

CHROMCRAFT REVINGTON INC

Form 10-Q

November 16, 2010

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

FORM 10-Q

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

For the quarterly period ended October 2, 2010

or

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

For the transition period from to

Commission file number 1-13970

CHROMCRAFT REVINGTON, INC.

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

35-1848094  
(IRS Employer Identification No.)

1330 Win Hentschel Blvd., Ste. 250, West Lafayette, IN 47906  
(Address, including zip code, of registrant's principal executive offices)

(765) 807-2640  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

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Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, \$.01 par value – 6,389,393 as of November 2, 2010

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## PART I. Financial Information

## Item 1. Financial Statements

## Condensed Consolidated Statements of Operations (unaudited)

Chromcraft Revington, Inc.

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 2, 2010	October 3, 2009	October 2, 2010	October 3, 2009
Sales	\$13,808	\$16,030	\$41,723	\$47,281
Cost of sales	11,716	13,155	34,256	41,649
Gross margin	2,092	2,875	7,467	5,632
Selling, general and administrative expenses	3,951	3,776	11,499	11,994
Operating loss	(1,859 )	(901 )	(4,032 )	(6,362 )
Interest expense, net	(74 )	(78 )	(224 )	(233 )
Net loss	\$(1,933 )	\$(979 )	\$(4,256 )	\$(6,595 )
Basic and diluted loss per share of common stock	\$(.41 )	\$(.21 )	\$(.91 )	\$(1.43 )
Shares used in computing loss per share	4,703	4,633	4,685	4,613

See accompanying notes to condensed consolidated financial statements.

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Condensed Consolidated Balance Sheets (unaudited)  
Chromcraft Revington, Inc.  
(In thousands)

	October 2, 2010	December 31, 2009
Assets		
Cash and cash equivalents	\$3,709	\$3,636
Accounts receivable, less allowance of \$340 in 2010 and \$450 in 2009	7,839	7,661
Refundable income taxes	-	6,578
Inventories	14,262	13,294
Prepaid expenses and other	1,348	990
Current assets	27,158	32,159
Property, plant and equipment, net	7,766	8,293
Other assets	578	667
Total assets	\$35,502	\$41,119
Liabilities and Stockholders' Equity		
Accounts payable	\$2,767	\$3,364

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The mining and oil and gas industries are subject, by their nature, to environmental hazards and cleanup costs for which the Company carries catastrophe insurance. At this time, there is no known substantial costs from environmental accidents or events for which the Company may be currently liable.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Discontinued Operations:

The Company has accounted for the disposition of its oil and gas assets in accordance with ASC 205 and has reclassified its consolidated statements of operations for the quarters ended September 30, 2009 and 2008 to reflect its discontinued oil and gas operations sold during fiscal 2009.

Fair Value of Financial Instruments

Effective July 1, 2008, the Company adopted FASB's authoritative guidance provided in ASC 820 for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. The guidance also establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under the guidance are described below:

Level 1 Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the asset or the liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Unobservable inputs reflecting the Company's own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The Company's financial instruments consist primarily of cash and cash equivalents, marketable securities, trade receivables, and accounts payable. The fair values of cash and cash equivalents, trade receivables, and accounts payable approximate their carrying values due to the short-term nature of these instruments.

Investments in Debt and Equity Securities

The Company classifies all investments as available for sale securities in accordance with ASC 942. Changes in the fair value of the securities are reported as a separate component of stockholders' equity until realized.

Oil and Gas Properties

On May 22, 2009, Aspen's stockholders approved the sale of the Company's California oil and gas properties and assets to Venoco upon the terms described in the Purchase and Sale Agreement as signed by the parties and as filed with the Securities and Exchange Commission. The sale was closed on June 30, 2009 but the effective date of the sale was December 1, 2008. The parties agreed to a final settlement statement on November 2, 2009. This final closing resulted in Venoco paying Aspen and the other sellers additional funds, however the net adjustment was immaterial to Aspen.

Property and Equipment

Depreciation and amortization of property and equipment are expensed in amounts sufficient to relate the expiring costs of depreciable assets to operations over estimated service lives, principally using the straight-line method. Estimated service lives range from three to eight years. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized. Depreciation expense was \$793 and \$5,319 for the three month periods ended September 30, 2009 and 2008, respectively.





**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Accounts Receivable

Trade accounts receivable are recorded at the invoiced amount. We do not have any off-balance-sheet credit exposure related to our customers. As of September 30, 2009 and 2008, we do not have an allowance for doubtful accounts.

Earnings Per Share

Our earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share is calculated by dividing net income by the diluted weighted average number of common shares. The diluted weighted average number of common shares is computed using the treasury stock method for common stock that may be issued for outstanding stock options. Dilution is not permitted if there are net losses.

