EXHIBIT C

Effect of Existing or Probable Governmental Regulations

Regulatory Environment

Students attending our schools finance their education through a combination of individual resources, corporate reimbursement programs and federal student financial assistance funds available through our participation in the Federal Student Aid Programs made available through Title IV of the Higher Education Act, as amended ("HEA"). The discussion which follows outlines the extensive regulations that affect our business. Complying with these regulations entails significant effort from our executives and staff. Regulatory compliance is also expensive. Beyond the internal costs, compliance with the extensive regulatory requirements also involves engagement of outside regulatory professionals.

To participate in Title IV Programs, a school must, among other things, be:

- Authorized to offer its programs of instruction by the applicable state education agencies in the states in which it is physically located or otherwise have a physical presence as defined by the state;
- Meet the state education agency requirements to legally offer postsecondary distance education in any state in which the school is not physically located;
- Accredited by an accrediting agency recognized by the Secretary of the U.S. Department of Education (“DOE”); and
- Certified as an eligible institution by DOE.

Collectively, state education agencies, accrediting agencies, and the DOE comprise the higher education regulatory triad. We cannot predict the actions that any entity in the higher education regulatory triad, Congress, or Administration may take or their effect on our schools.

State Authorization

As institutions of higher education that grant degrees and certificates, we are required to be authorized by applicable state education authorities which exercise regulatory oversight of our schools. In addition, in order to participate in the Title IV Programs, we must be authorized by the applicable state education agencies.

Because we are subject to extensive regulations by the states in which we become authorized or licensed to operate, we must abide by state laws that typically establish standards for instruction, qualifications of faculty, administrative procedures, marketing, recruiting, financial operations and other operational matters. State laws and regulations may limit our ability to offer educational programs and to award degrees. Some states may also prescribe financial regulations that are different from those of DOE. If we fail to comply with state licensing requirements, we may lose our state licensure or authorizations, which in turn would result in a loss of accreditation and access to Title IV funds.

On September 25, 2022, the California Legislature passed SB 1433, as amended August 24, 2022, which extended the sunset date for the California Bureau for Private Postsecondary Education (“California Bureau”) and the

California Private Postsecondary Education Act of 2009 to January 1, 2027. Provisions of note include the authorization for the Bureau to establish regulations around limited physical presence; the automatic termination of an institution's approval to offer a program in a profession or career field if it loses approval from the issuing licensing agency; and the prohibition for an institution having any prospective, current or former student or employee sign a nondisclosure agreement pertaining to their relationship to or experience with an institution. Other states in which AGI operates may also make material changes to their authority and structure at any time, so AGI must constantly assess its state oversight agencies to ensure compliance.

Licensure of Online Programs

The DOE released final regulations on accreditation and state authorization of distance education on November 1, 2019, which took effect July 1, 2020 (the "July 2020 Regulations"). The July 2020 Regulations require Title IV Program institutions, like ours, that offer 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, to meet any state requirements to offer postsecondary education to students who are located in that state.

Under the July 2020 Regulations, institutions may meet the authorization requirements by obtaining such authorization directly from any state that requires it or through a state authorization reciprocity agreement, such as the State Authorization Reciprocity Agreement ("SARA"). SARA is intended to make it easier for students to take online courses offered by postsecondary institutions based in another state. SARA is overseen by a National Council ("NC-SARA") and administered by four regional education compacts.

On May 19, 2023, the DOE published a notice of proposed rulemaking ('NPRM") which would require institutions to confirm for each Title IV program, in each State in which the institution is located or in which students enrolled by the institution are located, that the program satisfies any required programmatic accreditation, professional licensure, and consumer protection laws relating to "closure, recruitment, and misrepresentations, including both generally applicable State laws and those specific to educational institutions." The last requirement would appear to mandate compliance with certain State authorization laws, even for institutions participating in SARA. Because this is a proposed, not final, rule, it is unclear if the final rule will include this provision as it is currently written, in a modified form, or exclude it, based on comments from constituents.

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

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

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

Because USU is based in California, which does not participate in NC-SARA, USU must obtain authorization in every state in which it intends to market and enroll online students, which was the standard method prior to the formation of NC-SARA. USU is currently authorized to offer one or more programs in 44 states and is in the application development process with 4 additional states. USU will not pursue authorization in Rhode Island, Maryland, or the District of Columbia, and therefore will not market in, or enroll students from, those states. USU maintains its state authorizations through annual reporting and required renewals.

Individual state laws establish standards, some of which are different than the standards prescribed by the Arizona Board, the Texas Board, the Florida Commission, the Tennessee Commission, and the California Bureau. Laws in some states limit the ability of schools to offer educational programs and award degrees to residents of those states. Some states also prescribe financial regulations that are different from those of the DOE, and many require the posting of surety bonds. Laws, regulations, or interpretations related to online education could increase our cost of doing business and affect our ability to recruit students in particular states, which could, in turn, negatively affect enrollments and revenues and have a material adverse effect on our business.

State Approval of Physical Locations

The HEA and certain state laws require our institutions to be legally authorized to provide educational programs in states in which our schools have a physical location or otherwise have a physical presence as defined by the state. Aspen University is authorized to provide educational programs in each state in which it has a physical location, including Arizona by the Arizona State Board for Private Postsecondary Education (“Arizona Board”), in Texas by the Texas Higher Education Coordinating Board (“Texas Board”), in Tennessee by the Tennessee Higher Education Commission (“Tennessee Commission”), and in Florida by the Florida Commission on Independent Education (“Florida Commission”). USU is authorized to provide educational programs in California by the California Bureau. Failure to comply with state requirements could result in Aspen University losing its authorization from the Arizona Board, Texas Board, Tennessee Commission, or Florida Commission; and USU losing its authorization from the California Bureau. In such an event, the schools would lose their eligibility to participate in Title IV Programs, or their ability to offer certain educational programs, any of which may force us to cease the school’s operations.

