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

FORM 8-K/A

Amendment No. 4

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): March 13, 2012

ASPEN GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	333-165685	27-1933597
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

720 South Colorado Boulevard, Suite 1150N, Denver, CO 80246
(Address of Principal Executive Office) (Zip Code)

(646) 450-1843
(Registrant's telephone number, including area code)

301 Kinderkamack Road, Suite A-2
Westwood, NJ 07675
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

We are accredited by the Distance Education and Training Council ("DETC"), a "national accrediting agency" recognized by the U.S. Department of Education ("DOE"). Aspen first received DETC accreditation in 1993 and most recently received re-accreditation in January 2009. In February 2012, DETC informed Aspen that it had approved the change of ownership application related to the Reverse Merger, subject to customary conditions. Additionally, Aspen is authorized by the Colorado Commission on Higher Education, a departmental division of the Colorado Department of Higher Education ("CDHE"), to operate in Colorado as a private university under the Degree Authorization Act. In January 2012, the CDHE informed Aspen that it would remain in good standing with CDHE after the Reverse Merger, provided Aspen retained its accreditation after the acquisition. In February 2012, Aspen informed CDHE regarding DETC's approval of the change in ownership and control related to the Reverse Merger. In February 2009, the DOE provisionally certified Aspen to participate in the federal student financial aid programs authorized under Title IV of the Higher Education Act ("Title IV"). Under such certification, Aspen is restricted to a limit of 500 student recipients for Title IV funding for the duration of this provisional certification. As of December 31, 2011, Aspen had 171 students that were participating in the Title IV programs. During the duration of Aspen's provisional certification, a total of 243 Aspen students have received Title IV aid. We applied timely for re-certification in June 2011, but the application remained pending at the time of the Reverse Merger. Aspen submitted a voluntary pre-acquisition review application to the DOE in connection with the Reverse Merger, but the DOE had not acted on that application at the time of the Reverse Merger. Consistent with the Higher Education Act, Aspen's certification to participate in Title IV programs terminated after closing of the Reverse Merger, and Aspen must apply to DOE to reestablish its eligibility and certification to participate in the Title IV programs. However, in order to avoid significant disruption in disbursements of Title IV funds, the DOE may temporarily and provisionally certify an institution that is seeking approval of a change in ownership, like Aspen, under certain circumstances while the DOE reviews the institution's application. On March 15, 2012 the DOE asked Aspen to notify it in writing whether Aspen would be able to provide to the DOE by March 28, 2012 a letter of credit in the amount of $105,865, which is 10% of Aspen's Title IV receipts in 2011. Aspen provided the DOE [illegible]

On March 27, 2012, Aspen opened a 12-month money [illegible]

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Debt Minimization - We are committed to offering among the lowest tuition rates in the sector, which to date has alleviated the need for a significant majority of our students to require debt financing to fund Aspen's tuition requirements. In July 2011, we raised our course-by-course tuition rates to $300/credit hour for all degree-seeking programs. However, we believe based on our competitors' public information that our tuition rates remain significantly lower than our competitors. For example, University of Phoenix, Capella University and Grand Canyon University charge $715 $35/ d

Industry Overview

The U.S. market for postsecondary education is a large, growing market. According to a 2011 publication by the National Center for Education Statistics (“NCES”), the number of postsecondary learners enrolled as of Fall 2009 in U.S. institutions that participate in Title IV programs was approximately 20 million (including both undergraduate and graduate students), up from 18.2 million in the Fall of 2007. We believe the growth in postsecondary enrollment is a result of a number of factors, including the significant and measurable personal income premium that is attributable to postsecondary education, and an increase in demand by employers for professional and skilled workers, partially offset in the near term by current economic conditions. According to the NCES, in 2009, the median earnings of young adults with a bachelor’s degree was $51,000 for men and $40,100 for women compared to $40,000 for men and $35,000 for women with an associate’s degree and $32,900 for men and $25,000 for women with a high school diploma.

Eduventures, Inc., an education consulting and research firm, estimates that 20% of all postsecondary students will be in fully-online programs by 2014, with perhaps another 20% taking courses online. The estimated increase in students online increased 18% in 2010. We believe that the higher growth in demand for fully-online education is largely attributable to the flexibility and convenience of this instructional format, as well as the growing recognition of its educational efficacy.

Competition

There are more than 4,200 U.S. colleges and universities serving traditional college age students and adult students. Any reference to universities in this report also includes colleges. Competition is highly fragmented and varies by geography, program offerings, deh fs5iphy r

We also compete with public and private degree-granting regionally and nationally accredited universities. An increasing number of universities enroll working students in addition to the traditional 18 to 24 year-old students, and we expect that these universities will continue to modify their existing programs to serve working learners more effectively, including by offering more distance learning programs. We believe that the primary factors on which we compete are the following:

- active and relevant curriculum development that considers the needs of employers;
- the ability to provide flexible and convenient access to programs and classes;
- high-quality courses and services;
- comprehensive student support services;
- breadth of programs offered;
- the time necessary to earn a degree;
- qualified and experienced faculty;
- reputation of the institution and its programs;
- the variety of geographic locations of campuses;
- regulatory approvals;
- cost of the program;
- name recognition; and
- convenience.

Curricula

Certificates

Certificate in Information Technology with specializations in

- Information Systems Management
- Java Development
- Object Oriented Application Development
- Smart Home Integration
- Web Development

Certificate in Project Management

Associates Degrees

Associate of General Studies

Associate of Applied Science Early Childhood Education

Bachelors Degrees

Bachelor of General Studies

Bachelor of Arts in Psychology and Addiction Counseling

Bachelor of Science in Alternative Energy

Bachelor of Applied Science in [illegible]

Masters

Master of Arts Psychology and Addiction Counseling
Master of Science in Criminal Justice
Master of Science in Criminal Justice with a specialization in

- • Forensic Sciences
- • Law Enforcement Management
- • Terrorism and Homeland Security

Master of Science in Information Management with a specialization in

- • Management
- • Project Management
- • Technologies

Master of Science in Information Systems with a specialization in

- • Enterprise Application Development
- • Web Development

Master of Science in Information Technology
Master of Science in Nursing with a specialization in

- • Administration and Management
- • Administration and Management, (RN to MSN Bridge Program)
- • Nursing Education
- • Nursing Education, (RN to MSN Bridge Program)

Master of Science in Physical Education and Sports Management
Master of Science in Technology and Innovation with a specialization in

- • Business Intelligence and Data Management
- • Electronic Security
- • Project Management
- • Systems Design
- • Technical Languages
- • Vendor and Change Control Management

Master in Business Administration
Master in Business Administration with specializations in

- •

Doctorates

Doctorate of Science in Computer Science
Doctorate in Education Leadership and Learning
Doctorate in Education Leadership and Learning with specializations

- Education Administration
- Faculty Leadership
- Instructional Design
- Leadership and Learning

Independent online classes start on the 1st and the 16th of every month and students may enroll in up to a maximum of three courses at a time. Online interactive courses are offered five times a year.

Employees

We have 29 full-time employees. As of the date of this report, we had 66 adjunct professors. None of our employees are parties to any collective bargaining arrangement. We believe our relationships with our employees are good.

Property

Our corporate headquarters are located in a facility in Denver, Colorado, consisting of approximately 3,900 square feet of office space under a lease that expires in September 2015. This facility accommodates our academic operations. We believe that our existing facilities are suitable and adequate and that we have sufficient capacity to meet our current anticipated needs. Our executive offices are in New York City where we lease 2,000 square feet under a month-to-month sublease.

Regulation

Students attending Aspen finance their education through a combination of individual resources, corporate reimbursement programs and federal financial aid programs. The discussion which follows outlines the extensive regulations that affect our business. Complying with these regulations entails significant effort from our executives and other employees. Our President has two unique roles: overseeing our accreditation and regulatory compliance and seeking to improve our academic performance. Accreditation and regulatory compliance is also expensive. Beyond the internal costs, we began using education regulatory counsel in the summer of 2011, as our current Chief Executive Officer focused his attention on compliance. Aspen participates in the federal student financial aid programs authorized [illegible]

- authorized to offer its programs of instruction by the applicable state education agencies in the states in which it is physically located (in our case, Colorado);

- accredited by an accrediting agency recognized by the Secretary of the DOE; and

- certified as an eligible institution by the DOE.

