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ASPEN GROUP, INC.

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

SIC Code: 8200

Quarterly Report

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

The number of shares outstanding of our Common Stock is 27,665,439 as of December 13, 2024

The number of shares outstanding of our Common Stock was 25,701,603 as of April 30, 2024

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[1] of the company has occurred over this reporting period:

Yes: ☐ **No: ☑**

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

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

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

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

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

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

Exact name of issuer: Aspen Group, Inc.

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

Principal business offices: 4605 Elwood Street, Suites 300 and 400
Phoenix, AZ 85040

Investor relations contact: Kim Rogers
Hayden IR
(385) 831-7337
kim@haydenir.com
7320 E. Butherus Dr.
Scottsdale, AZ 85260

Item 2. Shares outstanding.

Period End Date: October 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	85,000,000	26,959,681	12,785,418	107	111
Preferred Stock	1,000,000	10,000	—	2	2

Period End Date: July 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	85,000,000	25,932,255	12,785,418	101	105
Preferred Stock	1,000,000	10,000	—	2	2

Period End Date: April 30, 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	85,000,000	25,701,603	12,785,418	99	103
Preferred Stock	1,000,000	10,000	—	2	2

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

	October 31, 2024	April 30, 2024
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	$ 827,780	$ 1,531,425
Restricted cash	338,002	1,088,002
Accounts receivable, net of allowance of $5,436,207 and $4,560,378, respectively	18,463,099	19,686,527
Prepaid expenses	674,081	502,751
Other current assets	986,357	1,785,621
Total current assets	21,289,319	24,594,326
Property and equipment:		
Computer equipment and hardware	888,566	886,152
Furniture and fixtures	1,974,271	1,974,271
Leasehold improvements	4,594,239	6,553,314
Instructional equipment	529,299	529,299
Software	9,347,651	8,784,996
	17,334,026	18,728,032
Less: accumulated depreciation and amortization	(10,348,986)	(9,542,520)
Total property and equipment, net	6,985,040	9,185,512
Goodwill	5,011,432	5,011,432
Intangible assets, net	7,900,000	7,900,000
Courseware and accreditation, net	333,120	363,975
Long-term contractual accounts receivable	18,619,202	17,533,030
Operating lease right-of-use assets, net	5,512,553	10,639,838
Deposits and other assets	693,193	718,888
Total assets	$ 66,343,859	$ 75,947,001

(Continued)

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

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

	October 31, 2024	April 30, 2024
	(Unaudited)	
Liabilities and Stockholders' Equity		
Liabilities:		
Current liabilities:		
Accounts payable	$ 1,238,506	$ 2,311,360
Accrued expenses	3,311,273	2,880,478
Advances on tuition	2,166,683	2,030,501
Deferred tuition	3,780,213	4,881,546
Due to students	2,293,614	2,558,492
Current portion of long-term debt	2,000,000	2,284,264
Operating lease obligations, current portion	2,498,289	2,608,534
Other current liabilities	511,449	86,495
Total current liabilities	17,800,027	19,641,670
Long-term debt, net	6,184,328	6,776,506
Operating lease obligations, less current portion	13,760,114	14,999,687
Put warrants liabilities	58,461	1,964,593
Other long-term liabilities	287,930	287,930
Total liabilities	38,090,860	43,670,386
Commitments and contingencies – see Note 11		
Stockholders' equity:		
Preferred stock, $0.001 par value; 1,000,000 shares authorized,		
10,000 issued and 10,000 outstanding at October 31, 2024 and April 30, 2024	10	10
Common stock, $0.001 par value; 85,000 shares authorized,		
26,959,681 issued and 26,959,681 outstanding at October 31, 2024		
25,701,603 issued and 25,701,603 outstanding at April 30, 2024	26,960	25,702
Additional paid-in capital	122,170,403	121,921,048
Accumulated deficit	(93,944,374)	(89,670,145)
Total stockholders' equity	28,252,999	32,276,615
Total liabilities and stockholders' equity	$ 66,343,859	$ 75,947,001

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

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	$ 11,459,779	$ 13,828,847	$ 22,788,616	$ 28,468,719
Operating expenses:				
Cost of revenue (exclusive of depreciation and amortization shown separately below)	2,885,895	4,584,193	6,233,120	8,977,048
General and administrative	7,237,555	8,371,546	14,564,889	16,842,424
Impairments of right-of-use assets and tenant leasehold improvements	4,937,154	—	4,937,154	—
Bad debt expense	450,000	450,000	900,000	900,000
Depreciation and amortization	794,895	950,090	1,614,899	1,913,302
Total operating expenses	16,305,499	14,355,829	28,250,062	28,632,774
Operating loss	(4,845,720)	(526,982)	(5,461,446)	(164,055)
Other income (expense):				
Interest expense	(342,490)	(1,040,720)	(689,660)	(1,977,201)
Change in fair value of put warrant liability	1,085,145	—	1,906,132	—
Other income (expense), net	2,925	(4,035)	16,762	14,252
Total other income (expense), net	745,580	(1,044,755)	1,233,234	(1,962,949)
Loss before income taxes	(4,100,140)	(1,571,737)	(4,228,212)	(2,127,004)
Income tax expense	46,225	40,076	46,017	124,247
Net loss	(4,146,365)	(1,611,813)	(4,274,229)	(2,251,251)
Dividends attributable to preferred stock	(7,057)	—	(148,209)	—
Net loss available to common stockholders	$ (4,153,422)	$ (1,611,813)	$ (4,422,438)	$ (2,251,251)
Net loss per share - basic and diluted available to common stockholders	$ (0.16)	$ (0.06)	$ (0.17)	$ (0.09)
Weighted average number of common stock outstanding - basic and diluted	26,692,457	25,548,046	26,308,766	25,557,646

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)

	Six Months Ended October 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Cash flows from operating activities:		
Net loss	$ (4,274,229)	$ (2,251,251)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Bad debt expense	900,000	900,000
Depreciation and amortization	1,614,899	1,913,302
Stock-based compensation	190,836	305,581
Change in fair value of put warrant liability	(1,906,132)	—
Amortization of warrant-based cost	7,000	14,000
Amortization of debt issuance costs	—	156,020
Amortization of debt discounts	—	193,020
Non-cash lease benefit	107,696	(399,201)
Impairments of right-of-use assets and tenant leasehold improvements	4,937,154	—
Changes in operating assets and liabilities:		
Accounts receivable	(762,744)	(5,763,185)
Prepaid expenses	(171,330)	(19,140)
Other current assets	799,264	(1,852,817)
Deposits and other assets	25,695	(384,030)
Accounts payable	(1,072,854)	665,283
Accrued expenses	430,795	565,915
Due to students	(264,878)	(89,095)
Advances on tuition and deferred tuition	(965,151)	1,272,532
Other current liabilities	424,954	578,940
Net cash provided by (used in) operating activities	**20,975**	**(4,194,126)**
Cash flows from investing activities:		
Purchases of courseware and accreditation	(33,110)	(120,863)
Purchases of property and equipment	(565,068)	(558,565)
Net cash used in investing activities	**(598,178)**	**(679,428)**
Cash flows from financing activities:		
Repayment of portion of 15% Senior Secured Debentures	(721,066)	(100,000)
Proceeds from 15% Senior Secured Debentures, net of original issuance discount and fees	—	10,451,080
Repayment of 2018 Credit Facility	—	(5,000,000)
Payments of debt issuance costs	(155,376)	(195,661)
Net cash (used in) provided by financing activities	**(876,442)**	**5,155,419**

(Continued)

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

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

	Six Months Ended October 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Net (decrease) increase in cash, cash equivalents and restricted cash	**$ (1,453,645)**	**$ 281,865**
Cash, cash equivalents and restricted cash at beginning of period	**2,619,427**	**5,724,467**
Cash, cash equivalents and restricted cash at end of period	**$ 1,165,782**	**$ 6,006,332**
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 689,660	$ 1,639,701
Cash paid for income taxes	$ 46,017	$ 24,525
Supplemental disclosure of non-cash investing and financing activities:		
Accrued dividends	$ 148,209	$ —
Relative fair value of warrants issued as part of the 15% Senior Secured Debentures	$ —	154,000

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

	October 31,	
	2024	**2023**
	(Unaudited)	(Unaudited)
Cash and cash equivalents	$ 827,780	$ 1,906,332
Restricted cash	338,002	4,100,000
Total cash, cash equivalents and restricted cash	$ 1,165,782	$ 6,006,332

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

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

Note 1. Nature of Operations

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. and its subsidiaries, 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.

Note 2. Significant Accounting Policies

Basis of Presentation and Consolidation

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 six months ended October 31, 2024 and 2023, cash flows for the three and six months ended October 31, 2024 and 2023, and the consolidated financial position as of October 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, 2024 as filed with the OTC Markets Group Inc. ("OTC") on November 22, 2024. The April 30, 2024 consolidated balance sheet is derived from those statements.

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

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

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, 2024 as filed with the OTC on November 22, 2024.

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 credit losses, 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 the put warrant liability, 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.

	October 31, 2024	April 30, 2024
Cash and cash equivalents	$ 827,780	$ 1,531,425
Restricted cash:		
Collateral for surety bond at AU	250,000	1,000,000
Letter of credit for Title IV with DOE at AU	88,002	88,002
Total restricted cash	338,002	1,088,002
Total cash, cash equivalents and restricted cash as shown on the statement of cash flows	$ 1,165,782	$ 2,619,427

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 October 31, 2024. As of October 31, 2024 and April 30, 2024, the Company maintained deposits exceeding federally insured limits by approximately $183,274 and $1,192,501, respectively, held in one institution.

Fair Value Measurements and Fair Value of Financial Instruments

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. The Company classifies assets and liabilities recorded at fair value under the fair value hierarchy based upon the observability of inputs used in valuation techniques. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed market assumptions. The fair value measurements are classified under the following hierarchy:

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

Level 1—Observable inputs that reflect quoted market prices (unadjusted) for identical assets and liabilities in active markets;
Level 2—Observable inputs, other than quoted market prices, that are either directly or indirectly observable in the marketplace for identical or similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities; and
Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of assets or liabilities.

The estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments and long-term accounts receivable approximate fair value since there is not a significant finance component (see below). Additionally, at each reporting period, accounts receivable is adjusted for the fair value impact of one-time 25% discount programs offered to students, as discussed in Note 3. Accounts Receivable. The estimated adjustment is based on the 25% discount applied to the historical student participation rate in the offer, and it results in a reduction of reported accounts receivable balance in the consolidated balance sheet and a related reduction of revenue in the consolidated statement of operations.

