REFINITIV

DELTA REPORT

10-Q

AWX - AVALON HOLDINGS CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	765
CHANGES	150
DELETIONS	330
ADDITIONS	285

2024

2023

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 September 30, 2023 March 31, 2024

☐ 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 1-14105

AVALON HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

Ohio	34-1863889
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
One American Way, Warren, Ohio	44484-5555
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(330) 856-8800**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value	AWX	NYSE American

Indicate by a 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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐	Smaller reporting company ☑	Emerging Growth Company ☐

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☑ Emerging Growth Company ☐

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

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

The registrant had 3,287,647 shares of its Class A Common Stock and 611,784 shares of its Class B Common Stock outstanding as of November 9, 2023 May 8, 2024.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	**2022**	**2023**	**2022**	2024	2023
Net operating revenues:						
Waste management services	$ 11,744	$ 15,036	$ 34,694	$ 35,092	$ 12,470	$ 12,652
Food, beverage and merchandise sales	4,609	4,077	10,577	9,305	2,011	1,974
Other golf and related operations	7,550	6,600	17,627	15,147	4,377	3,819
Total golf and related operations	12,159	10,677	28,204	24,452	6,388	5,793
Total net operating revenues	23,903	25,713	62,898	59,544	18,858	18,445
Costs and expenses:						
Waste management services operating costs	9,262	12,173	27,866	28,243	9,897	10,380
Cost of food, beverage and merchandise	1,984	1,721	4,818	3,994	1,025	1,023
Golf and related operations operating costs	7,519	6,511	19,342	16,297	4,873	4,836
Depreciation and amortization expense	963	882	2,858	2,553	980	940
Selling, general and administrative expenses	2,815	2,913	7,846	7,518	2,596	2,530
Operating income	1,360	1,513	168	939		
Operating loss					(513)	(1,264)
Other income (expense):						
Interest expense	(530)	(408)	(1,573)	(960)		
Interest expense, net					(508)	(504)
Other income, net	37	22	323	205	7	-
Income (loss) before income taxes	867	1,127	(1,082)	184		
Loss before income taxes					(1,014)	(1,768)
Provision for income taxes	39	55	93	108	40	31
Net income (loss)	828	1,072	(1,175)	76		
Net loss					(1,054)	(1,799)
Less net loss attributable to non-controlling interest in subsidiaries	(57)	(96)	(231)	(314)	(75)	(122)
Net income (loss) attributable to Avalon Holdings Corporation common shareholders	$ 885	$ 1,168	$ (944)	$ 390		

Net loss attributable to Avalon Holdings Corporation common shareholders					$ (979)	$ (1,677)
Income per share attributable to Avalon Holdings Corporation common shareholders:						
Basic net income (loss) per share	$ 0.23	$ 0.30	$ (0.24)	$ 0.10		
Diluted net income (loss) per share	$ 0.23	$ 0.30	$ (0.24)	$ 0.10		
Loss per share attributable to Avalon Holdings Corporation common shareholders:						
Basic net loss per share					$ (0.25)	$ (0.43)
Weighted average shares outstanding - basic	3,899	3,899	3,899	3,899	3,899	3,899
Weighted average shares outstanding - diluted	3,899	3,919	3,899	3,922		

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (Unaudited)

(in thousands, except per share amounts)

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Assets				
Current Assets:				
Cash and cash equivalents	$ 673	$ 1,624	$ 1,163	$ 1,187
Accounts receivable, less allowance for credit losses	11,603	11,127	12,265	9,499
Unbilled membership dues receivable	813	599	790	567
Inventories	1,716	1,461	1,861	1,662
Prepaid expenses	948	1,172	1,282	1,116
Other current assets	14	105	16	14
Total current assets	15,767	16,088	17,377	14,045
Property and equipment, net	56,912	56,805	56,158	56,630
Property and equipment under finance leases, net	5,490	5,001	5,580	5,711
Operating lease right-of-use assets	1,375	1,386	1,254	1,270
Restricted cash	10,462	10,426	10,192	10,265
Noncurrent deferred tax asset	8	8	8	8

Other assets, net	34	36	34	36
Total assets	$ 90,048	$ 89,750	$ 90,603	$ 87,965
Liabilities and Equity				
Current liabilities:				
Current portion of long-term debt	$ 529	$ 503	$ 547	$ 538
Current portion of obligations under finance leases	139	115	197	198
Current portion of obligations under operating leases	446	424	417	432
Accounts payable	10,753	10,995	11,316	9,657
Accrued payroll and other compensation	1,327	989	1,753	1,277
Accrued income taxes	130	103		
Other accrued taxes	452	540		
Accrued taxes			504	539
Deferred membership dues revenue	4,618	3,643	5,158	3,443
Other liabilities and accrued expenses	1,710	1,544	1,863	1,825
Total current liabilities	20,104	18,856	21,755	17,909
Long-term debt, net of current portion	29,353	29,758	29,080	29,220
Line of credit	2,200	1,550	3,200	3,200
Obligations under finance leases, net of current portion	393	381	585	598
Obligations under operating leases, net of current portion	929	962	837	838
Asset retirement obligation	100	100	100	100
Commitments and contingencies (Note 15)				
Equity:				
Avalon Holdings Corporation Shareholders' Equity:				
Class A Common Stock, $.01 par value	33	33	33	33
Class B Common Stock, $.01 par value	6	6	6	6
Paid-in capital	59,206	59,205	59,206	59,206
Accumulated deficit	(21,698)	(20,754)	(23,508)	(22,529)
Total Avalon Holdings Corporation Shareholders' Equity	37,547	38,490	35,737	36,716
Non-controlling interest in subsidiaries	(578)	(347)	(691)	(616)
Total equity	36,969	38,143	35,046	36,100
Total liabilities and equity	$ 90,048	$ 89,750	$ 90,603	$ 87,965

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

(in thousands, except for share data)

	For the Three Months Ended September 30, 2023								
	Common Stock						Total Avalon Shareholders' Equity	Non-controlling Interest in Subsidiaries	
	Shares		Amount		Paid-in	Accumulated			
	Class A	Class B	Class A	Class B	Capital	Deficit			Total
Balance at July 1, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,583)	$ 36,662	$ (521)	$ 36,141
Net income (loss)	-	-	-	-	-	885	885	(57)	828
Balance at September 30, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (21,698)	$ 37,547	$ (578)	$ 36,969

	For the Three Months Ended March 31, 2024								
	Common Stock						Total Avalon Shareholders' Equity	Non-controlling Interest in Subsidiaries	
	Shares		Amount		Paid-in	Accumulated			
	Class A	Class B	Class A	Class B	Capital	Deficit			Total
Balance at January 1, 2024	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,529)	$ 36,716	$ (616)	$ 36,100
Net loss	-	-	-	-	-	(979)	(979)	(75)	(1,054)

Balance at March 31, 2024	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (23,508)	$ 35,737	$ (691)	$ 35,046

