**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended **October 31, 2018.**

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from ________ to ________**

**Commission file number: 001-38175**

**Aspen Group, Inc.**

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

| | |
|---|---|
| **Delaware** | **27-1933597** |
| *(State or other jurisdiction of incorporation or organization)* | *(I.R.S. Employer Identification No.)* |
| **276 Fifth Avenue, Suite 306, New York, New York** | **10001** |
| *(Address of principal executive offices)* | *(Zip Code)* |

**Registrants telephone number: (212) 477-1210**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days Yes þ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

| | |
|---|---|
| Large accelerated filer ¨ | Accelerated filer þ |
| Non-accelerated filer ¨ | Smaller reporting company þ |
| Emerging growth company ¨ | |

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

| Class | Outstanding as of December 10, 2018 |
|---|---|

| | |
|---|---|
| Common Stock, $0.001 par value per share | 18,374,425 shares |

# INDEX

## PART I FINANCIAL INFORMATION



## PART II OTHER INFORMATION

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ASPEN GROUP, INC. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

| | October 31, 2018 (Unaudited) | April 30, 2018 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash | $ 7,723,808 | $ 14,612,559 |
| Restricted cash | 190,506 | 190,506 |
| Accounts receivable, net of allowance of $736,103 and $468,174, respectively | 10,040,398 | 6,802,723 |
| Prepaid expenses | 430,072 | 199,406 |
| Other receivables | 5,373 | 184,569 |
| Total current assets | 18,390,157 | 21,989,763 |
| | | |
| Property and equipment: | | |
| Call center equipment | 166,051 | 140,509 |
| Computer and office equipment | 294,419 | 230,810 |
| Furniture and fixtures | 1,271,536 | 932,454 |
| Software | 3,485,118 | 2,878,753 |
| | 5,217,124 | 4,182,526 |
| Less accumulated depreciation and amortization | (1,450,025) | (1,320,360) |
| Total property and equipment, net | 3,767,099 | 2,862,166 |
| Goodwill | 5,011,432 | 5,011,432 |
| Intangible assets, net | 9,091,667 | 9,641,667 |
| Courseware and accreditation, net | 192,652 | 138,159 |
| Accounts receivable, secured - net of allowance of $625,963 and $625,963, respectively | 45,329 | 45,329 |
| Long term contractual accounts receivable | 1,812,629 | 1,315,050 |
| Other assets | 605,812 | 584,966 |
| | | |
| Total assets | $ 38,916,777 | $ 41,588,532 |

(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, 2018 (Unaudited) | April 30, 2018 |
|---|---|---|
| Liabilities and Stockholders Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 1,625,989 | $ 2,227,214 |
| Accrued expenses | 731,591 | 658,854 |
| Deferred revenue | 3,445,306 | 1,814,136 |
| Refunds due students | 1,181,939 | 815,841 |
| Deferred rent, current portion | 12,247 | 8,160 |
| Convertible notes payable, current portion | 1,050,000 | 1,050,000 |
| Other current liabilities | 375,749 | 203,371 |
| Total current liabilities | 8,422,821 | 6,777,576 |
| | | |
| Convertible note | 1,000,000 | 1,000,000 |
| Deferred rent | 527,158 | 77,365 |
| Total liabilities | 9,949,979 | 7,854,941 |
| | | |
| Commitments and contingencies - See Note 6 | | |
| | | |
| Stockholders equity: | | |
| Preferred stock, $0.001 par value; 10,000,000 shares authorized, 0 issued and outstanding at October 31, 2018 and April 30, 2018 | | |
| Common stock, $0.001 par value; 250,000,000 shares authorized, 18,391,092 issued and 18,374,425 outstanding at October 31, 2018 18,333,521 issued and 18,316,854 outstanding at April 30,2018 | 18,391 | 18,334 |
| Additional paid-in capital | 67,102,509 | 66,557,005 |
| Treasury stock (16,667 shares) | (70,000) | (70,000) |
| Accumulated deficit | (38,084,102) | (32,771,748) |
| Total stockholders equity | 28,966,798 | 33,733,591 |
| | | |
| Total liabilities and stockholders equity | $ 38,916,777 | $ 41,588,532 |