Additionally, Aspen University and USU are Delaware corporations. Delaware law requires an institution to obtain approval from the Delaware Department of Education, or Delaware DOE, before it may incorporate with the power

to confer degrees. In July 2012, Aspen University received notice from the Delaware DOE that it was granted provisional approval status effective until June 30, 2015. On April 25, 2016, the Delaware DOE informed Aspen University it was granted full approval to operate with degree-granting authority in the State of Delaware With Aspen's removal as an active institutional member of NC-SARA in May 2022, Aspen sought to obtain initial authorization in the State of Delaware; its application is in process. On June 6, 2018, the Delaware DOE granted an initial operating license to USU until June 30, 2023; its renewal is in process.

Accreditation

Aspen University is institutionally accredited by the Distance Education Accrediting Commission ("DEAC"), an accrediting agency recognized by the Council for Higher Education Accreditation ("CHEA")and the DOE, and USU is institutionally accredited by the WASC Senior College and University Commission ("WSCUC"), an accrediting agency also recognized by CHEA and the DOE. Accreditation is a non-governmental system for evaluating educational institutions and their programs in areas including student performance, governance, integrity, educational quality, faculty, physical resources, administrative capability and resources, and financial stability. In the U.S., this recognition comes primarily through private voluntary associations that accredit institutions and programs. To be recognized by the DOE, accrediting agencies must adopt specific standards for their review of educational institutions. Accrediting agencies establish criteria for accreditation, conduct peer-review evaluations of institutions and programs for accreditation, and publicly designate those institutions or programs that meet their criteria. Accredited institutions are subject to periodic review by accrediting agencies to determine whether such institutions maintain the performance, integrity and quality required for accreditation.

Accreditation is important to our schools for several reasons. Accreditation 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. Other institutions depend, in part, on our accreditation in evaluating transfers of credit and applications to graduate schools. Additionally, in most states, accreditation is required to obtain authorization in the state to grant degrees.

Moreover, institutional accreditation awarded from an accrediting agency recognized by DOE is necessary for eligibility to participate in the Title IV Programs. Effective July 1, 2020, the DOE amended regulations relating to the recognition of accrediting agencies. Those regulations amended the DOE's process for recognition and review of accrediting agencies, including the criteria used by the DOE to recognize accrediting agencies, and the DOE's requirements for accrediting agencies' policies and standards that are applied to institutions and programs. Accrediting agencies are under heightened scrutiny due to perceived shortcomings of certain agencies and their oversight of closed institutions. In response, accreditors are increasing their scrutiny of institutions. From time to time, accrediting agencies adopt or make changes to their policies, procedures and standards. If our schools fail to comply with any of these requirements, the non-complying school's accreditation status could be at risk.

In addition to institutional accreditation, there are numerous specialized accreditors that accredit specific programs or schools within their jurisdiction, many of which are in healthcare and professional fields. USU's and Aspen University's baccalaureate and master's degree programs in nursing are accredited by the Commission on Collegiate Nursing Education (CCNE) and Aspen University's doctoral nursing degree is currently CCNE-accredited. CCNE is officially recognized by CHEA and the DOE and provides accreditation for nursing programs. Accreditation by CCNE signifies that those programs have met the additional standards of that agency. We are also pleased that

Aspen University's School of Business and Technology has been awarded the status of Candidate for Accreditation by the International Accreditation Council for Business Education (IACBE) for its baccalaureate and master's business programs. Finally, USU's Teacher Credentialing programs are approved by the California Commission on Teacher Credentialing (CTC).

If we fail to satisfy the standards of specialized accreditors, we could lose the specialized accreditation for the affected programs, which could result in materially reduced student enrollments in those programs and prevent our students from seeking and obtaining appropriate licensure in their fields.

State Professional Licensure

States have specific requirements that an individual must satisfy in order to be licensed or certified as a professional in specific fields. For example, graduates from some USU and Aspen University nursing programs typically seek professional licensure in their field because they are legally required to do so in order to work in that field or because obtaining licensure enhances employment opportunities. Success in obtaining licensure depends on several factors, including each individual's personal and professional qualifications as well as other factors related to the degree or program completed, where applicable:

- whether the institution and the program were approved by the state in which the graduate seeks licensure, or by a professional association;
- whether the program from which the applicant graduated meets all state requirements; and
- whether the institution and/or the program is accredited by a CHEA and DOE-recognized agency.

Professional licensure and certification requirements can vary by state and may change over time.

In addition, the July 2020 Regulations require institutions to make readily available disclosures to enrolled and prospective students regarding whether programs leading to professional licensure or certification meet state educational requirements for that professional license or certification. These disclosures apply to both on-ground and online programs that lead to professional licensure or certification or are advertised as leading to professional licensure or certification. Under the regulations, institutions must determine the state in which current and prospective students are located, and then must: (1) determine whether such program's curriculum meets the educational requirements for licensure or certification in that state; (2) determine whether such program's curriculum does not meet the educational requirements for licensure or certification in that state; or (3) choose not to make a determination as to whether such program's curriculum meets the educational requirements for licensure or certification in that state. Institutions must also provide direct disclosures in writing to prospective students and current students under certain circumstances. Institutions must provide direct disclosures in writing to prospective students if the institution has determined the program in which the student intends to enroll does not meet the educational requirements for licensure or certification in the state in which the student is located or if the institution has not made any determination. Institutions must provide direct disclosures in writing to current students, but only if the institution has determined the program in which the student is enrolled does not meet the educational requirements for licensure in the state in which the student is located.

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

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 DOE to participate in the Title IV Programs. Grant 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 institutional missions manifest themselves through offering students the opportunity to fund their education without relying solely on student loans. In 2014, Aspen University launched a $250 monthly payment plan for associate and bachelor degree students and a $325 monthly payment plan for master's degree students, and subsequently a $375 monthly payment plan for doctoral and MSN-FNP students. The monthly payment plan is available to all Aspen University and United States University students except those in the Aspen University BSN Pre-Licensure program.

When Aspen University and United States University students seek funding from the federal government, they may be eligible to receive loans and grants to fund their education under the following Title IV Programs: (1) the Federal Direct Loan program and (2) the Federal Pell Grant and Supplemental Educational Opportunity Grant (SEOG) programs. Graduate students are only eligible to participate in the Direct Loan program and not all undergraduate students receive a Pell Grant or SEOG as those are need based awards. The majority of students who seek funding from the federal government receive at least one Direct Loan that must be repaid with interest starting approximately six months after the student leaves school.