Income Taxes

The Company uses the asset and liability method of accounting for deferred income taxes. Deferred tax assets and liabilities are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the tax rate in effect at that time. ASC 740 requires that amounts recognized in the Balance Sheet related to uncertain tax positions be classified as a current or noncurrent liability, based upon the expected timing of the payment to a taxing authority. The Company had no material uncertain tax positions as of September 30, 2009 or 2008.

The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, if appropriate. Realization of future tax benefits related to the deferred tax assets is dependent on many factors, including the ability to generate taxable income within the carryforward period. The Company estimates approximately \$264,300 in net operating losses (NOLs) at September 30, 2009. The available NOLs are expected to be utilized by carrying the losses back to the 2009 tax year.

Equity-Based Compensation

No compensation expense related to our equity compensation plans was recognized in the three months ended September 30, 2009 or 2008.

Recent Accounting Developments

In May 2009, the FASB issued authoritative guidance, which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. We implemented this guidance during the first quarter of fiscal 2010 and we expanded our disclosures accordingly. See Note 7 to these unaudited financial statements.

In June 2009, the FASB approved the FASB Accounting Standards Codification (ASC), which after its effective date of July 1, 2009 is the single source of authoritative, nongovernmental U.S. Generally Accepted Accounting Principles (GAAP). The Codification reorganizes all previous U.S. GAAP pronouncements into roughly 90 accounting topics and displays all topics using a consistent structure. All existing standards that were used to create the Codification are now superseded, replacing the previous references to specific Statements of Financial Accounting Standards (SFAS) with numbers used in the Codification's structural organization. The adoption of this authoritative guidance did not have a material impact on our financial statements. We have updated our disclosures accordingly.

**NOTE 3 ACCUMULATED OTHER COMPREHENSIVE LOSS**

Accumulated other comprehensive loss for the periods ending September 30, 2009 and 2008 consists of unrealized losses on available-for-sale securities. Changes in accumulated other comprehensive loss for the quarters ended September 30, 2009 and 2008 are as follows:

	2009	2008
Accumulated other comprehensive loss, July 1	\$(520,186)	\$(281,849)
Unrealized gains (losses) on available-for-sale securities, net	14,455	(261,025)
Less: reclassification adjustment for gains realized in net income	-	(2,901)
Accumulated other comprehensive loss, September 30	\$(505,731)	\$(545,775)

Unaudited Condensed Statements of Other Comprehensive Income  
Three Month Periods Ended September 30, 2009 and 2008

	Three months Ended September 30,	
	2009	2008
Net income (loss)	\$(179,882)	\$ 114,990
Unrealized losses on available-for-sale securities, net of income tax of \$8,182 and (\$174,005), respectively.	14,455	(261,025)
Other Comprehensive Income (loss)	\$(165,427)	\$(146,035)

**NOTE 4 FAIR VALUE MEASUREMENTS**

In September 2006, the FASB issued authoritative guidance under ASC 820 in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements. The authoritative guidance also expands disclosures about fair value measurements. The authoritative guidance applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value. The guidance was originally effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those years with early adoption permitted.

Fair values of assets and liabilities measured on a recurring basis at September 30, 2009 are as follows:

Fair Value Measurements at Reporting Date Using

	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		Available-for-sale securities	\$ 251,274	\$ 251,274



**NOTE 5 DISCONTINUED OPERATIONS**

The Company has reclassified its consolidated statements of operations for the years ended June 30, 2009 and 2008 to reflect its discontinued oil and gas operations sold during fiscal 2009 (See Note 7). This reclassification has no impact on the Company's net income or the net income per share. Condensed financial information of the results of oil and gas activities included in discontinued operations is as follows:

	Three Months Ended September 30,	
	2009	2008
Oil and gas sales	\$ -	\$ 1,293,117
Oil and gas production	-	(404,692)
Accretion, depreciation, depletion and amortization	-	(527,000)
Less related income taxes	-	(104,000)
Income from discontinued operations	-	257,425
Income (Loss) from Discontinued Operations	\$ -	\$ 257,425
Basic net income (loss) per share	\$ -	\$ 0.04
Diluted net income (loss) per share	\$ -	\$ 0.03
Weighted average number of common shares outstanding used to calculate basic net income (loss) per share :	7,259,622	7,259,622
Effect of dilutive securities:		
Equity based compensation	-	873,527
Weighted average number of common shares outstanding used to calculate diluted net income (loss) per share :	7,259,622	8,133,149

**NOTE 6 SUBSEQUENT EVENT**

The Company evaluates subsequent events through the date the financial statements are issued, which for the quarterly period ended September 30, 2009, is November 16, 2009.