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

**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

| | For the Three Months Ended October 31, 2018 | For the Three Months Ended October 31, 2017 | For the Six Months Ended October 31, 2018 | For the Six Months Ended October 31, 2017 |
|---|---|---|---|---|
| Revenues | $ 8,095,344 | $ 4,851,639 | $ 15,316,649 | $ 9,094,525 |
| Operating expenses | | | | |
| Cost of revenues (exclusive of depreciation and amortization shown separately below) | 3,835,515 | 1,864,659 | 7,587,907 | 3,617,150 |
| General and administrative | 6,210,411 | 3,166,391 | 12,034,543 | 6,297,725 |
| Depreciation and amortization | 524,067 | 145,355 | 1,022,172 | 284,074 |
| Total operating expenses | 10,569,993 | 5,176,405 | 20,644,622 | 10,198,949 |
| Operating loss | (2,474,649) | (324,766) | (5,327,973) | (1,104,424) |
| Other income (expense): | | | | |
| Other income | 41,492 | 23,111 | 97,894 | 41,888 |
| Interest expense | (41,922) | (179,896) | (82,275) | (186,093) |
| Total other income (expense), net | (430) | (156,785) | 15,619 | (144,205) |
| Loss before income taxes | (2,475,079) | (481,551) | (5,312,354) | (1,248,629) |
| Income tax expense (benefit) | | | | |
| Net loss | $ (2,475,079) | $ (481,551) | $ (5,312,354) | $ (1,248,629) |
| Net loss per share allocable to common | $ (0.13) | $ (0.04) | $ (0.29) | $ (0.09) |

| | | | | |
|---|---|---|---|---|
| stockholders: basic and diluted | | | | |
| Weighted average number of common shares outstanding: basic and diluted | 18,335,413 | 13,587,535 | 18,326,621 | 13,548,672 |

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

**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**

**FOR THE SIX MONTHS ENDED OCTOBER 31, 2018**

**(Unaudited)**

| | Common Stock | | Additional Paid-In | Treasury | Accumulated | Total Stockholders' |
|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Stock | Deficit | Equity |
| Balance at April 30, 2018 | 18,333,521 | $ 18,334 | $ 66,557,005 | $ (70,000) | $ (32,771,748) | $ 33,733,591 |
| Stock-based compensation | | | 515,291 | | | 515,291 |
| Common stock issued for cashless stock options exercised | 30,764 | 31 | (31) | | | |
| Common stock issued for stock options exercised for cash | 26,807 | 26 | 60,076 | | | 60,102 |
| Purchase of treasury stock, net of broker fees. | | | | (7,370,000) | | (7,370,000) |
| Re-sale of treasury stock, net of broker fees. | | | | 7,370,000 | | 7,370,000 |
| Fees associated with equity raise | | | (29,832) | | | (29,832) |
| Net loss, for the six months ended October 31, 2018 | | | | | (5,312,354) | (5,312,354) |

| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance at October 31, 2018 | **18,391,092** | **$** | **18,391** | **$** | **67,102,509** | **$** | **(70,000)** | **$** | **(38,084,102)** | **$** | **28,966,798** |

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)**

| | For the Six months ended October 31, 2018 | For the Six months ended October 31, 2017 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (5,312,354) | $ (1,248,629) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Bad debt expense | 292,889 | 85,500 |
| Depreciation and amortization | 1,022,172 | 284,074 |
| Stock-based compensation | 515,291 | 303,924 |
| Amortization of prepaid shares for services | 8,285 | |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (4,028,143) | (2,137,055) |
| Prepaid expenses | (238,951) | (39,392) |
| Accrued interest receivable | | (36,800) |
| Other receivables | 179,196 | (388,585) |
| Other assets | (20,846) | (33,192) |
| Accounts payable | (601,225) | 177,666 |
| Accrued expenses | 72,737 | (16,496) |
| Deferred rent | 453,880 | (7,609) |
| Refunds due students | 366,098 | 424,362 |
| Deferred revenue | 1,631,170 | 959,174 |
| Other liabilities | 172,378 | |
| Net cash used in operating activities | (5,487,423) | (1,673,058) |
| | | |
| Cash flows from investing activities: | | |
| Purchases of courseware and accreditation | (85,821) | (25,100) |
| Purchases of property and equipment | (1,345,777) | (540,873) |
| Net cash used in investing activities | (1,431,598) | (565,973) |
| | | |
| Cash flows from financing activities: | | |
| Disbursements for equity offering costs | (29,832) | (4,707) |
| Proceeds of stock options exercised | 60,102 | 53,045 |
| Proceeds of warrant exercise | | 33,598 |
| Purchase of treasury stock | (7,370,000) | |
| Re-sale of treasury stock | 7,370,000 | |
| Senior secured term loan, net | | 4,780,572 |
| Net cash provided by financing activities | 30,270 | 4,862,508 |

| | | |
|---|---|---|
| Net increase (decrease) in cash and cash equivalents | (6,888,751) | 2,623,477 |
| Cash, restricted cash, and cash equivalents at beginning of period | 14,803,065 | 2,756,217 |
| Cash and cash equivalents at end of period | $ 7,914,314 | $ 5,379,694 |

(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)**

| | For the Six months ended October 31, 2018 | | 2017 |
|---|---|---|---|
| Supplemental disclosure of cash flow information: | | | |
| Cash paid for interest | $ | $ | 135,323 |
| Cash paid for income taxes | $ | $ | |
| | | | |
| Supplemental disclosure of non-cash investing and financing activities | | | |
| Warrants issued as part of senior secured loan | $ | $ | 478,428 |