Additionally, some students may receive full or partial tuition reimbursement from their employers. Eligible credit-worthy students can also access private loans through a number of different lenders for funding at current market interest rates.

Under the Direct Loan program, the DOE makes loans directly to students. The Direct Loan Program includes the Direct Subsidized Loan, the Direct Unsubsidized Loan, and the Direct PLUS Loan for credit-worthy parents of dependent undergraduate students and credit-worthy graduate and professional students.

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 institutions are subject to extensive oversight and review. Because the DOE periodically revises its regulations and changes its interpretations of existing laws and regulations, we cannot predict how the Title IV Program requirements will be applied in all circumstances.

In addition to the state authorization requirements and other regulatory requirements described herein, other significant factors relating to Title IV Programs that could adversely affect us include the following legislative action and regulatory changes:

Congressional Action. Congress reauthorizes the HEA approximately every five to six years. Congress most recently reauthorized the Act in August 2008 through the end of 2013 (when it was renamed the Higher Education and Opportunity Act) and the law has been extended since that date. Congress has held hearings regarding the reauthorization of the HEA and has continued to consider new legislation regarding the passage of the HEA. Congress enacted a small package of HEA changes as part of the larger Consolidated Appropriations Act of 2021 legislation signed into law in December 2020, which became effective between 2021 and 2023. The significant rules in this legislation were focused on the simplification of the federal aid application and determination of student eligibility. We cannot yet predict the impact of these new laws on our students, nor can we predict whether or when Congress might act to amend further the HEA. The elimination of additional Title IV Programs, material changes in the requirements for participation in such programs, or the substitution of materially different programs could increase our costs of compliance and could reduce the ability of certain students to finance their education at our institutions.

Recent Federal Rulemaking. On May 24, 2021, the DOE published a Federal Register notice indicating its intent to convene multiple committees to develop proposed regulations in three broad areas under Title IV of the Higher Education Act: affordability of postsecondary education, institutional accountability, and Federal student loans.

In the Fall of 2021, the DOE conducted the first of two rounds of negotiated rulemaking. The first round of negotiations ran for three weeks over October, November and December and covered the following topics:

- Total and Permanent Disability
- Closed School Discharge
- Interest Capitalization
- Improving the Public Service Loan Forgiveness (PSLF) Application Process
- Public Service Loan Forgiveness (PSLF) Eligibility
- Borrower Defense to Repayment (Adjudication Process)
- Borrower Defense to Repayment (Post-Adjudication)
- Borrower Defense to Repayment (Recovery From Institutions)
- Predispute Arbitration and Class Action Waivers
- Creating A New Income-driven Repayment Plan

In the Spring of 2022, ED conducted a second round of rulemaking over three weeks in January, February, and March, covering the following topics:

- Administrative Capability
- The 90/10 Rule
- Certification Procedures
- Change in Ownership/Control
- Financial Responsibility
- Gainful Employment
- Ability-to-Benefit

As is typically the case with federal rulemaking, limited consensus was reached, providing the DOE with discretion to draft regulations for comment as it sees fit on most of the topics noted. Rules that impact the Title IV programs

are subject to the HEA Master Calendar, which requires final rules be published before November 1, in order to become effective on July 1 of the following year.

On October 28, 2022, DOE issued the Final Rules on:

- Prison Education Programs
- The 90/10 Rule
- Changes in Ownership

On October 31, 2022, DOE published the final rules on:

- Borrower Defense to Repayment
- Closed School Discharge
- Prohibition on Arbitration and Class Action Waivers
- Income Driven Repayment
- Total and Permanent Disability Discharge
- False Certification Discharges
- Public Service Loan Forgiveness
- Interest Capitalization

Because both of these regulatory packages were published before November 1, 2022, the regulations became effective on July 1, 2023. Aspen and United States University are still reviewing any possible impact they may have on our operations, processes, or procedures. Of our final rules evaluation thus far, only the Borrower Defense to Repayment updates appear to have a direct potential impact.

On June 21, 2022, the Agency Rule List for the DOE stated that five of the 2021-2022 Federal Negotiated Rulemaking issues would not be completed in 2022. The list includes:

- Gainful Employment
- Factors of Financial Responsibility
- Standards of Administrative Capability
- Certification Procedures
- Ability-to-Benefit

This delay means that these rules cannot become effective until July 1, 2024, at the earliest. DOE published the proposed rules on these matters on May 19, 2023, with the intent of publishing a Final Rule before November 1, 2023, for July 2024 implementation. At the close of the 30-day public comment period, DOE received almost 8,000 comments about the proposed rules. We do not know how DOE will respond to those comments, what the Final Rule will include, or whether DOE will be able to complete the process in time to publish before the November 1, 2023 deadline.

Impact of Federal Regulations

Administrative Capability. The 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 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;
- Have cohort default rates below 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.

The DOE regulations also add an administrative capability standard related to the existing requirement that students must have a high school diploma or its recognized equivalent in order to be eligible for Title IV Program aid. Under the administrative capability standard, institutions must develop and follow procedures for evaluating the validity of a student’s high school diploma if the institution or the Secretary of Education has reason to believe that the student’s diploma is not valid.

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

- Require the repayment of Title IV Program funds;
- Transfer the institution from the “advance” system of payment of Title IV Program funds to heightened cash monitoring status (HCM1) 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.

As part of the NPRM published on May 19, 2023, DOE has proposed to add several additional standards in the administrative capability regulations. While current administrative capability regulations include a host of requirements, DOE proposes to address “additional concerns which could indicate severe or systemic administrative problems that negatively impact student outcomes and are not currently reflected” in existing regulations. For example, the proposed regulations would specify required elements to be included in financial aid

communications and would add an additional requirement for institutions to provide adequate career services to help their students find jobs, particularly where the institution offers career-specific programs and makes commitments about job assistance. These proposed regulations are included in the same NPRM as the Gainful Employment regulations, and we cannot say whether the package of proposed rules will be completed and published prior to the November 1, 2023 deadline necessary for a July 1, 2024 effective date.