The DOE recently enacted new regulations relating to the Title IV programs. Many of those regulations were effective July 1, 2011. Under these new regulations, an institution, like ours, that offers postsecondary education through distance education to students in a state in which the institution is not physically located or in which it is otherwise subject to state jurisdiction as determined by that state, must meet any state requirements to offer legally postsecondary education to students in that state. The institution must be able to document state approval for distance education if requested by the DOE. These new rules were to become effective July 1, 2011, although the DOE indicated in an April 20, 2011 guidance letter that it would not initiate any action to establish repayment liabilities or limit student eligibility for distance education activities undertaken before July 1, 2014, provided the institution was making a good faith effort to identify and obtain necessary state authorization before that date. However, on July 12, 2011, a federal judge for the U.S. District Court for the District of Columbia vacated the portion of the DOE's state authorization regulation that requires online education providers to obtain any required authorization from all states in which their students reside, finding that the DOE had failed to provide sufficient notice and opportunity to comment on the requirement. Should the requirements be enforced, however, and if we fail to obtain required state authorization to provide postsecondary [illegible]

We are subject to extensive regulations by the states in which we become authorized or licensed to operate. State laws typically establish standards for instruction, qualifications of faculty, administrative procedures, marketingtansdnirredato d'penedatod l'

Accreditation by the DETC is important. Accreditation is a reliable indicator of an institution's quality and is an expression of peer institution confidence. Universities depend, in part, on accreditation in evaluating transfers of credit and applications to graduate schools. Accreditation also provides external recognition and status. Employers rely on the accredited status of institutions when evaluating an employment candidate's credentials. Corporate and government sponsors under tuition reimbursement programs look to accreditation for assurance that an institution maintains quality educational standards. Moreover, institutional accreditation awarded from an accrediting agency recognized by the DOE is necessary for eligibility to participate in Title IV programs. From time to time, DETC adopts or makes changes to its policies, procedures and standards. If we fail to comply with any of DETC's requirements, our accreditation status and, therefore, our eligibility to participate in Title IV programs could be at risk. The National Advisory Committee on Institutional Quality and Integrity (the panel charged with advising DOE on whether to recognize accrediting agencies for federal purposes, including Title IV program purposes) is next scheduled to review DETC for recognition purposes in Spring 2012. Aspen is next scheduled for accreditation renewal by DETC in January 2014.

Nature of Federal, State and Private Financial Support for Postsecondary Education

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The federal government provides a substantial part of its support for postsecondary education through the Title IV programs, in the form of grants and loans to students. Students can use those funds at any institution that has been certified by the DOE to participate in the Title IV programs. Aid under Title IV programs is primarily awarded on the basis of financial need, generally defined as the difference between the cost of attending the institution and the amount a student can reasonably contribute to that cost. All recipients of Title IV program funds must maintain satisfactory academic progress and must progress in a timely manner toward completion of their program of study. In addition, each school must ensure that Title IV program funds are properly accounted for and disbursed in the correct amounts to eligible students.

Our [illegible] their education under the following Title IV programs: (1) the Federal Direct Loan program ("Direct Loan") and (2) the Federal Pell Grant

Regulation of Federal Student Financial Aid Programs

The substantial amount of federal funds disbursed through Title IV programs, the large number of students and institutions participating in these programs, and allegations of fraud and abuse by certain for-profit institutions have prompted the DOE to exercise considerable regulatory oversight over for-profit institutions of higher learning. Accrediting agencies and state education agencies also have responsibilities for overseeing compliance of institutions in connection with Title IV program requirements. As a result, our institution is subject to extensive oversight and review. Bught li ci E rsŎnit g(e viĎw(iu iigulatoons iid i5vg (iu iisent roxateons iiiitewng iiti iid iigulatoons Bc 55 o

Over the last several years, Congressional committees have held hearings related to for-profit postsecondary education institutions. Additionally, the chairmen of the House and Senate education committees, along with other memb я

Administrative Capability. DOE regulations specify extensive criteria by which an institution must establish that it has the requisite "administrative capability" to participate in Title IV programs. Failure to satisfy any of the standards may lead the DOE to find the institution ineligible to participate in Title IV programs or to place the institution on provisional certification as a condition of its participation. To meet the administrative capability standards, an institution must, among other things:

- comply with all applicable Title IV program regulations;
- have capable and sufficient personnel to administer the federal student financial aid programs;
- have acceptable methods of defining and measuring the satisfactory academic progress of its students;
- not have cohort default rates above specified levels;
- have various procedures in place for safeguarding federal funds;
- not be, and not have any principal or affiliate who is, debarred or suspended from federal contracting or engaging in activity that is cause for debarment or suspension;
- provide financial aid counseling to its students;
- refer to the DOE's Office of Inspector General any credible information indicating that any applicant, student, employee, or agent of the institution, has been engaged in any fraud or other illegal conduct involving Title IV programs;
- report annually to the Secretary of Education on any reasonable reimbursements paid or provided by a private education lender or group of lenders to any employee who is employed in the institution's financial aid office or who otherwise has responsibilities with respect to education loans;
- develop and apply an adequate system to identify and resolve conflicting information with respect to a student's application for Title IV aid;
- submit in a timely manner all reports and financial statements required by the regulations; and
- not otherwise appear to lack administrative capability.

Among other things, new DOE eɩcwc

If an institution fails to satisfy any of these criteria or any other DOE regulation, the DOE may:

- require the repayment of Title IV funds;
- transfer the institution from the "advance" system of payment of Title IV funds to cash monitoring status or to the "reimbursement" system of payment;
- place the institution on provisional certification status; or
- commence a proceeding to impose a fine or to limit, suspend or terminate the participation of the institution in Title IV programs.

If we are found not to have satisfied the DOE's "administrative capability" requirements, we could lose, or be limited in our access to, Title IV program funding.

Distance Education. We offer all of our existing degree and certificate programs via Internet-based telecommunications from our headquarters in Colorado. Under the Higher Education Opportunity Act, an accreditor that evaluates institutions offering distance education must require such institutions to have processes through which the institution establishes that a student who registers for a distance education program is the same student who participates in and receives credit for the program. Under recent DOE regulations, if an institution offers postsecondary education through distance education to students in a state in which the institution is not physically located or in which it is otherwise subject to state jurisdiction as determined by the state, the institution must meet any state requirements for it to offer legally postsecondary distance education in that state. The institution must be able to document state approval for distance education if requested by the DOE. In addition, states must have a process to review and take appropriate action on complaints concerning postsecondary institutions. These new rules were to become effective July 1, 2011, although the DOE indicated in an April 20, 2011 guidance letter that it would not initiate any action to establish repayment liabilities or limit student eligibility for distance education activities undertaken before July 1, 2014, provided the institution was making a good faith effort to identify and obtain necessary state authorization before that date. As described earlier in this report, certain DOE regulations have been vacated by a federal court pending appeal.

Financial Responsibility. The Higher Education Act and DOE regulations establish extensive standards of financial responsibility that institutions such as Aspen must satisfy to participate in Title IV programs. These standards generally require that an institution provide the resources necessary to comply with Title IV program requirements and meet all of its financial obligations, including required refunds and any repayments to the DOE for liabilities incurred in programs administered by the DOE.

If

In recent years, other postsecondary educational institutions have been named as defendants to whistleblower lawsuits, known as “qui tam” cases, brought by current or former employees pursuant to the Federal False Claims Act, alleging that their institution’s compensation practices did not comply with the incentive compensation rule. A qui tam case is a civil lawsuit brought by one or more individuals, referred to as a relator, on behalf of the federal government for an alleged submission to the government of a false claim for payment. The relator, often a current or former employee, is entitled to a share of the government’s recovery in the case, including the possibility of treble damages. A qui tam action is always filed under seal and remains under seal until the government decides whether to intervene in the case. If the government intervenes, it takes over primary control of the litigation. If the government declines to intervene in the case, the relator may nonetheless elect to continue to pursue the litigation at his or her own expense on behalf of the government. Any such litigation could be costly and could divert management’s time and attention away from the business, regardless of whether a claim has merit.

Misrepresentation. The Higher Education Act and current regulations authorize the DOE to take action against an institution that participates in Title IV programs for any “substantial misrepresentation” made by that institution regarding the nature of its educational program, its financial charges, or the employability of its graduates. Effective July 1, 2011, DOE regulations expand the definition of “substantial misrepresentation” to cover additional representatives of the institution and additional substantive areas and expands the parties to whom a substantial misrepresentation cannot be made. The regulations also augment the actions the DOE may take if it determines that an institution has engaged in substantial misrepresentation. Under the final regulations, the DOE may revoke an institution’s program participation agreement, impose limitations on an institution’s participation in Title IV programs, or initiate proceedings to impose a fine or to limit, suspend, or terminate the institution’s participation in Title IV programs.