The following table provides a reconciliation of cash and restricted cash reported within the consolidated balance sheet that sum to the total of the same such amounts shown in the consolidated statement of cash flows:

| | For the Six months ended October 31, 2018 | 2017 |
|---|---|---|
| Cash | $ 7,723,808 | $ 5,379,694 |
| Restricted cash | 190,506 | |
| Total cash and restricted cash | $ 7,914,314 | $ 5,379,694 |

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

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**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2018**

**(Unaudited)**

**Note 1. Nature of Operations and Liquidity**

**Overview**

Aspen Group, Inc. (together with its subsidiaries, the Company, Aspen, or AGI ) is a holding company, which has three subsidiaries. They are Aspen University, Inc. ( Aspen University ) organized in 1987, Aspen Nursing, Inc. (a subsidiary of Aspen University) and United States University, Inc. ( USU ) formed in May 2017 and which we acquired on December 1, 2017. (See Note 8). When we refer to USU in this Report, we refer to either the online university which has operated under the name United States University or our subsidiary which operates this university, as the context illustrates.

AGI is an education technology holding company that leverages its 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. In March 2014, Aspen University unveiled a monthly payment plan aimed at reversing the college-debt sentence plaguing working-class Americans. The monthly payment plan offers bachelor students (except RN to BSN) the opportunity to pay their tuition at $250/month for 72 months ($18,000), nursing bachelor students (RN to BSN) $250/month for 39 months ($9,750), master students $325/month for 36 months ($11,700) and doctoral students $375/month for 72 months ($27,000), interest free, thereby giving students a monthly payment tuition payment option versus taking out a federal financial aid loan.

USU began offering monthly payment plans in the summer of 2017. Today, monthly payment plans are available for the RN to BSN program ($250/month), MBA/M.A.Ed/MSN programs ($325/month), and the MSN-FNP program ($375/month).

Additionally, Aspen University has begun its first semester (July 2018) for its previously announced pre-licensure Bachelor of Science in Nursing (BSN) degree program at its initial campus in Phoenix, Arizona. As a result of overwhelming demand in the Phoenix metro area, Aspen recently announced it will offer both day (July, November, and March semesters) and evening/weekend (January, May, and September semesters) programs, equaling six semester starts per year. Aspen s innovative hybrid (online/on-campus) program allows most of the credits to be completed online (83 of 120 credits or 69%), with pricing offered at Aspen s current low tuition rates of $150/credit hour for online general education courses and $325/credit hour for online core nursing courses. For high school students with no prior college credits, the total cost of attendance is less than $50,000.

Since 1993, Aspen University has been nationally accredited by the Distance Education and Accrediting Council ( DEAC ), a national accrediting agency recognized by the U.S. Department of Education (the DOE ). On February 25, 2015, the DEAC informed Aspen University that it had renewed its accreditation for five years to January 2019.

Since 2009, USU has been regionally accredited by WASC Senior College and University Commission. ( WSCUC ).

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 has a provisional certification resulting from the change of control on December 1, 2017.

**Basis of Presentation**

**A. Interim Financial Statements**

The interim consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC ). In the opinion of the Company s management, all adjustments (consisting of normal recurring adjustments and reclassifications and non-recurring adjustments) necessary to present fairly our results of operations for the six months ended October 31, 2018 and 2017, our cash flows for the six months ended October 31, 2018 and 2017, and our financial position as of October 31, 2018 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 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 Report on Form 10-K for the period ended April 30, 2018 as filed with the SEC on July 13, 2018. The April 30, 2018 balance sheet is derived from those statements.

**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2018**

**(Unaudited)**

**B. Liquidity**

At October 31, 2018, the Company had a cash balance of $7,723,808 with an additional $190,506 in restricted cash.

In April 2018, the Company raised $23,023,000 in equity through the sale of 3,220,000 shares at $7.15 per share. With the proceeds, the Company repaid a $7.5 million senior secured term loan.

As discussed in more detail in Note 11, Subsequent Events, on November 5, 2018 the Company entered into a three year, senior unsecured revolving credit facility. There is currently no outstanding balance under that facility.

During the six months ending October 31, 2018 the Company used cash of $6,888,751, which included using $5,487,423 in operating activities. The Company expects revenue growth to continue, and expenses to grow at a slower pace. As a result, the Company expects cash used in operations to decline in future quarters as compared to the quarter ending October 31, 2018.

The Company paid $1,160,000 of principal and accrued interest related to a convertible note on December 3, 2018, as explained in Note 11, Subsequent Events. The Company also anticipates ongoing investment spending, including an expected investment of approximately $600,000 related to the new campus for its Pre-Licensure Program with Honor Health.

The Company has considered its liquidity position and believes its current resources are adequate to meet anticipated liquidity needs.