Distance Education. We primarily offer our existing degree and certificate programs via Internet-based telecommunications from our headquarters in Arizona and California. Under the HEA, 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.

The July 2020 Regulations governing state authorization, require Title IV Program institutions, like ours, that offer 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, to meet any state requirements to offer postsecondary education to students who are located in that state. Institutions may meet the authorization requirements by obtaining such authorization directly from any state that requires it or through a state authorization reciprocity agreement, such as SARA, where applicable.

Regulations governing distance education, effective as of July 1, 2021, included new definitions for regular and substantive student and faculty interaction, the definition of faculty, and other aspects of the administration of a distance education program. These are key requirements for distance education program students to retain access to Title IV funds. The universities assessed the amended regulations and determined that material changes to their delivery methodology and processes were not necessary.

Financial Responsibility. The HEA and its implementing regulations establish extensive standards of financial responsibility that institutions such as Aspen and USU must satisfy to participate in the 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.

The DOE evaluates institutions on an annual basis for compliance with specified financial responsibility standards that include a complex formula that uses line items from the institution's audited financial statements. In addition, the financial responsibility standards require an institution to receive an unqualified opinion from its accountants on its audited financial statements, maintain sufficient cash reserves to satisfy refund requirements, meet all of its financial obligations, and remain current on its debt payments. The formula focuses on three financial ratios: (1) equity ratio (which measures the institution's capital resources, financial viability, and ability to borrow); (2) primary reserve ratio (which measures the institution's viability and liquidity); and (3) net income ratio (which measures the institution's profitability or ability to operate within its means). An institution's financial ratios must yield a composite score of at least 1.5 on a scale of -1.0 to 3.0 for the institution to be deemed financially responsible without the need for further federal oversight. Institutions with a composite score of 1.0 – 1.4 may continue to participate under the "Zone Alternative" while institutions below 1.0 are subject to Provisional

Certification and the provision of surety, generally through a Letter of Credit. The DOE may also apply such measures of financial responsibility to the operating company and ownership entities of an eligible institution.

Both institutions and their corporate parent (AGI) met the minimum composite score necessary to meet the financial ratio standard for fiscal year 2022, and the 2023 score will not be finalized until later in the year. If an eligible institution (or its parent company, if financials are consolidated as ours are) does not meet the DOE financial responsibility standards, it may continue to establish financial responsibility on an alternative basis.

As noted above, institutions with a score between 1.0 and 1.4 may continue to participate under the Zone Alternative, which includes:

- making disbursements to eligible students and parents under either the heightened cash monitoring or reimbursement payment method
- requiring the institution to provide timely information regarding certain oversight and financial events within 10 days of occurrence
- may require the institution to submit its financial statement and compliance audits earlier than the standard timelines
- may require the institution to provide information about its current operations and future plans
- as part of its compliance audit, require its auditor to express an opinion on the institution's compliance with the requirements under the zone alternative, including the institution's administration of the payment method under which the institution received and disbursed Title IV funds.

If an institution's composite score is below 1.0, the alternative bases for continued participation include, for example:

- operating under Provisional Certification requirements
- complying with all the requirements under the Zone Alternative
- posting a letter of credit in an amount equal to at least 10% of such prior year's Title IV Program funds received by us
- complying with additional the DOE monitoring requirements

On May 14, 2019, USU was granted temporary provisional approval to participate in the Title IV Programs and had a program participation agreement reapplication date of December 31, 2020 which it met. As part of the temporary provisional approval, the DOE informed USU that it must post a letter of credit ("LOC") in the amount of $255,708 based on a failure to meet the audited same day balance sheet requirements that apply in a change of control. This LOC was funded by USU. The DOE informed USU that the LOC was reduced to $9,872; this letter with the reduced amount will remain in effect for at least the duration of the temporary provisional approval. On May 6, 2022, the DOE fully certified USU and issued a new Program Participation Agreement, effective through December 31, 2025, thereby removing the provisional status of its participation. USU is working with the DOE to address the outstanding LOC.

On August 22, 2017, the DOE recertified Aspen University to participate in Title IV Programs. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. Aspen is currently developing the reapplication for a timely submission.

As part of the NPRM published on May 19, 2023, DOE has proposed to add several additional standards in the financial responsibility regulations. The NPRM would establish additional factors that will be viewed by DOE as indicators of an institution's lack of financial responsibility. When one of the factors occurs, DOE may seek financial protection from the institution, most commonly through a letter of credit. As the DOE indicated in the preamble to the NPRM, "The indicators of a lack of financial responsibility proposed in this NPRM are events that put an institution at a higher risk of financial instability and sudden closure. Particular emphasis will be made regarding events that bring about a major change in an institution's composite score" and they site examples of high-risk events such as when an institution is threatened with a loss of State authorization or loses eligibility to participate in other Federal educational assistance programs (like VA or DOD educational assistance programs.) Similar to the administrative capability proposed rules, these proposed regulations are included in the same NPRM as the Gainful Employment regulations, and we cannot say whether the package of proposed rules will be completed and published prior to the November 1, 2023 deadline necessary for a July 1, 2024 effective date.

Failure to meet the DOE's "financial responsibility" requirements, either because we do not meet the DOE's financial responsibility standards or are unable to establish financial responsibility on an alternative basis, would cause us to lose access to Title IV Program funding.

Third-Party Servicers. DOE regulations permit an institution to enter into a written contract with a third-party servicer for the administration of any aspect of the institution's participation in Title IV Programs. The third-party servicer must, among other obligations, comply with Title IV Program requirements and be jointly and severally liable with the institution to the Secretary of Education for any violation by the servicer of any Title IV Program provision. An institution must report to the DOE new contracts with or any significant modifications to contracts with third-party servicers as well as other matters related to third-party servicers. We contract with a third-party servicer which performs certain activities related to our participation in Title IV Programs. If our third-party servicer does not comply with applicable statutes and regulations including the Higher Education Act, we may be liable for their actions, and we could lose our eligibility to participate in Title IV Programs.