The Company's non-financial assets, such as goodwill, intangible assets, ROU assets, and property and equipment, are adjusted to fair value only when an impairment is recognized. Such fair value measurements are based predominantly on Level 3 inputs**.**

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The table below summarize the fair values of the Company's financial assets and liabilities as of October 31, 2024 that are not valued at historical cost:

	October 31, 2024			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value Measurements**
Warrant Liability	$ —	$ —	$ 58,461	$ 58,461

For the Company's warrant liabilities measure at fair value on a recurring basis using significant unobservable inputs (Level 3), the following table provides a reconciliation of the beginning and ending balance for each category therein, and gains or losses recognized during the year ended October 31, 2024:

Beginning balance, April 30, 2024	$ 1,964,593
Re-measurement adjustments:	
Change in fair value of put warrant liability	(1,906,132)
Ending balance, October 31, 2024	$ 58,461

Significant unobservable inputs used in the fair value measurements of the Company's derivative liabilities designated as Level 3 are as follows:

	October 31, 2024
Fair value	$ 58,461
Valuation technique	Black Scholes Model*
Significant unobservable input	Time to maturity and volatility

*The Black Scholes Model inputs include the minimum payment per 1% of equity, $100,000; risk-free rate, 4.12%; volatility, 855.19%; remaining warrants term (weighted) (years), 3.53; the Company's stock price as of October 31, 2024, $0.01; and exercise price, $0.01.

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

Revenue Recognition, Advances on Tuition and Deferred Tuition

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

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

Deferred tuition liability represents student billings in excess of revenues recognized for courses that started as of the balance sheet date for which the related accounts receivable have not yet been collected.

Advances on tuition liability represents student billings in excess of revenues recognized for courses that started as of the balance sheet date for which the related accounts receivable have already been collected.

The Company's disaggregated revenue disclosures are presented in Note 8. Revenue.

Net Loss Per Share

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

	October 31, 2024	April 30, 2024
Options to purchase common shares	56,000	87,433
Warrants to purchase common shares	7,417,479	6,121,018
Unvested restricted stock	1,547,705	1,869,888
Convertible 15% Debentures	16,368,656	18,121,540

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 Pronouncements Not Yet Adopted

ASU No. 2023-09—Income Taxes (Topic 740)—Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU No. 2023-09, which establishes required categories and a quantitative threshold to the annual tabular rate reconciliation disclosure and disaggregated jurisdictional disclosures of income taxes paid. The guidance's annual requirements are effective for the Company beginning with the December 31, 2025 reporting period. Early adoption is permitted and prospective disclosure should be applied. However, retrospective disclosure is permitted. The Company is currently assessing ASU No. 2023-09 and its impact on its income tax disclosures; ASU No. 2023-09 does not impact the Company's results of operations, financial condition or cash flows. The Company does not plan to early adopt ASU No. 2023-09.

ASU No. 2024-03—Income Statement-Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)—Disaggregation of Income Statement Expenses

In November 2024, the FASB issued ASU No. 2024-03, which is intended to provide users of financial statements with more decision-useful information about expenses of a public business entity, primarily through enhanced disclosures of certain components of expenses commonly presented within captions on the statement of operations, such as purchases of inventory, employee compensation, depreciation and amortization, as well as a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively. ASU No. 2024-03 also requires disclosure of the total amount of selling expenses and, in annual reporting periods, the definition of selling expenses. ASU No. 2024-03 is effective for fiscal years beginning after December 15, 2026 and for interim periods beginning after December 15, 2027. Early adoption is permitted and may be applied either prospectively or retrospectively. The Company is currently assessing ASU No. 2024-03 and its impact on its disclosures; ASU No. 2024-03 does not impact the Company's results of operations, financial condition or cash flows.

Note 3. Accounts Receivable

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

	October 31, 2024	April 30, 2024
Total accounts receivable, gross	$ 42,518,508	$ 41,779,935
Long-term contractual accounts receivable	(18,619,202)	(17,533,030)
Accounts receivable, gross	23,899,306	24,246,905
Less: allowance for doubtful accounts	(5,436,207)	(4,560,378)
Accounts receivable, net	$ 18,463,099	$ 19,686,527

During the six months ended October 31, 2024 ("1H Fiscal 2025") and Fiscal Year 2024, 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 amount collected under the program is summarized in the table below:

	For the period ended	
	October 31, 2024	April 30, 2024
	Program ended on October 31, 2024	Program ended on April 19, 2024
Aspen University	$1.0 million	$1.3 million
United States University	$1.4 million	$2.3 million
Total cash collected under the program	$2.4 million	$3.6 million

In 1H Fiscal 2025 and Fiscal Year 2024, $0.7 million and $1.4 million, respectively, of consolidated accounts receivable was written off under the program and was recorded as a reduction of revenue in the accompanying consolidated statement of operations.

Bad debt expense for each of the three months ended October 31, 2024 and 2023, was $450,000. Bad debt expense for each of the six months ended October 31, 2024 and 2023 was $900,000.

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.

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

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 six months ended October 31, 2024 and 2023.

Software consisted of the following:

	October 31, 2024	April 30, 2024
Software	$ 9,347,651	$ 8,784,996
Accumulated amortization	(5,792,813)	(4,933,312)
Software, net	$ 3,554,838	$ 3,851,684

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Depreciation and amortization expense:				
Property and equipment, excluding software	$ 337,757	$ 462,443	$ 691,703	$ 920,537
Software	$ 422,934	$ 466,579	$ 859,501	$ 941,465

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 six months ended October 31, 2024 and 2023.

Courseware and accreditation consisted of the following:

	October 31, 2024	April 30, 2024
Courseware	$ 853,262	$ 820,152
Accreditation	106,480	106,750
	959,742	926,902
Accumulated amortization	(626,622)	(562,927)
Courseware and accreditation, net	$ 333,120	$ 363,975

Amortization expense for courseware and accreditation is summarized below:

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Courseware and accreditation amortization expense	$ 34,204	$ 25,967	$ 63,695	$ 51,300

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

Note 6. Debt

	October 31, 2024	April 30, 2024
15% Senior Secured Debentures due May 12, 2026 (the "15% Debentures"); interest payable monthly	$ 8,184,328	$ 9,060,770
Total long-term debt	8,184,328	9,060,770
Less: current portion of long-term debt	(2,000,000)	(2,284,264)
Total long-term debt, net	$ 6,184,328	$ 6,776,506

On May 12, 2023, Aspen Group, Inc. completed a private offering of approximately $12.4 million aggregate principal amount of 15% Senior Secured Debentures ("15% Debentures") due May 2026. Of the $12.4 million of principal, approximately $10.5 million was funded with the remainder recorded as debt discount. A portion of the proceeds from the 15% Debentures ($5 million plus accrued interest) were used to fully repay the outstanding borrowings under the 2018 Credit Facility, in addition to paying expenses associated with this offering; the remaining proceeds were 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, discussed below, 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); and the remaining $500,000 was used to prepay the outstanding balance (see Third 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, which were 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. In connection with the Third Amendment discussed below, the Company recorded a loss on debt extinguishment, which consisted of $0.7 million of debt issuance costs, $250,000 exit fee and $1.0 million of original issue discount. The loss is included in "Loss on debt extinguishment" in the consolidated statement of operations in the fourth quarter of fiscal 2024. Therefore, during the three and six months ended October 31, 2024, there was no amortization of debt issuance costs or amortization of original issue discount. During the three and six months ended October 31, 2023, the Company recorded $66,216 and $110,360 of amortization of debt issuance costs and $115,812 and $193,020 of amortization of original issue discount, respectively, which are included in "Interest expense" in the consolidated statement of operations.

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 were subject to monthly redemptions beginning in November 2023 of approximately $290,000 (subsequently amended as discussed in the Sixth Amendment below).

The Company had the option to prepay the 15% Debentures at any time after May 12, 2024 at 105%; but did not make this election.

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 discussed in Note 7 Stockholders' Equity, these warrants were reclassified to liabilities in the third quarter of fiscal 2024. See Note 7. Stockholders' Equity for additional information.

The 15% Debentures contain covenants that required the Company to maintain $2.0 million of restricted cash (subsequently amended as discussed in the Second and Third Amendments below), 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 (subsequently amended as discussed in the Third Amendment below).

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 9. 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

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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 which was accounted for as a debt modification. Upon receipt of the fifth HCM2 reimbursement on February 8, 2024, the Company was required to prepay $1.5 million of the outstanding principal of the 15% Debentures (“Mandatory Prepayment”). Additionally, the Company paid a prepayment premium of $250,000, which is included in loss on debt extinguishment in the accompanying consolidated statements of operations. Monthly redemptions which began in November 2023 were reduced by 10% following the Mandatory Prepayment to approximate $260,000. As part of the Second Amendment, the Company also issued additional warrants to purchase Common Stock. See Note 7. Stockholders' Equity for additional information on the warrants.

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 to prepay outstanding principal on April 18, 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 which was accrued in "Other long-term liabilities" in the accompanying consolidated balance sheets;

(iii) reduce the monthly principal payments to $50,000 for the calendar months of March, April, May, June, July, and August 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.

The above conversion feature of $0.50 triggered price protection in certain prior warrant grants. See Note 7. Stockholders' Equity.

Fourth Amendment

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 Convertible Preferred Stock ("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 (see Note 7. Stockholders' Equity) and carve-out the issuance of the Dividend Shares from triggering any adjustments pursuant to negative covenants in the 15% Debentures;

(iii) clarify that the issuance of the Dividend Shares is an “Exempt Issuance” under the 15% Debentures;

(iv) agree that if the Series A are exchanged for new convertible notes on similar terms as 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) enter into an agreement to terminate the subordination agreement.

Fifth Amendment

On July 19, 2024, the Company entered into a Fifth Amendment to amend certain events of default.

Sixth Amendment

On October 31, 2024, the Company entered into a Sixth Amendment with the holders of its outstanding 15% Debentures. The Amendment provides that effective Q3 Fiscal 2025, required monthly loan principal payments will be converted to quarterly payments of $500,000. The first quarterly principal payment will be made on January 31, 2025 and each 90 days thereafter. As part of the Sixth Amendment, the Company issued the holders of the 15% Debentures additional warrants to purchase common stock equal to 5% of outstanding shares of common stock on the Sixth Amendment effective date of October 31, 2024. See Note 7. Stockholders' Equity for additional information.

Note 7. Stockholders' Equity

Stock-based Incentive Plans

AGI maintains one stock-based incentive plan: the 2018 Equity Incentive Plan (the "2018 Plan") that provides 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 October 31, 2024 and April 30, 2024, there were 148,987 and 146,554 shares, respectively, remaining available for future issuance under the 2018 Plan.