Credit Hours. The Higher Education Act and current regulations use the term “credit hour” to define an eligible program and an academic year and to determine enrollment status and the amount of Title IV aid an institution may disburse during a payment period. Recently, both Congress and the DOE have increased their focus on institutions’ policies for awarding credit hours. Recent DOE regulations define the previously undefined term “credit hour” in terms of a certain amount of time in class and outside class, or an equivalent amount of work. The regulations also require accrediting agencies to review the reliability and accuracy of an institution’s credit hour assignments. If an accreditor identifies systematic or significant noncompliance in one or more of an institution’s programs, the accreditor must notify the Secretary of Education. If the DOE determines that an institution is out of compliance with the credit hour definition, the DOE could require the institution to repay the incorrectly awarded amounts of Title IV aid. In addition, if the DOE determines that an he incorre

Compliance Reviews. We are subject to announced and unannounced compliance reviews and audits by various external agencies, including the DOE, its Office of Inspector General, state licensing agencies, and accrediting agencies. As part of the DOE's ongoing monitoring of institutions' administration of Title IV programs, the Higher Education Act and DOE regulations require institutions to submit annually a compliance audit conducted by an independent certified public accountant in accordance with Government Auditing Standards and applicable audit standards of the DOE. These auditing standards differ from those followed in the audit of our financial statements filed with this report. In addition, to enable the DOE to make a determination of financial responsibility, institutions must annually submit audited financial statements prepared in accordance with DOE regulations. Furthermore, the DOE regularly conducts program reviews of education institutions that are participating in the Title IV programs, and the Office of Inspector General of the DOE regularly conducts audits and investigations of such institutions. In August 2010, the Secretary of Education announced in a letter to several members of Congress that, in part in response to recent allegations against proprietary institutions of deceptive trade practices and noncompliance with DOE regulations, the DOE planned to strengthen its oversight of Title IV programs through, among other approaches, increasing the number of program reviews by 50%, from 200 conducted in 2010 to up to 300 reviews in 2011.

Potential Effect of Regulatory Violations. If we fail to comply with the regulatory standards governing Title IV programs, the DOE could impose one or more sanctions, including transferring Aspen to the reimbursement or cash monitoring system of payment, seeking to require repayment of certain Title IV program funds, requiring Aspen to post a letter of credit in favor of the DOE as a condition for continued Title IV certification, taking emergency action against us, referring the matter for criminal prosecution or initiating proceedings to impose a fine or to limit, condition, suspend or terminate our participation in Title IV programs.

We also may be subject, from time to time, to complaints and lawsui em

Change in Ownership Resulting in a Change of Control. In addition to school acquisitions, other types of transactions can also cause a change of control. The DOE, most state education agencies, and DETC all have standards pertaining to the change of control of schools, but those standards are not uniform. DOE regulations describe some transactions that constitute a change of control, including the transfer of a controlling interest in the voting stock of an institution or the institution's parent corporation. DOE regulations provide that a change of control of a pub Ď ¾

Possible Acquisitions. In addition to the planned expansion through Aspen's new marketing program, we may expand through acquisition of related or synergistic businesses. Our internal growth is subject to monitoring and ultimately approval by the DETC. If the DETC finds that the growth may adversely affect our academic quality, the DETC can request us to slow the growth and potentially withdraw accreditation and require us to re-apply for accreditation. The DOE may also impose growth restrictions on an institution, including in connection with a change in ownership and control. While acquisitions of online universities would be subject to approval by the DETC, approval of businesses which supply services to online universities or which provide educational services and/or products may not be

Risks Related to Our Business

Our ability to continue as a going concern is in doubt absent obtaining adequate new debt or equity financing.

We incurred a net loss of approximately $2.1 million in 2011. We anticipate losses will continue until we are able to increase our enrollment under our new tuition plan and these new students paying higher rates have taken at least two courses. Additionally, our audited financial statements contain a going concern opinion. Our continued existence is dependent upon obtaining financing of at least $3 million in order to implement our marketing plan. We cannot assure you that we will raise enough money or generate sufficient revenue to meet our future working capital needs. In such event, we may not be able to remain in business. Furthermore, this qualified opinion may affect our ability to obtain DOE certification for Title IV purposes. See the Risk Factor at page 57 of this report.

Because our management has a limited recent operating history on which to evaluate our potential for future success and to determine if we will be able to execute our business plan, it is difficult to evaluate our future prospects and the risk of success or failure of our business.

Our management team began the process of taking control of Aspen from its founder and Chairman in May 2011 and embarked upon changes in Aspen's business including adopting a new tuition plan, revamping its marketing approach, substantially increasing marketing expenditures, and upgrading Aspen's technology infrastructure. While initial results are very encouraging, the limited time period makes it difficult to project whether we will be successful.

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

The U.S. and much of the world economy are experiencing difficult economic circumstances. We believe the recent economic downturn in the U.S., particularly the continuing high unemployment rate, has contributed to a &ti bou recenh ntraoymeap to5aĎ bŞincreuted exphe

Because of the severity of the global economic recession, we may be hampered in raising the needed capital to support our operations and planned marketing, which would have a material and adverse effect on our future operating results and financial condition.

One of the effects of the severe global economic recession is smaller businesses typically have more difficulty in raising capital needed for their operations. We estimate that we need to raise approximately $6 million to fully support our current operations and grow our student enrollment to create the forecasted profits. If we cannot raise this capital, it will result in a number of adverse effects upon us including reducing our future revenue, our future gross profit margins, and our ability to grow our business. These events would have a material and adverse effect upon our future operating results and financial condition. Furthermore, the future price for our stock would be reduced.

Because a significant portion of our revenues historically have been attributable to one corporate customer, and if we are unable to maintain this key relationship or establish new relationships with additional corporate customers, our revenues will be adversely affected.

In 2011 and 2010, revenues from Verizon accounted for approximately 45% and 50% respectively, of our revenues. However, we pay our business development partner a material portion of the revenues from Verizon. This business development partner refers corporate clients and designs the certificate-based courses tailored to the needs of the corporations (subject to the approval of our professors). It will continue to receive a portion of the revenues from corporations it refers to us. Deducting these payments, Verizon accounted for 11% and 12% of our net revenues for 2011 and 2010, respectively. The loss of one or more of our corporate customers, including Verizon, a reduction in enrollments from them, or difficulty or failure to collect payments from any customer under financial distress would adversely affect our revenues.

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

The growth that we have experienced after our new management began in May 2011, as well as any future growth that we experience, may place a significant strain on our resources and increase demands on our management information and reporting systems and financial management controls. We do not have experience scheduling courses and administering programs for more students than our current enrollment, and except for the President, our senior management has limited experience in online education. If growth negatively impacts our ability to manage our business, the learning experience for our students could be adversely affected, resulting in a higher rate of student attrition and fewer student referrals. Future growth will also require continued improvement of our internal controls and systems, particularly those related to complying with federal regulations under the Higher Education Act, as administered by the DOE, including as a result of our participation in federal student financial aid programs under Title IV of the Higher Education Act. If we are unable to manage our growth, we may also experience operating inefficiencies that could increase our costs and adversely affect our profitability and results of operations.

Because

- failure to maintain accreditation;
- student dissatisfaction with our services and programs;
- adverse publicity regarding us, our competitors or onli &&&&& & &

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

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

Because the CAN-SPAM Act imposes certain obligations on the senders of cHpose RRofat

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

Our future success depends, in part, on our ability to attract and retain key personnel. Our future also depends on the continued services of Mr. Michael Mathews, our Chief Executive Officer, and Dr. Gerald Williams, our President, who are critical to the management of our business and operations and the development of our strategic direction and would also be difficult to replace. The loss of the services of Mr. Mathews and/or Dr. Williams and other key individuals and the process to replace these individuals would involve significant time and expense and may significantly delay or prevent the achievement of our business objectives.

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

To execute our growth strategy, we must attract and retain highly qualified faculty, administrators, management and skilled personnel. Competition for hiring these individuals is intense, especially with regard to faculty in specialized areas. If we fail to attract new skilled personnel or faculty or fail to retain and motivate our existing faculty, administrators, management and skilled personnel, our business and growth prospects could be severely harmed. The DOE's revised incentive payment rule, which took effect July 1, 2011, may affect the manner in which we attract, retain, and motivate new and existing employees.

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

In the ordinary course of our business, we develop intellectual property of many kinds that is or will be the subject of co F th kkhkhkh ro kk

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

If we are subject to intellectual property infringement claims, it could caus þ Ĉ

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

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

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

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

Risks Related to the Regulation of Our Industry

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

We are subject to extensive regulation by (1) the) u

State laws typically establish standards for instruction, qualifications of faculty, admiuaiistruction, *If we fail to maintain our institutional accreditation, we would lose our ability to participate in the tuition assistance programs of the U.S. Armed Forces and also to participate in Title IV programs.*

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

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

We have only recently begun to participate in Title IV programs and approximately 7% of our total cash-basis revenues are from students utilizing Title IV programs. However, compliance with the requirements of the Higher Education Act and Title IV programs is highly complex and imposes significant additional regulatory requirements on our operations, which require additional staff, contractual arrangements, systems and regulatory costs. We have a limited demonstrated history of compliance with these additional regulatory requirements. If we fail to comply with any of these additional regulatory requirements, the DOE could, among other things, impose monetary penalties, place limitations on our operations, and/or condition or terminate our eligibility to receive Title IV program funds, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

Because we recently underwent a change in ownership and control under DOE regulations, we must reestablish our eligibility and certification to participate in the Title IV programs, and there are no assurances that DOE will recertify us to participate in the Title IV programs.