Return of Title IV Program Funds. Under the DOE's return of funds regulations, when a student withdraws, an institution must return unearned funds to the DOE in a timely manner. An institution must first determine the amount of Title IV Program funds that a student "earned." If the student withdraws during the first 60% of any period of enrollment or payment period, the amount of Title IV Program funds that the student earned is equal to a pro rata portion of the funds for which the student would otherwise be eligible. If the student withdraws after the 60% threshold, then the institution has earned 100% of the Title IV Program funds. The institution must return to the appropriate Title IV Programs any unearned Title IV Program funds no later than 45 days after the date of the institution's determination that a student withdrew. If such payments are not timely made, an institution may be subject to adverse action, including being required to submit a letter of credit equal to 25% of the refunds the institution should have made in its most recently completed fiscal year. Under the DOE regulations, late returns of Title IV Program funds for 5% or more of students sampled in the institution's annual compliance audit or a DOE program review constitutes material non-compliance with the Title IV Program requirements and may result in the posting of a letter of credit.

The "90/10 Rule." A requirement of the Higher Education Act commonly referred to as the "90/10 Rule," applies only to "proprietary institutions of higher education." An institution is subject to loss of eligibility to participate in

the Title IV Programs if it derives more than 90% of its revenues (calculated on a cash basis and in accordance with a DOE formula) from Title IV Programs for two consecutive fiscal years. An institution whose rate exceeds 90% for any single fiscal year will be placed on provisional certification for at least two fiscal years and may be subject to other conditions specified by the Secretary of the DOE.

The 90/10 Rule was recently changed as part of the American Rescue Plan Act of 2021 (“ARP”), and new regulations to implement the changes became effective on July 1, 2023. Under a provision in ARP, the HEA was modified to change the formula from counting only Title IV program funds on the “90 side” to include instead all ‘‘federal funds that are disbursed or delivered to or on behalf of a student to be used to attend such institution” or collectively “federal education assistance funds.” This is a substantial change, because all federal funds, including Veterans Education benefits, Department of Defense Military Tuition Assistance program, and the federal-funded portion of any Workforce Innovation and Opportunity Act and Trade Adjustment Assistance, is also included in the new definition of federal education assistance..

For the fiscal year ended April 30, 2022, approximately 36.37% of Aspen’s revenue and approximately 28.06% of USU’s revenue were derived from Title IV Programs.

Student Loan Defaults. Under the Higher Education Act, an education institution may lose its eligibility to participate in some or all of the Title IV Programs if defaults on the repayment of Direct Loan Program loans by its students exceed certain levels. For each federal fiscal year, a rate of student defaults (known as a “cohort default rate”) is calculated for each institution with 30 or more borrowers entering repayment in a given federal fiscal year by determining the rate at which borrowers who become subject to their repayment obligation in that federal fiscal year default by the end of the following two federal fiscal years. For such institutions, the DOE calculates a single cohort default rate for each federal fiscal year that includes in the cohort all current or former student borrowers at the institution who entered repayment on any Direct Loan Program loans during that year.

If an institution’s cohort default rate equals or exceeds 30% in any single year, the institution may be placed on provisional certification status. Provisional certification does not limit an institution’s access to Title IV Program funds; however, an institution with provisional status is subject to closer review by the DOE, oftentimes including certain growth limitations, and may be subject to summary adverse action if it violates Title IV Program requirements. If an institution’s default rate exceeds 40% for one federal fiscal year, the institution may lose eligibility to participate in some or all Title IV Programs. Aspen University’s current official 3-year cohort default rates are as follows: FY2019 (.4%), FY2018 (5%), and FY2017 (6%). USU’s current official 3-year cohort default rates are as follows: FY2019 (1.2%), FY2018 (11.7%), and FY2017 (7.7%). These rates are significantly below both the Proprietary-4 years+ and the national default rates.

Incentive Compensation Rule. As a part of an institution’s program participation agreement with the DOE and in accordance with the HEA, an institution may not provide any commission, bonus or other incentive payment to any person or entity engaged in any student recruitment, admissions or financial aid awarding activity based directly or indirectly on success in securing enrollments or financial aid. Failure to comply with the incentive payment rule could result in termination of participation in Title IV Programs, limitation on participation in Title IV Programs, or financial penalties. AGI believes its schools are compliance with the Incentive Compensation Rule (the “IC Rule”).

In recent years, other postsecondary educational institutions have been named as defendants in 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 IC 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.

In 2022, the U.S. Government Accountability Office (the "GAO") released a report finding that the DOE has inadequately enforced the current ban on incentive payments. In response, the DOE has undertaken to increase its enforcement efforts by, among other approaches, strengthening procedures provided to auditors reviewing institutions for compliance with the IC Rule and updating its internal compliance guidance in light of the GAO findings.

Code of Conduct Related to Student Loans. As part of an institution's program participation agreement with the DOE, the HEA requires that institutions that participate in Title IV Programs adopt a code of conduct pertinent to student loans. For financial aid officers or other employees who have responsibility related to education loans, the code must forbid, with limited exceptions, gifts, consulting arrangements with lenders, and advisory board compensation other than reasonable expense reimbursement. The code also must ban revenue-sharing arrangements, "opportunity pools" that lenders offer in exchange for certain promises, and staffing assistance from lenders. The institution must post the code prominently on its website and ensure that its officers, employees, and agents who have financial aid responsibilities are informed annually of the code's provisions. Aspen has adopted a code of conduct under the HEA which is posted on its website. In addition to the code of conduct requirements that apply to institutions, HEA contains provisions that apply to private lenders, prohibiting such lenders from engaging in certain activities as they interact with institutions. Failure to comply with the code of conduct provision could result in termination of our participation in Title IV Programs, limitations on participation in Title IV Programs, or financial penalties.

Misrepresentation. The HEA 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. The DOE regulations define "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, which include revoking an institution's program participation agreement or imposing limitations on an institution's participation in Title IV Programs. Substantial misrepresentation also serves as one of the bases on which a student can file for a federal loan discharge under the Borrower Defense to Repayment rules, discussed below.