Increase in Authorized Common Shares

On June 10, 2024, Company received approval for an amendment to the Certificate of Incorporation of the Company (the "Charter Amendment") to increase the number of shares of common stock authorized from to 60,000,000 to 85,000,000 shares. The Charter Amendment was approved by a majority of the Company's common stockholders, which was required to approve this proposal. The Charter Amendment was filed with the Secretary of State of the State of Delaware on June 10, 2024. This increase has been retrospectively adjusted to the fiscal year 2024 accompanying consolidated balance sheet.

OTC Markets Group Inc. Status

On September 18, 2024, the Company was moved from the OTCQB OTC Pink to the Expert Market. Once the Company becomes current with its filings with OTC Markets and meets all of the eligibility requirements listed under Section 1.1 of the OTCQB Standards, the Company expects its common stock will again trade on the OTCQB.

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 both October 31, 2024 and April 30, 2024, there were 10,000 shares issued and outstanding.

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 is entitled to receive dividends at the rate of 14.0% per annum of the stated value payable solely in shares of AGI common stock. Such dividends accrue and are cumulative from and including April 1, 2024 and are payable quarterly in arrears on each dividend payment date, commencing May 1, 2024. Accruing and unpaid dividends are settled with common stock shares 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 based on the stated value. The Series A has a beneficial ownership limitation on the Common Stock of 24.99% per shareholder. On May 1, 2024, the Company paid the April 2024 common stock dividend with 230,138 shares, with a fair value of $59,836 based on the quoted trading price, which was accrued at April 30, 2024. On August 1, 2024, the Company paid the July 2024 common stock dividend with 705,758 shares, with a fair value of $141,152 based on the quoted trading price, which was accrued at July 31, 2024. On November 1, 2024, the Company paid the October 2024 common stock dividend with 705,758 shares, with a fair value of $7,058 based on the quoted trading price, which was accrued at October 31, 2024.

Common Stock

At both October 31, 2024 and April 30, 2024, the Company was authorized to issue 85,000,000 shares of common stock.

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No shares were granted to the members of the Board of Directors for services in the 2022, 2023 and 2024 calendar year. However, at October 31, 2024 and April 30, 2024, the Company had a cumulative accrual recorded for their services of approximately $0.7 million and $0.5 million, respectively, 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 approximately $2,000 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 $2,000 was incurred during the six months ended October 31, 2023, which is included in "General and administrative" expense in the consolidated statements of operations.

Restricted Stock

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

Restricted Stock Units

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

Restricted Stock Units	Number of Shares	Weighted Average Grant Date Fair Value
Unvested balance outstanding, April 30, 2024	1,869,888	$ 0.40
Granted	—	—
Forfeits	—	—
Vested	(322,183)	0.12
Expired	—	—
Unvested balance outstanding, October 31, 2024	1,547,705	$ 0.17

CEO RSUs

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 $0.18 per share. The amortization expense related to this grant for the three and six months ended October 31, 2024 was $22,500 and $45,000, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

CFO RSUs

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 six months ended October 31, 2024 was $5,417 and $10,834, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Chief Academic Officer RSUs

On September 29, 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 $0.18 per share. The amortization expense related to this grant for the three and six months ended October 31, 2024 was $1,583 and $3,166, respectively, which is included in "General and administrative expense" in the accompanying consolidated statements of operations.

Other RSUs

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Of the 1,547,705 unvested RSUs outstanding at October 31, 2024, 1.4 million shares are related to the CFO, CEO and CAO RSU grants. The remaining approximately 0.1 million unvested RSUs were employee grants subject to time-based vesting and continued employment, which had a total grant date fair value of $52,045 based on a closing stock price of the date of grant.

At October 31, 2024, total unrecognized compensation expense related to unvested RSUs is $0.2 million and is expected to be recognized over a weighted-average period of approximately 2.5 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.

A summary of the Company's warrant activity during the six months ended October 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, 2024	6,121,018	$ 0.06	3.98	$ —
Granted	1,296,461	$ 0.01	3.53	—
Exercised	—	$ —	—	—
Surrendered	—	$ —	—	—
Expired	—	$ —	—	—
Balance Outstanding, October 31, 2024	7,417,479	$ 0.09	3.48	$ —
Unvested	—			
Exercisable, October 31, 2024	7,417,479	$ 0.09	3.48	$ —

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	7,142,479	$ 0.01	3.53	7,142,479
$ 0.50	$ 0.50	200,000	$ 0.50	2.48	200,000
$ 0.50	$ 0.50	50,000	$ 0.50	1.83	50,000
$ 6.99	$ 6.99	25,000	$ 6.99	1.72	25,000
		7,417,479			7,417,479

<u>15% Debentures - Warrants</u>

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 (the "May 2023 Warrants"). See Note 6. Debt. The relative fair value of the warrants was $154,000 and they are amortized over a three-year term and contain anti-dilution protection. The relative fair value of the warrants was treated as a deferred financing cost. The Company recognized $5,133 of amortization expense in connection with the fair value of the warrants for the three and six months ended October 31, 2023, which is included in "interest expense" in the accompanying consolidated statement of operations. In connection with the Second Amendment, described below, the fair value warrants were reclassified to liabilities due to the addition of the cash repayment put option in accordance with ASC 480. As of April 30, 2024, the Company reclassified $500,825 from "Additional paid-in capital" to "Warrant liabilities" in the accompanying consolidated balance sheet.

As part of the Second Amendment to the 15% Debentures, 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 15% Debentures, which are the same term as the May 2023 Warrants (collectively, the “New Warrants”):

a. on the effective date of the Second Amendment, New Warrants were issued to purchase 403,545 shares of Common Stock, which is equal to 1% of the Company’s outstanding shares on a fully diluted basis, with a value of $91,280;

b. since the Mandatory Prepayment of $1.5 million was not made by December 30, 2023, on such date, New Warrants were issued to purchase 3% of the Company’s issued and outstanding on a fully diluted basis. The Company issued an additional 1,210,634 warrants with a value of $324,937; and

c. since the Mandatory Prepayment of $1.5 million was not made by January 31, 2024, but rather on February 8, 2024, on such date, New Warrants were issued to purchase 5% of the Company’s issued and outstanding on a fully diluted basis. The Company issued an additional 2,017,724 warrants with a value of $541,562.

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, or (iii) the repayment in full of the 15% Debentures, the Company shall, upon the written request, repurchase the May 2023 Warrants 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, which is 14% (subject to adjustment for stock splits, stock dividends, stock combinations, reverse stock splits, recapitalizations and similar transactions) (collectively the "put warrants"). At October 31, 2024, the total number of warrants issued under the 15% Debentures was 5,846,018, and the fair value of these put warrants, valued using the Black Scholes model on a quarterly basis, was $58,461, which is included in "Warrant liability" in the accompanying consolidated balance sheet. See Note 2. Significant Accounting Policies.

As part of the Sixth Amendment to the 15% Debentures, which is discussed in Note 6. Debt, the Company issued additional warrants to purchase 1,296,461 shares of Common Stock, which is equal to 5% of the Company's outstanding shares on a fully diluted basis at October 31, 2024. At October 31, 2024, the fair value of the Sixth Amendment issued warrants was de minimis.

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 since exchanged $10 million 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 15% Debentures convertible in Fiscal 2024, as discussed in Note 6. Debt, the exercise price automatically was reduced to $0.50. The fair value of the warrants was treated as deferred financing costs, a non-current asset, and was fully amortized in prior years.

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 15% Debentures convertible in Fiscal 2024, as discussed in Note 6. Debt, the exercise price automatically was reduced to $0.50. In addition, for regulatory reasons, a 24.99% 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 fully expensed during the six months ended October 31, 2023, which is included in "interest expense" in the accompanying consolidated statement of operations.

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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 stock options granted to employees during both the six months ended October 31, 2024 and 2023.

A summary of the Company's stock option activity for employees and directors during the six months ended October 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, 2024	87,433	$ 5.89	0.48	$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Forfeited	(1,433)	—	—	—
Expired	(30,000)	3.99		—
Balance Outstanding, October 31, 2024	56,000	$ 6.92	0.11	$ —
Exercisable, October 31, 2024	56,000	$ 6.92	0.11	$ —

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
$ 6.92	$ 6.92	56,000	$ 6.92	0.11	56,000
		56,000			56,000

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

Stock-based compensation related to RSUs

During the three and six months ended October 31, 2024, the Company's stock-based compensation expense was $98,245 and $308,336, respectively, which is included in "General and administrative" expense in the consolidated statement of operations. During the three and six months ended October 31, 2023, the Company's stock-based compensation expense was $218,132 and $305,581, respectively

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Note 8. Revenue

Revenue consists primarily of tuition and fees derived from courses taught by the Company online as well as from related educational resources that the Company provides to its students, such as access to its online materials and learning management system. The Company also charges students fees for library and technology costs, which are recognized over the related service period and are not considered separate performance obligations. Other services and exam fees are recognized as services are provided or when goods are received by the student.

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

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Tuition - *recognized over period of instruction*	$ 9,838,527	$ 11,715,152	$ 19,268,526	$ 24,075,112
Course fees - *recognized over period of instruction*	1,119,894	1,657,961	2,638,118	3,509,067
Exam fees - *recognized at a point in time*	82,992	160,750	136,088	282,056
Service fees - *recognized at a point in time*	418,366	294,984	745,884	602,484
Revenue	$ 11,459,779	$ 13,828,847	$ 22,788,616	$ 28,468,719

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 326, Financial Instruments - Credit Losses. The Company uses the portfolio approach.

Cash Receipts

The Company's students finance costs through a variety of funding sources, including, among others, monthly payment plans, installment plans, federal loan and grant programs (Title IV), employer reimbursement, and various veteran and military funding and grants, and cash payments. Most students elect to use the Company's monthly payment plan. This plan allows students to make fixed monthly payments over the length of the payment plan. Title IV and military funding typically arrive during the period of instruction. However, because of AU's placement on HCM2 from February 7, 2023 through August 16, 2024, discussed in Note 11. Commitments and Contingencies, AU made disbursements to students from its own institutional funds, and then a reimbursement payment request was submitted for those funds to the DOE. On August 16, 2024, the DOE removed AU from the HCM2 payment method and placed AU on HCM1. A school placed on HCM1 draws down financial aid funds to cover those disbursements in the same way as a school on the Advance Payment Method. 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. For each of the three and six months ended October 31, 2024, revenue earned from students outside of the United States was approximately 3%, respectively, of consolidated revenue, respectively. For each of the three and six months ended October 31, 2023, revenue from students outside of the United States was approximately 2%, respectively, of consolidated revenue.

Teach-out of the Pre-licensure Nursing Program

On September 20, 2022, AU and the AZ BON entered into a Consent Agreement under which AU 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 has completed instruction for 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. On September 20, 2024, the AZ BON recognized the closure of all Aspen BSN Pre-licensure locations.