**Note 2. Significant Accounting Policies**

**Principles of Consolidation**

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

**Use of Estimates**

The preparation of the unaudited consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements. Actual results could differ from those estimates. Significant estimates in the accompanying unaudited consolidated financial statements include the allowance for doubtful accounts and other receivables, the valuation of collateral on certain receivables, estimates of the fair value of assets acquired and liabilities assumed in a business combination, amortization periods and valuation of courseware, intangibles and software development costs, valuation of beneficial conversion features in convertible debt, valuation of goodwill, valuation of loss contingencies, valuation of stock-based compensation and the valuation allowance on deferred tax assets.

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

For the purposes of the unaudited consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of six months or less when purchased to be cash equivalents. There were no cash equivalents at October 31, 2018 and April 30, 2018. 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, 2018. As of October 31, 2018 and April 30, 2018, there were deposits totaling $7,336,580 and $14,422,499 respectively, held in two separate institutions greater than the federally insured limits.

Restricted cash consists of $118,872 which is collateral for a letter of credit issued by the bank and required under the USU facility operating lease and $71,634 which is collateral for a letter of credit issued by the bank and related to USU s receipt of Title IV funds and is required by DOE in connection with the change of control of USU. (See Note 6)

**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2018**

**(Unaudited)**

**Goodwill and Intangibles**

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

Intangible assets represent both indefinite lived and definite lived assets. Accreditation and regulatory approvals and trade name and trademarks are deemed to have indefinite useful lives and accordingly are not amortized but are tested annually for impairment. Student relationships and curriculums are deemed to have definite lives and are amortized accordingly.

**Fair Value Measurements**

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:

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.

**Accounts Receivable and Allowance for Doubtful Accounts Receivable**

All students are required to select both a primary and secondary payment option with respect to amounts due to Aspen for tuition, fees and other expenses. The monthly payment plan represents approximately 72% of the payments that are made by students, making it the most common payment type. In instances where a student selects financial aid as the primary payment option, he or she often selects personal cash as the secondary option. If a student who has selected financial aid as his or her primary payment option withdraws prior to the end of a course but after the date that Aspen s institutional refund period has expired, the student will have incurred the obligation to pay the full cost of the course. If the withdrawal occurs before the date at which the student has earned 100% of his or her financial aid, Aspen will have to return all or a portion of the Title IV funds to the DOE and the student will owe Aspen all amounts incurred that are in excess of the amount of financial aid that the student earned and that Aspen is entitled to retain. In this case, Aspen must collect the receivable using the student s second payment option.

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

**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2018**

**(Unaudited)**

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

Direct write-offs are taken in the period when Aspen has exhausted its efforts to collect overdue and unpaid receivables or otherwise evaluate other circumstances that indicate that Aspen should abandon such efforts. (See Note: 10)

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 contractual amount cannot be recorded as the student does have the option to stop attending. As a student takes a class, revenue is earned over the class term. Some students accelerate their program, taking two or more classes every eight week period, which increases the student s accounts receivable balance. If any portion of that balance will be paid in a period greater than 12 months, that portion is reflected as long-term accounts receivable. At October 31, 2018 and April 30, 2018, those balances are $1,812,629 and $1,315,050, respectively. The Company has determined that the long term accounts receivable do not constitute a significant financing component as the list price, cash selling price and promised consideration are equal. Further, the interest free financing portion of the monthly payment plans are not considered significant to the contract.

**Property and Equipment**

Property and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets per the following table.

| Category | Useful Life |
|---|---|

| | |
|---|---|
| Call center equipment | 5 years |
| Computer and office equipment | 5 years |
| Furniture and fixtures | 7 years |
| Library (online) | 3 years |
| Software | 5 years |

Costs incurred to develop internal-use software during the preliminary project stage are expensed as incurred. Internal-use software development costs are capitalized during the application development stage, which is after: (i) the preliminary project stage is completed; and (ii) management authorizes and commits to funding the project and it is probable the project will be completed and used to perform the function intended. Capitalization ceases at the point the software project is substantially complete and ready for its intended use, and after all substantial testing is completed. Upgrades and enhancements are capitalized if it is probable that those expenditures will result in additional functionality. Depreciation is provided for on a straight-line basis over the expected useful life of five years of the internal-use software development costs and related upgrades and enhancements. When existing software is replaced with new software, the unamortized costs of the old software are expensed when the new software is ready for its intended use.

Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful lives of the leasehold improvements.

Upon the retirement or disposition of property and equipment, the related cost and accumulated depreciation are removed and a gain or loss is recorded in the consolidated statements of operations. Repairs and maintenance costs are expensed in the period incurred.

**Courseware and Accreditation**

The Company records the costs of courseware and accreditation in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 350 Intangibles - Goodwill and Other .