	For the Three Months Ended September 30, 2022								
	Common Stock						**Total**		
	Shares		**Amount**		**Paid-in**	**Accumulated**	**Avalon Shareholders'**	**Non-controlling Interest in**	
	Class A	**Class B**	**Class A**	**Class B**	**Capital**	**Deficit**	**Equity**	**Subsidiary**	**Total**
Balance at July 1, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,203	$ (20,949)	$ 38,293	$ (168)	$ 38,125
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Net income (loss)	-	-	-	-	-	1,168	1,168	(96)	1,072
Balance at September 30, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,204	$ (19,781)	$ 39,462	$ (264)	$ 39,198

	For the Three Months Ended March 31, 2023								
	Common Stock						Total		
	Shares		Amount		Paid-in	Accumulated	Avalon Shareholders'	Non-controlling Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiary	Total

Balance at January 1, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,205	$ (20,754)	$ 38,490	$ (347)	$ 38,143
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Net loss	-	-	-	-	-	(1,677)	(1,677)	(122)	(1,799)
Balance at March 31, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (22,431)	$ 36,814	$ (469)	$ 36,345

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statement of Shareholders' Equity (Unaudited)

(in thousands, except for share data)

	For the Nine Months Ended September 30, 2023								
	Common Stock								
	Shares		Amount				Total Avalon	Non-controlling	
	Class A	Class B	Class A	Class B	Paid-in Capital	Accumulated Deficit	Shareholders' Equity	Interest in Subsidiaries	Total
Balance at January 1, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,205	$ (20,754)	$ 38,490	$ (347)	$ 38,143
Stock options - compensation costs	-	-	-	-	1	-	1	-	1
Net loss	-	-	-	-	-	(944)	(944)	(231)	(1,175)

Balance at September 30, 2023	3,287,647	611,784	$ 33	$ 6	$ 59,206	$ (21,698)	$ 37,547	$ (578)	$ 36,969

For the Nine Months Ended September 30, 2022

	Common Stock								
	Shares		Amount		Paid-in	Accumulated	Total Avalon Shareholders'	Non-controlling Interest in	
	Class A	Class B	Class A	Class B	Capital	Deficit	Equity	Subsidiary	Total
Balance at January 1, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,201	$ (20,171)	$ 39,069	$ (92)	$ 38,977
Stock options - compensation costs	-	-	-	-	3	-	3	-	3
Investment in subsidiary from accredited investor	-	-	-	-	-	-	-	142	142
Net income (loss)	-	-	-	-	-	390	390	(314)	76
Balance at September 30, 2022	3,287,647	611,784	$ 33	$ 6	$ 59,204	$ (19,781)	$ 39,462	$ (264)	$ 39,198

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023

Cash flows from operating activities:				
Net income (loss)	$ (1,175)	$ 76		
Reconciliation of net income to cash provided by operating activities:				
Net loss			$ (1,054)	$ (1,799)
Reconciliation of net loss to cash used in operating activities:				
Depreciation and amortization expense	2,858	2,553	980	940
Amortization of debt issuance costs	35	35	15	10
Compensation costs - stock options	1	3	-	1
Provision for losses on accounts receivable	25	11	8	3
Gain on disposal of equipment			(7)	-
Change in operating assets and liabilities:				
Accounts receivable	(501)	(3,487)	(2,774)	(2,303)
Unbilled membership dues receivable	(214)	(300)	(223)	(148)
Inventories	(255)	(384)	(199)	(270)
Prepaid expenses	224	(62)	(166)	(284)
Other assets, net	93	15	-	67
Accounts payable	(331)	610	1,637	2,131
Accrued payroll and other compensation	338	707	476	392
Accrued income taxes	27	61		
Other accrued taxes	(88)	(118)		
Accrued taxes			(35)	(141)
Deferred membership dues revenue	975	1,286	1,715	1,257
Other liabilities and accrued expenses	166	363	38	390
Net cash provided by operating activities	2,178	1,369	411	246
Cash flows from investing activities:				
Capital expenditures	(3,211)	(5,232)	(355)	(1,098)
Proceeds from disposal of equipment			7	-
Net cash used in investing activities	(3,211)	(5,232)	(348)	(1,098)
Cash flows from financing activities:				
Proceeds from subsidiary private placement offering	-	142		
Proceeds under New Term Loan facility	-	31,000		
Principal payments on term loan facilities	(414)	(20,879)	(146)	(138)
Borrowings under line of credit facility	650	950	-	650
Payments of debt issuance costs	-	(277)		
Principal payments on finance lease obligations	(118)	(132)	(14)	(2)
Net cash provided by financing activities	118	10,804		

Net cash provided by (used in) financing activities			(160)	510
Increase (decrease) in cash, cash equivalents and restricted cash	(915)	6,941		
Decrease in cash, cash equivalents and restricted cash			(97)	(342)
Cash, cash equivalents and restricted cash at beginning of period	12,050	4,950	11,452	12,050
Cash, cash equivalents and restricted cash at end of period	$ 11,135	$ 11,891	$ 11,355	$ 11,708
Supplemental disclosure of cash flow information:				
Significant non-cash operating and investing activities:				
Capital expenditures included in accounts payable	$ 89	$ 223	$ 22	$ 76
Significant non-cash investing and financing activities:				
Operating lease right-of-use assets in exchange for lease obligations	$ 323	$ 31	$ -	$ 35
Finance lease obligation incurred	$ 154	$ -		
Finance lease obligations incurred			$ -	$ 154
Cash paid during the period for interest	$ 1,008	$ 820	$ 558	$ 498
Cash paid during the period for income taxes	$ 66	$ 47	$ -	$ 38

See accompanying notes to unaudited condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 March 31, 2024

Note 1. Description of Business

Avalon Holdings Corporation (“Avalon” or the “Company”) was formed on April 30, 1998 as a subsidiary of American Waste Services, Inc. (“AWS”). On June 17, 1998, AWS distributed, as a special dividend, all of the outstanding shares of capital stock of Avalon to the holders of AWS common stock on a pro rata and corresponding basis.

Avalon provides waste management services to industrial, commercial, municipal and governmental customers in selected northeastern and midwestern U.S. markets, captive landfill management services and salt water injection well operations. In addition, Avalon owns Avalon Resorts and Clubs, Inc. (“ARCI”), which includes the operation and management of four golf courses and associated clubhouses, athletic and fitness centers, tennis courts, salon and spa services, dining and banquet facilities. ARCI also owns and operates a hotel and its related resort amenities including dining, banquet and conference facilities, salon and spa services, fitness center, outdoor resort pool, Roman Bath, indoor junior Olympic size swimming pool and tennis courts.

Note 2. Basis of Presentation

The unaudited condensed consolidated financial statements of Avalon and related notes included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted consistent with such rules and regulations. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in Avalon's 2022 2023 Annual Report to Shareholders.