For each of the three and six months ended October 31, 2024, less than 1%, respectively, of total consolidated AGI revenue was earned from its pre-licensure nursing program. For each of the three and six months ended October 31, 2023, 8% and 9%, 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 157,321 square feet of office and classroom space in Phoenix, San Diego, New York City (lease ended January 31, 2024), Denver (lease ended May 31, 2024), 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.

AU subleased a portion of its Austin campus, which commenced on February 1, 2024.

On August 2, 2024, AU entered into a sublease for a portion of its Phoenix campus, which commences on January 1, 2025 and is subject to the subtenant obtaining regulatory approvals to conduct its operations from the space. The sublease runs through the remainder of the term left on its master lease, which expires in April 2028. AU also entered into a sublease for a separate portion of its Phoenix campus for one year, which commenced on September 11, 2024.

All sublease income is included as an offset to lease expense in general and administrative expense in the statement of operations.

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

Operating lease ROU assets, represent the right to use an underlying asset for the lease term. Operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating leases are included in "Operating lease right-of-use assets, net", "Operating lease obligations, current portion" and "Operating lease obligations, less current portion" in the consolidated balance sheets at October 31, 2024 and April 30, 2024. 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 15% 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 six months ended October 31, 2024, the amortization expense for these leasehold improvements was $170,178 and $340,356, respectively. For the three and six months ended October 31, 2023, the amortization expense for these leasehold improvements was $195,405 and $390,810, respectively.

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Lease expense for operating leases is recognized on a straight-line basis over the lease term. Lease expense for the three and six months ended October 31, 2024 was $966,168 and $1,378,546, respectively, which is included in "General and administrative" expenses in the consolidated statements of operations. Lease expense for the three and six months ended October 31, 2023 was $1,003,852 and $2,007,435, respectively.

ROU assets are summarized below:

	October 31, 2024	April 30, 2024
ROU assets - Operating facility leases	$ 13,687,733	$ 17,410,282
Less: accumulated amortization	(8,175,180)	(6,770,444)
Total ROU assets	$ 5,512,553	$ 10,639,838

At October 31, 2024, the ROU assets balance includes the impact of lease impairments on leased properties no longer able to be utilized in the BSN Pre-licensure operations related to the teach out discussed in Note 11. Commitments and Contingencies and Note 8. Revenue. In connection with the lease impairments, in Q2 Fiscal 2025, the Company also recorded tenant improvement impairments. See the table below.

	Three Months Ended October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Lease impairments	$ 3,722,549	$ —	$ 3,722,549	$ —
Tenant improvement impairments	1,214,605	—	1,214,605	—
Impairments of right-of-use assets and tenant improvements	$ 4,937,154	$ —	$ 4,937,154	$ —

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

	October 31, 2024	April 30, 2024
Total lease liabilities	$ 26,058,494	$ 26,058,494
Reduction of lease liabilities	(9,800,091)	(8,450,273)
Total operating lease obligations	$ 16,258,403	$ 17,608,221

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 October 31, 2024 (by fiscal year).

Maturity of Lease Obligations	Lease Payments
2025 (remaining)	$ 2,095,111
2026	4,670,419
2027	4,775,962
2028	4,802,154
2029	2,420,631
Thereafter	4,177,924
Total future minimum lease payments	22,942,201
Less: imputed interest	(6,683,798)
Present value of operating lease liabilities	$ 16,258,403

Balance Sheet Classification	October 31, 2024	April 30, 2024
Operating lease obligations, current portion	$ 2,498,289	$ 2,608,534
Operating lease obligations, less current portion	13,760,114	14,999,687
Total operating lease obligations	$ 16,258,403	$ 17,608,221

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Other Information	October 31, 2024	April 30, 2024
Weighted average remaining lease term (in years)	5.00	5.10
Weighted average discount rate	14 %	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 Fiscal 2024 (through December 2024), the final year that permanent establishment is in place.

At October 31, 2024 and April 30, 2024, the Company recorded a reserve of approximately $0.5 million for the estimate of the 2013 through 2023 tax year foreign income tax liability during which a permanent establishment was in place in Canada. These reserves are included in "Accrued expenses" in the consolidated balance sheets. These amounts have not yet been remitted to the CRA.

Note 11. Commitments and Contingencies

Operating Leases

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

Employment Agreements

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

Legal Matters

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

On April 6, 2022, AU 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 AU misstated the quality of its pre-licensure nursing program. This complaint was likely in response to the Arizona State Board of Nursing actions against AU 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. The payment was covered by AU's errors and omissions insurance policy that provided 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 District Court judge on January 10, 2024, the class notice process is complete, and the Escrow account was funded and $50,000 was expensed in Fiscal 2024, which was included in "General and administrative" expense in the accompanying consolidated statements of operations. On November 18, 2024, the Court approved a final summary accounting of escrowed settlement funds and the disposition of those funds. The case is now closed.

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In June 2023, AU was served with a lawsuit filed by a former BSN Pre-licensure program student in the United States District Court, District of Arizona. The student contended that she was falsely dismissed from the BSN Pre-licensure program in June 2021. She was not a member of the class described above. Discovery was completed 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. AU submitted a defendant's motion for summary judgement to the Court on October 16, 2023, which was granted on August 9, 2024. On October 21, 2024, the Plaintiff's motions to strike summary judgment and motion for jury trial were denied. The case is now closed. The Company accurately assessed that it was not probable that the plaintiff would prevail; therefore, no amounts were accrued in the financial statements.

In November 2020, USU, Aspen Group, Inc., and the former President of USU (subsequently deceased), were sued in San Diego County, CA, Supreme Court ("the Court") by a former employee (subsequently deceased), alleging discrimination (age/gender/disability), failure to prevent harassment, and breach of contract, among others. A mandatory settlement conference occurred on March 12, 2024. A settlement agreement was reached on April 9, 2024 for a payment of $54,000, which was paid on May 10, 2024 and is included in "General and administrative" expense in the accompanying consolidated statements of operations. USU awaits final disposition by the Court.

Regulatory Matters

The Company's subsidiaries, AU and USU, 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.

Several new Title IV-related regulations became effective July 1, 2024, with initial data or disclosure components required July 1, 2024; August 1, 2024; October 1, 2024; and/or January 1, 2025. These include regulations on Financial Value Transparency and Gainful Employment (88 Fed. Reg. 70004) and Financial Responsibility, Certification Procedures for Title IV Participation, Standards of Administrative Capability, and State-defined Processes for Ability to Benefit (88 Fed. Reg. 74568; the "2024 Rule"). While there may be litigation challenges to the rules, both AU and USU have reviewed the new regulations and have implemented plans for timely compliance.

In compliance with the FR-A23, Financial Responsibility - Questions and Answers, FR-Q6 (May 17, 2024) related to the 2024 Rule, AU and USU submitted their required financial disclosures and documentation regarding events pre-dating the 2024 Rule. These events were not considered reportable prior to July 1, 2024, but were considered reportable under the new 2024 Rule, and were reported on July 19, 2024, by the required deadline.

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.

Several component parts of the telemarketing Consent Requirements related to the Federal Communication Commission's Telephone Consumer Protection Act (TCPA) were amended, with sections effective May 16, 2024; October 15, 2024; November 2024 (exact date not yet available); and January 26, 2025. Additionally, updated Federal Trade Commission recordkeeping requirements related to telemarking became effective in May 2024, with compliance required in October 2024. AU and USU reviewed the new regulations and implemented plans for timely compliance.

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

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On August 22, 2017, the DOE informed AU 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.

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. AU's first-time pass rates for its 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 AZ BON, 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, AU University entered into a Consent Agreement for Probation and a Civil Penalty (the "Consent Agreement") with the AZ BON in which AU's provisional approval for the pre-licensure program was revoked, with the revocation stayed pending AU's compliance with the terms and conditions of the Consent Agreement. The probationary period was 36 months from the date of the Consent Agreement. In June 2022, the AZ BON granted approval of AU's request for provisional approval as long as the program was 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, AU was not permitted to enroll any new students into the core component of its pre-licensure nursing program in Arizona and had to 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 AU on probation (regular or "stayed revocation" probation, depending on the outcome of Phase I). AU would be 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 occurred. However, once achieved, if the NCLEX-RN® pass rate fell below 80% for any quarter, the AZ BON could limit enrollments, and repeated failures could result in a required cessation of enrollments and teach-out of the program. The terms of the Consent Agreement also included requirements that the University provide the AZ BON with monthly reports, provided 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, AU and the AZ BON entered into a revised Consent Agreement under which AU agreed to voluntarily surrender its program approval for its pre-licensure nursing program in Phoenix, Arizona. AU sought the agreement after concluding that it would be 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 AU and the Board signed in March 2022. AU did so to minimize uncertainty for its students. AU had suspended admissions to its Arizona program in January 2022.

Under the terms of the revised Consent Agreement, many of the previous requirements were eliminated; for example, AU no longer had a requirement to use a consultant or the requirement for a certain percentage of full-time faculty. However, AU would continue its current Arizona Core nursing program for all current students and provided regular reports to the AZ BON about the program. It remained accountable to the Board to ensure that its current students received expected instruction and learning opportunities. Once all currently enrolled students in the program had either completed the program or ceased enrollment, or within two years, whichever was sooner, AU's program approval would be automatically voluntarily surrendered for a minimum period of two years.

Having entered into the revised Consent Agreement with the AZ BON, AU suspended new enrollments to its pre-licensure nursing program in Florida, Georgia, Tennessee and Texas, and it agreed to complete instruction for currently enrolled Core nursing students. The state authorizing units and state boards of nursing were noticed to that effect on September 20, 2022.

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

It was AU'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 AU 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, AU and the AZ BON signed an Amendment to the September 2022 Consent Agreement that permitted 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. As a result, AU concluded its required monthly reporting to the AZ BON as of February 2024. At its meeting on January 19, 2024, the AZ BON affirmed that the signed Amendment permits Tennessee-based students to be taught out through May 2024, and Texas- and Florida-based students through September 2024. Tennessee-based students completed their teach-out in May 2024 as scheduled. The Tennessee Board of Nursing was noticed of the program closure on May 24, 2024. Texas- and Florida-based students completed their teach-out in September 2024 as scheduled. To fulfill Florida Board of Nursing requirements, the program closure notice was submitted on August 9, 2024. On September 9, 2024, program closure notification was provided to the Texas Board of Nursing. On September 20, 2024, the AZ BON recognized the closure of all AU BSN Pre-licensure locations.

Arizona State Board for Private Postsecondary Education

On March 8, 2022, AU entered into a Stipulated Agreement with the Arizona State Board for Private Postsecondary Education (the "AZPPSE") 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, AU and the AZPPSE entered into a revised 2nd Amended Stipulated Agreement that reduced AU's surety bond requirement from $18.3 million to $5.5 million, required a civil penalty of $12,000 and enrollment stoppage in the core pre-licensure program and required the teach out of the pre-licensure program consistent with the AZ BON Consent Agreement. 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 AZPPSE, $1.5 million of the restricted cash associated with the surety bond became unrestricted, providing additional cash for operations.