Generally, costs of courseware creation and enhancement are capitalized. Accreditation renewal or extension costs related to intangible assets are capitalized as incurred. Courseware is stated at cost less accumulated amortization. Amortization is provided for on a straight-line basis over the expected useful life of five years.

**ASPEN GROUP, INC. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**OCTOBER 31, 2018**

**(Unaudited)**

**Long-Lived Assets**

The Company assesses potential impairment to its long-lived assets when there is evidence that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Events and circumstances considered by the Company in determining whether the carrying value of identifiable intangible assets and other long-lived assets may not be recoverable include, but are not limited to: significant changes in performance relative to expected operating results, significant changes in the use of the assets, significant negative industry or economic trends, a significant decline in the Company s stock price for a sustained period of time, and changes in the Company s business strategy. An impairment loss is recorded when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Any required impairment loss is measured as the amount by which the carrying amount of a long-lived asset exceeds fair value and is recorded as a reduction in the carrying value of the related asset and an expense to operating results.

**Refunds Due Students**

The Company receives Title IV funds from the Department of Education to cover tuition and living expenses. After deducting tuition and fees, the Company sends checks for the remaining balances to the students.

**Leases**

The Company enters into various lease agreements in conducting its business. At the inception of each lease, the Company evaluates the lease agreement to determine whether the lease is an operating or capital lease. Leases may contain initial periods of free rent and/or periodic escalations. When such items are included in a lease agreement, the Company records rent expense on a straight-line basis over the initial term of a lease. The difference between the rent payment and the straight-line rent expense is recorded as a deferred rent liability. The Company expenses any additional payments under its operating leases for taxes, insurance or other operating expenses as incurred.

**Treasury Stock**

Purchases and sales of treasury stock are accounted for using the cost method. Under this method, shares acquired are recorded at the acquisition price directly to the treasury stock account. Upon sale, the treasury stock account is reduced by the original acquisition price of the shares and any difference is recorded in equity. This method does not allow the company to recognize a gain or loss to income from the purchase and sale of treasury stock.

**Revenue Recognition and Deferred Revenue**

On May 1, 2018, the company adopted 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 ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer purchase orders, including significant judgments. Our adoption of this ASU, resulted in no change to our results of operations or our balance sheet.

Revenues consist primarily of tuition and course fees derived from courses taught by the Company online as well as from related educational resources and services that the Company provides to its students. Under topic 606, this tuition revenue is recognized pro-rata over the applicable period of instruction and are not considered separate performance obligations. Non-tuition related revenue and fees are recognized as services are provided or when the goods are received by the student. (See note 10)

The Company had revenues from students outside the United States representing 1.7% and 2.2% of the revenues for the six months ended October 31, 2018 and 2017 respectively.

**Cost of Revenues**

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

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**Instructional Costs and Services**

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

**Marketing and Promotional Costs**

Marketing and promotional costs include costs associated with producing marketing materials and advertising. Such costs are generally affected by the cost of advertising media, the efficiency of the Company's marketing and recruiting efforts, and expenditures on advertising initiatives for new and existing academic programs. Non-direct response advertising activities are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity. Total marketing and promotional costs were $4,436,067 and $1,920,281 for the six months ended October 31, 2018 and 2017, respectively and are included in cost of revenues.

**General and Administrative**

General and administrative expenses include compensation of employees engaged in corporate management, finance, human resources, information technology, academic operations, compliance and other corporate functions. General and administrative expenses also include professional services fees, bad debt expense related to accounts receivable, financial aid processing costs, non-capitalizable courseware and software costs, travel and entertainment expenses and facility costs.

**Legal Expenses**

All legal costs for litigation are charged to expense as incurred.

**Income Tax**

The Company uses the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial statement amounts. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that more likely than not will be realized. The Company has deferred tax assets and liabilities that reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets are subject to periodic recoverability assessments. Realization of the deferred tax assets, net of deferred tax liabilities, is principally dependent upon achievement of projected future taxable income.

The Company records a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Company accounts for uncertainty in income taxes using a two-step approach for evaluating tax positions. Step one, recognition, occurs when the Company concludes that a tax position, based solely on its technical merits, is more likely than not to be sustained upon examination. Step two, measurement, is only addressed if the position is more likely than not to be sustained. Under step two, the tax benefit is measured as the largest amount of benefit, determined on a cumulative probability basis, which is more likely than not to be realized upon ultimate settlement. The Company recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

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**Stock-Based Compensation**

Stock-based compensation expense is measured at the grant date fair value of the award and is expensed over the requisite service period. For employee stock-based awards, the Company calculates the fair value of the award on the date of grant using the Black-Scholes option pricing model. Determining the fair value of stock-based awards at the grant date under this model requires judgment, including estimating volatility, employee stock option exercise behaviors and forfeiture rates. The assumptions used in calculating the fair value of stock-based awards represent the Company's best estimates, but these estimates involve inherent uncertainties and the application of management judgment. For non-employee stock-based awards, the Company calculates the fair value of the award on the date of grant in the same manner as employee awards, however, the awards are revalued at the end of each reporting period and the pro rata compensation expense is adjusted accordingly until such time the non-employee award is fully vested, at which time the total compensation recognized to date shall equal the fair value of the stock-based award as calculated on the measurement date, which is the date at which the award recipient s performance is complete. The estimation of stock-based awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from original estimates, such amounts are recorded as a cumulative adjustment in the period estimates are revised.