The unaudited condensed consolidated financial statements include the accounts of Avalon, its wholly owned subsidiaries and those companies in which Avalon has managerial control. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of Avalon as of September 30, 2023 March 31, 2024, and the results of its operations and cash flows for the interim periods presented.

The operating results for the interim periods are not necessarily indicative of the results to be expected for the full year.

The condensed consolidated financial statements presented herein reflect our current estimates and assumptions that affect the reported amounts of assets and liabilities and related disclosures as of the date of the financial statements and reported amounts of revenues and expenses during the reporting periods presented.

Approximately $0.1 million of other income on the unaudited condensed consolidated statement of operations for 2023 has been reclassified to conform to the presentation for 2024. Such reclassifications had no effect on changes in operations.

Note 3. Recent Accounting Pronouncements

As of September 30, 2023 March 31, 2024, there were several new accounting pronouncements issued by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe the adoption of any of these accounting pronouncements has had or will have a material impact on the Company's condensed consolidated financial statements.

Note 4. Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents for purposes of the Condensed Consolidated Balance Sheets. Avalon maintains its cash balances in various financial institutions. These balances may, at times, exceed federal insured limits. Avalon has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk relating to its cash and cash equivalents.

Cash and cash equivalents that are restricted as to withdrawal or use under the terms of certain contractual agreements are recorded in restricted cash on the Condensed Consolidated Balance Sheets. Restricted cash consists of loan proceeds deposited into a project fund account to fund costs associated with the renovation and expansion of The Grand Resort and Avalon Field Club at New Castle in accordance with the provisions of the loan and security agreement (See Note 9).

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Condensed Consolidated Statements of Cash Flows. Cash, cash equivalents and restricted cash consist of the following at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 (in thousands):

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Cash and cash equivalents	$ 673	$ 1,624	$ 1,163	$ 1,187
Restricted cash	10,462	10,426	10,192	10,265
Cash, cash equivalents and restricted cash	$ 11,135	$ 12,050	$ 11,355	$ 11,452

Note 5. Revenues

Revenue Recognition

The Company identifies a contract when it has approval and commitment from both parties, the rights of the parties are identified, payment terms are identified, the contract has commercial substance and collectability of consideration is probable. Revenue is recognized when obligations under the terms of the contract with our customer are satisfied; generally this occurs with the transfer of control of the good or service to the customer. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring goods or providing services. Sales and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. revenue as the Company is a pass-through conduit for collecting and remitting sales taxes. The Company does not incur incremental costs to obtain contracts or costs to fulfill contracts that meet the criteria for capitalization. In addition, the Company does not have material significant payment terms as payment is received at or shortly after the point of sale.

Waste Management Services

Avalon's waste management services provide hazardous and nonhazardous waste brokerage and management services, captive landfill management services and salt water injection well operations. Waste management services are provided to industrial, commercial, municipal and governmental customers primarily in selected northeastern and midwestern United States markets.

Avalon's waste brokerage and management business assists customers with managing and disposing of wastes at approved treatment and disposal sites based upon a customer's needs. Avalon provides a service to its customers whereby Avalon, arranges for, and accepts responsibility for the removal, transportation and disposal of waste on behalf of the customer.

Avalon’s landfill management business provides technical and operational services to customers owning captive disposal facilities. A captive disposal facility only disposes of waste generated by the owner of such facility. The Company provides turnkey services, including daily operations, facilities management and management reporting for its customers. Currently, Avalon manages one captive disposal facility located in Ohio. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Avalon is a minority owner with managerial control over two salt water injection wells and its associated facility. Operations of the salt water injection wells have been suspended in accordance with the Chief of the Division of Oil and Gas Resources Management order (See Note 15). Due to the suspension of the salt water injection wells, there were no operating revenues for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the net operating revenues related to waste management services represented approximately 49% 66% and 58%, respectively, of Avalon’s total consolidated net operating revenues. For both the nine months ended September 30, 2023 and 2022, the net operating revenues related to waste management services represented approximately 55% and 59% 69%, respectively, of Avalon’s total consolidated net operating revenues. For the nine three months ended September 30, 2023 March 31, 2024, one customer customers accounted for 15% 14% of the waste management services segment’s net operating revenues to external customers and 7% 9% of the consolidated net operating revenues. For the nine three months ended September 30, 2022 March 31, 2023, one two customer customers accounted for 10% 32% of the waste management services segment’s net operating revenues to external customers and 6% 22% of the consolidated net operating revenues.

For our waste management services contracts, the customer contracts with us to provide a series of distinct waste management services over time which integrates a set of tasks (i.e. removal, transportation and disposal of waste) into a single project. Avalon provides substantially the same service over time and the same method is used to measure the Company’s progress toward complete satisfaction of the performance obligation to transfer each distinct service in the series to the customer. The series of distinct waste management services, which are the same over time, meets the series provision criteria, and as such, the Company treats that series as a single performance obligation. The Company allocates the transaction price to the single performance obligation and recognizes revenue by applying a single measure of progress to that performance obligation. Avalon transfers control of the service over time and, therefore, satisfies the performance obligation and recognizes the revenue over time as the customer simultaneously receives and consumes the benefits provided by Avalon’s performance as we perform.

In addition, as the promise to provide services qualifies as a series accounted for as a single performance obligation, the Company applied the practical expedient guidance that allows an entity that is recognizing revenue over time by using an output method to recognize revenue equal to the amount that the entity has the right to invoice if the invoiced amount corresponds directly to the value transferred to the customer. The Company applied the standard's practical expedient that permits the omission of disclosures relating to unsatisfied performance obligations as most of the Company’s waste management service contracts (i) have an original expected length of one year or less and (ii) the Company recognizes revenue at the amount to which the Company has the right to invoice for services performed.

Avalon evaluated whether we are the principal (i.e. report revenues on a gross basis) or agent (i.e. report revenues on a net basis). Avalon reports waste management services on a gross basis, that is, amounts billed to our customers are recorded as revenues, and amounts paid to vendors for providing those services are recorded as operating costs. As principal, Avalon is primarily responsible for fulfilling the promise to provide waste management services for the customer. Avalon accepts credit risk in the event of nonpayment by the customer and is obligated to pay vendors who provide the service regardless of whether the customer pays the Company. Avalon does have a level of discretion in establishing the pricing for its service.

Our payment terms vary by the type and location of our customer and the service offered. Avalon does not have any financing arrangements with its customers. The term between invoicing and when payment is due is not significant.

The Company assesses each contract amendment individually. Typically, amendments made to our contracts do not materially change the terms of the agreement or performance obligation of the Company. The Company accounts for such contract amendments as if it were part of the existing contract as the material terms contained in the contract do not change. In cases where Avalon views there is a material change in the terms of the agreement, the Company will reevaluate and determine if the contract should be viewed as an entirely new contract, replacement contract or a continuation of the existing contract.