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 Program aid an institution may disburse for particular programs. There are different regulatory definitions for a credit hour for degree and non-degree programs that do not transfer to a degree. Recently, both Congress and the DOE have

increased their focus on institutions' policies for awarding credit hours. The credit value for degree program courses is generally monitored by an institution's accreditor. The DOE regulations contain specific formulas for Title IV eligible credits for non-degree programs that do not transfer to a degree. DOE regulations define the term "credit hour" in terms of a certain amount of time in class and outside class, or an equivalent amount of work. 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 Program aid. In addition, if the DOE determines that an institution has significantly overstated the amount of credit hours assigned to a program, the DOE may fine the institution, or limit, suspend, or terminate its participation in the Title IV Programs.

New rules relating to credit and clock hours, as well as distance education became effective on July 1, 2021. The Final Rule modified the credit hour formula and calculation of credit hours for programs that do not lead to a degree or are fully transferable to a degree program. Aspen University and USU do not provide Title IV funding to students in non-degree programs that would be subject to this rule change. The rules did not change the method of determining the credit value of courses offered at the universities.

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 HEA and the 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, which were updated effective for fiscal years beginning after January 1, 2023 (which supersedes the 2016 version). In addition, to enable the DOE to make a determination of financial responsibility, institutions must annually submit audited financial statements prepared in accordance with the 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.

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 the non-complying school to the reimbursement or cash monitoring system of payment, seeking to require repayment of certain Title IV Program funds, requiring Aspen or USU 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. In addition, the failure to comply with the Title IV Program requirements by one institution could increase DOE scrutiny of the other institution and could impact the other institution's participation in Title IV Programs.

We also may be subject, from time to time, to complaints and lawsuits relating to regulatory compliance brought not only by our regulatory agencies, but also by other government agencies and third parties, such as state attorneys general, federal and state consumer protection agencies, present or former students or employees and other members of the public.

Restrictions on Adding Educational Programs. State requirements and accrediting agency standards may, in certain instances, limit our ability to establish additional educational programs. Many states require approval before institutions can add new programs under specified conditions. The Arizona Board, the Florida Commission, the Texas Board, the Tennessee Commission, and the California Bureau, institutional or programmatic accreditors and other state educational regulatory agencies that license, accredit, exempt, or authorize the universities and their

programs may require institutions to notify them in advance of implementing new programs, and upon notification, may undertake a review of the institution's licensure, accreditation or authorization.

On August 22, 2017, the DOE recertified Aspen University to participate in Title IV Programs. On April 16, 2021, the DOE granted provisional certification for a two-year timeframe, and set a subsequent program participation reapplication date of September 30, 2023. Aspen is currently preparing the materials for a timely recertification submission. On May 6, 2022, USU was issued a new program participation agreement and has full certification until December 31, 2025.

In the future, the DOE may impose terms and conditions in any program participation agreement that it may issue, including growth restrictions or limitations on the number of students who may receive Title IV Program aid. The institution may also be required to provide certifications to the DOE signed by a senior administrative official attesting that the new program meets certain accreditation and state licensure requirements.

DEAC and WSCUC require pre-approval of new courses, programs, and degrees that are characterized as a "substantive change." An institution must obtain written notice approving such change before it may be included in the institution's scope of accreditation. An institution is further prohibited from advertising or posting on its website information about the course or program before it has received approval. The process for obtaining approval generally requires submission of a report and course materials and may require a follow-up on-site visit by an examining committee.

Gainful Employment. Under the Higher Education Act, only proprietary school educational programs that lead to gainful employment in a recognized occupation are eligible to participate in Title IV Program funding. DOE issued final Gainful Employment ("GE") regulations on October 31, 2014 ("2014 GE Rule"), which went into effect on July 1, 2015. The 2014 GE Rule defines the requirements that programs at proprietary institutions must meet in order to be considered a GE program that is eligible for Title IV Program funding. On July 1, 2019, DOE issued a new final GE Rule. In this publication, the DOE rescinded the entirety of Subparts Q and R of 34 CFR 668, which included all of the provisions of the 2014 GE Rule. The effective date of that rule was July 1, 2020, with an option to implement early. As of July 1, 2019, neither Aspen University nor USU is required to comply with the 2014 GE Rule.

As noted above, GE was one of the topics included in the 2022 negotiated rulemaking. The issue paper presented on GE was hotly debated and did not reach consensus. On May 19, 2023, DOE published the proposed rule regarding gainful employment, along with a number of other regulatory topics. Unlike most of the other non-consensus proposals, the GE proposal was voted down by at least six negotiators, including representatives of the community colleges. The primary concerns were the abbreviated opportunity to review the proposal and the data supporting it, and the proposed addition of an earnings threshold unrelated to the student's debt, but targeting an earnings threshold based on what an average high school graduate in the state would earn without a degree or diploma. If a GE program did not yield earnings above that threshold it would fail, regardless of its debt-to-income ratio. Additionally, the proposal removed the transitional periods, the alternative earnings reporting, and the appeal process. In the proposed rule, all of these contentious items remain, and the short turnaround for comments, only 30 days, raised additional ire. As explained above, if the final rule is published by November 1, 2023, it will become effective July 1, 2024. We do not know what will be included in the final rule.

Eligibility and Certification Procedures. Each institution must periodically apply to the DOE for continued certification to participate in Title IV Programs. Such recertification is typically required every six years, but may be required earlier, including when an institution undergoes a change of control. An institution may come under the

DOE's review when it expands its activities in certain ways, such as opening an additional location, adding a new program, or, in certain cases, when it modifies academic credentials that it offers.

The DOE may place an institution on provisional certification status if it finds that the institution does not fully satisfy all of the eligibility and certification standards, such as the requirements for financial responsibility, and in certain other circumstances, such as when it undergoes a change in ownership and control. The DOE may more closely review an institution that is provisionally certified if it applies for approval to open a new location, add an educational program, acquire another school or make any other significant change.

In addition, during the period of provisional certification, the institution must comply with any additional conditions included in its program participation agreement. If the DOE determines that a provisionally certified institution is unable to meet its responsibilities under its program participation agreement, it may seek to revoke the institution's certification to participate in Title IV Programs with fewer due process protections for the institution than if it were fully certified. Students attending provisionally certified institutions remain eligible to receive Title IV Program funds.