On February 20, 2023, AU entered into a 3rd revised Amended Stipulated Agreement with the AZPPSE which required 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 AZPPSE lowered AU's surety bond requirement to $2.5 million, reflecting the execution of the 4th Amended Stipulated Agreement signed December 18, 2023. On February 14, 2024, an additional $1.5 million of cash collateral for the surety bond was returned to the Company.

At its meeting on September 13, 2024, the AZPPSE's Finance Committee further lowered AU's surety bond requirement to $729,713. As a result, $750,000 of cash collateral for the surety bond was returned to the Company on October 3, 2024. At its meeting on October 24, 2024, the AZPPSE lowered the bond to $500,000. Additionally, the AZPPSE agreed to remove most monthly reporting requirements and will only continue to require monthly and quarterly financial reporting for both AU and AGI. On November 13, 2024, the AZPPSE issued an Order to these effects and amended the 4th revised Amended Stipulated Agreement.

National Council of State Authorization Reciprocity Agreements

AU'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. AU applied on January 18, 2022, and received its 2022 approval effective February 8, 2022. On February 23, 2022, AU 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 AU's move from Colorado to Arizona. On March 29, 2022, AU 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, AU submitted an official appeal of the eligibility loss to the Colorado SARA State Portal Entity. AU 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, AU 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, AU was informed that its appeal was denied and on June 10, 2022, AU 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, AU 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, AU has been seeking individual state authorizations for its students. AU 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.

AU 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 AU to obtain NC-SARA approval through Arizona.

DOE Program Review

On January 6, 2023, AU 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 University awaits a final determination.

Show Cause Directive by DEAC

On February 1, 2023, AGI received notification that AU had been issued a Show Cause Directive by DEAC requiring AU to prove why its current accreditation should not be withdrawn and to require AU 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 AU must respond through narrative, documentation, and other evidence within the specific remediation timeframe.

DEAC informed AU that certain areas of concern raise serious questions as to AU'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 called into question AU'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 permitted continuance of DEAC's monitoring of monthly financial reports. AU complied with the request for monthly reporting.

AU has provided multiple regulatory bodies with requested records and data, and willingly complied with DEAC's continued oversight through the show cause period. During the show cause remediation period, AU remained fully accredited. DEAC expected AU to submit its response to the Show Cause Directive on May 19, 2023, which it submitted timely, and DEAC conducted a site visit on June 13, 2023. AU received the Chair's Report on August 8, 2023, and responded to it timely on September 8, 2023.

On September 7, 2023, AU 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. AU provided required additional related information by October 4, 2023, and again during the full reaccreditation site visit on October 19, 2023. AU received the Chair's Report on February 6, 2024 and submitted its response on March 6, 2024, as required. AU was noticed on April 25, 2024, that the Show Cause Directive would be reviewed at the June 2024 Commission meeting and that action on its application for reaccreditation would be deferred until January 2025. AU submitted the June 1, 2024 required response on May 31, 2024. Additional requested information specific to the reaccreditation process was due on September 30, 2024 and submitted on September 27, 2024; and the last required submission was due on December 1, 2024 and submitted on November 20, 2024. Follow-up information related to the September 27, 2024 submission was submitted on December 11, 2024.

On July 19, 2024, AU received notification from DEAC that on June 21, 2024, the Commission voted to vacate the show cause directive. DEAC requested that AU keep the Commission informed on the status of the teach-out of students who were completing the pre-licensure program through September 2024, with which the University complied, and to continue providing monthly and quarterly reports through January 2025. The Commission also determined that AU was making satisfactory progress in addressing the accreditation standards that remain under a deferred review of the institution's application to renew accreditation. The Commission will review the additional reaccreditation documentation submitted by AU for consideration at its January 2025 meeting.

Arizona Department of Veterans' Services

On December 11, 2023, the Arizona Department of Veterans' Services, Arizona State Approving Agency (SAA), notified AU that it intended to conduct a Risk-Based Survey ("RBS") 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. AU 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. AU received the final RBS report on April 30, 2024, and required follow-up documentation was provided May 1, 2024. AU remains approved by the Arizona SAA as a provider for Veteran's Administration education programs.

Heightened Cash Monitoring 2 ("HCM2")

On February 8, 2023, AU received notification from the DOE that effective February 7, 2023 the DOE had placed AU on Heightened Cash Monitoring 2 ("HCM2"). HCM2 is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. The letter from the DOE stated that the DOE acted in response to the Show Cause Directive from DEAC. By letter dated August 16, 2024, the DOE removed AU from the HCM2 payment method and placed AU on HCM1. A school placed on HCM1 receives funds after a school makes disbursements to eligible students from institutional funds and submits disbursement records to the Common Origination and Disbursement System; it will then draw down financial aid funds to cover those disbursements in the same way as a school on the Advance Payment Method.

Under the HCM2 method of payment, AU obligated funds under the federal student financial assistance programs authorized by Title IV of HEA. 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. As of April 30, 2024, $1.5 million of HCM2 payments were due from the DOE and are included in "Other current assets" in the accompanying consolidated balance sheet. At October 31, 2024, there was no HCM2 receivable due from the DOE.

AU received its financial aid payments under HCM2 as follows:

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

HCM2 Reimbursement	Date	Amount
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
HCM2 #7	June 2024	$1.3 million
HCM2 #8	July 2024	$1.1 million

United States University Regulatory Matters

On March 27, 2023, USU 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 voluntary delisting from NASDAQ (see Note 10. Stockholders' Equity) and AU'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 and a final update in mid-2024. Updates were sent on June 30, 2023, September 29, 2023, and December 15, 2023. WSCUC received a final update on June 18, 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.

On August 21, 2024, the California Board of Registered Nursing agreed to the transition of USU's approved in-state MSN Family Nurse Practitioner program to an out-of-state approved MSN Family Nurse Practitioner program in Texas.

Title IV Funding and Other Federal Funds - AU and USU

AU and USU 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 year ended April 30, 2024, 19.20% of AU's and 23.21% of USU's cash-basis revenue for eligible tuition and fees was derived from Federal Fund Programs, which includes Student Title IV Revenue and Other Federal Funds (effective for Fiscal 2024 calculation). For the fiscal year ended April 30, 2023, 25.86% of AU's and 20.57% of USU'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.

Resulting from a compliance audit for Fiscal Year 2023, AU had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4) and was required to produce 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 AU and the $88,002 is included in "Restricted cash" in the consolidated balance sheets at October 31, 2024 and April 30, 2024.

Approval to Confer Degrees - AU and USU

AU is a Delaware corporation and is authorized by the AZPPSE to operate as a degree-granting institution for all degrees. As it relates to AU's discontinued pre-licensure program, the university is also authorized to operate in Texas, Tennessee and Florida. AU is authorized to operate as a degree-granting institution for bachelor degrees by the Texas Higher Education Coordinating Board ("THECB") in the State of Texas. On October 2, 2024, AU was notified by the THECB that it required no further information to formally close the institution. AU was granted Optional Expedited Authorization as a postsecondary educational institution in Tennessee for its Bachelor of Science in Nursing (Pre-licensure) degree program; AU's Pre-licensure program was Closed in Good Standing in Tennessee on June 17, 2024. AU had 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 ("FLCIE"). AU is working with FLCIE on its processes to formally close the institution.

USU 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.

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 and services** - consist primarily of costs related to the administration and delivery of the Company's educational programs. This expense category includes compensation costs associated with online faculty, technology license costs and costs associated with other support groups that provide services directly to the students and are 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, facilities costs, right-of-use asset impairment and tenant improvement allowances impairment.

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 Q2 Fiscal 2025 and Q2 Fiscal 2024, and 1H Fiscal 2025 and 1H Fiscal 2024.

- **Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") -** is a non-GAAP financial measure. See "Non-GAAP Financial Measures" for the definition of Adjusted EBITDA and a reconciliation of net income (loss) to Adjusted EBITDA for Q2 Fiscal 2025 and Q2 Fiscal 2024, and 1H Fiscal 2025 and 1H Fiscal 2024.

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. and its subsidiaries, unless the context otherwise indicates.

AGI leverages its education technology infrastructure and expertise to allow its two universities, AU and USU, 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, AU 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 AU 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.

On September 18, 2024, the Company was moved from the OTCQB OTC Pink to the Expert Market. The Company filed its Fiscal Year 2024 Annual Report with the OTC on November 22, 2024 and Q1 Fiscal 2025 Quarterly Report with the OTC on December 6, 2024. Once the Company meets all of the eligibility requirements listed under Section 1.1 of the OTCQB Standards, the Company expects its common stock will again trade on the OTCQB.

AGI Student Population Overview

AGI’s active degree-seeking student body, including AU and USU, declined 24% year-over-year to 6,387 at October 31, 2024 from 8,412 at October 31, 2023. AU's total active student body decreased by 33% year-over-year to 3,827 at October 31, 2024 from 5,679 at October 31, 2023. On a year-over-year basis, USU's total active student body decreased by 6% to 2,560 at October 31, 2024 from 2,733 at October 31, 2023.

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

	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25
Aspen University	5,679	5,146	4,559	4,145	3,827
USU	2,733	2,503	2,489	2,477	2,560
Total	8,412	7,649	7,048	6,622	6,387

AGI Nursing Student Population

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

	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25
Aspen University	4,470	4,032	3,526	3,198	2,948
USU	2,432	2,270	2,262	2,254	2,300
Total	6,902	6,302	5,788	5,452	5,248

AGI New Student Enrollments

On a Company-wide basis, new student enrollments were down 30% year-over-year but increased 15% sequentially. New student enrollments at AU decreased 37% year-over-year and at USU decreased 19% 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 late 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:

	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25
Aspen University	808	473	427	413	508
USU	548	325	370	410	442
Total	1,356	798	797	823	950

Bookings Analysis and ARPU

On a year-over-year basis, Q2 Fiscal 2025 Bookings decreased 27%, to $12.1 million from $16.4 million in the prior year. The Bookings decrease was principally at AU and is the result of the reduction in marketing spend.