Consideration promised in our waste management contracts do not typically include material variable amounts such as discounts, rebates, refunds, credits, price concessions, incentives, penalties or other such items, and, as such, no estimate is made by the Company for such items.

Golf and Related Operations

Avalon's golf and related operations include the operation and management of four golf courses and associated clubhouses, recreation and fitness centers, tennis courts, salon and spa services, dining and banquet facilities. The golf and related operations also include the operation of a hotel and its related amenities including dining, banquet and conference facilities, fitness center, indoor junior Olympic size swimming pool and tennis courts. Revenues for the golf and related operations consists primarily of food, beverage and merchandise sales, membership dues, greens fees and associated cart rentals, room rentals, fitness activities, salon and spa services. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and western Pennsylvania, were minimal during the first three months of 2023 2024 and 2022. 2023.

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the net operating revenues related to the golf and related operations represented approximately 51% 34% and 42% 31%, respectively, of Avalon's total consolidated net operating revenues. For both the nine three months ended September 30, 2023 March 31, 2024 and 2022, the net operating revenues related to the golf and related operations represented approximately 45% and 41%, respectively, of Avalon's total consolidated net operating revenues. For the nine months ended September 30, 2023 and 2022, 2023, no one customer individually accounted for 10% or more of Avalon's golf and related operations segment revenues.

For Avalon's golf and related operations, the Avalon Golf and Country Club offers membership packages for use of the country club facilities and its related amenities. Membership agreements are a one year noncancellable commitment and pricing varies based on the membership type selected by the customer. Based on the terms and conditions of the membership contract, resignations received within the membership period do not relieve the member of their annual commitment. Memberships automatically renew on the member's anniversary date unless the member resigns for the upcoming membership period prior to the renewal date.

Membership for the Avalon Golf and Country Club does not contain up-front initiation fees or require monthly minimum spending at the facilities. Annual membership dues do not cover the cost of food, beverage or any other ancillary paid services which are made available to the member nor do they typically provide for discounts on these goods or services. Members have no obligation to purchase or utilize any of these additional goods or services. Avalon is not required to provide such goods or services unless requested and paid for at the point of sale by the member.

Under the terms of the contract, Avalon will provide unlimited use and access to the country club facilities. Avalon's performance obligation in the contract is the "stand ready obligation" to provide access to these facilities for the member for the entire membership term. Avalon providing the "stand ready obligation" for use of the facilities to the member over the entire term of the membership agreement represents a single performance obligation of which Avalon expects the member to receive and consume the benefits of its obligation throughout the membership term, and as such, the Company recognizes membership dues on a straight line basis over the term of the contract. The Company applied the standard's practical expedient that permits the omission of disclosures relating to unsatisfied performance obligations for contracts with an original expected length of one year or less as Avalon Golf and Country Club membership agreements are one year in length.

For our hotel operations, Avalon's performance obligation is to provide lodging facilities. The separate components of providing these services (hotel room, toiletry items, housekeeping, and amenities) are not distinct within the context of the contract as they are all highly dependent and interrelated as part of the obligation to provide the lodging facility. Room sales are driven by a fixed fee charged to a hotel guest to stay at The Grand Resort for an agreed upon period. The Company agrees to provide a room to the hotel guest for a specified time period for that agreed-upon rate. Our hotel room reservations are performance obligations satisfied over time as the hotel guest simultaneously receives and consumes the benefits provided by the hotel. For performance obligations satisfied over time, our hotel operations measure the progress toward complete satisfaction of the performance obligation and recognize revenue proportionately over the course of the customer's stay.

For food, beverage, and merchandise sales, greens fees and associated cart rental, fitness activities, salon and spa services and other ancillary services, the transaction price is the set price charged by the Company for those goods or services. Upon purchase of the good or service, the Company transfers control of the good or service to the customer and the customer immediately consumes the benefits of the Company's performance and, as such, we recognize revenue at the point of sale. Amounts paid in advance, such as deposits on overnight lodging or for banquet or conferences facilities, are recorded as a liability until the goods or services are provided to the customer (see Contract Liabilities below).

The following table presents our net operating revenues disaggregated by revenue source for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands). Sales and other taxes are excluded from revenues.

	Three Months Ended September 30,		**Nine Months Ended September 30,**		Three Months Ended March 31,	
	2023	**2022**	**2023**	**2022**	2024	2023
Waste management and brokerage services	$ 11,059	$ 14,377	$ 32,358	$ 33,131	$ 11,787	$ 11,872

Captive landfill management operations	685	659	2,336	1,961	683	780
Total waste management services revenues	11,744	15,036	34,694	35,092	12,470	12,652
Food, beverage and merchandise sales	4,609	4,077	10,577	9,305	2,011	1,974
Membership dues revenue	1,793	1,783	5,473	5,291	1,974	1,847
Room rental revenue	2,483	2,179	5,125	4,383	995	874
Greens fees and cart rental revenue	1,785	1,596	3,027	2,601	69	56
Salon and spa services	72	474	317	1,360	799	600
Fitness and tennis lesson revenue	783	83	2,266	332	109	154
Other revenue	634	485	1,419	1,180	431	288
Total golf and related operations revenue	12,159	10,677	28,204	24,452	6,388	5,793
Total net operating revenues	$ 23,903	$ 25,713	$ 62,898	$ 59,544	$ 18,858	$ 18,445

Avalon does not have operations located outside the United States and, accordingly, geographical revenue information is not presented.

Receivables, Net

Receivables, net, include amounts billed and currently due from customers. The amounts due are stated at their net realizable value. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, accounts receivable, net, related to our waste management services segment were approximately $9.3 million $9.0 million and $10.0 million $8.4 million, respectively. At September 30, 2023 March 31, 2024, one customer accounted for approximately 16% 14% of the waste management services segment's receivables and 12% 9% of the consolidated receivables. At December 31, 2022 December 31, 2023, noone customer accounted for approximately 18% 10% or more of the waste management services segment's receivables and 16% of the service's segment or consolidated net receivables. Accounts receivable, net, related to our golf and related operations segment were approximately $2.3 million $3.3 million and $1.1 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. No one customer of the golf and related operations segment accounted for 10% or more of Avalon's golf and related operations segment or consolidated net receivables at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

The Company maintains an allowance for credit losses to provide for the estimated amount of receivables that will not be collected. Customer accounts that are outstanding longer than the contractual payment terms are considered past due. Avalon determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, Avalon's previous accounts receivable loss history, the customer's current ability to pay its obligation to Avalon and the condition of the general economy and the industry as a whole. Avalon writes off accounts receivable when they become uncollectible. Payments subsequently received on such receivables are credited to the allowance for credit losses, or to income, as appropriate under the circumstances. Allowance for credit losses was approximately $0.2 million at September 30, 2023 and $0.3 million at December 31, 2022 both March 31, 2024 and December 31, 2023.

