Aspen University received its financial aid payments under HCM2 as follows:

<b>HCM2 Reimbursement</b>	<b>Date</b>	<b>Amount</b>
HCM2 #1	June 2023	\$1.0 million
HCM2 #2	August 2023	\$2.9 million
HCM2 #3	September 2023	\$1.9 million
HCM2 #4	November 2023	\$2.3 million
HCM2 #5	February 2024	\$3.8 million
HCM2 #6	April 2024	\$2.4 million

#### **United States University Regulatory Matters**

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On March 27, 2023, United States University received a request for information from its institutional accreditor, WSCUC, regarding information on the current financial and operational status of the university due to both AGI's delisting from NASDAQ and Aspen University's Show Cause Directive from DEAC. USU provided the required information timely on April 4, 2023. WSCUC subsequently requested quarterly updates for the remainder of 2023. Updates were sent on June 30, 2023, September 29, 2023, and December 15, 2023. WSCUC requested a final update on June 30, 2024.

On May 14, 2019, USU was granted temporary provisional certification to participate in the Title IV Programs due to its acquisition by AGI. The provisional certification allowed the school to continue to receive Title IV funding as it did prior to the change of ownership. The provisional certification expired on December 31, 2020. The institution submitted its recertification application timely in October 2020, and received full certification on May 6, 2022, and a new PPA was issued with an effective period until December 31, 2025.

**Title IV Funding - AU and USU**

Aspen University and United States University derive a portion of their revenue from financial aid received by students under programs authorized by Title IV of the HEA, which are administered by the DOE. When students seek funding from the federal government, they receive loans and grants to fund their education under the following Title IV Programs: (1) the Federal Direct Loan program, or Direct Loan; (2) the Federal Pell Grant program, or Pell; (3) Federal Work Study and (4) Federal Supplemental Opportunity Grants. For the fiscal years ended April 30, 2023, 25.86% of Aspen University's and 20.57% of United States University's cash-basis revenue for eligible tuition and fees was derived from Title IV Programs.

**Return of Title IV Funds - AU and USU**

An institution participating in Title IV Programs must correctly calculate the amount of unearned Title IV Program funds that have been disbursed to students who withdraw from their educational programs before completion and must return those unearned funds in a timely manner, no later than 45 days of the date the school determines that the student has withdrawn. Under the DOE regulations, failure to make timely returns of Title IV Program funds for 5% or more of students sampled on the institution's annual compliance audit in either of its two most recently completed fiscal years can result in the institution having to post a letter of credit in an amount equal to 25% of its required Title IV returns during its most recently completed fiscal year. If unearned funds are not properly calculated and returned in a timely manner, an institution is also subject to monetary liabilities or an action to impose a fine or to limit, suspend or terminate its participation in Title IV Programs.

Subsequent to a compliance audit for Fiscal Year 2023, Aspen University recognized that it had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4) and was required to maintain a letter of credit in the amount of \$88,002 as a result of this finding. On April 19, 2024, the letter of credit was provided to the Department of Education by Aspen University.

**Approval to Confer Degrees - AU and USU**

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

United States University is a Delaware corporation and is authorized by the California Bureau for Private Postsecondary Education to operate as a degree-granting institution for all degrees.

**Note 12. Related Party Transactions**

On January 31, 2024, the Company received a \$200,000 non-interest bearing loan from the Company's Chief Executive Officer. This loan was for a short-term period until the receipt of the fifth financial aid payments under HCM2 reimbursement.

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The loan was paid in full on February 8, 2024 using the funds from the fifth financial aid payments under HCM2 reimbursement, which were also received on February 8, 2024.

**Note 13. Subsequent Events**

**Aspen University**

On February 8, 2024 and April 16, 2024, Aspen University received its fifth and sixth financial aid payment under HCM2 for \$3.8 million and \$2.4 million, respectively.

On February 14, 2024, an additional \$1.5 million of cash collateral for the surety bond required by the Arizona State Board for Private Postsecondary Education was returned to the Company. The return was the result of the reduction of the surety bond requirement to \$2.5 million by the Arizona State Board for Private Postsecondary Education at its December 7, 2023 meeting.

On April 18, 2024, Aspen University provided a letter of credit in the amount of \$88,002 to the DOE related to the finding in its fiscal year 2023 compliance audit. As a result of the compliance audit, Aspen University recognized that it had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4).

**Aspen University and USU**

In February 2024, AU and USU offered a one-time opportunity for graduates/alumni still making payments under the MPP, and all other payment types including financial aid, to reduce their outstanding balance by 25% if the balance is paid in full within 30 days of receiving the offer. The program ended on April 15, 2024, and approximately \$3.6 million was collected under the program. Approximately \$1.2 million of accounts receivable was written off under the program and was recorded as a reduction of revenue in the Q4 Fiscal 2024 consolidated statement of operations.

**AGI**

In accordance with the 15% Debentures Second Amendment, discussed in Note 6. Debt, after the receipt of the fifth HCM2 reimbursement on February 8, 2024, the Company immediately prepaid the \$1.5 million of the outstanding principal along with the prepayment premium of \$250,000.

On April 16, 2024, the Company entered into a Third Amendment with the holders of its outstanding 15% Debentures to:

- (i) utilize the remaining \$500,000 of restricted cash related to the 15% Debentures to prepay outstanding principal by April 19, 2024;
- (ii) pay an exit fee of \$250,000 on or prior to the earlier of the maturity date and repayment in full of the outstanding balance of the 15% Debentures;
- (iii) reduce the monthly principal payments due to \$50,000 for the calendar months of March, April, May, June, July, and August 2024. If the Company enters into a binding agreement providing for the sale of the Company for minimum sale proceeds of \$40 million, the monthly principal payments of \$50,000 will be continued for the months of September, October, and November 2024;
- (iv) reduce the required minimum Revenue and Adjust EBITDA covenants; and
- (v) include a voluntary \$0.50 conversion feature to common stock of AGI.

As a result of the price protection of the warrants referred to in Note 7. Stockholders' Equity, the exercise price of the 2022 Convertible Notes Warrants was reduced to \$0.50.

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On April 18, 2024 the \$500,000 of restricted cash related to the 15% Debentures was used to prepay the Debentures. The outstanding principal balance of the 15% Debentures was reduced to \$9,060,770 with the Company making an April 30, 2024 principal payment.

On April 25, 2024, the Company's Board of Directors approved the designation of the Company's Series A preferred stock. See Note 7. Stockholders' Equity for further discussion.