Borrower Defense to Repayment ("BDTR"). In 1993 when the Direct Loan Program was created, DOE included a provision in statute allowing a borrower to claim a defense to repayment based on the acts or omissions of the institution. That was followed by a very simple regulation to implement it, effective in 1995, that indicated the borrower's defense must be based on the institution's act or omission giving rise to a state law claim that would support that defense. In 2015, following the collapse of Corinthian Colleges, DOE entered into a negotiated rulemaking, which resulted in a new BDTR Rule, published on November 1, 2016. That final rule ("2016 BDTR Rule") specified the acts or omissions of an institution that a borrower may assert as a defense to repayment of a loan made under the Direct Loan Program and the consequences of such borrower defenses for borrowers, institutions, and the DOE. Under the regulation, for Direct Loans disbursed after July 1, 2017, a student borrower may assert a defense to repayment if: (1) the student borrower obtained a state or federal court judgment against the institution; (2) the institution failed to perform on a contract with the student; and/or (3) the institution committed a "substantial misrepresentation" on which the borrower reasonably relied to his or her detriment.

These defenses were asserted through claims submitted to the DOE, and the DOE has the authority to issue a final decision in which it may discharge all or part of a borrower's Direct Loan. In addition, the regulation permitted the DOE to grant relief to an individual or group of individuals, including individuals who have not applied to the DOE seeking relief. If a defense is successfully raised, the DOE has discretion to initiate action to collect from an institution the amount of losses incurred based on the borrower defense discharge.

On June 16, 2017, the DOE announced its intent to convene a negotiated rulemaking committee to develop new and different proposed regulations related to borrower defense to replace the 2016 BDTR Rule and to address certain other related matters. The DOE published the amended final BDTR Rule on September 23, 2019 (the "2019 BDTR Rule"), with an effective date of July 1, 2020. The amended rule made substantial changes to the 2016 Rule. The 2019 BDTR Rule again changes the basis under which a student can make a BDTR claim for loans disbursed after July 1, 2020, limiting it from the three bases in the 2016 Rule to only one basis in the 2019 Rule: misrepresentation upon which a borrower reasonably relied, and which resulted in financial harm to the borrower. The 2019 Rule also removes the group claim option, and instead relies on individual evaluation of borrower's claims; however, as was the case in the 2016 Rule, the DOE can still initiate an action against the institution to recoup its losses for discharged loans.

The DOE has begun aggressively pursuing resolution of hundreds of thousands of BDTR claims, granting billions in loan discharges. This has proven quite difficult for institutions as the applicable regulation varies depending on the date of disbursement of the loan for which discharge is sought. Thus, for any borrower applicant, depending on their dates of enrollment and when loans were disbursed, could have their claim reviewed under three different versions of the BDTR regulation. In the midst of this, the DOE was sued in *Sweet v. Cardona* (formerly *Sweet v DeVos*) over the slow processing and denials of hundreds of thousands of BDTR claims that had been pending with DOE for years. As part of that matter, DOE agreed to settle through borrower discharge almost 300,000 loans amounting to more than $6 billion, but admitted that these discharges were not completed in compliance with the applicable BDTR Rules, which will make any recovery from institutions extremely difficult for DOE.

Meanwhile, DOE also included BDTR in its 2021/2022 regulatory agenda, and following negotiated rulemaking, issued a final rule on November 1, 2022, which became effective on July 1, 2023 (“2023 BDTR Rule”). The 2023 BDTR Rule reinstitutes the group claim process; allows for BDTR claims to be filed by legal aid organizations and state agencies; assumes all members of a group are impacted equally; grants only full relief, no partial discharges; reduces due process safeguards for institutions, especially during the claim adjudication process; allow claims at any time without statutes of limitations; and adds additional bases under which a borrower can make a BTDTR claim to include "substantial" misrepresentation; "substantial" omission of fact; breach of contract; aggressive recruitment; or a State or Federal judgment, or final Department action against an institution that relates to conduct that could give rise to a borrower defense claim. The new rule is focused on making the process for borrowers to seek discharge more streamlined; but in so doing, DOE has also exponentially increased the likelihood of mass discharges, for which it will seek recoupment from the institution.

<u>Change in Ownership Resulting in a Change of Control</u>. In addition to school acquisitions, other types of transactions can also cause a change of control. The DOE, accrediting agencies, and most state education agencies, all have standards pertaining to the change of control of schools, but those standards are not uniform. The 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. The DOE regulations provide that a change of control of a publicly-traded corporation occurs in one of two ways: (i) if there is an event that would obligate the corporation to file a Current Report on Form 8-K with the Securities and Exchange Commission, or the SEC, disclosing a change of control or (ii) if the corporation has a shareholder that owns at least 25% of the total outstanding voting stock of the corporation and is the largest shareholder of the corporation, and that shareholder ceases to own at least 25% of such stock or ceases to be the largest shareholder. A significant purchase or disposition of our voting stock could be determined by the DOE to be a change of control under this standard. Many states include the sale of a controlling interest of common stock in the definition of a change of control requiring approval. A change of control under the definition of one of these agencies would require us to seek approval of the change in ownership and control to maintain our accreditations, state authorization or licensure. The requirements to obtain such approval from the states and our accrediting agencies vary widely. In some cases, approval of the change of ownership and control cannot be obtained until after the transaction has occurred.

When a change of ownership resulting in a change of control occurs at a for-profit institution, the DOE applies a different set of financial tests to determine the financial responsibility of the institution in conjunction with its review and approval of the change of ownership. The institution generally is required to submit an audited same-day balance sheet reflecting the financial condition of the institution or its parent corporation immediately following the change in ownership. The institution’s same-day balance sheet must demonstrate an acid test ratio of at least 1:1, which is calculated by adding cash and cash equivalents to current accounts receivable and dividing the

sum by total current liabilities (and excluding all unsecured or uncollateralized related party receivables). The same-day balance sheet must also demonstrate positive tangible net worth. If the institution does not satisfy either of these requirements, the DOE may condition its approval of the change of ownership on the institution's agreeing to post a letter of credit, provisional certification, and/or additional monitoring requirements, as described in the above section on Financial Responsibility. As part of the change of control of USU, in addition to being granted provisional approval to participate in the Title IV Programs, the DOE informed USU that it must post a letter of credit in the amount of $255,708 based on a failure to meet the audited same day balance sheet requirements that apply in a change of control. This LOC was funded by USU. The DOE informed USU that the LOC was reduced to $9,872; this letter with the reduced amount will remain in effect for at least the duration of the temporary provisional approval. On May 6, 2022, the DOE fully certified USU and issued a new Program Participation Agreement, effective through December 31, 2025, thereby removing the provisional status of its participation. USU is working with the DOE to address the outstanding LOC.