An institution generally must seek recertification from the DOE at least every six years and possibly more frequently depending on various factors. In certain circumstances, the DOE provisionally certifies an institution to participate in Title IV programs, such as when it is an initial participant in Title IV programs or has undergone a change in ownership and control. At the time of the Reverse Merger, we were provisionally certified to participate in the Title IV programs and we had timely applied for recertification. Aspen submitted a voluntary pre-acquisition review application to the DOE in connection with the Reverse Merger, but the DOE had not acted on that application at the time of the Reverse Merger. Consistent with the Higher Education Act, Aspen's certification to participate in Title IV programs terminated after closing of the Reverse Merger, and Aspen must apply to DOE to reestablish its eligibility and certification to participate in the Title IV programs. However, in order to avoid significant disruption in disbursements of Title IV funds, the DOE may temporarily and provisionally certify an institution that is seeking approval of a change in ownership, like Aspen, under certain circumstances while the DOE reviews the institution's application. On March 15, 2012 the DOE asked Aspen to notify it in writing whether Aspen would be able to provide to the DOE by March 28, 2012 a letter of credit in the amount of $105,865, which is 10% of Aspen's Title IV receipts in 2011. On March 27, 2012, Aspen opened a 12-month money market account, maturing March 28, 2013 with its banking institution in the amount of $105,865 and pledged that to the letter of credit. On June 18, 2012, the DOE, having reviewed Aspen's same-day balance sheet filing and application for approval of the change in ownership and control, notified Aspen of the DOE's requirement that Aspen increase its letter of credit by August 31, 2012 from 10% to 25% of Aspen's Title IV receipts in 2011. On August 31, 2012, Aspen increased its letter of credit in the amount of $158,800 for a total of $264,655. The DOE may impose additional terms and conditions in any temporary provisional program participation agreement that it may issue pending review of Aspen's application for approval of the change in ownership and control, including growth restrictions or limitation on the number of students who may receive Title IV aid. Furthermore, DOE may impose additional or different terms and conditions in any final provisional program participation agreement that it may issue after it reviews Aspen's application for approval of the change in ownership and control, including growth restrictions or limitation on the number of students who may receive Title IV aid. The DOE could also decline to recertify Aspen or otherwise limit its participation in the Title IV programs.

There can be no assurances that the DOE will recertify Aspen after its review of the Reverse Merger or that it will not impose restrictions with respect to any future recertification.

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

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

In the past few years, the student lending practices of postsecondary educational institutions, financial aid officers and student loan providers were subject to several investigations being conducted by state attorneys general, Congress and governmental agencies. These investigations concern, among other things, possible deceptive practices in the marketing of private student loans and loans provided by lenders pursuant to Title IV programs. HEOA contains new requirements pertinent to relationships between lenders and institutions. In particular, HEOA requires institutions to have a code of conduct }betio Î

Because our financial statements are not unqualified, Aspen may lose its eligibility to participate in Title IV programs or be required to post a letter of credit in order to maintain eligibility to participate in Title IV programs.

To participate in Title IV programs, an eligible institution must satisfy specific measures of financial responsibility prescribed by the DOE, or post a letter of credit in favor of the DOE and possibly accept other conditions, such as additional reporting requirements or regulatory oversight, on its participation in Title IV programs. Our financial statements are qualified on our ability to continue as a going concern, which means the DOE may determine that we are not financially responsible under DOE regulations. The DOE may also apply its measures of financial responsibility to the operating company and ownership entities of an eligible institution and, if such measures are not satisfied by the operating company or ownership entities, require the institution to meet the alternative standards described under “Regulation” on page 15 of this report. Any of these alternative standards would increase our costs of regulatory compliance. If we were unable to meet these alternative standards, we would lose our eligibility to participate in Title IV programs. If we fail to demonstrate financial responsibility and thus lose our eligibility to participate in Title IV programs, our students would lose access to Title IV program funds for use in our institution, which would limit our potential for growth and adversely affect our enrollment, revenues and results of operations.

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

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

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

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

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

A school participating in Title IV programs may not provide any commission, bonus or other incentive payment based, directly or indirectly, on success in enrolling students or securing financial aid to any person involved in student recruiting or admission activities or in making decisions regarding the awarding of Title IV program fu nÎ

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

The DOE’s regulations on gainful employment programs are effective July 1, 2012. Should a program fail the gainful employment metrics three times within a four year period, the DOE would terminate the program’s eligibility for federal student aid (i.e., students in the program would immediately lose eligibility to participate in Title IV programs), and the institution would not be able to reestablish the program’s eligibility for at least three years, though the program could continue to operate without Title IV funding. The earliest a program could lose eligibility under the gainful employment rule will be 2015, based on its 2012, 2013, and 2014 performance under the metrics. Because the DOE’s gainful employment rules will be implemented over several years and are based at least in part on data that is unavailable to us, it is not possible at this time to determine with any degree of certainty whether these new regulations will cause any of our programs to become ineligible to participate in the Title IV programs. However, under this new regulation, the continuing eligibility of our educational programs for Title IV funding is at risk due to factors beyond our control, such as changes in the actual or deemed income level of our graduates, changes in student borrowing levels, increases in interest rates, changes in the federal poverty income level relevant for calculating discretionary income, changes in the percentage of our former students who are current in repayment of their student loans, and other factors. In addition, even though deficiencies in the metrics may be correctible on a timely basis, the disclosure requirements to students following a failure to meet the standards may adversely impact enrollment in that program and may adversely impact the reputation of our educational institutions.

Our failure to obtain DOE approval, where required, for new programs that prepare students for gainful employment in a recognized occupation could materially and adversely affect our busin ĎuU TRXHS t inn Ra RçuA9U

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

Our man

Costs and Expenses

Instructional Costs and Services

Instructional costs and services for the year ended December 31, 2011 increased to $2,493,341 from $1,[illegible]

Net

Subsequent to the closing of the Reverse Merger (and after the April 4, 2012 Agreement), management discovered that Dr. Michael D'Anton lent Aspen University $100,000 in 2008. As of the date of this report, as amended, there was a balance due of $38,473 including accrued interest. Although Dr. D'Anton recently requested payment of the balance, the Pubic Company does not expect he will take any action until our liquidity is improved.

See Note 10 to our consolidated financial statements for a description of our write-off of an approximately $2.2 million receivable owed by a corporation Mr. Spada is believed to control. See "Related Person Transactions" later in this report which fully disclose these and other related person transactions.

Off Balance Sheet Arrangements

We do not engage in any activities involving variable interest entities or off-balance sheet arrangements.

Critical Accounting Policies and Estimates

In response to financial reporting release FR-60, Cautionary Advice Regarding Disclosure About Critical Accounting Policies, from the SEC, we have selected our more subjective accounting estimation processes for purposes of explaining the methodology used in calculating the estimate, in addition to the inherent uncertainties pertaining to the estimate and the possible effects on the our financial condition. The accounting estimates are discussed below and involve certain assumptions that, if incorrect, could have a material adverse impact on our results of operations and financial condition.

Revenue Recognition and Deferred Revenue

Revenues consist primarily of tuition and fees derived from courses taught by Aspen online as well as from related educational resources that Aspen provides to its students, such as accessiccess

Recent Sales of Unregistered Securities

In addition to those unregistered securities previously disclosed in reports filed with the SEC, we and Aspen have sold securities without registration under the Securities Act of 1933 (the “Securities Act”) in reliance upon the exemption provided in Section 3(a)(9) and Section 4(2), Rule 506 thereunder as described below.

Name	Date Sold	No. of Securities	Reason for Issuance
Series A Investors (1)	May 20, 2011	850,395 Series A Preferred Stock	Equity exchange of $809,90w(y)

Management

Mr. Don Ptalis, the Public Company's sole officer and director resigned at the time of the consummation of the Reverse Merger. Reference is made to the disclosure set forth under Item 2.01 of this Form 8-K, which disclosure is incorporated herein by reference. The following executive officers and directors were appointed to their current positions listed in the table in connection with the Reverse Merger. Except for Sanford Rich, who was appointed a director effective with the closing of the Reverse Merger, each person listed in the table had identical positions with Aspen.

Name	Age	Position
		ve Office [illegible]
Michael Mathews	50	Chief Executive Officer, and Chairman of the Board
Gerald Williams	58	President
David Garrity	51	Chief [illegible]

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John Scheibelhoffer has served as a director of Aspen for approximately five years. Since 1996, Dr. Scheibelhoffer has been a physician and surgeon employed by ENT Allergy Associates. Dr. Scheibelhoffer was selected to serve as a director for his experience in running a successful surgery center and his knowledge of Aspen from serving as a director member prior to the EGC Mer Îr m e r

Executive Employment Agreements

Each of the Employment Agreements described below was entered into by Aspen prior to the Reverse Merger. We assumed each agreement effective with the closing, and all option grants and common stock issued as performance bonuses will be of the Public Company. Each person's title with Aspen is identical with the Public Company.

Michael Mathews. Effective on July 5, 2011, Aspen entered into a four-year Employment Agreement with Michael Mathews to serve as our Chief Executive Officer. In accordance with the Employment Agreement, Mr. Mathews is paid a base salary of $250,000 per year, which will be increased by at least 10% annually. In addition to a base salary, Mr. Mathews is eligible to receive an annual performance bonus based upon the achievement of pre-established performance milestones of which at least half would be paid in cash and the remaining in common stock. If performance milestones are met, Mr. Mathews' bonus will be 100% of his base salary for the year the milestone was met. Additionally, in March 2012, Mr. Mathews was granted 300,000 five-year options to purchase shares of Public Company common stock exercisable at $1.00 per share vesting over a three-year period.