The following table presents changes in our allowance for credit losses during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Balance at	Provision for Credit	Write-offs less	Balance at

	Beginning of Period	Losses	Recoveries	End of Period
Allowance for credit losses				
Three months ended September 30, 2023	$ 247	$ 15	$ (17)	$ 245
Three months ended September 30, 2022	$ 256	$ 5	$ (10)	$ 251
Nine months ended September 30, 2023	$ 260	$ 25	$ (40)	$ 245
Nine months ended September 30, 2022	$ 265	$ 11	$ (25)	$ 251

	Balance at Beginning of Period	Provision for Credit Losses	Write-offs less Recoveries	Balance at End of Period
Allowance for credit losses				
Three months ended March 31, 2024	$ 260	$ 8	$ (11)	$ 257
Three months ended March 31, 2023	$ 260	$ 3	$ (12)	$ 251

Contract Assets

Contract assets include unbilled membership dues receivables related to the Avalon Golf and Country Club for the customers membership commitment which are billed on a monthly basis over the course of the annual agreement. Such amounts are stated at their net realizable value. Contract assets related to unbilled membership dues are classified as current as revenue related to such agreements is recognized within the annual membership period. Unbilled membership receivables in our Condensed Consolidated Balance Sheets were approximately $0.8 million at September 30, 2023 March 31, 2024 and $0.6 million at December 31, 2022 December 31, 2023.

The following table presents changes in our contract assets during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Balance at	Unbilled Membership		Balance at

	Beginning of Period		Dues		Billings		End of Period	
Contract Assets:								
Unbilled membership dues receivable								
Three months ended September 30, 2023	$	1,083	$	222	$	(492)	$	813
Three months ended September 30, 2022	$	1,145	$	252	$	(519)	$	878
Nine months ended September 30, 2023	$	599	$	1,692	$	(1,478)	$	813
Nine months ended September 30, 2022	$	578	$	1,857	$	(1,557)	$	878

	Balance at Beginning of Period		Unbilled Membership Dues		Billings		Balance at End of Period	
Contract Assets:								
Unbilled membership dues receivable								
Three months ended March 31, 2024	$	567	$	670	$	(447)	$	790
Three months ended March 31, 2023	$	599	$	620	$	(472)	$	747

Contract Liabilities

Contract liabilities include unrecognized or deferred revenues relating to membership dues and customer advance deposits. We record deferred revenue when cash payments are received in advance of satisfying our performance obligation. We classify deferred membership dues revenue as current based on the timing of when we expect to recognize revenue for the membership commitment based on the Company satisfying the stand ready performance obligation throughout the annual membership period. The unrecognized or deferred revenues related to membership dues in our Condensed Consolidated Balance Sheets were approximately $4.6 million $5.2 million at September 30, 2023 March 31, 2024 and $3.6 million $3.4 million at December 31, 2022 December 31, 2023, respectively.

Customer advance deposits are recorded as a liability until the goods or services are provided to the customer. Generally, customer advances, and corresponding performance obligation are satisfied within 12 months of the date of receipt of advance payment. The unrecognized revenues related to customer advance deposits are recorded in “Other liabilities and accrued expenses” in our Condensed Consolidated Balance Sheets. Customer advance deposits were approximately $1.1 million $1.3 million at September 30, 2023 March 31, 2024 and $1.0 million $1.2 million at December 31, 2022 December 31, 2023.

The following table presents changes in our contract liabilities during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (in thousands):

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Contract Liabilities:				
Deferred membership dues revenue				
Three months ended September 30, 2023	$ 5,737	$ 1,031	$ (2,150)	$ 4,618
Three months ended September 30, 2022	$ 5,782	$ 650	$ (1,783)	$ 4,649
Nine months ended September 30, 2023	$ 3,643	$ 7,653	$ (6,678)	$ 4,618
Nine months ended September 30, 2022	$ 3,363	$ 6,577	$ (5,291)	$ 4,649
Customer advance deposits				
Three months ended September 30, 2023	$ 1,149	$ 721	$ (820)	$ 1,050
Three months ended September 30, 2022	$ 992	$ 785	$ (773)	$ 1,004
Nine months ended September 30, 2023	$ 965	$ 2,127	$ (2,042)	$ 1,050
Nine months ended September 30, 2022	$ 795	$ 2,088	$ (1,879)	$ 1,004

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Contract Liabilities:				
Deferred membership dues revenue				
Three months ended March 31, 2024	$ 3,443	$ 3,689	$ (1,974)	$ 5,158
Three months ended March 31, 2023	$ 3,643	$ 3,104	$ (1,847)	$ 4,900
Customer advance deposits				

Three months ended March 31, 2024	$	1,223	$	483	$	(395)	$	1,311
Three months ended March 31, 2023	$	965	$	757	$	(640)	$	1,082

Note 6. Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the asset which varies from 10 to 30 years for land improvements; 5 to 50 years in the case of buildings and improvements; and from 3 to 10 years for machinery and equipment, vehicles and office furniture and equipment. Leasehold improvements are included in building improvements and amortized on a straight-line basis over the shorter of their estimated useful lives or term of the lease.

Major additions and improvements are charged to the property and equipment accounts while replacements, maintenance and repairs, which do not improve or extend the life of the respective asset, are expensed as incurred. The cost of assets retired or otherwise disposed of and the related accumulated depreciation is eliminated from the accounts in the year of disposal.

Property and equipment at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consists of the following (in thousands):

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Land and land improvements	$ 16,860	$ 16,764	$ 17,052	$ 17,052
Buildings and improvements	53,956	52,974	54,297	54,171
Machinery and equipment	9,387	8,567	9,540	9,490
Office furniture and fixtures	10,296	9,638	10,356	10,346
Vehicles	896	865	922	976
Construction in progress	10	11	189	10
	91,405	88,819	92,356	92,045
Less accumulated depreciation and amortization	(34,493)	(32,014)	(36,198)	(35,415)
Property and equipment, net	$ 56,912	$ 56,805	$ 56,158	$ 56,630

At September 30, 2023 March 31, 2024, the Company did not have any significant fixed contractual commitments for construction projects.

Avalon reviews the carrying value of its long-lived assets whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. If indicators of impairment exist, Avalon would determine whether the estimated undiscounted sum of the future cash flows of such assets and their eventual disposition is less than its carrying amount. If less, an impairment loss would be recognized if, and to the extent that the carrying amount of such assets exceeds their respective fair value. Avalon would determine the fair value by using quoted market prices, if available, for such assets; or if quoted market prices are not available, Avalon would discount the expected estimated future cash flows. During the first nine three months of 2023 2024 and 2022, 2023, no triggering events were present.

Note 7. Leases

Operating Leases

Avalon leases golf carts machinery and associated GPS equipment, for the landfill operations, furniture and fixtures for The Grand Resort and office copiers under operating leases. Our operating leases have remaining lease terms ranging from less than 1 year to 4.9 5.0 years. The weighted average remaining lease term on operating leases was approximately 3.5 3.0 years and 3.4 years at September 30, 2023. March 31, 2024 and December 31, 2023, respectively.