**Business Combinations**

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

**Net Loss Per Share**

Net loss per common share is based on the weighted average number of common shares outstanding during each period. Options to purchase 3,435,616 and 2,979,510 common shares, warrants to purchase 650,847 and 650,847 common shares, and $50,000 and $50,000 of convertible debt (convertible into 4,167 and 4,167 common shares) were outstanding at October 31, 2018 and April 30, 2018, respectively, but were not included in the computation of diluted net loss per share because the effects would have been anti-dilutive. Additionally, the Company has a $2 million dollar convertible note with $1 million convertible on December 1, 2018 and the remaining $1 million convertible on December 1, 2019. Had the $2 million been convertible on October 31, 2018, based on the conversion formula applied to that date, the total shares issuable under the full $2 million convertible note were approximately 338,000 shares of common stock but were not included in the computation of diluted net loss per share because the effects would have been anti-dilutive. The options, warrants and convertible debt are considered to be common stock equivalents and are only included in the calculation of diluted earnings per common share when their effect is dilutive.

**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 students regardless of geography. The Company's chief operating decision makers, its Chief Executive Officer and Chief Academic Officer, manage the Company's operations as a whole, and no revenue, expense or operating income information is evaluated by the chief operating decision makers on any component level.

**Recent Accounting Pronouncements**

Financial Accounting Standards Board, Accounting Standard Updates which are not effective until after October 31, 2018, are not expected to have a significant effect on the Company s consolidated financial position or results of operations.

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**Note 3. Property and Equipment**

As property and equipment reach the end of their useful lives, the fully expired asset is written off against the associated accumulated depreciation. There is no expense impact for such write offs. Property and equipment consisted of the following at October 31, 2018 and April 30, 2018:

| | October 31, 2018 | April 30, 2018 |
|---|---|---|
| Call center hardware | $ 166,051 | $ 140,509 |
| Computer and office equipment | 294,419 | 230,810 |
| Furniture and fixtures | 1,271,536 | 932,454 |
| Software | 3,485,118 | 2,878,753 |
| | 5,217,124 | 4,182,526 |
| Accumulated depreciation and amortization | (1,450,025) | (1,320,360) |
| Property and equipment, net | $ 3,767,099 | $ 2,862,166 |

Software consisted of the following at October 31, 2018 and April 30, 2018:

| | October 31, 2018 | April 30, 2018 |
|---|---|---|
| Software | $ 3,485,118 | $ 2,878,753 |
| Accumulated depreciation | (1,147,662) | (1,146,008) |
| Software, net | $ 2,337,456 | $ 1,732,745 |

Depreciation expense for all Property and Equipment as well as the portion for just software is presented below for the three and six months ended October 31, 2018 and 2017:

| | For the Three Months Ended | For the Six Months Ended |
|---|---|---|

| | October 31, | | October 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Depreciation and Amortization Expense | $ 233,109 | $ 131,669 | $ 440,841 | $ 256,751 |
| Software Amortization Expense | $ 160,666 | $ 112,522 | $ 304,440 | $ 220,129 |

The following is a schedule of estimated future amortization expense of software at October 31, 2018:

| Year Ending April 30, | |
|---|---|
| 2019 | $ 339,823 |
| 2020 | 630,841 |
| 2021 | 553,378 |
| 2022 | 460,380 |
| 2023 | 300,139 |
| Thereafter | 52,895 |
| Total | $ 2,337,456 |

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**Note 4. Courseware and Accreditation**

Courseware costs capitalized were $28,721 for the six months ended October 31, 2018. As courseware reaches the end of its useful life, it is written off against the accumulated amortization. There is no expense impact for such write-offs.

Courseware consisted of the following at October 31, 2018 and April 30, 2018:

| | October 31, 2018 | April 30, 2018 |
|---|---|---|
| Courseware | $ 325,286 | $ 298,064 |
| Accreditation | 57,100 | |
| Accumulated amortization | (189,734) | (159,905) |
| Courseware, net | $ 192,652 | $ 138,159 |

The Company incurred $57,100 in accreditation costs associated with intangible assets which were capitalized during the six months ended October 31, 2018.