Gerald Williams. Effective January 1, 2012, Aspen entered into a five-year Employment Agreement with Mr. Gerald Williams to serve as its President. In accordance with the Employment Agreement, Mr. Williams is paid a base salary of $150,000 per year. In addition to base salary, Mr. Williams is eligible to receive an annual performance bonus in an amount equal to 50% of his then-current base salary, based upon the achievement of pre-established performance milestones mutually agreed upon by him and the Chief Executive Officer. One-half of the annual bonus is to be paid in cash and the remaining is to be paid in common stock. Additionally, in March 2012, Mr. Williams was granted 200,000 five-year options to purchase shares of Public Company common stock at $1.00 per share vesting over a three-year period.

David Garrity. Effective on June 9, 2011, Aspen entered into a four-year Employment Agreement with David Garrity to serve as its Chief Financial Officer. In accordance with the Employment Agreement, from June 9, 2011 through July 4, 2011, Mr. Garrity was paid a fee in lieu of salary at a rate of $10,000 per month pursuant to a separate Consulting Agreement with Mr. Garrity. From July 4 until September 30, 2011, Aspen paid Mr. Garrity $10,000 per month (a rate of $125,000 per annum). From October 1, 2011, Mr. Garrity was paid at the rate of $250,000 per year, which will be increased by at least 10% annually. In addition to a base salary, Mr. Garrity is eligible to receive an annual performance bonus based upon the achievement of pre-established performance milestones of which at least half would be paid in cash and the remaining in Aspen common stock. If performance milestones are met, Mr. Garrity's bonus will be 100% of his base salary for the year the milestone was met. Additionally, in March 2012, Mr. Garrity was granted 200,000 five-year options to purchase shares of Public Company common stock exercisable at $1.00 per share vesting over a three-year period.

Brad Powers. Effective on July 5, 2011, Aspen entered into an Employment Agreement with Brad Powers to serve as its Chief Marketing Officer. In accordance with the Employment Agreement, Mr. Powers is paid a base salary of $250,000 per year, which will be increased by at least 10% annually. In addition to a base salary, Mr. Powers is eligible to receive an annual performance bonus based upon the achievement of pre-established performance milestones of which at least half would be paid in cash and the remaining in common stock. If performance milestones are met, Mr. Powers' bonus will be 100% of his base salary for the year the milestone was met. Additionally, in March 2012, Mr. Powers was granted 200,000 five-year options to purchase shares of Public Company common stock exercisable at $1.00 per share vesting over a three-year period.

Angela Siegel. Effective January 1, 2012, Aspen entered into an Employment Agreement with Angela Siegel to serve as its Executive Vice President, Marketing. In accordance with the Employment Agreement, Ms. Siegel is paid a base salary of $150,000 per year. In addition to base salary, Ms. Siegel is eligible to receive an annual performance bonus in an amount equal to 50% of her then-current base salary, based upon the achievement of pre-established performance milestones mutually agreed upon by her and the Chief Executive Officer. Additionally, in March 2012, Ms. Siegel was granted 150,000 five-year options to purchase shares of Public Company common stock exercisable at $1.00 per share and vesting over a three-year period.

Amendments to Employment Agreements

On December 31, 2011, Messrs. Michael Mathews and Brad Powers, our Chief Executive Officer and Chief Marketing Officer, entered into amendments to their Employment Agreements waiving 50% of their salaries that would have otherwise accrued ($62,500 each). Additionally, effective January 1, 2012 they agreed to defer 50% of their base salaries until such time as Mr. Mathews or our Board determine that we have sufficient cash flow to pay the previously agreed upon amount. As of August 31, 2012, Messrs. Michael Mathews, Brad Powers, David Garrity, our Chief Financial Officer, and Gerald Williams, our Academic President, agreed to reduce their base salaries to $100,000 per year for the remainder of 2012 and to extend a total of $245,910 of salary deferrals due to each of them until August 31, 2013.

Termination Provisions

The table below describes the severance payments that our executive officers are entitled to in connection with a termination of their employment upon death, disability, dismissal without cause, for Good Reason, a change of control and the non-renewal of their employment at the discretion of Aspen. All of the termination provisions are intended to comply with Section 409A of the Internal Revenue Code of 1986 and the Regulations thereunder.

Equity Compensation Plan Information

Immediately following the closing of the Reverse Merger, our Board adopted the 2012 Equity Incentive Plan (the "Plan") which provides for 2,500,000 shares to be granted under the Plan.

The exercise price of options or stock appreciation rights granted under the Plan shall not be less than the fair market value of the underlying common stock at the time of grant. In the case of incentive stock options, the exercise price may not be less than 110% of the fair market value in the case of 10% shareholders. Options and stock appreciation rights granted under the Plan shall expire no later than 10 years after the date of grant. The total number of shares with respect to which options or stock awards may be granted under the Plan the purchase price per share, if applicable, shall be adjusted for any increase or decrease in the number of issued shares resulting from a recapitalization, reorganization, merger, consolidation, exchange of shares, stock dividend, stock split, reverse stock split, or other subdivision or consolidation of shares.

Our Board may from time to time may alter, amend, suspend, or discontinue the Plan with respect to any shares as to which awards of stock rights have not been granted. However no rights granted with respect to any awards under the Plan before the amendment or alteration shall be impaired by any such amendment, except with the written consent of the grantee.

Under the terms of the Plan, our Board may also grant awards which will be subject to vesting under certain conditions. The vesting may be time-based or based upon meeting performance standards, or both. Recipients of restricted stock awards will realize ordinary income at the time of vesting equal to the fair market value of the shares. We will realize a corresponding compensation deduction. Upon the exercise of stock options or stock appreciation rights, the holder will have a basis in the shares acquired equal to any amount paid on exercise plus the amount of any ordinary income recognized by the holder. Upon sale of the shares, the holder will have a capital gain or loss equal to the sale proceeds minus his or her basis in the shares.

The Plan and our standard Stock Option Agreement provide for "clawback" provisions, which enable our Board to cancel options and recover past profits if the person is dismissed for cause or commits certain acts which harm us.

Director Compensation

The Public Company and Aspen did not compensate its directors for their service in fiscal 2011.

Related Person Transactions

During 2010-2011, Aspen entered into numerous transactions with its founder and then Chairman, Mr. Patrick Spada, and a corporation he controlled, HEMG. These transactions also occurred prior to 2010. In connection with the audit of Aspen's financial statements for 2010-2011, Aspen discovered in November, 2011 that HEMG had borrowed $2,195,084 from it from 2005 to 2010 without Board of Directors authority. Aspen has been unable to reach any agreement with Mr. Spada concerning repayment and is considering its options. In connection with this loan, three of Aspen's directors pledged 2,209,960 shares of common stock (at the value of $1.00 per share) to secure payment of this loan receivable. The directors are Mr. Michael Mathews, our Chairman and Chief Executive Officer, and Drs. Michael D'Anton and John Scheibelhoffer. Additionally, Mr. Spada has claimed that he and HEMG are owed approximately $1,200,000; however, Mr. Spada has not instituted any litigation with respect to this claim. Aspen believes his claim is baseless and utterly without merit. In connection with the April Agreement (described below), Mr. Spada and HEMG agreed to not sue Aspen unless filing a counterclaim or cross-claim against Aspen if Aspen first sues them. See page 88 below. On August 16, 2012, following a series of discussions with the Staff of the SEC, the Company determined that they should have expensed these amounts rather than report them as a secured receivable. In connection with this financial statement restatement, the disinterested directors concluded that it would be fundamentally unfair to retain the pledged shares due because the directors in pledging shares understood that the only risk they were taking involved either an unsuccessful suP fer. Adnadadad dk ah eo cey wera&yiAdadad et deijdhothe

On September 16, 2011, Mr. Spada sold 3,769,150 shares of Series C (equivalent to 3,193,906 shares of common stock of the Public Company) for $1,000,000 or approximately $0.265 per share (or the equivalent of $0.313 per share of the Public Company's common stock). Mr. Michael Mathews, Aspen's Chief Executive Officer, was one of the purchasers; other purchasers included Mr. David Garrity, Aspen's Chief Financial Officer, and Michael D'Anton, MD, Mr. C. James Jensen and John Scheibelhoffer MD who are Aspen directors. On September 21, 2011, Aspen lent $238,210 to Mr. Mathews to allow him to acquire Series C from HEMG. The loan was for a nine month period with 3% per annum interest and was guaranteed by Mr. Mathews' wife and secured by a pledge of 40,000 shares of [illegible] common stock owned by Mr. Mathews. Mr. Mathews repaid the loan in December 2011. In December 2011, Aspen lent Mr. Brad Pow[illegible]

In May 2011, the following investments in Aspen’s Series A Preferred Stock offering were made directly or indirectly by our officers and/or directors:

- David Pasi invested $30,000 for 31,500 shares of Series A.
- Sanford Rich invested $25,000 for 26,250 shares of Series A*.
- C. James Jensen invested $50,000 for 52,500 shares of Series A.
- Michael Mathews invested $150,000 for 157,500 shares of Series A.
- David Garrity invested $25,000 for 26,250 shares of Series A*.