On April 29, 2024, the Company entered into a Fourth Amendment with the holders of its outstanding 15% Debentures to:

- (i) approve the exchange of the 2022 Convertible Notes held by the holders in exchange for the Series A pursuant to the Exchange Agreement and the terms of the Series A set forth in the Certificate of Designation;
- (ii) revise certain negative covenants in the 15% Debentures to permit the issuance of the Dividend Shares and carve-out the issuance of the Dividend Shares from triggering any adjustments pursuant to negative covenants in the Debenture;
- (iii) clarifying that the issuance of the Dividend Shares is an “Exempt Issuance” under the 15% Debentures;
- (iv) agreeing that if the Series A are exchanged for new convertible notes on similar terms than the original 2022 Convertible Notes (other than a \$0.50 per share conversion price), such notes would be “Permitted Indebtedness” (as defined in the 15% Debentures); and
- (v) entering into an agreement to terminate the subordination agreement.

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

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

#### **Key Terms**

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

##### **Operating Metrics**

- **Lifetime Value ("LTV")** - is the weighted average total amount of tuition and fees paid by every new student that enrolls in the Company's universities, after giving effect to attrition.
- **Bookings** - defined by multiplying LTV by new student enrollments for each operating unit.
- **Average Revenue per Enrollment ("ARPU")** - defined by dividing total Bookings by total enrollments for each operating unit.

##### **Operating costs and expenses**

- **Cost of revenue** - consists of instructional costs and services and marketing and promotional costs.
  - **Instructional costs** - consist primarily of costs related to the administration and delivery of the Company's educational programs. This expense category includes compensation costs associated with online faculty, technology license costs and costs associated with other support groups that provide services directly to the students and are included in cost of revenue.
  - **Marketing and promotional costs** - include costs associated with producing marketing materials and advertising, and outside sales costs. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing efforts, and expenditures on advertising initiatives for new and existing academic programs. We engage non-direct response advertising activities, which are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. These are included in cost of revenue.
- **General and administrative expense** - consists primarily of compensation expense (including stock-based compensation expense) and other employee-related costs for personnel engaged in executive and academic management and operations, finance, legal, tax, information technology and human resources, recruiting, fees for professional services, financial aid processing costs, non-capitalizable courseware and software costs, corporate taxes and facilities costs.

##### **Non-GAAP financial measures:**

- **Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA")** - is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of net income (loss) to EBITDA for the three and nine months ended January 31, 2024 and 2023.
- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA")** - is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for a reconciliation of net income (loss) to Adjusted EBITDA for the three and nine months ended January 31, 2024 and 2023.

#### **Company Overview**

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

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

AGI leverages its education technology infrastructure and expertise to allow its two universities, Aspen University and United States University, to deliver on the vision of making college affordable again. Because we believe higher education should be a catalyst to our students’ long-term economic success, we exert financial prudence by offering affordable tuition that is one of the greatest values in higher education. AGI’s primary focus relative to future growth is to target the high growth nursing profession. As of January 31, 2024, 6,302 of 7,649 or 82% of all active students across both universities are degree-seeking nursing students. Of the students seeking nursing degrees, 6,164 are RNs studying to earn an advanced degree, including 3,894 at Aspen University and 2,270 at USU. In contrast, the remaining 138 nursing students are enrolled in Aspen University’s BSN Pre-licensure program in the Phoenix, Austin, Tampa and Nashville metros. The majority of the year-over-year Aspen University nursing student body decrease is a result of the enrollment stoppage and teach out of the pre-licensure program and the \$4.9 million planned reduction in marketing spend in the first nine months of Fiscal 2024 as compared to the same period of fiscal 2023 (see the following student population discussion).

Since 1993, Aspen University has been institutionally accredited by the Distance Education Accrediting Commission (“DEAC”), an accrediting agency recognized by the United States Department of Education (the “DOE”), through January 2025.

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

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

### AGI Student Population Overview

AGI’s active degree-seeking student body, including AU and USU, declined 23% year-over-year to 7,649 at January 31, 2024 from 9,956 at January 31, 2023. AU’s total active student body decreased by 29% year-over-year to 5,146 at January 31, 2024 from 7,232 at January 31, 2023. On a year-over-year basis, USU’s total active student body decreased by 8% to 2,503 at January 31, 2024 from 2,724 at January 31, 2023.

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

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Aspen University	7,232	6,670	6,001	5,679	5,146
USU	2,724	2,729	2,590	2,733	2,503
Total	9,956	9,399	8,591	8,412	7,649

### AGI Nursing Student Population

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

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Aspen University	5,899	5,392	4,766	4,470	4,032
USU	2,450	2,490	2,349	2,432	2,270
Total	8,349	7,882	7,115	6,902	6,302



## AGI New Student Enrollments

On a Company-wide basis, new student enrollments were down 25% year-over-year and 41% sequentially. New student enrollments at AU decreased 32% year-over-year and at USU decreased 13% year-over-year. New student enrollments were primarily impacted by our reduction in marketing spend and our ceasing new enrollments in our pre-licensure program. We anticipate the resumption of marketing spend in Fiscal 2025 at a level necessary to provide enrollments needed to grow the student body and allow for the generation of positive operating cash flow.

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

	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Aspen University	695	574	626	808	473
USU	374	360	389	548	325
Total	1,069	934	1,015	1,356	798

## Bookings Analysis and ARPU

On a year-over-year basis, Q3 Fiscal 2024 Bookings decreased 23%, to \$9.7 million from \$12.6 million in the prior year. The Bookings decrease was principally at AU and is the result of the reduction in marketing spend.

Third Quarter Bookings <sup>1</sup> and Average Revenue Per Enrollment (ARPU) <sup>1</sup>					
	Q3'23 Enrollments	Q3'22 Bookings <sup>1</sup>	Q3'24 Enrollments	Q3'23 Bookings <sup>1</sup>	Percent Change Total Bookings & ARPU <sup>1</sup>
Aspen University	695	\$ 5,901,000	473	\$ 3,928,050	
USU	374	6,664,680	325	5,791,500	
Total	1,069	\$ 12,565,680	798	\$ 9,719,550	(23)%
ARPU		\$ 11,755		\$ 12,180	4 %

<sup>1</sup> "Bookings" are defined by multiplying LTV by new student enrollments for each operating unit. ARPU is defined by dividing total Bookings by total student enrollments for each operating unit.

## Accounts Receivable – Monthly Payment Plan ("MPP")

The Company offers several payment options to its students including a monthly payment plan ("MPP"), installment plans and financial aid. Our current and long-term accounts receivable balances are predominantly the result of students taking advantage of our groundbreaking monthly payment plan, which we introduced in Fiscal Year 2014 at AU and subsequently in Fiscal Year 2018 at USU. On January 31, 2024, gross MPP accounts receivable was 89% of total gross accounts receivable. Of the gross accounts receivable, approximately 34% and 55% relates to AU and USU MPP accounts receivable, respectively.