	Second Quarter Bookings[1] and Average Revenue Per Enrollment (ARPU)[1]				
	Q2'24 Enrollments	Q2'24 Bookings [1]	Q2'25 Enrollments	Q2'25 Bookings [1]	Percent Change Total Bookings & ARPU [1]
Aspen University	808	$ 6,663,300	508	$ 4,174,800	
USU	548	9,765,360	442	7,876,440	
Total	1,356	$ 16,428,660	950	$ 12,051,240	(27)%
ARPU		$ 12,116		$ 12,686	5 %

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

Accounts Receivable – Monthly Payment Plan ("MPP")

The Company offers several payment options to its students including a monthly payment plan ("MPP"), installment plans and financial aid. Our current and long-term accounts receivable balances are predominantly the result of students taking advantage of our groundbreaking monthly payment plan, which we introduced in Fiscal Year 2014 at AU and subsequently in Fiscal Year 2018 at USU. On October 31, 2024, gross MPP accounts receivable was 92% of total gross accounts receivable. Of the gross accounts receivable, approximately 33% and 59% 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 $325, $375, $415 or $450 (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 which also resulted in growth of our short-term and long-term accounts receivable. The MPP is designed so students can build the cost of their degree into their monthly budget.

Long-Term Accounts Receivable

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

As a result of the growing acceptance of our monthly payment plans, our long-term accounts receivable balance grew from $17.5 million at April 30, 2024 to $18.6 million at October 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.

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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 October 31, 2024 (“Q2 Fiscal 2025”) compared to the three months ended October 31, 2023 (“Q2 Fiscal 2024"), and for the six months ended October 31, 2024 ("1H Fiscal 2025") compared to the six months ended October 31, 2023 ("1H Fiscal 2024").

In reviewing the results of operations for Q2 Fiscal 2025 and 1H Fiscal 2025, our bottom line was materially impacted by the $4.9 million non-cash right-of-use assets and tenant leasehold improvements impairment charge.

Restructuring Plan

In late Q1 Fiscal 2023, we implemented an initial 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.

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.

In Q1 Fiscal 2025, we implemented a third restructuring plan that resulted in additional significant cash benefits for the Company starting in Q1 Fiscal 2025. The restructuring resulted in the elimination approximately 12 positions within AU and Corporate. The resulting additional on-going quarterly compensation-related savings are approximately $0.3 million effective late Q1 Fiscal 2025.

In Q2 Fiscal 2025, we implemented a fourth restructuring plan that will result in additional cash benefits for the Company starting in Q3 Fiscal 2025. The restructuring will result in the elimination of approximately 29 positions within AU, USU and Corporate. The resulting additional on-going quarterly compensation-related savings are approximately $0.5 million effective late Q3 Fiscal 2025.

Our restructuring efforts were designed to achieve break-even to positive annual operating cash flows, which will permit the resumption of marketing spend at a level that we expect will renew growth in our post-licensure nursing student body.

On March 23, 2023, AU 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 (completed), and Texas- and Florida-based students through September 2024 (completed).

In Q4 Fiscal 2024, the Company assessed whether an alternate future use exists for its remaining right-of-use assets relating to the pre-licensure campus leases in Arizona and Austin, and determined impairments of right-of-use assets and tenant leasehold improvements of $1.4 million should be recorded in Q4 Fiscal 2024.

In Q2 Fiscal 2025, the Company assessed whether an alternate future use exists for its remaining right-of-use assets relating to the pre-licensure campus leases in Nashville and Tampa, and determined impairments of right-of-use assets and tenant leasehold improvements of $4.9 million should be recorded in Q2 Fiscal 2025.

At the end of Q2 Fiscal 2024, the Company resumed limited marketing spend, which is expected to increase to a rate of $0.5 million per quarter by the end of 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 October 31,		Six Months Ended October 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	25 %	31 %	26 %	30 %
Marketing and promotional costs	1 %	3 %	1 %	1 %
Total cost of revenue (exclusive of depreciation and amortization shown separately below)	25 %	33 %	27 %	32 %
General and administrative	63 %	61 %	64 %	59 %
Impairments of right-of-use assets and tenant leasehold improvements	43 %	— %	22 %	— %
Bad debt expense	4 %	3 %	4 %	3 %
Depreciation and amortization	7 %	7 %	7 %	7 %
Total operating expenses	142 %	104 %	124 %	101 %
Operating loss	(42)%	(4)%	(24)%	(1)%
Other income (expense):				
Interest expense	(3)%	(8)%	(3)%	(7)%
Change in fair value of put warrant liability	9 %	— %	8 %	— %
Other income (expense), net	— %	— %	— %	— %
Total other income (expense), net	7 %	(8)%	5 %	(7)%
Loss before income taxes	(36)%	(11)%	(19)%	(7)%
Income tax expense	— %	— %	— %	— %
Net loss	(36)%	(12)%	(19)%	(8)%

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

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
AU	$ 4,773,693	$(2,519,431)	(35)%	$ 7,293,124	$ 9,565,597	$ (5,450,452)	(36)%	$15,016,049
USU	6,686,086	150,363	2%	6,535,723	13,223,019	(229,651)	(2)%	13,452,670
Revenue	$11,459,779	$(2,369,068)	(17)%	$13,828,847	$22,788,616	$ (5,680,103)	(20)%	$28,468,719

Q2 Fiscal 2025 compared to Q2 Fiscal 2024

AU and USU combined revenue decreased 17% in Q2 Fiscal 2025 compared to Q2 Fiscal 2024. The AU revenue decline year-over-year reflects the completion of the teach-out at the pre-licensure program campuses, which accounted for $1.1 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 33% year-over-year to 3,827 at October 31, 2024 from 5,679 at October 31, 2023. The active student body at USU decreased by 6% to 2,560 at October 31, 2024 from 2,733 at October 31, 2023.

1H Fiscal 2025 compared to 1H Fiscal 2024

AU and USU combined revenue decreased 20% in 1H Fiscal 2025 compared to 1H Fiscal 2024. The AU revenue decline year-over-year reflects the enrollment stoppage at the pre-licensure program campuses, which accounted for $2.6 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 2025 was expected given the Company's completion of the teach-out at the pre-licensure program campuses, which accounted for less than 1% of consolidated revenue in Q2 Fiscal 2025 as compared to 8% of consolidated revenue in Q2 Fiscal 2024, 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 in late 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 October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Instructional costs and services	$2,812,394	$ (1,423,353)	(34)%	$4,235,747	$5,992,074	$ (2,628,531)	(30)%	$8,620,605
Marketing and promotional	73,501	(274,945)	(79)%	348,446	241,046	(115,397)	(32)%	356,443
Cost of Revenue (exclusive of depreciation and amortization shown separately below)	$2,885,895	$ (1,698,298)	(37)%	$4,584,193	$6,233,120	$ (2,743,928)	(31)%	$8,977,048

Instructional Costs and Services

Q2 Fiscal 2025 compared to Q2 Fiscal 2024

Consolidated instructional costs and services for Q2 Fiscal 2025 was 25% of revenue, which decreased from 31% of revenue for Q2 Fiscal 2024, as described below.

AU instructional costs and services were 26% and 31% of AU revenue for Q2 Fiscal 2025 and Q2 Fiscal 2024, 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 23% of USU revenue for Q2 Fiscal 2025 and 30% of USU revenue for Q2 Fiscal 2024. As a percentage of revenue, instructional costs and services decreased due primarily to a shift of instructor resources to a more variable cost model.

1H Fiscal 2025 compared to 1H Fiscal 2024

Consolidated instructional costs and services for 1H Fiscal 2025 was 26% of revenue, which decreased from 30% of revenue for 1H Fiscal 2024, as described below.

AU instructional costs and services were 29% and 32% of AU revenue for 1H Fiscal 2025 and 1H Fiscal 2024, 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 25% of USU revenue for 1H Fiscal 2025 and 28% of USU revenue for 1H Fiscal 2024. As a percentage of revenue, instructional costs and services decreased due primarily to a shift of instructor resources to a more variable cost model.

Marketing and Promotional

Q2 Fiscal 2025 compared to Q2 Fiscal 2024

Consolidated marketing and promotional costs in Q2 Fiscal 2025 were $0.1 million or 1% of revenue compared to $0.3 million or 3% of revenue in Q2 Fiscal 2024. The restructuring 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 late Fiscal 2025. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 1% and 3% of AU revenue for Q2 Fiscal 2025 and Q2 Fiscal 2024, respectively.

USU marketing and promotional costs represented 1% and 2% of USU revenue for each Q2 Fiscal 2025 and Q2 Fiscal 2024, respectively.

There are no marketing and promotional costs at Corporate.

1H Fiscal 2025 compared to 1H Fiscal 2024

Consolidated marketing and promotional costs in 1H Fiscal 2025 were $0.2 million or 1% of revenue compared to $0.4 million or 1% of revenue in 1H Fiscal 2024. The restructuring 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 late Fiscal 2025. A break-down of marketing expense by unit is as follows:

AU marketing and promotional costs represented 1% and 1% of AU revenue for 1H Fiscal 2025 and 1H Fiscal 2024, respectively.

USU marketing and promotional costs represented 1% and 1% of USU revenue for each 1H Fiscal 2025 and 1H Fiscal 2024, respectively.

There are no marketing and promotional costs at Corporate.

Costs and Expenses

General and administrative

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	**$ Change**	**% Change**	**2023**	**2024**	**$ Change**	**% Change**	**2023**
General and administrative	$ 7,237,555	$(1,133,991)	(14)%	$ 8,371,546	$14,564,889	$ (2,277,535)	(14)%	$16,842,424

Q2 Fiscal 2025 compared to Q2 Fiscal 2024

Consolidated general and administrative expense for Q2 Fiscal 2025 was $7.2 million or 63% of revenue compared to $8.4 million or 61% of revenue for Q2 Fiscal 2024, a decrease of $1.1 million or 14%. As part of the Company's restructuring plans, which began in late Q1 Fiscal 2023, the Company initiated a second restructuring plan, effective Q1 Fiscal 2024 with quarterly savings of approximately $0.5 million. In Q1 Fiscal 2025, we implemented a third restructuring plan that resulted in additional significant cash benefits for the Company starting in Q1 Fiscal 2025. The restructuring resulted in the elimination approximately 12 positions within AU and Corporate. The resulting additional on-going quarterly compensation-related savings are approximately $0.3 million effective late Q1 Fiscal 2025. In Q2 Fiscal 2025, we implemented a fourth restructuring plan that will result in additional cash benefits for the Company starting in Q3 Fiscal 2025. The restructuring will result in the elimination of approximately 29 full time and temporary positions within AU, USU and Corporate. The resulting additional on-going quarterly compensation-related savings are expected to be approximately $0.5 million effective late Q3 Fiscal 2025. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased $0.2 million year-over-year and was 64% and 44% of AU revenue for Q2 Fiscal 2025 and Q2 Fiscal 2024, respectively. The decrease was primarily due to lower professional fees and cost controls implemented by management.

USU general and administrative expense increased by $0.1 million year-over-year and was 39% and 38% of USU revenue for Q2 Fiscal 2025 and Q2 Fiscal 2024, respectively. The increase is due to higher employee-related compensation due to certain AGI corporate functions (institutional research and data) being moved to USU.