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*Messrs. Rich and Garrity were not affiliated with Aspen at the time.

In May 2011, the following investments in Aspen’s Series B Preferred Stock offering were made directly or indirectly by officers and/or directors:

- Michael Mathews invested $50,000 for 52,631 shares of Series B.
- John Schei’s 25

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth the number of shares of the Public Company's common stock beneficially owned as of September 13, 2012 by (i) those persons known by the Public Company to be owners of more than 5% of its common stock, (ii) each director (iii) the Named Executive Officers (as disclosed in the Summary Compensation Table), and (iv) the Public Company's executive officers and directors as a group. Unless otherwise specified in the notes to this table, the address for each person is: c/o Aspen Group, Inc. 224 West 30th Street, Suite 604 New York, New York 10001.

Title of Class	Beneficial Owner	Amount of Beneficial Ownership (1)	Percent Beneficially Owned (1)
Named Executive Officers:			
Common Stock	Michael Mathews (2)	3,418,650	9.7%
Common Stock	Patrick Spada (3)	5,662,315	16%
Directors:			
Common Stock	Michael D'Anton (4)	1,963,088	5.5%
Common Stock	James Jensen (4)	221,976	*
Common Stock	David Pasi (4)	317,194	*
Common Stock	Sanford Rich (4)	26,250	*
Common Stock	John Scheibelhoffer (4)	1,977,851	5.6%
Common Stock	Paul Schneier (4)	735,000	2.1%
Common Stock	All directors and executive officers as a group (11 persons) (5)	9,346,125	26.4%
5% Shareholders:			
Common Stock	Higher Education Management Group, Inc. (6)(7)	5,662,315	16%

* Less than 1%.

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(1) Applicable percentages are based on 35,400,188 shares outstanding as of September 13, 2012 adjusted as required by rules of the SEC. Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power with respect to securities. A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days whether upon the exercise of options or otherwise. Unless otherwise indicated in the footnotes to this table, the Public Company believes that each of the shareholders named in the table has sole voting and investment power with respect to the shares of common stock indicated as beneficially owned by them. This table does not include any unvested stock options.

(2) Mr. Mathews is our Chairman and Chief Executive Officer. Includes 300,000 shares issuable upon conversion of a $300,000 Note. Also includes 117,943 shares pledged as collateral for a receivable. Also includes 500,200 shares issuable upon the conversion of a second $300,000 Note. See page 85 for a description of this transaction.

(3) Mr. Spada is the former Chairman of Aspen. Includes shares owned by HEMG.

(4) A director.

(5) In accordance with SEC rules, includes shares held by executive officers who are not Named Executive Officers.

(6) HEMG is an entity controlled by Aspen's former Chairman, Patrick Spada. A total of 772,793 shares of Public Company common stock are pledged to Aspen to secure payment of $772,793 originally due in December 2013, and now due in 2014.

(7) At inception, Aspen issued all of its 10 million shares of authorized common stock to HEMG. In order to raise money over a five-year period, Aspen sold shares and HEMG relinquished and returned to Aspen's treasury the number of shares Aspen sold. Due to some clerical errors, 120,500 shares owned by HEMG were not cancelled by Mr. Spada's personal assistant. Due to this pattern, Aspen does not believe that it sold shares improperly. In support of this, HEMG agreed not to sell 131,500 shares (including 11,000 dividend shares discussed below) pending resolutions in connection with the April Agreement (described on page 88). Therefore, Aspen does not believe that it has any exposure to liability in these manners. Of the Aspen shares sold by HEMG, one investor has asserted a claim; this investor never received the 10,000 shares he purchased plus 11,000 shares representing a 2011 stock dividend he should have received. Mr. Spada has ignored the claim. Aspen intends to decrease HEMG's ownership by 21,000 shares of common stock and issue the investor the 21,000 shares of common stock that should have been issued to the investor once the ownership dispute is resolved. Mr. Spada's former assistant has admitted that it was an internal error. The Public Company and Aspen are neutral in this dispute. Aspen will seek Mr. Spada's agreement that the filing of a declaratory judgment by Aspen will not be considered an action, claim or suit under the April Agreement. If Mr. Spada agrees, Aspen will seek a declaratory judgment; if not, Aspen will advise the shareholders that they must file suit in order to enforce their rights.

Description of Securities

We are authorized to issue 120,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share. As of the date of this report, 35,400,188 shares of common stock and 0 shares of preferred stock are outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters submitted to a vote of shareholders, including the elen00 dĎ î

Preferred Stock

We are authorized to issue 10,000,000 shares of $0.001 par value preferred stock in one or more series with such designations, voting powers, if any, preferences and relative, participating, optional or other special rights, and such qualifications, limitations and restrictions, as are determined by resolution of our board of directors. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change in control of our company without further action by shareholders and could adversely affect the rights and powers, including voting rights, of the holders of common stock. In certain circumstances, the issuance of preferred stock could depress the market price of the common stock.

Options and Warrants

Prior to the closing of the Reverse Merger, Aspen had 456,000 five-year warrants exercisable at $1.00 per share outstanding and expiring in 2016. Upon the closing of the Reverse Merger, the Public Company assumed the warrants. In connection with the private placement conducted in the quarter ended June 30, 2012, the Public Company issued 426,500 five year warrants exercisable at the lesser of (i) $1.00 or (ii) ninety-five percent (95%) of the per share purchase price of any shares of common stock or common stock equivalents issued in the next private placement by the Public Company. There are no stock options or other rights to purchase the Public Company's common stock outstanding, except for 1,500,000 options exercisable at $1.00 per share, which were granted on March 15, 2012 and 500,000 options exercisable at $1.00 per share granted on March 22, 2012.

Debt Securities

Aspen issued $500,000 of long-term convertible ... 2012 ... t l d 0

Indemnification of Directors and Officers.

Our certificate of incorporation provides that none of our directors will be personally liable to us or our shareholders for monetary damages for breach of fiduciary duty as a director, except for liability:

- For any breach of the director’s duty of loyalty to us or our shareholders;
- For acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of the law;
- Under Section 174 of the Delaware General Corporation Law for the unlawful payment of dividends; or
-

We have been advised that the SEC believes it is against public policy for us to indemnify our directors and officers for violations of the Securities Act as expressed in the Securities Act and it is therefore unenforceable. Accordingly, we have agreed that, unless our attorneys advise us that the courts have ultimately decided whether the SEC is correct, we will let a court determine whether we can indemnify our directors and officers under such laws.

Transfer Agent

Action Stock Transfer Corp. is our transfer agent located at 2469 E. Fort Union Boulevard, Suite 214, Salt Lake City, UT 84121.

ITEM 4.01 CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT.

(a) Dismissal of Independent Registered Public Accounting Firm

Effective on March 15, 2012, Lake Associates, CPA's LLC (the "Former Auditor") was dismissed as the independent registered public accounting firm for the Public Company. The Former Auditor has served as the auditors of the Public Company's financial statements since the audit of the Public Company's financial statements for the year ended February 28, 2010.

The reports of Former Auditor on the Public Company's consolidated financial statements for the Public Company's fiscal years ended February 28, 2010 and 2011 did not contain any adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principle, except that there was an explanatory paragraph describing conditions that raised substantial doubt about the Public Company's ability to continue as a going concern. The decision to change accountants was approved by the Public Company's Board of Directors.

During the Public Company's two most recent fiscal years and any subsequent interim period preceding the Former Auditor's dismissal, there were no disagreements with the Former Auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of the Former Auditor, would have caused the Former Auditor to make reference to the subject matter of the disagreements as defined in Item 304 of Regulation S-K in connection with any reports it would have issued, and there were no "reportable events" as such term is described in Item 304 of Regulation S-K.

The Public Company has provided the Former Auditor with a copy of the foregoing disclosure, and requested that the Former Auditor furnish the Public Company with a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with such disclosure. A copy of the letter from the Former Auditor addressed to the Securities and Exchange Commission dated as of March 15, 2012 is filed as an Exhibit 16.1 to this Form 8-K.

(b) Appointment of New Independent Registered Public Accounting Firm

Effective March 15, 2012, Salberg & Company, P.A. ("Salberg") was engaged to serve as the Public Company's new independent registered public accounting firm. The engagement of Salberg as the Public Company's new independent registered public accounting firm was approved by the Public Company's Board of Directors.

During the Public Company's two most recent fiscal years and any subsequent interim period preceding the Former Auditor's dismissal, the Public Company did not consult with Salberg regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Public Company's financial statements; or (ii) any matter that was either the subject of a disagreement as defined in Item 304 of Regulation S-K or a reportable event as such term is described in Item 304 of Regulation S-K.

Salberg audited the financial statements of Aspen which are filed with this report.