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

### Long-Term Accounts Receivable

When a student signs up for the monthly payment plan, there is a contractual amount that the Company can expect to earn over the life of the student's program. This full contractual amount cannot be recorded as accounts receivable upon enrollment. As a student takes a class, revenue and the associated accounts receivable is earned over that eight-week class. Some students accelerate their program, taking two classes every eight-week period, and that increases the student's accounts receivable balance. If any portion of the accounts receivable balance will be paid in a period of greater than 12 months, that portion is classified as long-term accounts receivable.

As a result of the growing acceptance of our monthly payment plans, and strong enrollments in Q2 Fiscal 2024, our long-term accounts receivable balance grew from \$13,004,428 at April 30, 2023 to \$17,251,758 at January 31, 2024. Generally, students in the USU MSN-FNP program make payments over a 72-month period, and as a result, a portion of USU's 72-month payment plan becomes long-term accounts receivable.

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

A	B	C
The portion of remaining payments owed for classes taken under a monthly payment plan due in 12 months or less	The portion of remaining payments owed for classes taken under a monthly payment plan due in greater than 12 months	Expected future classes to be taken over balance of program.
Short-Term Accounts Receivable	Long-term Accounts Receivable	Not recorded in financial statements

The Sum of A, B and C will equal the total cost of the program.

## Results of Operations

Set forth below is the discussion of the results of operations of the Company for the three months ended January 31, 2024 ("Q3 Fiscal 2024") compared to the three months ended January 31, 2023 ("Q3 Fiscal 2023"), and for the nine months ended January 31, 2024 ("9M Fiscal 2024") compared to the nine months ended January 31, 2023 ("9M Fiscal 2023").

## Restructuring Plan

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

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

On March 23, 2023, Aspen University and the Arizona State Board of Nursing signed an Amendment to the September 2022 Consent Agreement (the "Consent Agreement") that permits the teach-out of the pre-licensure program to continue with heightened oversight and reporting. The signed Consent Agreement means that the Arizona-based students were permitted to be taught out through January 2024 (completed), Nashville-based students through May 2024, and Texas- and Florida-based students through September 2024. The Company is in the process of assessing whether an alternate future use exists for its right-of-use assets relating to the pre-licensure campus leases, and it will determine if an impairment should be recorded prior to filing its Annual Report for Fiscal 2024.

At the end of Q2 Fiscal 2024, the Company resumed marketing spend, which is expected to increase to \$0.5 million per quarter in Fiscal Year 2025.

## Revenue

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



	Three Months Ended January 31,		Nine Months Ended January 31,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)				
Instructional costs and services	31 %	34 %	30 %	32 %
Marketing and promotional costs	1 %	1 %	1 %	11 %
Total cost of revenue (exclusive of depreciation and amortization shown separately below)	32 %	35 %	32 %	43 %
General and administrative	71 %	62 %	63 %	60 %
Bad debt expense	4 %	3 %	3 %	2 %
Depreciation and amortization	8 %	6 %	7 %	5 %
Total operating expenses	115 %	105 %	105 %	111 %
Operating loss	(15)%	(5)%	(5)%	(11)%
Other income (expense):				
Interest expense	(17)%	(5)%	(10)%	(4)%
Other (expense) income, net	(1)%	— %	— %	— %
Total other expense, net	(17)%	(5)%	(10)%	(4)%
Loss before income taxes	(32)%	(10)%	(15)%	(14)%
Income tax expense	— %	— %	— %	— %
Net loss	(32)%	(10)%	(15)%	(15)%

The following table presents our revenue, both per-subsiary and total:

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2024	\$ Change	% Change	2023	2024	\$ Change	% Change	2023
AU	\$ 6,128,708	\$(3,406,710)	(36)%	\$ 9,535,418	\$21,144,757	\$(10,680,658)	(34)%	\$31,825,415
USU	5,929,139	(109,485)	(2)%	6,038,624	19,381,809	(335,278)	(2)%	19,717,087
Revenue	<u>\$12,057,847</u>	<u>\$(3,516,195)</u>	(23)%	<u>\$15,574,042</u>	<u>\$40,526,566</u>	<u>\$(11,015,936)</u>	(21)%	<u>\$51,542,502</u>

### *Q3 Fiscal 2024 compared to Q3 Fiscal 2023*

AU and USU combined revenue decreased 23% in Q3 Fiscal 2024 compared to Q3 Fiscal 2023. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses, which accounted for \$2.5 million of the decrease, and the remainder of the decrease resulted from lower post-licensure enrollments from the effect of decreased marketing spend initiated late in Q1 Fiscal 2023. The active student body at AU decreased by 29% year-over-year to 5,146 at January 31, 2024 from 7,232 at January 31, 2023.

### *9M Fiscal 2024 compared to 9M Fiscal 2023*

AU and USU combined revenue decreased 21% in 9M Fiscal 2024 compared to 9M Fiscal 2023. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses, which accounted for \$7.6 million of the

decrease, and the remainder of the decrease resulted from lower post-licensure enrollments from the effect of decreased marketing spend initiated late in Q1 Fiscal 2023.

The trend of decreased revenue at AU in Fiscal Year 2024 was expected given the Company's suspension of new enrollments in its pre-licensure program associated with the related teach-out, which accounted for 4% of consolidated revenue in Q3 Fiscal 2024 as compared to 21% of consolidated revenue in Q3 Fiscal 2023, and the effect of the reduction of marketing spend initiated late in Q1 Fiscal 2023. The AU revenue decline is expected to slow in Fiscal 2025 due to the completion of the pre-licensure teach-out in Fiscal 2024, the resumption of marketing spend of \$0.5 million per quarter in Fiscal 2025, and the effect of annual pricing increases at both AU and USU, which started in Fiscal 2024.

The USU student body was not significantly impacted by the Fiscal Year 2024 reduction of marketing spend due to strong demand, therefore, we are anticipating little to no decrease in USU revenue in Fiscal Year 2025; and higher revenue in Fiscal Year 2026.