Corporate general and administrative expense was $1.6 million and $2.7 million in Q2 Fiscal 2025 and Q2 Fiscal 2024, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management and lower facilities costs. Facilities cost decreased due to the office space lease-end for New York City (lease ended January 31, 2024) and the New Brunswick Province in Canada (lease ended December 31, 2023).

1H Fiscal 2025 compared to 1H Fiscal 2024

Consolidated general and administrative expense for 1H Fiscal 2025 was $14.6 million or 64% of revenue compared to $16.8 million or 59% of revenue for 1H Fiscal 2024, a decrease of $2.3 million or 14%. As part of the Company's restructuring plans, which began in late Q1 Fiscal 2023, the Company initiated a second restructuring plan, effective Q1 Fiscal 2024 with quarterly savings of approximately $0.5 million. In Q1 Fiscal 2025, we implemented a third restructuring plan that resulted in additional significant cash benefits for the Company starting in Q1 Fiscal 2025. The restructuring resulted in the elimination approximately 12 positions within AU and Corporate. The resulting additional on-going quarterly compensation-related savings are approximately $0.3 million effective late Q1 Fiscal 2025. In Q2 Fiscal 2025, we implemented a fourth restructuring plan that will result in additional cash benefits for the Company starting in Q3 Fiscal 2025. The restructuring will result in the elimination of approximately 29 full time and temporary positions within AU, USU and Corporate. The resulting additional on-going quarterly compensation-related savings are expected to be approximately $0.5 million effective late Q3 Fiscal 2025. A break-down of general and administrative expense by unit is as follows:

AU general and administrative expense decreased $0.8 million year-over-year and was 62% and 45% of AU revenue for 1H Fiscal 2025 and 1H Fiscal 2024, respectively. The decrease was primarily due to the impact of the restructurings and lower professional and consulting fees.

USU general and administrative expense increased by $0.5 million year-over-year and was 39% and 35% of USU revenue for 1H Fiscal 2025 and 1H Fiscal 2024, respectively. The increase is due to higher employee-related compensation due to certain AGI corporate functions (institutional research and data) being moved to USU, partially offset by lower facilities costs.

Corporate general and administrative expense was $3.4 million and $5.4 million in 1H Fiscal 2025 and 1H Fiscal 2024, respectively. The decrease was primarily due to lower employee-related compensation due to cost controls implemented by management and certain AGI corporate functions (institutional research and data) being moved to AU and USU, lower facilities costs and lower professional and consulting fees. Facilities cost decreased due to the office space lease-end for New York City (lease ended January 31, 2024) and the New Brunswick Province in Canada (lease ended December 31, 2023). General and administration expense in 1H Fiscal 2024, includes the reversal of stock-based compensation expense for $0.2 million related to a grant forfeited by the resignation of the Chief Operating Officer on May 15, 2023.

Impairments of right-of-use assets and tenant leasehold improvements

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Impairments of right-of-use assets and tenant leasehold improvements	$4,937,154	$4,937,154	NM	$ —	$4,937,154	$ 4,937,154	NM	$ —

NM – Not meaningful

Right-of-use assets impairment of $3.7 million in Q2 Fiscal 2025 includes the impairment of the pre-licensure campus leases in Nashville and Tampa. The impairment is the result of the fact that AU is no longer able to utilize space for BSN Pre-licensure operations due to the completion of the teach-out.

Tenant leasehold improvement impairment of $1.2 million in Q2 Fiscal 2025 includes the write-off assets associated with Nashville and Tampa leased properties no longer able to be utilized in pre-licensure operations.

Bad debt expense

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Bad debt expense	$ 450,000	$ —	—%	$ 450,000	$900,000	$ —	—%	$900,000

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.

Depreciation and amortization

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Depreciation and amortization	$ 794,895	$ (155,195)	(16)%	$ 950,090	$1,614,899	$ (298,403)	(16)%	$1,913,302

The decrease in depreciation is primarily due to fully depreciated assets, partially offset by an increase in amortization related to internally developed capitalized software placed into service to support the Company's instructional services.

Interest expense

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Interest expense	$ 342,490	$ (698,230)	(67)%	$1,040,720	$ 689,660	$ (1,287,541)	(65)%	$ 1,977,201

Interest expense decreased due principally to the Exchange Agreement entered into on April 29, 2024 with the lenders of the 2022 Convertible Notes in which the Lenders 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. Additionally, in connection with the Third Amendment to the 15% Debentures in Q4 Fiscal 2024, the debt extinguishment resulted in the write-off of 15% Debentures debt issuance costs and original issue discount in connection with the debt.

Change in fair value of put warrant liability

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Change in fair value of put warrant liability	$ 1,085,145	$ 1,085,145	NM	$ —	$ 1,906,132	$ 1,906,132	NM	$ —

In connection with the Second Amendment to the 15% Debentures, the Company recorded the fair value of put warrant liability in Q3 Fiscal 2024.

Other income (expense), net

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Other income (expense), net	$ 2,925	$ 6,960	NM	$ (4,035)	$16,762	$ 2,510	18%	$14,252

Income tax expense

	Three Months Ended October 31,				Six Months Ended October 31,			
	2024	$ Change	% Change	2023	2024	$ Change	% Change	2023
Income tax (benefit)	$ 46,225	$ 6,149	15%	$ 40,076	$46,017	$ (78,230)	(63)%	$124,247

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 Fiscal 2024 (through December 2024), the final period that permanent establishment is in place.

Income tax expense in Q2 Fiscal 2025 and 1H Fiscal 2025 primarily relates to estimated quarterly domestic tax payments/refunds.

Income tax expense in Q2 Fiscal 2024 and 1H Fiscal 2024 primarily relates to the Canada foreign income tax year liability and estimated quarterly domestic tax payments/refunds.

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; (4) impairments of right-of-use assets and tenant leasehold improvements and (5) non-recurring (income) 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 October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Net loss	$ (4,146,365)	$ (1,611,813)	$ (4,274,229)	$ (2,251,251)
Interest expense, net	342,490	1,040,720	689,660	1,977,180
Taxes	46,225	40,076	46,017	124,247
Depreciation and amortization	794,895	950,090	1,614,899	1,913,302
EBITDA	(2,962,755)	419,073	(1,923,653)	1,763,478
Bad debt expense	450,000	450,000	900,000	900,000
Stock-based compensation	98,245	218,132	308,336	305,581
Severance	35,522	—	86,229	—
Impairments of right-of-use assets and tenant leasehold improvements	4,937,154	—	4,937,154	—
Non-recurring income - Other	(1,009,146)	—	(2,311,431)	—
Adjusted EBITDA	$ 1,549,020	$ 1,087,205	$ 1,996,635	$ 2,969,059
Net income / loss Margin	(36)%	(12)%	(19)%	(8)%
Adjusted EBITDA Margin	14%	8%	9%	10%

The net loss and EBITDA would have actually resulted in net income and positive EBITDA if we had not taken the non-cash right-of-use assets and tenant leasehold improvements impairment charge reflected in the above and following tables.

In Q2 Fiscal 2025, the increase in Adjusted EBITDA was due to the reduction in instructional costs and services related to the teach-out of the pre-licensure program, the shift of instructor resources to a more variable cost model at USU and a decrease in general and administrative costs attributed to planned cost control, partially offset by lower revenue at AU related to the completion of the teach-out at the pre-licensure program campuses and decreased AU online enrollments related to a maintenance marketing spend level.

In Q2 Fiscal 2025, non-recurring charges - Other of $1.0 million includes the non-cash change in fair value of put warrant liability, the impact of temporary lease rent abatement and non-recurring professional fees.

In 1H Fiscal 2025, the decrease in Adjusted EBITDA was due to lower revenue at AU related to the completion of the teach-out at the pre-licensure program campuses 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 facilities costs.

In 1H Fiscal 2025, non-recurring charges - Other of $2.3 million includes the non-cash change in fair value of put warrant liability, a reduction to offset the impact of temporary lease rent abatement and non-recurring professional fees.

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

	Three Months Ended October 31, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (4,146,365)	$ (928,386)	$ (5,350,264)	$ 2,132,285
Interest expense, net	342,490	342,490	—	—
Taxes	46,225	15,479	25,900	4,846
Depreciation and amortization	794,895	73,832	576,433	144,630
EBITDA	(2,962,755)	(496,585)	(4,747,931)	2,281,761
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	98,245	94,819	1,954	1,472
Severance	35,522	8,357	23,622	3,543
Impairments of right-of-use assets and tenant leasehold improvements	4,937,154	—	4,937,154	—
Non-recurring (income) charges - Other	(1,009,146)	(1,085,145)	75,999	—
Adjusted EBITDA	$ 1,549,020	$ (1,478,554)	$ 515,798	$ 2,511,776
Net income (loss) Margin	(36)%	NM	(112)%	32 %
Adjusted EBITDA Margin	14 %	NM	11 %	38 %

NM – Not meaningful

	Three Months Ended October 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (1,611,813)	$ (3,807,821)	$ 581,707	$ 1,614,301
Interest expense, net	1,040,720	1,040,720	—	—
Taxes	40,076	7,997	18,601	13,478
Depreciation and amortization	950,090	78,122	738,794	133,174
EBITDA	419,073	(2,680,982)	1,339,102	1,760,953
Bad debt expense	450,000	—	225,000	225,000
Stock-based compensation	218,132	193,139	21,572	3,421
Adjusted EBITDA	$ 1,087,205	$ (2,487,843)	$ 1,585,674	$ 1,989,374
Net income (loss) Margin	(12)%	NM	8 %	25 %
Adjusted EBITDA Margin	8 %	NM	22 %	30 %

	Six Months Ended October 31, 2024			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (4,274,229)	$ (2,372,150)	$ (5,841,286)	$ 3,939,207
Interest expense, net	689,660	689,660	—	—
Taxes	46,017	15,571	25,900	4,546
Depreciation and amortization	1,614,899	151,388	1,180,269	283,242
EBITDA	(1,923,653)	(1,515,531)	(4,635,117)	4,226,995
Bad debt expense	900,000	—	450,000	450,000
Stock-based compensation	308,336	296,573	8,819	2,944
Severance	86,229	11,482	60,447	14,300
Impairments of right-of-use assets and tenant leasehold improvements	4,937,154	—	4,937,154	—
Non-recurring income - Other	(2,311,431)	(1,906,132)	(405,299)	—
Adjusted EBITDA	$ 1,996,635	$ (3,113,608)	$ 416,004	$ 4,694,239
Net income (loss) Margin	(19)%	NM	(61)%	30 %
Adjusted EBITDA Margin	9 %	NM	4 %	36 %