Amortization expense of courseware for the three and six months ended October 31, 2018 and 2017:

| | For the Three Months Ended October 31, | | For the Six Months Ended October 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Amortization Expense | $ 15,960 | $ 13,686 | $ 31,331 | $ 27,323 |

The following is a schedule of estimated future amortization expense of courseware at October 31, 2018:

| **Year Ending April 30,** | | |
|---|---|---|
| 2019 | $ | 36,070 |
| 2020 | | 62,470 |
| 2021 | | 35,505 |
| 2022 | | 27,632 |
| 2023 | | 22,079 |
| Thereafter | | 8,896 |
| Total | $ | 192,652 |

**Note 5. Convertible Notes**

On February 29, 2012, a loan payable of $50,000 was converted into a two-year convertible promissory note, interest of 0.19% per annum. Beginning March 31, 2012, the note was convertible into common shares of the Company at the rate of $12.00 per share. The Company evaluated the convertible note and determined that, for the embedded conversion option, there was no beneficial conversion value to record as the conversion price is considered to be the fair market value of the common shares on the note issue date. This loan (now a convertible promissory note) was originally due in February 2014. The amount due under this note has been reserved for payment upon the note being tendered to the Company by the note holder.

On December 1, 2017, the Company completed the acquisition of USU and, as part of the consideration, a $2.0 million convertible note (the Note ) was issued, bearing 8% annual interest that matures over a two-year period after the closing. (See Note 8 and 11) At the option of the Note holder, on each of the first and second anniversaries of the closing date, $1,000,000 of principal and accrued interest under the Note will be convertible into shares of the Company s common stock based on the volume weighted average price per share for the ten preceding trading days (subject to a floor of $2.00 per share) or become payable in cash. There was no beneficial conversion feature on the note date and the conversion terms of the note exempt it from derivative accounting. Subsequently the note was assigned to a third party.

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**Note 6. Commitments and Contingencies**

**Operating Leases**

On September 18, 2017 the Company signed a six year lease for its corporate headquarters in New York, NY. The annum amount is $186,060, payable at a rate of $15,505 per month and then increased to $16,370 per month in December 2018.

In October 2018, the Company signed a 62 month lease beginning October 1, 2018 and expires on December 31, 2023 for our office located in Moncton, New Brunswick, Canada. The monthly rent is $13,241 CAD which is approximately $10,100 USD.

The Company leases office space for its developers in Dieppe, New Brunswick, Canada under a three year agreement commencing March 1, 2017. The monthly rent payment is $4,367 CAD which is approximately $3,200 USD. This lease is now terminated.

The Company leases office space for its Denver, Colorado location under a two year lease commencing January 1, 2017. The monthly rent payment is $10,756.

On December 5, 2017 the Company signed a 92 month lease for the campus located in Phoenix, Arizona. The operating lease granted eight initial months of free rent and had a monthly rent of $66,696 and increases after month 12. Related to this lease the Company produced a security deposit of $519,271, which is included in other assets and security deposits on the accompanying consolidated balance sheet.

On February 1, 2016, the Company entered into a 64-month lease agreement for its call center in Phoenix, Arizona. The operating lease granted four initial months of free rent and had a base monthly rent of $10,718 and then increases 2% per year after.

United States University s lease commenced July 1, 2016 and expires on June 30, 2022. The initial monthly base rent was $51,270 for the first 10 months and increase each year.

**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, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. As of October 31, 2018, except as discussed below, there were no 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 February 11, 2013, Higher Education Management Group, Inc, ( HEMG ) and its Chairman, Mr. Patrick Spada, sued the Company, certain senior management members and our directors in state court in New York seeking damages arising principally from (i) allegedly false and misleading statements in the filings with the Securities and Exchange Commission (the SEC ) and the United States Department of Education (the DOE ) where the Company disclosed that HEMG and Mr. Spada borrowed $2.2 million without board authority, (ii) the alleged breach of an April 2012 agreement whereby the Company had agreed, subject to numerous conditions and time limitations, to purchase certain shares of the Company from HEMG, and (iii) alleged diminution to the value of HEMG s shares of the Company due to Mr. Spada s disagreement with certain business transactions the Company engaged in, all with Board approval.

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On December 10, 2013, the Company filed a series of counterclaims against HEMG and Mr. Spada in the same state court of New York. By order dated August 4, 2014, the New York court denied HEMG and Spada s motion to dismiss the fraud counterclaim the Company asserted against them.

While the Company has been advised by its counsel that HEMG s and Spada s claims in the New York lawsuit is baseless, the Company cannot provide any assurance as to the ultimate outcome of the case. Defending the lawsuit maybe expensive and will require the expenditure of time which could otherwise be spent on the Company s business. While unlikely, if Mr. Spada s and HEMG s claims in the New York litigation were to be successful, the damages the Company could pay could potentially be material.