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

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2024	\$ Change	% Change	2023	2024	\$ Change	% Change	2023
Instructional costs and services	\$ 3,689,804	\$ (1,574,738)	(30)%	\$ 5,264,542	\$ 12,310,409	\$ (4,179,316)	(25)%	\$ 16,489,725
Marketing and promotional	172,091	42,478	33%	129,613	528,534	(4,928,455)	(90)%	5,456,989
Cost of Revenue (exclusive of depreciation and amortization shown separately below)	<u>\$ 3,861,895</u>	<u>\$ (1,532,260)</u>	<u>(28)%</u>	<u>\$ 5,394,155</u>	<u>\$ 12,838,943</u>	<u>\$ (9,107,771)</u>	<u>(41)%</u>	<u>\$ 21,946,714</u>

#### Instructional Costs and Services

##### *Q3 Fiscal 2024 compared to Q3 Fiscal 2023*

Consolidated instructional costs and services for Q3 Fiscal 2024 was 31% of revenue, which decreased from 34% of revenue for Q3 Fiscal 2023, as described below.

AU instructional costs and services were 31% and 36% of AU revenue for Q3 Fiscal 2024 and Q3 Fiscal 2023, respectively. As a percentage of revenue, instructional costs and services decreased primarily due to the enrollment stoppage in the pre-licensure program and the resulting decrease in the pre-licensure student body. The core curriculum of the pre-licensure program requires an increase in the ratio of instructors to students. Fewer students in the program disproportionately decrease overall instructional costs.

USU instructional costs and services were 30% of USU revenue for Q3 Fiscal 2024, remained flat from 30% of USU revenue for Q3 Fiscal 2023.

##### *9M Fiscal 2024 compared to 9M Fiscal 2023*

Consolidated instructional costs and services for 9M Fiscal 2024 was 30% of revenue, which decreased from 32% of revenue for 9M Fiscal 2023, as described below.

AU instructional costs and services were 32% and 34% of AU revenue for 9M Fiscal 2024 and 9M Fiscal 2023, respectively. As a percentage of revenue, instructional costs and services decreased due primarily to the enrollment stoppage in the pre-licensure program.

USU instructional costs and services were 29% of USU revenue for 9M Fiscal 2024, which remained flat from 29% of USU revenue for 9M Fiscal 2023.

#### Marketing and Promotional

##### *Q3 Fiscal 2024 compared to Q3 Fiscal 2023*

Consolidated marketing and promotional costs in Q3 Fiscal 2024 were \$0.2 million, or 1% of revenue compared to \$0.1 million or 1% of revenue in Q3 Fiscal 2023. The Company implemented a planned reduction in marketing spend associated with the Fiscal 2023 restructuring plan in late Q1 Fiscal 2023. The restructuring program decreased advertising spend across all programs to maintenance levels and is anticipated to increase to a quarterly target spend rate of \$0.5 million in Fiscal 2025. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 0% and 1% of AU revenue for Q3 Fiscal 2024 and Q3 Fiscal 2023, respectively.

USU marketing and promotional costs represented 0% and 2% of USU revenue for each of Q3 Fiscal 2024 and Q3 Fiscal 2023, respectively.

Corporate marketing and promotional costs were \$0 in Q3 Fiscal 2024 compared to \$0.2 million in Q3 Fiscal 2023. In Q3 Fiscal 2024, these costs were allocated to AU and USU.

#### *9M Fiscal 2024 compared to 9M Fiscal 2023*

Consolidated marketing and promotional costs in 9M Fiscal 2024 were \$0.5 million or 1% of revenue compared to \$5.5 million or 11% of revenue in 9M Fiscal 2023. The decrease is primarily the result of the \$4.9 million year-over-year planned reduction in marketing spend associated with the Fiscal 2023 restructuring plan. The restructuring program decreased advertising spend across all programs to maintenance levels and is anticipated to increase to a quarterly target spend rate of \$0.5 million in Fiscal 2025. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 2% and 10% of AU revenue for 9M Fiscal 2024 and 9M Fiscal 2023, respectively.

USU marketing and promotional costs represented 1% and 6% of USU revenue for each 9M Fiscal 2024 and 9M Fiscal 2023, respectively.

Corporate marketing and promotional costs were \$0 in 9M Fiscal 2024 compared to \$1.1 million in 9M Fiscal 2023. In 9M Fiscal 2024, these costs were allocated to AU and USU.

### **General and administrative**

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2024	\$ Change	% Change	2023	2024	\$ Change	% Change	2023
General and administrative	\$ 8,598,589	\$(1,025,939)	(11)%	\$ 9,624,528	\$25,441,013	\$ (5,598,653)	(18)%	\$31,039,666

#### *Q3 Fiscal 2024 compared to Q3 Fiscal 2023*

Consolidated general and administrative expense for Q3 Fiscal 2024 was \$8.6 million or 71% of revenue compared to \$9.6 million or 62% of revenue for Q3 Fiscal 2023, a decrease of \$1.0 million or 11%. As part of the Company's recent restructuring plan, which was initiated late Q1 Fiscal 2023, the Company eliminated approximately 70 positions within AU and AGI, resulting in on-going quarterly compensation-related savings of approximately \$1.0 million. The Company initiated a second restructuring plan, effective Q1 Fiscal 2024, with quarterly savings of approximately \$0.5 million. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased \$0.1 million year-over-year and was 58% and 38% of AU revenue for Q3 Fiscal 2024 and Q3 Fiscal 2023, respectively.

USU general and administrative expense increased \$0.2 million year-over-year and was 41% and 37% of USU revenue for Q3 Fiscal 2024 and Q3 Fiscal 2023, respectively.

Corporate general and administrative expense was \$2.6 million and \$3.7 million in Q3 Fiscal 2024 and Q3 Fiscal 2023, respectively. The decrease was primarily due to planned corporate cost control which resulted in lower compensation expense of \$0.5 million and lower professional and consultant fees of \$0.4 million.

#### *9M Fiscal 2024 compared to 9M Fiscal 2023*

Consolidated general and administrative expense for 9M Fiscal 2024 was \$25.4 million or 63% of revenue compared to \$31.0 million or 60% of revenue for 9M Fiscal 2023, a decrease of \$5.6 million or 18%. As part of the Company's recent restructuring plan, which was initiated late Q1 Fiscal 2023, the Company eliminated approximately 70 positions within AU and Corporate, resulting in on-going quarterly compensation-related savings of approximately \$1.0 million. The Company initiated a second restructuring plan, effective Q1 Fiscal 2024 with quarterly savings of approximately \$0.5 million. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased \$2.2 million year-over-year and was 49% and 39% of AU revenue for 9M Fiscal 2024 and 9M Fiscal 2023, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management, a decrease in professional fees related to regulatory matters and a decrease in costs associated with the reduction of the AU surety bond requirement by the Arizona State Board for Private Postsecondary Education; partially offset by an annual increase in facilities costs.

USU general and administrative expense increased by \$0.1 million year-over-year and was 37% and 36% of USU revenue for 9M Fiscal 2024 and 9M Fiscal 2023, respectively.