On November 2, 2009, Aspen declared a cash dividend of \$0.73 per share. The dividend will be paid to stockholders of record on November 16, 2009, with the dividend being paid on or about December 2, 2009. The distribution follows the final settlement of the sale of Aspen's California oil and gas assets to Venoco, Inc.

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

General

The following discussion provides information on the results of operations for the periods ended September 30, 2009 and 2008 and our financial condition, liquidity and capital resources as of September 30, 2009 and June 30, 2009. The financial statements and the notes thereto contain detailed information that should be referred to in conjunction with this discussion.

The management discussion and analysis and other portions of this report contain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). These statements reflect our current expectations regarding our possible future results of operations, performance, and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Wherever possible, we have tried to identify these forward-looking statements by using words such as anticipate, believe, estimate, expect, plan, intend, and similar expressions. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements.

Overview

Aspen was incorporated under the laws of the State of Delaware on February 28, 1980 for the primary purpose of acquiring, exploring and developing oil and gas and other mineral properties. During our fiscal year ended June 30, 2009, we were engaged primarily in the exploration, development and production of oil and gas properties in California and Montana. During fiscal 2009 the Company disposed of all of its oil and gas producing assets and is not currently engaged in any oil and gas producing activities as of July 1, 2009 (the commencement of our 2010 fiscal year). We are not engaged in any business operations at the present time. We have called a meeting of our stockholders to consider a proposal to grant the Board of Directors the discretion to dissolve Aspen. The Board of Directors is exploring potential strategic transactions with third parties. These opportunities may include a business combination, asset acquisition, or other combination. However, to date discussions with third parties have not yet resulted in any definitive or binding terms on Aspen or any third party and the Board has not considered any substantive proposal.

Liquidity and Capital Resources and Results of Operations

As a result of the disposition of our oil and gas assets, we have no long term debt, insignificant amounts of short term debt (all of which is current), and (at September 30, 2009), in excess of \$8,600,000 of cash and other liquid assets and working capital of about \$9,000,000.

The June 30, 2009 transaction with Venoco was completed based on a preliminary settlement statement. The parties agreed to a final settlement statement on November 2, 2009. This final closing resulted in Venoco paying Aspen and the other sellers additional funds, however the net adjustment was immaterial to Aspen.

On November 2, 2009, Aspen declared a cash dividend of \$0.73 per share. The dividend will be paid to stockholders of record on November 16, 2009, with the dividend being paid on or about December 2, 2009. The distribution follows the final settlement of the sale of Aspen's California oil and gas assets to Venoco. At the final settlement date Aspen received a net payment from Venoco, but was required to make various payments to third parties which ultimately resulted in a cash outflow. The net of this settlement is not considered to be material to Aspen.

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Aspen expects that after the payment of the dividend, and its anticipated operations through the end of the current calendar year, on December 31, 2009 it will have more than \$3 million of working capital remaining. Aspen currently intends to utilize its remaining funds to maintain its corporate status as a reporting issuer under the Securities Exchange Act of 1934 and to explore other business opportunities. Pending developments with respect to any business opportunities Aspen identifies, Aspen may later reevaluate its status and plans and consider alternatives to wind up its affairs.

As a result of the sale of our assets in the last half of our 2009 fiscal year, we anticipate that our principal uses of cash during our 2010 fiscal year will be for general and administrative expenses and the payment of income taxes.

To illustrate the changes in our cash flows for the period, the following discussion presents approximate amounts. During the first three months of our 2010 fiscal year, we used cash of \$1.88 million in our operating, investing and financing activities. This is a negative change indicating that our use of cash increased by more than \$2 million as compared to the increase of \$154,000 during the same period of our 2009 fiscal year (ended September 30, 2009). Our significant increase in the use of cash during the first quarter of our 2010 fiscal year occurred notwithstanding the fact that we were not engaged in any operations during that period. At June 30, 2009, our current liabilities consisted of approximately \$925,000 of income taxes payable and \$1.4 million of other current liabilities. These were paid down so that at September 30, 2009, we only had current liabilities of approximately \$277,000 a decrease in current liabilities of approximately \$2,048 million. Our negative cash flow also resulted from our operating loss during the first quarter of our 2010 fiscal year, primarily resulting from selling, general and administrative expenses during the period.

Our working capital surplus (current assets less current liabilities) at September 30, 2009, was \$9 million, which reflects a \$289,000 decrease from our working capital at June 30, 2009. This decrease was due primarily to our payments of liabilities which existed as of June 30, 2009, and payment of current selling, general and administrative expenses.