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

On October 15, 2015, HEMG filed bankruptcy pursuant to Chapter 7. As a result, the remaining claims and Aspen s counterclaims in the New York lawsuit are currently stayed. The bankrupt estate s sole asset consists of 208,000 shares of AGI common stock, plus a claim filed by the bankruptcy trustee against Spada s brother and a third party to recover approximately 167,000 shares. The Company filed a proof of claim against the bankruptcy estate which included approximately $670,000 on the judgment and approximately $2.2 million from the misappropriation. The other creditor is a secured creditor which alleges it is owed the principal amount of $1,200,000. AGI alleges that because HEMG, a Nevada corporation, had failed to pay annual fees to Nevada it lacked the legal authority to create the security interest and that AGI has priority.

**Regulatory Matters**

The Company s subsidiaries, Aspen University and United States University, are subject to extensive regulation by Federal and State governmental agencies and accrediting bodies. In particular, the Higher Education Act (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.

On August 22, 2017, the DOE informed Aspen University of its determination that the institution has 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.

USU currently has provisional certification to participate in the Title IV Programs due to its acquisition by the Company. The provisional certification allows the school to continue to receive Title IV funding as it did prior to the change of ownership.

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

Because Aspen University and USU 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.

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**Return of Title IV Funds**

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

Subsequent to a program review by the DOE during calendar year 2013, the Company recognized that it had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4). In November 2013, the Company returned a total of $102,810 of Title IV funds to the DOE. In the two most recent fiscal years (2015 and 2016), Aspen's compliance audit reflected no material findings related to the 2013 program review findings.

On February 8, 2017, the DOE issued a Final Program Review Determination ( FPRD ) letter related to the 2013 program review. The FRPD includes a summary of the non-compliance areas and calculations of amounts due for the 126 students that they reviewed. We had 45 days to appeal the amounts calculated and while we were reviewing their calculations, we recognized that we would owe some amount in the range from $80,000 to $360,000. In accordance with ASC 450-20, we recorded a minimum liability of $80,000 at January 31, 2017. Of that amount, $55,000 was recorded against the accounts receivable reserve and $25,000 was expensed. In late March 2017, we agreed to not contest the calculations and paid the full amount of $378,090. As a result, we recorded an additional expense of $298,090 in the fiscal quarter ended April 30, 2017.

Subsequent to a compliance audit, in 2015, Educacion Significativa, LLC ( ESL ) the predecessor to USU recognized that it had not fully complied with all requirements for calculating and making timely returns of Title IV funds (R2T4). In 2016, ESL the predecessor to USU, had a material finding related to the same issue and is required to maintain a letter of credit in the amount of $71,634 as a result of this finding. The letter of credit has been provided to the Department of Education by AGI since it assumed this obligation in its purchase of USU.

**Delaware Approval to Confer Degrees**

Aspen University is a Delaware corporation. Delaware law requires an institution to obtain approval from the Delaware Department of Education ( Delaware DOE ) before it may incorporate with the power to confer degrees. In July 2012, Aspen received notice from the Delaware DOE that it was granted provisional approval status effective until June 30, 2015. On April 25, 2016 the Delaware DOE informed Aspen University it was granted full approval to operate with degree-granting authority in the State of Delaware until July 1, 2020. Aspen University is authorized by the Colorado Commission on Education to operate in Colorado as a degree granting institution.

USU is also a Delaware corporation and filed the required documents to obtain Delaware approval.

**Note 7. Stockholders Equity**

**Preferred Stock**

We are authorized to issue 10,000,000 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 October 31, 2018 and April 30, 2018, we had no shares of preferred stock issued and outstanding.

**Common Stock**

During the six months ended October 31, 2018, the Company issued 30,764 shares of common stock upon the cashless exercise of stock options.

During the six months ended October 31, 2018, the Company issued 26,807 shares of common stock upon the exercise of stock options and received proceeds of $60,102.

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On September 6, 2018, the Board approved 25,000 shares of restricted stock to the Chief Financial Officer. The stock vests over 36 months and the stock price was $7.17 on the date of the grant. The value of the compensation was approximately $180,000 and will be recognized over 36 months.

**Treasury Stock**

On July 19, 2018, AGI in simultaneous transactions repurchased 1,000,000 shares of common stock at $7.40 per share and re-sold the shares to a large well-known institutional money manager at $7.40 per share. The shares were purchased by the Company from ESL pursuant to a Securities Purchase Agreement dated July 18, 2018. The Purchaser paid $30,000 to a broker-dealer in connection with the transaction. (See Note 9)

**Warrants**

A summary of the Company s warrant activity during the six months ended October 31, 2018 is presented below:

| Warrants | Number of Shares | | Weighted Average Exercise Price | Weighted Average Remaining Contractual Term | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Balance Outstanding, April 30, 2018 | 650,847 | $ | 3.80 | 2.4 | $ | 2,581,450 |
| Granted | | | | | | |
| Exercised | | | | | | |
| Surrendered | | | | | | |
| Expired | | | | | | |
| Balance Outstanding, October 31, 2018 | 650,847 | $ | 3.80 | 1.7 | $ | 1,496,480 |