Corporate general and administrative expense was \$8.0 million and \$11.6 million in 9M Fiscal 2024 and 9M Fiscal 2023, respectively. The decrease was primarily due to lower professional and consulting fees and planned corporate cost control which resulted in lower compensation expense. Lower compensation expense in 9M Fiscal 2023 includes the reversal of stock-based compensation expense for the following: (i) \$0.2 million related to a performance award for which the Company assessed the performance condition will not be met, (ii) \$0.2 million related to a grant forfeited by the resignation of the Chief Operating Officer on May 15, 2023 and (iii) \$0.1 million related to a grant forfeited by the resignation of the Chief Nursing Officer, on July 15, 2022. Additionally, general and administrative expense in 9M Fiscal 2023 includes \$0.1 million of severance expense related to the resignation of the Chief Nursing Officer.

#### Bad debt expense

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2024	\$ Change	% Change	2023	2024	\$ Change	% Change	2023
Bad debt expense	\$ 450,000	\$ —	—%	\$ 450,000	\$1,350,000	\$100,000	8%	\$1,250,000

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

At AU and USU, \$0.2 million and less than \$0.1 million, respectively, of student accounts receivable were written off against the accounts receivable allowance during Q3 Fiscal 2024.

At AU and USU, \$0.6 million and less than \$0.1 million, respectively, of student accounts receivable were written off against the accounts receivable allowance during 9M Fiscal 2024.

#### Depreciation and amortization

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2024	\$ Change	% Change	2023	2024	\$ Change	% Change	2023
Depreciation and amortization	\$ 916,124	\$ (3,028)	—%	\$ 919,152	\$2,829,426	\$ 54,096	2%	\$2,775,330

#### Interest expense

	Three Months Ended January 31,				Nine Months Ended January 31,			
	2024	\$ Change	% Change	2023	2024	\$ Change	% Change	2023
Interest expense	\$1,992,185	\$1,275,340	178%	\$ 716,845	\$3,969,386	\$1,960,876	98%	\$ 2,008,510

Interest expense increased due principally to the interest on the proceeds of the \$12.4 million 15% Senior Secured Debentures, which closed on May 12, 2023; an increase in interest rate of the 2022 Convertible Notes from 12% per annum to 14% on May 12, 2023 as consideration to the Lenders who agreed to subordinate their security interests therein to the security interests granted to the holders of the 15% Debentures and issuance of the 15% Debentures put warrants in connection with the Second

Amendment; partially offset by an interest expense decrease related to the repayment of the \$5 million Credit Facility with the proceeds from the 15% Debentures in May 2023.

### Other (expense) income, net

	Three Months Ended January 31,			2023	Nine Months Ended January 31,			2023
	2024	\$ Change	% Change		2024	\$ Change	% Change	
Other (expense) income, net	\$(90,960)	\$ (103,807)	NM	\$ 12,847	\$(76,708)	\$(104,846)	NM	\$28,138

NM – Not meaningful

Other expense, net in Q3 Fiscal 2024 includes a \$93,449 change in fair value adjustment of the 15% Debentures related put warrants.

### Income tax expense

	Three Months Ended January 31,			2023	Nine Months Ended January 31,			2023
	2024	\$ Change	% Change		2024	\$ Change	% Change	
Income tax expense	\$ 28,531	\$ (8,718)	(23)%	\$ 37,249	\$152,778	\$ 38,707	34%	\$114,071

The Company determined that it has a permanent establishment in Canada, as defined by article V(2)(c) of the Convention between Canada and the United States of America with Respect to Taxes on Income and on Capital (the “Treaty”), which would be subject to Canadian taxation as levied under the Income Tax Act. The Company filed Canadian T2 Corporation Income Tax Returns and related information returns under the Voluntary Disclosure Program with the Canada Revenue Agency (“CRA”) to cover the 2013 through 2023 tax years during which a permanent establishment was in place. The Company will also file an annual Canadian T2 Corporation Income Tax return to report the ongoing activity of the permanent establishment for 2024, the final year that permanent establishment is in place.

Income tax expense in Q3 Fiscal 2024 and Q3 Fiscal 2023 includes a reserve of \$25,000 and \$25,000, respectively, related to the estimated Fiscal Years 2024 and 2023 Canada foreign income tax year liability, respectively; and estimated quarterly domestic tax payments. These reserves are included in “Accrued expenses” in the consolidated balance sheets.

Income tax expense in 9M Fiscal 2024 and 9M Fiscal 2023 includes a reserve of \$63,000 and \$75,000, respectively, related to the estimated Fiscal Years 2024 and 2023 Canada foreign income tax year liability, respectively; and estimated quarterly domestic tax payments. These reserves are included in “Accrued expenses” in the consolidated balance sheets.

In 9M Fiscal 2024, the Company paid approximately \$50,000 for the 2022 Delaware Annual Franchise Tax Report.

In March 2024, the Company paid approximately \$85,000 for the 2023 Delaware Annual Franchise Tax Report.

### Non-GAAP Financial Measures

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

Our management uses and relies on EBITDA, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Gross Profit, which are non-GAAP financial measures. We believe that management, analysts and shareholders benefit from referring to the following non-GAAP financial measures to evaluate and assess our core operating results from period-to-period after removing the impact of items that affect comparability. Our management recognizes that the non-GAAP financial measures have inherent limitations because of the excluded items described below.

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

### EBITDA and Adjusted EBITDA

AGI defines Adjusted EBITDA as EBITDA excluding: (1) bad debt expense; (2) stock-based compensation; (3) severance; and (4) non-recurring charges. The following table presents a reconciliation of net loss to EBITDA and Adjusted EBITDA and of net loss margin to Adjusted EBITDA Margin.

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2024	2023	2024	2023
Net loss	\$ (3,880,437)	\$ (1,555,040)	\$ (6,131,688)	\$ (7,563,651)
Interest expense, net	1,992,185	714,801	3,969,365	2,004,086
Taxes	28,531	37,249	152,778	114,071
Depreciation and amortization	916,124	919,152	2,829,426	2,775,330
EBITDA	(943,597)	116,162	819,881	(2,670,164)
Bad debt expense	450,000	450,000	1,350,000	1,250,000
Stock-based compensation	222,076	394,510	527,657	899,176
Severance	—	—	—	125,000
Non-recurring charges - Other	449,963	—	449,963	717,299
Adjusted EBITDA	\$ 178,442	\$ 960,672	\$ 3,147,501	\$ 321,311
Net loss Margin	(32)%	(10)%	(15)%	(15)%
Adjusted EBITDA Margin	1%	6%	8%	1%

In Q3 Fiscal 2024, the decrease in Adjusted EBITDA was due to lower revenue at AU related to the enrollment stoppage for the pre-licensure program and decreased AU online enrollments related to a maintenance marketing spend level, partially offset by an associated reduction in instructional costs and services and a decrease in general and administrative costs attributed to planned cost control and lower professional fees.