During the first nine three months of 2023 and 2022, 2024 the Company entered into a did not record any new operating lease agreement for golf carts, GPS equipment and office copiers. right-of-use assets or corresponding obligations under operating leases. During the first nine three months of 2023, and 2022, the Company recorded operating lease right-of-use assets and corresponding obligations under the operating leases of approximately $323,000 and $31,000, respectively. $35,000.

Leased property and associated obligations under operating leases at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consists of the following (in thousands):

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Operating lease right-of-use assets	$ 1,375	$ 1,386	$ 1,254	$ 1,270
Current portion of obligations under operating leases	$ 446	$ 424	$ 417	$ 432
Long-term portion of obligations under operating leases	929	962	837	838
Total obligations under operating leases	$ 1,375	$ 1,386	$ 1,254	$ 1,270

The weighted average discount rate on operating leases was 5.9% at September 30, 2023 both March 31, 2024 and 5.0% at December 31, 2022 December 31, 2023.

Finance Leases

In November 2003, Avalon entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by Avalon. Under the lease, Avalon is obligated to pay $15,000 in annual rent and make leasehold improvements of $150,000 per year. Amounts expended by Avalon for leasehold improvements during a given year in excess of $150,000 will be carried forward and applied to future leasehold improvement obligations. Based upon the amount of leasehold improvements already made, Avalon expects to exercise all its remaining renewal options. At September 30, 2023 March 31, 2024 there were approximately 30.1 29.6

years remaining on the golf course and related facilities finance lease. At December 31, 2023 there were approximately 29.8 years remaining on the golf course and related facilities finance lease.

In addition, the golf and related operations Company also entered into lease agreements for vehicles, a vehicle, golf course maintenance and restaurant equipment and the captive landfill operations entered into lease agreements for equipment which were determined to be finance leases. At September 30, 2023 March 31, 2024, the vehicles, vehicle, golf course maintenance and restaurant equipment and the landfill operations equipment have remaining lease terms ranging from less than 1 year to 4.1 4.8 years. The weighted average remaining lease term on the vehicles and equipment leases was approximately 2.9 3.4 years and 3.7 years at September 30, 2023. March 31, 2024 and December 31, 2023, respectively.

Leased property and associated obligations under finance leases at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consists of the following (in thousands):

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Leased property under finance leases	$ 12,863	$ 12,004	$ 13,136	$ 13,131
Less accumulated amortization	(7,373)	(7,003)	(7,556)	(7,420)
Leased property under finace leases, net	$ 5,490	$ 5,001	$ 5,580	$ 5,711
Current portion of obligations under finance leases	$ 139	$ 115	$ 197	$ 198
Long-term portion of obligations under finance leases	393	381	585	598
Total obligations under finance leases	$ 532	$ 496	$ 782	$ 796

The weighted average discount rate on finance leases was 5.6% 6.3% at September 30, 2023 both March 31, 2024 at December 31, 2023, respectively.

For the three months ended March 31, 2024 and 5.2% at December 31, 2022. 2023, components of lease expense were as follows (in thousands):

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Operating lease cost:		
Rental expense	$ 68	$ 74
Finance lease cost:		
Depreciation expense	$ 137	$ 121
Interest expense	9	7
Total finance lease cost	$ 146	$ 128

For the three and nine months ended September 30, 2023 and 2022, components of lease expense were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Operating lease cost:				
Rental expense	$ 282	$ 273	$ 585	$ 620
Finance lease cost:				
Depreciation expense	$ 129	$ 124	$ 379	$ 378
Interest expense	13	7	28	24
Total finance lease cost	$ 142	$ 131	$ 407	$ 402

For the twelve months ending September 30, March 31, future commitments under long-term, operating and finance leases are as follows (in thousands):

	Finance	**Operating**	**Total**	Finance	Operating	Total
2024	$ 168	$ 518	$ 686			
2025	115	447	562	$ 244	$ 482	$ 726
2026	75	319	394	181	433	614
2027	56	184	240	149	261	410
2028	21	79	100	106	162	268
2029				56	57	113
Thereafter	375	9	384	359	-	359
Total lease payments	810	1,556	2,366	1,095	1,395	2,490
Less: imputed interest	278	181	459	313	141	454
Total	532	1,375	1,907	782	1,254	# 2,036
Less: current portion of obligations under leases	139	446	585	197	417	614
Long-term portion of obligations under leases	$ 393	$ 929	$ 1,322	$ 585	$ 837	# $ 1,422

Note 8. Basic and Diluted Net Income Loss per Share

Basic net income loss per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing the net income loss by the weighted average number of common shares outstanding. For both the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, the weighted average number of common shares outstanding was 3,899,431.

Diluted net income (loss) loss per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing net income (loss) loss attributable to Avalon Holdings Corporation common shareholders by the weighted average number of common shares outstanding plus any weighted common equivalent shares determined to be outstanding during the period using the treasury method. The Any weighted common equivalent shares included in the calculation are related to stock options granted by Avalon where the weighted average market price of Avalon's common stock for the period presented is greater than the option exercise price of the stock option.

For the three months ended September 30, 2023 March 31, 2024 there were was no diluted weighted shares outstanding. outstanding options, therefore, no dilution. For the nine three months ended September 30, 2023, March 31, 2023 the diluted per share amount reported is equal to the basic per share amount because Avalon was in a net loss position and as a result, such dilution would be considered anti-dilutive. For the three and nine months ended September 30, 2022, the diluted weighted average number of shares outstanding was 3,918,512 and 3,921,628, respectively.

Note 9. Term Loans and Line of Credit Agreements

2022 Term Loan Agreement

On August 5, 2022, Avalon and certain direct and indirect wholly owned subsidiaries entered into a loan and security agreement (the "2022 Term Loan Agreement") with Laurel Capital Corporation which provided for a $31.0 million term loan. At closing, $20.2 million of the proceeds were used to pay off and refinance amounts outstanding and associated interest under our 2019 Term Loan Agreement with Laurel Capital Corporation and $0.4 million of the proceeds were utilized to pay transaction costs. The remaining proceeds of approximately $10.4 million were deposited into a project fund account for which those proceeds are to fund future costs of renovating and expanding both The Grand Resort and Avalon Field Club at New Castle. At September 30, 2023 March 31, 2024 and December 31, 2023 the balance of "Restricted Cash" is $10.5 million $10.2 million and $10.3 million, respectively, and presented in the Condensed Consolidated Balance Sheet. Sheets. The monies are earning nominal interest. The 2019 Term Loan Agreement was terminated in conjunction with the 2022 Term Loan Agreement.