Exhibit #	Exhibit Description	Incorporated by Reference Form	Incorporated by Reference Date	Incorporated by Reference Number	Filed or Furnished Herewith
2.1	Certificate of Merger				Filed^
2.2	Agreement and Plan of Merger*				Filed^
2.3	Agreement and Plan of Merger – DE Reincorporation				Filed^
2.4	Articles of Merger – DE Reincorporation				Filed^
2.5	Certificate of Merger – DE Reincorporation				Filed^
3.1	Certificate of Incorporation, as amended				Filed^
3.2	Bylaws				Filed^
3.3	Certificate of Incorporation – Acquisition Sub				Filed^
3.4	Articles of Amendment to FL Articles of Incorporation				Filed^
3.5	Articles of Amendment to FL Articles of Incorporation	8-K	6/20/11	3.3	
3.6	FL Articles of Incorporation	S-1/A	5/5/10	3.1	
10.1	Employment Agreement – Mathews**				Filed^

SIGNATURES

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

ASPEN GROUP, INC.

Date: September 13, 2012

By: /s/ Michael Mathews

Name: Michael Mathews

Title: Chief Executive Officer

Aspen University Inc. and Subsidiary Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of:
Aspen University Inc.

We have audited the accompanying consolidated balance sheets of Aspen University Inc. and Subsidiary at December 31, 2011 and 2010, and the related consolidated statements of operations, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes ass

ASPEN UNIVERSITY INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS

	December 31, 2011 (As Restated)	December 31, 2010 (As Restated)
Assets		
Current assets:		
Cash and cash equivalents	$ 766,602	$ 294,838
Accounts receivable, net of allowance of $47,595 and $47,934, respectively	847,234	1,064,663
Accounts receivable, secured - related party	772,793	780,169
Note receivable from officer, secured - related party	150,000	-
Prepaid expenses and other current assets	103,478	5,794
Total current assets	2,640,107	2,145,464
Property and equipment, net	129,944	21,884
Intangible assets, net	1,236,996	494,161
Other assets	6,559	6,559
Total assets	$ 4,013,606	$ 2,668,068
Liabilities and Stockholders' Equity (Deficiency)		
Current liabilities:		
Accounts payable	$ 1,094,029	$ 313,326
Accrued expenses	167,528	266,116
Deferred revenue	835,694	890,204
Notes payable, current portion	6,383	30,871
Deferred rent, current portion	4,291	2,324
Total current liabilities	2,107,925	1,502,841
Line of credit	233,215	243,499
Loans payable	200,000	200,000
Notes payable	8,768	15,151
Deferred rent	21,274	25,565
Total liabilities	2,571,182	1,987,056
Commitments and contingencies - See Note 10		
Temporary equity:		
Series A preferred stock, $0.001 par value; 850,500 shares designated, 850,395 and 0 shares issued and outstanding, respectively	809,900	-
Series D preferred stock, $0.001 par value; 3,700,000 shares designated, 1,176,750 and 0 shares issued and outstanding, respectively (liquidation value of $1,176,750)	1,109,268	-
Series E preferred stock, $0.001 par value; 2,000,000 shares designated, 1,700,000 and 0 shares issued and outstanding, respectively (liquidation value of $1,700,000)	1,550,817	-
Total temporary equity	3,469,985	-
Stockholders' equity (deficiency):		
Preferred stock, $0.001 par value; 20,000,000 shares authorized		
Series C preferred stock, $0.001 par value; 11,411,400 shares designated, 11,307,450 and 0 shares issued and outstanding, respectively (liquidation value of $11,307)	11,307	-
Series B preferred stock, $0.001 par value; 368,421 shares designated, 368,411 and 0 shares issued and outstanding, respectively	368	-
Common stock, $0.001 par value; 60,000,000 shares authorized, 11,837,930 and 21,000,000 issued and outstanding, respectively	11,838	21,000
Additional paid-in capital	3,275,296	3,850,809
Accumulated deficit	(5,326,370)	(3,190,797)
Total stockholders' equity (deficiency)	(2,027,561)	681,012
Total liabilities and stockholders' equity (deficiency)	$ 4,013,606	$ 2,668,068

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

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ASPEN UNIVERSITY INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31, 2011 (As Restated)	For the Year Ended December 31, 2010 (As Restated)
Cash flows from operating activities:		
Net loss	$ (2,135,573)	$ (465,014)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Provision for bad debts	21,200	23,379
Depreciation and amortization	264,082	338,803
Issuance of convertible notes in exchange for services rendered	22,000	-
Changes in operating assets and liabilities, net of effects of acquisition:		
Accounts receivable	196,229	(339,313)
Accounts receivable, secured - related party	[illegible]	5 9,176
Prepaid expenses and other current assets	(97,684)	821
Accounts payable	[illegible] 780,703	105,793
Accrued expenses	(98,588)	84,802
Deferred rent	(2,324)	(358)
Deferred revenue	(54,510)	516,992
Settlement payable	-	(169,403)
Net cash provided by (used in) operating activities	(1,097,089)	

Note 1. Nature of Operations and Going Concern

Overview

Aspen University Inc. (together with its subsidiary, the “Company”, “Aspen” or the “University”) was founded in Colorado in 1987 as the International School of Information Management. On September 30, 2004, the University was acquired by Higher Education Management Group, Inc. (“HEMG”) and changed its name to Aspen University Inc. On May 13, 2011, the Company formed in Colorado a subsidiary, Aspen University Marketing, LLC, which is currently inactive.

Aspen’s mission is to become an institution of choice for adult learners by offering cost-effective, comprehensive, and relevant online education. One of the key differences between Aspen and other publicly-traded, exclusively online, for-profit universities is that approximately 88% of our degree-seeking students (as of December 31, 2011) were enrolled in graduate degree programs (Master or Doctorate degree program). Since 1993, we have been nationally accredited by the Distance Education and Training Council (“DETC”), a national accrediting agency recognized by the U.S. Department of Education.

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Accounts and student loans receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is estimated by management based on (i) an assessment of individual accounts receivable over a specific aging and amount (and all other balances on a pooled basis based on historical collection experience), (ii) consideration of the nature of the receivable accounts and (iii) potential changes in the economic environment. Bad debt expense is recorded in instructional costs and services expense in the consolidated statements of operations.

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

For accounts receivable from students, the University 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. The University determines the adequacy of its allowance for doubtful accounts based on an analysis of its historical bad debt experience, current economic trends, and the aging of the accounts receivable and student status. The University applies reserves to its receivables based upon an estimate of the risk presented by the age of the receivables and student status. Historically, the University has written off accounts receivable balances at the earlier of the time the balances were deemed uncollectible, or one year after the revenue is generated. The University continues to reflect accounts receivable with an offsetting allowance as long as management believes there is a reasonable possibility of collection.

[illegible]

Intangible Assets

Intangible assets with definite lives are stated at cost less accumulated amortization. Amortization is computed using the straight-line method over the estimated useful lives of the assets per the following table.

Category	Depreciation Term
Call center	5 years
Course curricula	5 years

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. 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. There have been no impairment losses recognized by the Company for any periods presented.

Leases o

The Company enters into various lease agreements in conducting its business. At the inu loing-live Ss 5 W 5 mpa fing

Marketing and Promotional Costs

Marketing and promotional costs include compensation of personnel engaged in marketing and recruitment, as well as costs associated with purchasing leads, producing marketing materials, and advertising. Such costs are generally affected by the cost of advertising media and leads, the efficiency of the Company's marketing and recruiting efforts, compensation for the Company's enrollment personnel and expenditures on advertising initiatives for new and existing academic programs. Advertising costs consists primarily of marketing leads and other branding and promotional activities. Non-direct response advertising activities are expensed as incurred, or the first time the advertising takes place, depending on the type of advertising activity.

General and Administrative

General and administrative expenses include compensation of employees engaged in corporate management, finance, human resources, information technology, compliance and other corporate functions. General and administrative expenses also include professional services fees, travel and entertainment expenses and facility costs. [illegible]

Income Taxes

The Company uses the asset and liability method to compute the differences between the tax basis of assets and liabilities and the related financial 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 [illegible]

In addition to the above common stock equivalents, the Company has outstanding preferred shares (Series A through E) that are contingently convertible into common shares upon the Company becoming an SEC reporting company. There were an aggregate of 15,403,006 and 0 preferred shares contingently convertible into 13,677,274 and 0 common shares for the years ended December 31, 2011 and 2010, respectively, that could be potentially dilutive in the future. As a result of its merger with Aspen Group, Inc., on March 13, 2012 (the SEC Reporting Date), the Company became subject to SEC reporting requirements. Accordingly, all of the preferred shares were automatically converted into common shares on that date (See Note 16).