In 9M Fiscal 2024, the increase in Adjusted EBITDA was attributable to the savings from the restructuring plan, which includes reducing marketing spend to maintenance levels, a reduction in general and administrative costs associated with planned cost control and a reduction in headcount and a reduction of instructional costs and services related to the enrollment stoppage for the pre-licensure program, partially offset by lower revenue at AU related to the enrollment stoppage for the pre-licensure program and decreased AU online enrollments related to decreased marketing spend.

In 9M Fiscal 2024, non-recurring charges - Other of \$449,963 includes non-recurring professional fees and legal settlement costs.

In 9M Fiscal 2023, non-recurring charges - Severance of \$125,000 relates to the resignation of the Chief Nursing Officer, effective July 15, 2022. Non-recurring charges - Other of \$717,299 includes non-recurring professional fees and consulting costs.

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

	Three Months Ended January 31, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	\$ (3,880,437)	\$ (4,787,637)	\$ (380,174)	\$ 1,287,374
Interest expense, net	1,992,185	1,992,185	—	—
Taxes	28,531	1,008	18,522	9,001
Depreciation and amortization	916,124	79,218	695,403	141,503
EBITDA	(943,597)	(2,715,226)	333,751	1,437,878
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	222,076	207,149	13,039	1,888
Non-recurring charges - Other	449,963	93,449	356,514	—
Adjusted EBITDA	\$ 178,442	\$ (2,414,628)	\$ 928,304	\$ 1,664,766
Net income (loss) Margin	(32)%	NM	(6)%	22 %
Adjusted EBITDA Margin	1 %	NM	15 %	28 %

	Three Months Ended January 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	\$ (1,555,040)	\$ (4,836,956)	\$ 1,536,456	\$ 1,745,460
Interest expense, net	714,801	716,824	(945)	(1,078)
Taxes	37,249	4,058	22,858	10,333
Depreciation and amortization	919,152	64,874	739,563	114,715
EBITDA	116,162	(4,051,200)	2,297,932	1,869,430
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	394,510	352,207	32,389	9,914
Adjusted EBITDA	\$ 960,672	\$ (3,698,993)	\$ 2,555,321	\$ 2,104,344
Net income (loss) Margin	(10)%	NM	16 %	29 %
Adjusted EBITDA Margin	6 %	NM	27 %	35 %

	Nine Months Ended January 31, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	\$ (6,131,688)	\$ (12,401,059)	\$ 847,909	\$ 5,421,462
Interest expense, net	3,969,365	3,969,386	(6)	(15)
Taxes	152,778	63,771	56,548	32,459
Depreciation and amortization	2,829,426	232,982	2,195,504	400,940
EBITDA	819,881	(8,134,920)	3,099,955	5,854,846
Bad debt expense	1,350,000	—	675,000	675,000
Stock-based compensation	527,657	447,160	67,669	12,828
Non-recurring charges - Other	449,963	93,449	356,514	—
Adjusted EBITDA	\$ 3,147,501	\$ (7,594,311)	\$ 4,199,138	\$ 6,542,674
Net income (loss) Margin	(15)%	NM	4 %	28 %
Adjusted EBITDA Margin	8 %	NM	20 %	34 %



	Nine Months Ended January 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	\$ (7,563,651)	\$ (14,885,752)	\$ 2,394,912	\$ 4,927,189
Interest expense, net	2,004,086	2,008,340	(2,762)	(1,492)
Taxes	114,071	18,008	65,355	30,708
Depreciation and amortization	2,775,330	203,176	2,242,077	330,077
EBITDA	(2,670,164)	(12,656,228)	4,699,582	5,286,482
Bad debt expense	1,250,000	—	675,000	575,000
Stock-based compensation	899,176	731,268	121,651	46,257
Severance	125,000	125,000	—	—
Non-recurring charges - Other	717,299	717,299	—	—
Adjusted EBITDA	<u>\$ 321,311</u>	<u>\$ (11,082,661)</u>	<u>\$ 5,496,233</u>	<u>\$ 5,907,739</u>
Net income (loss) Margin	(15)%	NM	8 %	25 %
Adjusted EBITDA Margin	1 %	NM	17 %	30 %

In Q3 Fiscal 2024, the Adjusted EBITDA Margin declined due primarily to lower revenue, partially offset by the decrease in marketing spend, decreased instructional costs and planned cost controls.

In 9M Fiscal 2024, the Adjusted EBITDA margin improved due primarily to the decrease in marketing spend, decreased instructional costs and planned cost controls and headcount reductions associated with the restructuring initiatives in Q1 Fiscal 2023 and Q4 Fiscal 2023.

#### Adjusted Gross Profit

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2024	2023	2024	2023
Revenue	\$ 12,057,847	\$ 15,574,042	\$40,526,566	\$51,542,502
Cost of Revenue	3,861,895	5,394,155	12,838,943	21,946,714
Adjusted Gross Profit	8,195,952	10,179,887	27,687,623	29,595,788
Less amortization expense included in cost of revenue:				
Intangible asset amortization	29,144	23,653	87,737	68,022
Call center software/website amortization	454,018	474,605	1,389,985	1,415,448
Total amortization expense included in cost of revenue	483,162	498,258	1,477,722	1,483,470
GAAP Gross Profit	<u>\$ 7,712,790</u>	<u>\$ 9,681,629</u>	<u>\$26,209,901</u>	<u>\$28,112,318</u>
GAAP Gross Profit as a percentage of revenue	64 %	62 %	65%	55%
Adjusted Gross Profit as a percentage of revenue	68 %	65 %	68%	57%

In 9M Fiscal 2024, GAAP Gross profit and gross margin improved primarily due to lower cost of revenue associated with the decrease in marketing spend starting in Q1 Fiscal 2023 and a decrease in instructional costs related to the teach out of the BSN Pre-licensure program; partially offset by lower revenue.