For the three months ended September 30, 2009, our operations were focused on finalizing the transaction of our oil and gas properties with Venoco. Administrative expenses incurred during the quarter ended September 30, 2009 were approximately equal with the amounts incurred in the same period of the prior fiscal year.

### Plan of Operations

Aspen now has a significant amount of liquid assets and does not have any active business operations. Aspen is retaining these funds in liquid money market accounts which it believes can be withdrawn quickly.

Aspen has called a meeting of its stockholders for November 30, 2009, at which time it will present a dissolution proposal for consideration. Notwithstanding the dissolution proposal, Aspen also intends to consider other opportunities in the natural resources industry, which may include an acquisition of assets or business operations, or a merger or other business combination. As we do not intend to limit what types of business opportunities we may pursue, if we identify an appropriate business opportunity it may result in Aspen changing its line of business although Aspen intends to focus its search within the broad scope of the natural resources industry. If Aspen were to dissolve, it would not enter into another business opportunity but would wind up its operations, attempt to settle any outstanding fiscal obligations and distribute its remaining assets to stockholders (if any).

Although Aspen has engaged in preliminary discussions with third parties about various possibilities, none of these discussions have resulted in an agreement that could lead to the conclusion of any future relationship. Depending on the nature of the business opportunities and the related transactions, a future business acquisition may or may not require stockholder approval. If the transaction does not require stockholder approval, the board of directors will be entitled to accomplish the transaction in its discretion, although the board may (but would not be required to) seek an advisory vote of the stockholders.

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### Critical Accounting Policies and Estimates

The Company believes the following accounting policies and estimates are critical in the preparation of its consolidated financial statements: depreciation expense and income taxes.

### Discontinued Operations:

The Company has accounted for the disposition of its oil and gas assets in accordance with authoritative guidance and has reclassified its consolidated statements of operations for the quarters ended September 30, 2009 and 2008 to reflect its discontinued oil and gas operations sold during fiscal 2009.

### Investments in Debt and Equity Securities

The Company classifies all investments as available for sale securities in accordance with authoritative guidance. Changes in the fair value of the securities are reported as a separate component of stockholders equity until realized.

### Deferred Taxes

We account for income taxes in accordance with authoritative guidance. Accordingly, deferred tax assets and liabilities are determined based on the temporary differences between the financial statements and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

### Off Balance Sheet Arrangements

We have no off balance sheet arrangements and thus no disclosure is required.

### Forward Looking Statements

The management discussion and analysis portion of this report contain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). These statements reflect our current expectations regarding our possible future results of operations, performance, and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Wherever possible, we have tried to identify these forward-looking statements by using words such as anticipate, believe, estimate, expect, plan, intend, and similar expressions.

These items are discussed at length in Aspen's Form 10-K filed with the Securities and Exchange Commission, under the heading Risk Factors. No material changes are have been noted as of the filing of this 10-Q.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Smaller reporting companies are not required to provide the information required by this Item.

### **Item 4T. CONTROLS AND PROCEDURES**

#### *Disclosure Controls and Procedures*

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As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the 1934 Act ), as of September 30, 2009, we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial officer). Based upon and as of the date of that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2009.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### ***Internal Control Over Financial Reporting***

There have not been any changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) promulgated by the SEC under the Exchange Act) during the three months ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II**

### **Item 1. LEGAL PROCEEDINGS**

There are no material pending legal or regulatory proceedings against Aspen Exploration Corporation, and it is not aware of any that are known to be contemplated.

### **Item 1A. Risk Factors**

See the risk factors set forth in the Company's annual report on Form 10-K for the year ended June 30, 2009, which risk factors are incorporated herein. There have been no material changes to the risk factors set forth in that Form 10-K.

### **Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None.

### **Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

### **Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matter was submitted during the first quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.



**Item 5. OTHER INFORMATION**

None.

**Item 6. EXHIBITS**

<u>Exhibit No.</u>	<u>Document</u>
10.1	Employment Agreement Extension, incorporated by reference from Form 8-K dated July 21, 2009 (filed on July 24, 2009).
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (R. V. Bailey, Chief Executive Officer).
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Kevan B. Hensman, Chief Financial Officer).
32	Certification Pursuant to 18 U.S.C. §1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (R. V. Bailey, Chief Executive Officer, and Kevan B. Hensman, Chief Financial Officer).

Other exhibits and schedules are omitted because they are not applicable, not required or the information is included in the financial statements or notes thereto.

In accordance with the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

ASPEN EXPLORATION CORPORATION

Date: November 16, 2009

/s/ R. V. Bailey  
R. V. Bailey, Chief Executive Officer and principal  
executive officer

Date: November 16, 2009

/s/ Kevan B. Hensman  
Kevan B. Hensman, Chief Financial Officer and  
principal financial officer