The 2022 Term Loan Agreement is payable in 119 equal monthly installments of principal and interest, based on a twenty-five (25) year maturity schedule which commenced September 5, 2022 followed by one final balloon payment of all remaining principal, interest and fees due on the maturity date of August 5, 2032. Upon request by Avalon, project fund proceeds can be utilized to pay debt service. Borrowings under the 2022 Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Avalon has the right to prepay the amount outstanding under the 2022 Term Loan Agreement, in whole or in part, at any time upon payment of the principal amount of the loan to be prepaid plus accrued unpaid interest thereon to the prepayment date, plus an applicable prepayment penalty. The prepayment penalty, expressed as a percentage of the principal of the loan being prepaid, is six percent (6%) on any prepayment in the first five years; four percent (4%) on any prepayment in the sixth and seventh year; three percent (3%) on any prepayment in the eighth and ninth year; and two percent (2%) on any prepayment in the tenth year.

Borrowings under the 2022 Term Loan Agreement are secured by certain real property and related business assets as defined in the agreement. The 2022 Term Loan Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year, commencing December 31, 2023. The 2022 Term Loan also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the 2022 Term Loan Agreement covenants at September 30, 2023 March 31, 2024 and December 31, 2023.

The Company capitalized approximately $0.6 million of debt issuance costs in connection with the 2022 Term Loan Agreement in accordance with ASC Subtopic 470-50, *Debt-Modifications and Extinguishments*. The Company is amortizing these costs over the life of the 2022 Term Loan Agreement. In accordance with ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, these costs are presented in the Condensed Consolidated Balance Sheets as a direct reduction from the carrying amount of the term loan liability.

Line of Credit Agreement

On May 31, 2018, Avalon entered into a business loan agreement with Premier Bank (the “Line of Credit Agreement”) which provides for a line of credit of up to $5.0 million. On September 18, 2023, the Company amended the Line of Credit Agreement to extend the maturity date to July 31, 2025. Under the Line of Credit Agreement, borrowings in excess of $1.0 million are subject to a borrowing base which is calculated based off a specific level of eligible accounts receivable of the waste management business as defined in the agreement.

At September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023, approximately $2.2 million and $1.6 million, respectively, were $3.2 million was outstanding under the Line of Credit Agreement. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, approximately $2.8 million and $3.4 million, respectively $1.8 million was available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At September 30, 2023 March 31, 2024, the interest rate on the Line of Credit Agreement was 8.75%.

Borrowings under the Line of Credit Agreement are secured by certain business assets of the Company including accounts receivable, inventory and equipment. The Line of Credit Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year. The Line of Credit Agreement also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the Line of Credit Agreements covenants at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

During the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, the weighted average interest rate on outstanding borrowings was 6.18% 6.27% and 5.69% 6.10%, respectively. During the nine months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.15% and 5.27% respectively.

Obligations under the Company's term loan agreements agreement at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 consist of the following (in thousands):

	September 30, 2023			March 31, 2024		
	Gross Amount	**Debt Issuance Costs**	**Net Amount**	Gross Amount	Debt Issuance Costs	Net Amount

Term Loan Agreement	$ 30,401	$ (519)	$ 29,882			
2022 Term Loan Agreement				$ 30,111	$ (484)	$ 29,627
Less current portion	589	(60)	529	607	(60)	547
Long-term debt	$ 29,812	$ (459)	$ 29,353	$ 29,504	$ (424)	$ 29,080

	December 31, 2022			December 31, 2023		
	Gross Amount	**Debt Issuance Costs**	**Net Amount**	Gross Amount	Debt Issuance Costs	Net Amount
Term Loan Agreement	$ 30,820	$ (559)	$ 30,261			
2022 Term Loan Agreement				$ 30,257	$ (499)	$ 29,758
Less current portion	563	(60)	503	598	(60)	538
Long-term debt	$ 30,257	$ (499)	$ 29,758	$ 29,659	$ (439)	$ 29,220

Obligations under the Company's Line of Credit agreement at September 30, 2023 both March 31, 2024 and December 31, 2022 December 31, 2023 were approximately $2.2 million and $1.6 million $3.2 million, respectively, which matures on July 31, 2025.

For the twelve months ending September 30, 2023, March 31, future maturities under the Company's 2022 Term Loan and Line of long-term debt Credit Agreements are as follows (in thousands):

2024	$ 589	
2025	2,825	$ 606
2026	664	3,845
2027	705	684
2028	748	726
2029		771
Thereafter	27,070	26,679
Total	$ 32,601	$ 33,311

Note 10. Income Taxes

During the three months ended September 30, 2023 March 31, 2024 and 2022, net income attributable to Avalon Holdings Corporation shareholders was $0.9 million and $1.2 million, respectively. During the nine months ended September 30, 2023 2023, net loss attributable to Avalon Holdings Corporation shareholders was $0.9 million. During the nine months ended September 30, 2022 net income attributable to Avalon Holdings Corporation shareholders was $0.4 million. $1.0 million and $1.7 million, respectively. Avalon recorded a state income tax provision in both the three and nine month periods ended September 30, 2023 March 31, 2024 and 2022, 2023, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal net deferred tax assets, the overall effective tax rate in both periods reflects taxes owed in certain U.S state jurisdictions. Avalon's income tax benefit on the income (loss) loss before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Note 11. Long-Term Incentive Plan

On April 25, 2019, at the Annual Meeting of Shareholders, the shareholders approved the Long-term Incentive Plan “The Plan.” The Plan provides for the granting of options which are intended to be non-qualified stock options (“NQSO’s”) for federal income tax purposes except for those options designated as incentive stock options (“ISO’s”) which qualify under Section 422 of the Internal Revenue Code.

The Plan has 1,300,000 shares of Class A Common Stock available for stock options to employees and non-employee directors. Shares of stock covered by options granted pursuant to The Plan which terminate or expire prior to exercise or have been surrendered or canceled shall be available for further option grants under the Option Plan.

The purpose of The Plan is (a) to improve individual employee performance by providing long-term incentives and rewards to employees of Avalon, (b) to assist Avalon in attracting, retaining and motivating employees and non-employee directors with experience and ability, and (c) to associate the interests of such employees and directors with those of the Avalon shareholders.

NQSO’s may be granted with an exercise price which is not less than 100% of the fair market value of the Class A Common Stock on the date of grant. Options designated as ISO’s shall not be less than 110% of fair market value for employees who are ten percent shareholders and not less than 100% of fair market value for other employees. The Board of Directors may, from time to time in its discretion, grant options to one or more outside directors, subject to such terms and conditions as the Board of Directors may determine, provided that such terms and conditions are not inconsistent with other applicable provisions of the Option Plan. Options shall have a term of no longer than ten years from the date of grant; except that for an option designated as an ISO which is granted to a ten percent shareholder, the option shall have a term no longer than five years.

No option shall be exercisable prior to one year after its grant, unless otherwise provided by the Option Committee of the Board of Directors (but in no event before 6 months after its grant), and thereafter options shall become exercisable in installments, if any, as provided by the Option Committee. Options must be exercised for full shares of common stock. To the extent that options are not exercised when they become initially exercisable, they shall be carried forward and be exercisable until the expiration of the term of such options. No option may be exercised by an optionee after his or her termination of employment for any reason with Avalon or an affiliate, except in certain situations provided by the Option Plan.