A change of control also could occur as a result of future transactions in which Aspen is involved. Some corporate reorganizations and some changes in the composition of the Board are examples of such transactions. Moreover, the potential adverse effects of a change of control could influence future decisions by us and our shareholders regarding the sale, purchase, transfer, issuance or redemption of our stock. In addition, the regulatory burdens and risks associated with a change of control also could discourage bids for our shares of common stock and could have an adverse effect on the market price of our shares. The time required for the DOE to act on a change in ownership and control application may vary substantially. In some such recent transactions, institutions have experienced extensive delays in this review process, in some cases exceeding 18-24 months.

Possible Acquisitions. Similar to the Company's acquisition of USU, we may expand through acquisition of related or synergistic businesses. Our internal growth is subject to monitoring and ultimately approval by the DEAC and WSCUC. If the DEAC or WSCUC finds that the growth may adversely affect our academic quality, the DEAC or WSCUC 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.

Clery Act and Title IX. Both USU and Aspen University publish the required Annual Crime and Security Reports to comply with the requirements of the federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act ("Clery Act"). USU publishes separate reports for its San Diego, CA and Phoenix, AZ locations; Aspen publishes separate reports for its Denver, CO, Austin, TX, and Phoenix, AZ locations. With the publication cycle in October 2022, Aspen additionally published for locations in Tampa, FL and Nashville, TN. Both universities are committed to providing students, faculty, staff, and guests a safe and secure environment. The reports identify policies and procedures for security and crime prevention, substance abuse, sexual misconduct/harassment (Title IX), and emergency response and evacuation. On May 6, 2020, the DOE issued a new final rule regarding Title IX which substantially changes institutions' responsibilities in responding to sexual harassment and sexual assault. The new rule became effective on August 14, 2020, and USU and Aspen have made necessary changes to our policies and procedures to maintain compliance.

The Biden Administration indicated early on that it planned to make updates to the Title IX regulations a priority item. The proposed rule was submitted to OIRA/OMB in February 2022, and an unofficial version was published on June 23, 2022, the 50th anniversary of the original passage of the law. on May 26, 2023, DOE published a status update indicating its intent to publish the new Title IX regulations in October 2023.

Because Title IX regulations are not subject to the Master Calendar that governs Title IV regulations, an updated final rule on Title IX could become effective immediately. In the last update, institutions were provided approximately 90 days to implement. If the new final rule is published in October as planned, it is quite possible that they become effective before the end of 2023.

Other Approvals. The U.S. Department of Defense and the U.S. Department of Veterans Affairs (the "VA") regulate our participation in the military's tuition assistance program and the VA's veterans' education benefits program, respectively. The laws, regulations, standards and policies of these agencies cover the vast majority of our operations, including our educational programs, facilities, instructional and administrative staff, administrative procedures, marketing, recruiting, financial operations and financial condition. These regulatory requirements can also affect our ability to add new or expand existing educational programs and to change our corporate structure and ownership.

Current Regulatory Matters

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

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

To date, Aspen University has provided multiple regulatory bodies with requested records and data and Aspen University will willingly comply with the DEAC's continued oversight through the show cause period. The maximum length of the show cause remediation period is up to two years or 150% of the length of the Institution's longest program. DEAC expects to schedule its review of Aspen University's response to the show cause directive and the associated record from the site visit within the next six to nine months. During the show cause remediation period, Aspen University remains fully accredited.

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

Heightened Cash Monitoring is a step that the DOE can take with institutions to provide additional oversight for a number of financial or federal compliance issues. A school placed on HCM2 no longer receives funds under the Advance Payment Method. After a school on HCM2 makes disbursements to students from its own institutional funds, a Reimbursement Payment Request must be submitted for those funds to the DOE. Aspen University received its first and second reimbursement financial aid reimbursement received from the DOE on June 14, 2023

and August 10, 2023, respectively. Subsequent to the receipt of the financial aid payment under HCM2, Aspen University is able to submit for financial aid reimbursement once every 30 days. Reimbursement payments could be delayed if the DOE has findings upon review of each of our reimbursement files.

The letter from the DOE stated that the DOE acted in response to the Show Cause Directive from DEAC.

On February 20, 2023, Aspen University entered into a 3rd revised Stipulated Agreement with the Arizona State Board for Private Postsecondary Education which requested transcripts from 1985-2019 and an institutional teach-out plan as well as increased monthly financial reporting requirements. Other requirements from the October 2022 Stipulated Agreement were carried forward to this revised agreement. The revised agreement was in response to the Show Cause Directive from the Distance Education Accrediting Commission on February 1, 2023, discussed above.

In March 2022, Aspen University agreed to a disciplinary probation of its pre-licensure nursing program, including suspension of new student admissions and a requirement to meet the Arizona State Board of Nursing's 80% minimum NCLEX-RN first-time pass rate in 2022. By September 2022, the University recognized it would not be able to meet the 80% pass rate and signed a Revised Consent Agreement with the Arizona State Board of Nursing that provided the program with two years to complete a "teach out" of existing students, meaning that the existing students would be able to complete the program. The agreement also contained an option for the Board to terminate the agreement early if the program "fails to provide minimum instruction and learning opportunities, including clinical opportunities, to meet basic standards of educational practice and legal requirements." If the Arizona State Board of Nursing found that to be the case, it could provide a minimum 10-day notice to the University, after which it could determine that the voluntary surrender is immediately in effect.

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

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

The Company continues to work with internal and external personnel to cooperate and advocate with regulatory agencies in an effort to resolve the foregoing and other regulatory developments affecting its business.

As the Company completes teach out of its pre-licensure program, it will focus its efforts on increasing enrollment in Aspen University's post-licensure nursing degree programs and USU's Family Nurse Practitioner degree program, among others.