## Liquidity and Capital Resources

### Cash flow information

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

	Nine Months Ended January 31,	
	2024	2023
Net cash (used in) provided by		
Operating activities	\$ (5,530,016)	\$ (4,456,117)
Investing activities	(1,018,014)	(1,681,706)
Financing activities	4,486,979	(251,298)
Net decrease in cash	<u>\$ (2,061,051)</u>	<u>\$ (6,389,121)</u>

### Net Cash Used in Operating Activities

Net cash used in operating activities increased from \$4.5 million in 9M Fiscal 2023 to \$5.5 million in 9M Fiscal 2024. Our net loss for 9M Fiscal 2024 adjusted for non-cash activities improved to cash used of \$0.3 million as compared to a \$1.9 million use of cash in the prior year period. The positive change was primarily the result of \$1.4 million decrease in our net loss. Approximately \$5.3 million of cash used in operations is attributed to decreased working capital which is attributed to increases in short-term and long-term monthly payment plan accounts receivable resulting from strong enrollments in the first half of Fiscal 2024 and an increase in financial aid related receivables in other current assets resulting from the Heightened Cash Monitoring 2 ("HCM2") payment method. Further discussion follows.

The decrease in cash from changes in working capital primarily consists of increases in accounts receivable, other current assets, and deposits and other assets, offset by an increase in accounts payable and accrued expenses and other current liabilities. Accounts receivable increased due to strong enrollments in our post licensure programs in the first half of Fiscal 2024 and new students taking advantage of our MPP. The increase in other current assets is primarily due to the placement of AU on the HCM2 method of financial aid reimbursement by the Department of Education ("DOE") under Title IV Programs. This reimbursement method results in a delay in receiving funds until after a Reimbursement Payment Request is submitted to the DOE, resulting is a receivable from the DOE. The increase in deposits and other assets is due primarily to the reclass of security deposits for campus locations from "Restricted cash" to "Deposits and other assets." Other current liabilities increased primarily due to higher financed insurance cost in Fiscal 2024 compared to Fiscal 2023. The increase in accounts payable and accrued expenses is due to close cash management as Aspen University is under the HCM2 payment method described above.

The increase in non-cash adjustments consists of increases in amortization of debt issuance costs related to the warrants issued in connection with the second amendment of the 15% Senior Secured Debentures, entered into on October 31, 2023, and amortization of original issue discount related to the 15% Senior Secured Debentures, which closed on May 12, 2023, offset by the elimination of tenant improvement allowances in 9M Fiscal 2024 compared to 9M Fiscal 2023, which had the commencement of the Atlanta campus with a tenant improvement allowance and lower stock-based compensation expense in 9M Fiscal 2024. The decrease in stock-based compensation expense is due to reversal of \$0.2 million of amortization expense related to the resignation of the COO, on May 15, 2023 and RSU forfeitures related to decreased headcount.

The Company expects working capital to trend higher during Fiscal 2025 as more students enroll in the monthly payment plan due to increased marketing spend. Additionally, there may be working capital volatility from quarter to quarter, regarding the timing of financial aid payments relating to HCM2 and the timing and size of student course starts that impact advances on tuition and deferred tuition and accounts receivable balances.

### Net Cash Used in Investing Activities

Net cash used in investing activities in 9M Fiscal 2024 decreased from 9M Fiscal 2023 primarily due to lower capital expenditures associated with the opening of pre-licensure locations including tenant improvements.

### Net Cash Provided By (Used In) Financing Activities

Net cash provided by financing activities in 9M Fiscal 2024 relates to proceeds from the 15% Senior Secured Debentures, net of original issuance discount, of \$11.0 million, offset by partial principal repayment on the 15% Senior Secured Debentures of

\$1.0 million, \$0.7 million of debt issuance costs related to these proceeds and repayment of the outstanding borrowings under the \$5 million Credit Facility.

## **Liquidity and Capital Resources**

The Company's cash balance is kept liquid and concentrated in a large financial institution.

## **Financing Arrangements**

### **15% Senior Secured Debentures**

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

The investors also received warrants to purchase 2.2 million shares of common stock, representing 6% of the outstanding common stock at closing, at an exercise price of \$0.01 per share. These warrants have a three-year term and contain anti-dilution protection.

The Company may prepay the Debentures any time after May 12, 2024 at 105%. The Debentures accrue interest at a rate of 15% per annum, payable monthly, subject to increase to 20% upon the occurrence of an event of default. The 15% Debentures contain covenants that require the Company to maintain \$2.0 million of restricted cash, maintain at least \$20.0 million of accounts receivable at all times, and maintain enumerated quarterly revenue and quarterly Adjusted EBITDA amounts, which is defined as EBITDA excluding: (1) stock-based compensation; and (2) non-recurring charges or gains.

#### *First Amendment*

On August 1, 2023, the Company entered into an amendment with the purchasers pursuant to the 15% Debentures to unrestrict \$750,000 of the \$2.0 million restricted cash, required to be maintained as part of the covenants, until the earlier of August 22, 2023 or next HCM2 funding. On August 9, 2023, the Company replenished the restricted cash balance to \$2 million and paid \$100,000 of principal along with a \$5,000 fee.

#### *Second Amendment*

On October 31, 2023, the Company entered into a Second Amendment with the purchasers pursuant to the 15% Debentures to unrestrict \$1.5 million of the \$2.0 million restricted cash. Upon receipt of \$1.5 million of payments under the expected fifth HCM2 reimbursement payment, the Company was required to prepay \$1.5 million of the outstanding principal of the 15% Debentures ("Mandatory Prepayment"). Additionally, the Company must pay a prepayment premium as follows: (i) an amount equal to \$150,000 if such prepayment is received by the holder on or prior to November 30, 2023, (ii) an amount equal to \$200,000 if such prepayment is received by the holder on or prior to December 30, 2023, and (iii) an amount equal to \$250,000 if such prepayment is received by the holder on or prior to January 31, 2024. On February 8, 2024, the Company received the fifth HCM2 reimbursement payment, and immediately prepaid the \$1.5 million of the outstanding principal along with the prepayment premium of \$250,000. Monthly redemptions under the 15% Debentures beginning in November 2023 are reduced by 10% following the Mandatory Prepayment.

As part of the Second Amendment to the 15% Debentures, entered into on October 31, 2023, which is discussed in Note 6. Debt, the Company also issued warrants to purchase Common Stock at an exercise price of \$0.01 based on the outstanding principal balances of the Debentures, which are the same term as the warrants issued in May 2023 with the 15% Debenture Agreement (collectively, the "New Warrants"):

- (i) on the effective date of the Second Amendment, New Warrants to purchase 403,545 shares of Common Stock, which is equal to 1% of the Company's outstanding shares on a fully diluted basis;

(ii) if the Mandatory Prepayment of \$1.5 million has not been made by December 30, 2023, on such date, New Warrants to purchase a number of shares of Common Stock equal to 3% of the Company's issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of \$1.5 million had not been made by December 30, 2023, the Company issued an additional 1,210,634 warrants; and

(iii) if the Mandatory Prepayment of \$1.5 million has not been made by January 31, 2024, on such date and every 30 days thereafter until such mandatory prepayment has been made, New Warrants to purchase a number of shares of Common Stock equal to 5% of the Company's issued and outstanding on a fully diluted basis. Since the Mandatory Prepayment of \$1.5 million had not been made by January 31, 2024, but rather on February 8, 2024, the Company issued an additional 2,017,724 warrants.