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 CEO and President, 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

In October 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2009-13, which amends Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition. This update changes the requirements for establishing separate units of accounting in a multiple element arrangement and requires the allocation of arrangement consideration to each deliverable based on the relative selling price. ASU 2009-13 is effective for revenue arrangements entered into in fiscal years beginning on or after June 15, 2010. The Company adopted ASU 2009-13 effective January 1, 2011, and such adoption did not have a material effect on the Company's financial statements. [illegible]

In December 2010, the FASB issued ASU 2010-28, which amends ASC Topic 350, Intangibles-Goodwill and Other. This update amends the [illegible] zero or negative carrying amounts and requires performing [illegible] of the

In December 2011, the FASB issued ASU 2011-12, which amends ASC Topic 220, Comprehensive Income, to defer certain aspects of ASU 2011-05. The new guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company adopted this guidance, along with ASU 2011-05, on December 31, 2011, and such adoption did not have a material impact on the Company’s financial statements.

Note 3. Accounts Receivable

Accounts receivable consisted of the following at December 31, 2011 and 2010:

	December 31, 2011	December 31, 2010
Accounts receivable	$ 894,829	$1,112,597
Less: Allowance for doubtful accounts	(47,595)	(47,934)
Accounts receivable, net	$ 847,234	$1,064,663

Bad debt expense was $21,200 and $23,379 for the years ended December 31, 2011 and 2010, respectively.

See also Note 14 for concentrations of accounts receivable.

Note 4. Secured Accounts and Notes Receivable – Related Parties

On September 21, 2011, the Company loaned $238,210 to the chief executive officer of the Company (the “CE’chiechiegy)

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 are performance-based in nature. As of December 31, 2011, the Company had entered into five employment agreements whereby the Company is obligated to pay an annual performance bonus ranging from 50% to 100% of the employee’s base salary based upon the achievement of pre-established milestones. Such annual bonuses are to be paid one-half in cash and the remainder in common shares of the Company. As of December 31, 2011, no performance bonuses have been earned.

Consulting Agreement

On September 16, 2011, the Company entered into a two-year consulting agreement with the former Chairman of the Company in which the
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The Higher Education Act 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 the Company operates in a highly regulated industry, it may be subject from time to time to audits, investigations, claims of noncompliance or lawsuits by governmental agencies or third parties, which allege statutory violations, regulatory infractions or common law causes of action.

Return of Title IV Funds

An institution participating in Title IV programs must correctly calculate the amount of unearned Title IV program funds that have been disbursed to students who withdraw from their educational programs before completion and must return those unearned funds in a timely manner, generally within 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.

Delaware Approval to Confer Degrees

Aspen 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. Aspen did not obtain such approval. It has begun communications with the Delaware DOE and is taking steps to obtain Delaware DOE approval. An application to the State of Delaware has been made and we are awaiting a decision or additional guidance.

Unauthorized Borrowings

During 2005 through 2011, the Company advanced funds without board authority to both Patrick Spada (former Chairman of the Company) and HEMG, of which Patrick Spada is President. The amount of unauthorized borrowings during the years ended December 31, 2011 and 2010 was $14,876 and $261,468, respectively, which have been expensed as loss due to unauthorized borrowing, a non-operating item. As of December 31, 2011 and 2010, the aggregate amount of unauthorized borrowings due back to the Company was $2,209,960 and $2,195,084, respectively. Having been unsuccessful since December 2011 to negotiate a settlement agreement with Patrick Spada to secure the amounts due back to the Company, on March 13, 2012, three directors of the Company pledged an aggregate of 2,209,960 common shares of the Company, valued at $1.00 per share, based on recent sales of capital stock as collateral for the amounts due from Patrick Spada and HEMG. On August 16, 2012, the Company rescinded the pledge agreements and returned the shares to the directors (See Notes 15, 16 and 17).

Note 11. Temporary Equity

During 2011, the Company sold an aggregate of 850,395 Series A preferred shares in exchange for cash proceeds of $809,900 (of which $230,000 was received from then related parties). The Series A shares have the following features: (i) equal voting rights as the common shares; (ii) automatically convert to common shares at the time the Company is required to file Forms 10-Q and 10-K with the SEC (the “SEC Reporting Date”); (iii) a conversion ratio of 1 share of common for each share of Series A; (iv) until the SEC Reporting Date, transfer restricted to permitted transfers; (v) until the SEC Reporting Date, price protection should any common stock or equivalents be issued with a lower conversion ratio; (vi) 5% cumulative accruing dividends whether or not declared (payable only upon redemption per vii); and (vii) shall be redeemed by the Company if: (a) Michael Mathews is no longer the CEO, or (b) the SEC Reporting Date does not occur on or before January 31, 2012 (on February 29, 2012, this was extended to March 15, 2012), but (c) only to the extent the Company has EBITDA.) only W a 's h

During 2011, the Company sold an aggregate of 1,700,000 Series E preferred shares in exchange for cash proceeds of $1,550,817, net of offering costs of $149,183 and a warrant to purchase 56,000 Series E shares. The warrants are exercisable at $1.00 per share for five years beginning September 28, 2011 and, after the SEC Reporting Date, are exercisable into common shares of the Company. The Series E shares have the same features as the Series A shares (see above) except item (v) the price protection is for a period of 36 months following the SEC Reporting Date. During the year ended December 31, 2011, cumulative dividend on the Series E preferred shares amounted to $22,194 (See Note 16).

On October 28, 2011, the Company filed a First Amendment to the second amended and restated certificate of incorporation whereby a liquidation preference equal to the original issue price ($1.00) was added to both the Series D and Series E shares. In addition, the liquidation preferences of the Series D shares became pari passu with the liquidation preferences of the Series E shares and the liquidation preferences of both the Series D and Series E shares became senior to the liquidation preferences of the Series C shares (See Note 16).

Note 12. Stockholders' Equity

Stock Dividends and Reverse Split

On May 17, 2011, the Company declared a stock dividend of 1.1 new shares of common stock of the Company for each share presently held as of the close of business on May 20, 2011. All references to the Company's outstanding shares, warrants and per share information have been retroactively adjusted to give effect to the stock dividend.

On February 23, 2012, the Company approved a stock dividend of one new share of the Company for each share presently held. Following the stock dividend, the Company approved a one-for-two reverse stock split as of the close of business on February 24, 2012 in which each two shares of common stock shall be combined into one share of common stock. This was done in order to reduce the conversion ratio of the convertible [illegible] Series C, which now has a conversion ratio of 0.8473809 (See Note 16).

Authorized Shares

On May 17, 2011, the Company [illegible] certificate of incorporation whereby the total number of authorized shares was increased [illegible]

Note 13. Income Taxes

The components of income tax expense (benefit) are as follows:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Current:		
Federal	$ -	$ -
State	-	-
	-	-
Deferred:		
Federal	-	-
State	-	-
	-	-
Total Income tax expense (benefit)	$ -	$ -

Significant components of the Company's deferred income tax assets and liabilities are as follows:

	December 31, 2011	December 31, 2010
Deferred tax assets:		
Net operating loss	$ 2,064,725	$ 123,586
Allowance for doubtful accounts	17,637	17,763
Intangible assets	(148,345)	187,111
Property and equipment	(805)	776
Deferred rent	9,473	10,335
Loss due to unauthorized borrowing	-	813,406
Total deferred tax assets	1,942,685	1,152,977
Valuation allowance:		
Beginning of year	(1,152,977)	(980,662)
(Increase) decrease during year	(789,708)	(172,315)
Ending balance	(1,942,685)	(1,152,977)
Net deferred tax asset	$ -	$ -

A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized. The Company recorded a valuation allowance in 2010 and 2011 due to the uncertainty of realization. Management believes that based upon its projection of future taxable operating income for the foreseeable future, it is more likely than not that the Company will not be able to realize the tax benefit associated with deferred tax assets. The net change in the valuation allowance during the years ended December 31, 2011 and 2010 was an increase of $789,708 and $172,315, respectively.

At December 31, 2011, the Company had $5,571,935 of net operating loss carryforwards which will expire from 2029 to 2031. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for unrecognized tax benefits. As of December 31, 2011, tax years 2004 and 2007 through 2010 remain open for IRS audit. The Company has received no notice of audit from the Internal Revenue Service for any of the open tax years.

For the years ended December 31, 2011 and 2010, the Company had significant vendors representing 10% or greater of cost and expense as follows:

	For the Year Ended December 31, 2011	For the Year Ended December 31, 2010
Vendor 1	24.4%	38.8%
Totals	24.4%	38.8%

Note 15. Related Party Transactions

On September 21, 2011, the Company loaned $238,210 to the chief executive officer of the Company (the "CEO") in exchange for a promissory note bearing 3% per annum. As collateral, the note was secured by 40,000 shares of common stock of interclick, Inc. (a publicly-traded company) that are owned personally by the CEO. The note along with accrued interest was due and payable on June 21, 2012. For the year ended December 31, 2011, interest income of $1,867 was recognized. On December 20, 2011, the note along with accrued interest of $1,867 was paid in full (See Note 4).

On [illegible] December 14, 2011, the Company loaned $150,000 to an officer of the Company [illegible] in exchange for a promissory note bearing 3% per [illegible] 2011, the yeaS
[illegible] As collateral, the note was secured by 500,000 shares of the Company's common stock owned personallycur any [illegible] 11, the note a g [illegible]