	Six Months Ended October 31, 2023			
	Consolidated	AGI Corporate	AU	USU
Net income (loss)	$ (2,251,251)	$ (7,613,422)	$ 1,228,083	$ 4,134,088
Interest expense, net	1,977,180	1,977,201	(6)	(15)
Taxes	124,247	62,763	38,026	23,458
Depreciation and amortization	1,913,302	153,764	1,500,101	259,437
EBITDA	1,763,478	(5,419,694)	2,766,204	4,416,968
Bad debt expense	900,000	—	450,000	450,000
Stock-based compensation	305,581	240,011	54,630	10,940
Adjusted EBITDA	$ 2,969,059	$ (5,179,683)	$ 3,270,834	$ 4,877,908
Net income (loss) Margin	(8)%	NM	8 %	31 %
Adjusted EBITDA Margin	10 %	NM	22 %	36 %

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 October 31,		Six Months Ended October 31,	
	2024	2023	2024	2023
Revenue	$ 11,459,779	$ 13,828,847	$22,788,616	$28,468,719
Cost of Revenue	2,885,895	4,584,193	6,233,120	8,977,048
Adjusted Gross Profit	$ 8,573,884	$ 9,244,654	16,555,496	19,491,671
Less amortization expense included in cost of revenue:				
Intangible asset amortization	32,475	33,259	63,965	58,593
Call center software/website amortization	421,095	464,470	855,823	935,967
Total amortization expense included in cost of revenue	453,570	497,729	919,788	994,560
GAAP Gross Profit	$ 8,120,314	$ 8,746,925	$15,635,708	$18,497,111

GAAP Gross Profit as a percentage of revenue	71 %	63 %	69 %	65 %
Adjusted Gross Profit as a percentage of revenue	75 %	67 %	73 %	68 %

For both periods, GAAP gross margin improved primarily due to lower cost of revenue associated with the year-over-year decrease in marketing spend, the decrease in instructional costs related to the teach out of the BSN Pre-licensure program and the shift of instructor resources to a more variable cost model at USU; partially offset by lower revenue.

Liquidity and Capital Resources

Cash flow information

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

	Six Months Ended October 31,	
	2024	2023
Net cash provided by (used in)		
Operating activities	$ 20,975	$ (4,194,126)
Investing activities	(598,178)	(679,428)
Financing activities	(876,442)	5,155,419
Net (decrease) increase in cash	$ (1,453,645)	$ 281,865

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities was $20,975 in 1H Fiscal 2025 in contrast to net cash used in operating activities of $4,194,126 in 1H Fiscal 2024. Our net loss for 1H Fiscal 2025 adjusted for non-cash activities increased to cash provided of $1.6 million as compared to $0.8 million in the prior year period. Approximately $1.6 million of cash used in operations is attributed to decreased working capital which is attributed to the net decrease in accounts payable and accrued expenses, decreases in advances on tuition and deferred tuition, and increases in short-term and long-term monthly payment plan accounts receivable, partially offset by a decrease in financial aid related receivables in other current assets due to receipt of HCM2 #8 in July 2024. Further discussion follows.

The decrease in cash from changes in working capital primarily consists of the net decrease in accounts payable and accrued expenses due to catch-up of vendor payments since AU was removed from the HCM2 payment method. The decrease in advances on tuition and deferred tuition and due to students is associated with the timing of class starts. The increase in accounts receivable is due to strong enrollments in Q2 Fiscal 2025.

Other current assets decreased primarily due to the receipt of the last HCM2 payment from the DOE of $0.8 million in July 2024, and the transition of AU from the HCM2 payment method to the HCM1 payment method in August 2024. Refer to Item 3. Interim financial statements - Note 11. Commitments and Contingencies for detail.

The increase in non-cash adjustments consists of the impairments of right-of-use assets and tenant leasehold improvements, partially offset by the change in fair value of put warrants issued in connection with the second amendment of the 15% Senior Secured Debentures (the "Debentures" or "15% Debentures").

There may be working capital volatility from quarter to quarter due to the timing of financial aid payments, the timing and size of student course starts that impact advances on tuition and deferred tuition and the timing of increased marketing spend, which could result in increased accounts receivable balances.

Net Cash Used in Investing Activities

Net cash used in investing activities in 1H Fiscal 2025 decreased from 1H Fiscal 2024 by 12% and was primarily related to capitalized software expenditures.

Net Cash (Used in) Provided By Financing Activities

Net cash used in financing activities in 1H Fiscal 2025 decreased from 1H Fiscal 2024 due to the net proceeds from the issuance of the 15% Debentures in the prior year, which were used for the repayment of the outstanding borrowings under the

$5 million Credit Facility and payment of debt issuance costs. Net cash used in financing activities in 1H Fiscal 2025 was primarily related to repayment of a portion of the 15% Debentures.

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 approximately $12.4 million aggregate principal amount of the 15% Debentures due May 2026 of which $10.5 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 were 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 $2.0 million restricted cash deposit was subsequently used to prepay the outstanding balances through the amendments discussed below.

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 had the option to prepay the Debentures any time after May 12, 2024 at 105%; but has not had the available cash to do so. 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 (subsequently amended as discussed in the Second and Third Amendments below), 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 (subsequently amended as discussed in the Third Amendment below).

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 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 paid a prepayment premium of $250,000. Monthly redemptions which began in November 2023 were reduced by 10% following the Mandatory Prepayment.

As part of the Second Amendment to the 15% Debentures, which is discussed in Item 3. Interim financial statements. - Note 7. Stockholders' Equity, 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, with a value of $91,280;

(ii) since the Mandatory Prepayment of $1.5 million was not made by December 30, 2023, on such date, New Warrants were issued to purchase 3% of the Company's issued and outstanding on a fully diluted basis. The Company issued an additional 1,210,634 warrants with a value of $324,937; and

(iii) since the Mandatory Prepayment of $1.5 million was not made by January 31, 2024, but rather on February 8, 2024, on such date, New Warrants were issued to purchase 5% of the Company's issued and outstanding on a fully diluted basis. The Company issued an additional 2,017,724 warrants with a value of $541,562.

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, or (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) (collectively the "put warrants"). At October 31, 2024, the fair value of these put warrants was $58,461, which is included in "Put Warrants liability" 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 to prepay outstanding principal on April 18, 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 which was accrued in "Other long-term liabilities" in the accompanying consolidated balance sheets;

(iii) reduce the monthly principal payments to $50,000 for the calendar months of March, April, May, June, July, and August 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 to:

(i) approve the exchange of the 2022 Convertible Notes held by the holders in exchange for the Series A Convertible Preferred Stock ("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 (see Item 12. Financial information for the issuer's most recent fiscal period - Note 10. Stockholders' Equity) and carve-out the issuance of the Dividend Shares from triggering any adjustments pursuant to negative covenants in the Debentures;

(iii) clarify that the issuance of the Dividend Shares is an "Exempt Issuance" under the 15% Debentures;

(iv) agree that if the Series A are exchanged for new convertible notes on similar terms as 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) enter into an agreement to terminate the subordination agreement.

Fifth Amendment

On July 19, 2024, the Company entered into a Fifth Amendment to amend certain events of default.

Sixth Amendment

On October 31, 2024, the Company entered into a Sixth Amendment with the holders of its outstanding 15% Debentures. The Amendment provides that effective Q3 Fiscal 2025, required monthly loan principal payments will be converted to quarterly payments of $500,000. The first quarterly principal payment will be made on January 31, 2025 and each 90 days thereafter. As part of the Sixth Amendment, the Company issued additional warrants to purchase common stock equal to 5% of outstanding shares of common stock on the Sixth Amendment effective date of October 31, 2024.

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 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. Refer to Item 3. Interim financial statements., Note 7. Stockholders' Equity. The resulting decrease in on-going quarterly interest expense is $0.4 million. On May 1, 2024, the Company paid the April 2024 common stock dividend with 230,138 shares, with a fair value of $59,836 based on the quoted trading price, which was accrued at April 30, 2024. On August 1, 2024, the Company paid the July 2024 common stock dividend with 705,758 shares, with a fair value of $141,152 based on the quoted trading price, which was accrued at July 31, 2024. On November 1, 2024, the Company paid the October 2024 common stock dividend with 705,758 shares, with a fair value of $7,058 based on the quoted trading price, which was accrued at October 31, 2024.

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. This Credit Facility expired.

Sufficiency of Working Capital

On February 8, 2023, AU received notification from the DOE that effective February 7, 2023 the DOE had placed AU on HCM2. Under the HCM2 method of payment, AU 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 HCM2 payment method created variability in our unrestricted cash balance because of funding delays by the end DOE. As of July 2024, we received eight reimbursement payments under the HCM2 program.

On July 19, 2024, AU received notification from the Distance Education Accrediting Commission (the "Commission") regarding its decision to vacate the show cause directive previously issued to AU on February 1, 2023. DEAC requested that AU keep the Commission informed on the status of the teach-out of students who are completing the Nursing Pre-licensure program through September 2024 and continue providing monthly and quarterly reports through January 2025.

On August 16, 2024, the DOE moved AU from the HCM2 payment method to the HCM1 payment method. A school placed on HCM1 receives funds after a school makes disbursements to eligible students from institutional funds and submits disbursement records to the Common Origination and Disbursement System; it will then draw down financial aid funds to cover those disbursements in the same way as a school on the Advance Payment Method. Since removal from HCM2, AU has received $4.6 million in HCM1 funds.

As of December 13, 2024, the Company had $0.4 million of unrestricted cash on hand. Cost reductions associated with the restructuring plans and other corporate cost reductions were implemented to ensure we will have sufficient cash to meet our working capital needs for the next 12 months.

Capital and other expenditures

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

Cautionary Note Regarding Forward Looking Statements.

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our future marketing spend and the success of our future marketing efforts, future AU revenue declines and future USU expected revenue, positive operating cash flow, future liquidity, the impact of our bookings and the expectation our common stock will again trade on the OTCQB.

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 impact from our last restructuring plan. our ability to sublease our remaining leases other than our executive offices and necessary space used by AU and USU, the continued high demand for nurses for our new programs and in general, student attrition, national and local economic factors including the labor market shortages, the failure to obtain approval from the National Council for State Authorization Reciprocity Agreements, competition from other online universities including the competitive impact from the trend of major non-profit universities using online education and consolidation among our competitors, the effectiveness of our future marketing efforts, our evaluation of the effectiveness of our cost reduction efforts, our ability to obtain and maintain the necessary regulatory approvals, the impact of any Federal Reserve interest rate changes on the economy, unfavorable regulatory changes, and our failure to continue obtaining enrollments at low acquisition costs and keeping teaching and administrative costs down. We undertake no obligation to publicly update or revise any forward-looking statements, whether as the result of new information, future events or otherwise.

Item 5. Legal proceedings.

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, 2024.

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: December 16, 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: December 16, 2024

/s/ Matt LaVay
Chief Financial Officer