The Second Amendment also provides that upon the first to occur of the (i) the 15% Debenture Maturity Date, (ii) after the occurrence and during the continuance of an event of default, and (iii) the repayment in full of the 15% Debentures, the Company shall, upon the written request, repurchase the warrants issued in May 2023 and the New Warrants for a purchase price of \$100,000 in cash per one percentage point of ownership of the Company's issued and outstanding common stock on a fully diluted basis as of the date of the Second Amendment (subject to adjustment for stock splits, stock dividends, stock combinations, reverse stock splits, recapitalizations and similar transactions) underlying such warrants issued in May 2023 and New Warrants (the "put warrants"). At January 31, 2024, the fair value of these put warrants was \$1,569,085, which is included in "Put warrants liabilities" in the accompanying consolidated balance sheet.

#### *Third Amendment*

On April 16, 2024, the Company entered into a Third Amendment with the holders of its outstanding 15% Debentures to:

(i) utilize the remaining \$500,000 of restricted cash related to the 15% Debentures to prepay outstanding principal by April 19, 2024. On April 18, 2024 the \$500,000 of restricted cash related to the 15% Debentures was used to prepay the Debentures. The outstanding principal balance of the 15% Debentures was reduced to \$9,060,770 with the Company making an April 30, 2024 principal payment;

(ii) pay an exit fee of \$250,000 on or prior to the earlier of the maturity date and repayment in full of the outstanding balance of the 15% Debentures;

(iii) reduce the monthly principal payments due to \$50,000 for the calendar months of March, April, May, June, July, and August 2024. If the Company enters into a binding agreement providing for the sale of the Company for minimum sale proceeds of \$40 million, the monthly principal payments of \$50,000 will be continued for the months of September, October, and November 2024;

(iv) reduce the required minimum Revenue and Adjust EBITDA covenants; and

(v) include a voluntary \$0.50 conversion feature to common stock of AGI.

#### *Fourth Amendment*

On April 29, 2024, the Company entered into a Fourth Amendment with the holders of its outstanding 15% Debentures. See Item 3. Interim Financial Statements - Note 7. Stockholders' Equity and Note 13. Subsequent Events for details which involved legal matters from the issuance of the Company's new series of preferred stock as Series A Convertible Preferred Stock ("Series A").

#### **2022 Convertible Notes**

For information on the terms of our 2022 Convertible Notes that were exchanged for our Series A Convertible Preferred Stock on April 29, 2022, see Item 3. Interim Financial Statements - Note 6. Debt.

#### **Preferred Stock**

On April 29, 2024, the Company exchanged its outstanding 2022 Convertible Notes for the Series A. See Item 3. Interim Financial Statements - Note 7. Stockholders' Equity.

#### **Credit Facility**

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

On May 12, 2023, the \$5 million of outstanding borrowings under the facility were repaid with proceeds from the 15% Debentures.

### **Sufficiency of Working Capital**

On February 8, 2023, Aspen University received notification from the DOE that effective February 7, 2023 the DOE had placed Aspen University on HCM2. Under the HCM2 method of payment, Aspen University may continue to obligate funds under the federal student financial assistance programs. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. The transition to the HCM2 payment method created variability in our unrestricted cash balance during Fiscal 2024 because receipt of the first payment under the program was delayed due to extended DOE review time. As of April 2024, we received six reimbursement payments under the HCM2 program. Additionally, now that Aspen University has received six payments under HCM2, DOE review times have decreased. We believe shorter review times combined with our ability to submit for financial aid reimbursement under HCM2 once every 30 days will result in less unrestricted cash variability.

As of April 26, 2024, the Company had \$2.2 million of unrestricted cash on hand. Cost reductions associated with the restructuring plans and other corporate cost reductions were implemented to ensure we will have sufficient cash to meet our working capital needs for the next 12 months. The Company anticipates a seventh HCM2 payment before the end of Q1 Fiscal 2025 of approximately \$1.3 million.

### **Capital and other expenditures**

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

### **Cautionary Note Regarding Forward Looking Statements.**

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our ability to resolve the current ongoing regulatory matters including re-accreditation by DEAC and the grant of certification to Aspen University by and results of the ongoing Program Review from the DOE, the results anticipated from bookings and ARPU, fiscal 2025 marketing spend and its increasing enrollments and creating positive operating cash flow and higher working capital.

All statements other than statements of historical facts contained in this report, including statements regarding our future financial position, liquidity, business strategy and plans and objectives of management for future operations, are forward-looking statements. The words “believe,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “could,” “target,” “potential,” “is likely,” “will,” “expect” and similar expressions, as they relate to us, are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs.

The results anticipated by any or all of these forward-looking statements might not occur. Important factors, uncertainties and risks that may cause actual results to differ materially from these forward-looking statements include, without limitation, the effectiveness of our limited new marketing campaign, our ability to enroll new students and generate revenue, , our ability to meet our payment obligations under our indebtedness, our ability to get shareholder approval for the Share Increase, the continued demand of nursing students for our programs, our ability to successfully resolve the regulatory matters involving agencies in Arizona and elsewhere, our ability to maintain and grow enrollments in our active programs with increased marketing, student attrition, national and local economic factors including a possible recession and increasing unemployment, uncertainties arising from high inflation, Federal Reserve interest rate increases, , and the geopolitical conflicts in Israel and Ukraine including its effect on the U.S. economy, the competitive impact from the trend of major non-profit universities using online education and consolidation among our competitors, and the myriad of risks which may affect our ability to maintain our operations, advance our business plan, manage our costs, grow our revenue, and repay our obligations as and when they come due.

### **Item 5. Legal proceedings.**

For information regarding certain legal proceedings, see Item 3. Interim Financial Statements - Note 11. Commitments and Contingencies.

**Item 6. Defaults upon senior securities.**

None.

**Item 7. Other information.**

None.

**Item 8. Exhibits.**

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

**Item 9. Certifications.**

I, Michael Mathews, certify that:

1. I have reviewed this quarterly disclosure statement of Aspen Group, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 2, 2024

/s/ Michael Mathews  
Chief Executive Officer

I, Matt LaVay, certify that:

1. I have reviewed this quarterly disclosure statement of Aspen Group, Inc.;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: May 2, 2024

/s/ Matt LaVay  
Chief Financial Officer