The stock options, vest ratably over a five year period and have a contractual term of ten years from the date of grant. At the end of each contractual vesting period, the share price of the Avalon common stock, traded on a public stock exchange (NYSE Amex), must reach a predetermined price within three years following such contractual vesting period before the stock options are exercisable (See table below). If the Avalon common stock price does not reach the predetermined price, the stock options will either be cancelled or the period will be extended at the discretion of the Board of Directors.

The grant-date fair values of the stock option awards were estimated using the Monte Carlo Simulation. The Monte Carlo Simulation was selected to determine the fair value because it incorporates six minimum considerations; 1) the exercise price of the option, 2) the expected term of the option, taking into account both the contractual term of the option, the effects of employees' expected exercise and post-vesting employment termination behavior, as well as the possibility of change in control events during the contractual term of the option agreements, 3) the current fair value of the underlying equity, 4) the expected volatility of the value of the underlying share for the expected term of the option, 5) the expected dividends on the underlying share for the expected term of the option and 6) the risk-free interest rate(s) for the expected term of the option.

The grant date fair value of the underlying equity was determined to be equal to Avalon's publicly traded stock price as of the grant dates times the sum of the Class A and Class B common shares outstanding.

The expected term, or time until the option is exercised, is based on historical exercising behavior of previous option holders of a company's stock. Because of the nature of the vesting described above, the options are separated into five blocks, with each block having its own vesting period and expected term.

For stock option awards, the expected volatility is based on the observed historical volatility of Avalon common stock. There were no expected dividends and the risk-free interest rate was based on yield data for U. S. Treasury securities over a period consistent with the expected term.

In March 2023, At March 31, 2024, all options to purchase 36,000 shares previously granted were cancelled as the options did not meet the predetermined stock price within the three years following the contractual vesting period. Additionally, in May 2023, the all remaining 18,000 shares previously granted expired. At March 31, 2024 there are no outstanding options.

The following table is a summary of the stock option activity during 2023:

	Number of Options Granted	Weighted Average Exercise Price	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2023	54,000	1.83	0.43
Options granted	-	-	-
Options exercised	-	-	-
Options expired	-	-	-
Options cancelled or forfeited	(54,000)	1.83	0.43
Outstanding at September 30, 2023	-	$ -	$ -

The stock options vest and become exercisable based upon achieving two critical metrics as follows:

1) Contract Vesting Term: The stock options vest ratably over a five year period.

2) 1) Contract Vesting Term: The stock options vest ratably over a five year period.
2) The Avalon common stock price traded on a public stock exchange (NYSE Amex) must reach the predetermined vesting price within three years after the options become vested under the contractual vesting term.

The table below represents the period and predetermined stock price needed for vesting.

	Begins Vesting	Ends Vesting	Predetermined Vesting Price
Block 1	12 months after Grant Dates	48 months after Grant Dates	$ 3.43
Block 2	24 months after Grant Dates	60 months after Grant Dates	$ 4.69
Block 3	36 months after Grant Dates	72 months after Grant Dates	$ 6.43
Block 4	48 months after Grant Dates	84 months after Grant Dates	$ 8.81
Block 5	60 months after Grant Dates	96 months after Grant Dates	$ 12.07

Compensation During the three months ending March 31, 2024 there were no options outstanding and therefore compensation costs were zero for $0. For the three month period ended September 30, 2023 and $1,000 for the three month period ended September 30, 2022. For the nine months ended September 30, 2023 and 2022, ending March 31, 2023 compensation costs were approximately $1,000, and $3,000, respectively. At September 30, 2023 based upon the estimated grant date fair value calculations. As of March 31, 2024, there were no unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan.

Note 12. Legal Matters

In the ordinary course of conducting its business, Avalon becomes involved in lawsuits, administrative proceedings and governmental investigations, including those related to environmental matters. Some of these proceedings may result in fines, penalties or judgments being assessed against Avalon which, from time to time, may have an impact on its business and financial condition. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty, Avalon does not believe that any uninsured ultimate liabilities, fines or penalties resulting from such pending proceedings, individually or in the aggregate, will would have a material adverse effect on its liquidity, financial position or results of operations. operations (See Note 15).

Note 13. Business Segment Information

In determining the segment information, Avalon considered its operating and management structure and the types of information subject to regular review by its “chief operating decision maker.” Using the criteria of FASB ASC 280 *Segment Reporting*, Avalon’s reportable segments include waste management services and golf and related operations. Avalon accounts for intersegment net operating revenues as if the transactions were to third parties. The segment disclosures are presented on this basis for all periods presented.

Avalon’s primary business segment, the waste management services segment, provides hazardous and nonhazardous brokerage and management services to industrial, commercial, municipal and governmental customers, captive landfill management for an industrial customer and salt water injection well operations.

Avalon’s golf and related operations segment consists of four golf courses and associated clubhouses which provide dining and banquet facilities, a hotel which provides lodging and resort related amenities including dining, banquet and conference facilities and a multipurpose recreation center. Revenue for the golf and related operations segment consists primarily of membership dues, greens fees, cart rentals, room rentals, merchandise sales, tennis and fitness activities, salon and spa services and food and beverage sales.

Avalon does not have operations located outside the United States and, accordingly, geographical segment information is not presented. For the nine three months ended September 30, 2023 March 31, 2024, one customer accounted for 15% 14% of the waste management services segment's net operating revenues to external customers and 7% 10% of the consolidated net operating revenues. For the nine three months ended September 30, 2022 March 31, 2023, one two customer customers accounted for 10% 32% of the waste management services segment's net operating revenues to external customers and 6% 22% of the consolidated net operating revenues.

The accounting policies of the segments are consistent with those described for the consolidated financial statements in the summary of significant accounting policies included in Avalon's 2022 2023 Annual Report to Shareholders. Avalon measures segment profit for internal reporting purposes as income (loss) before income taxes.

Business segment information including the reconciliation of segment income (loss) to consolidated income (loss) before taxes is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Net operating revenues from:						
Waste management services:						
External customer revenues	$ 11,744	$ 15,036	$ 34,694	$ 35,092	$ 12,470	$ 12,652
Intersegment revenues					-	-
Total waste management services					12,470	12,652
Golf and related operations:						
External customer revenues	12,159	10,677	28,204	24,452	6,388	5,793
Intersegment revenues	14	25	64	56	4	9
Total golf and related operations	12,173	10,702	28,268	24,508	6,392	5,802
Segment operating revenues	23,917	25,738	62,962	59,600	18,862	18,454
Intersegment eliminations	(14)	(25)	(64)	(56)	(4)	(9)
Total net operating revenues	$ 23,903	$ 25,713	$ 62,898	$ 59,544	$ 18,858	$ 18,445
Income (loss) before income taxes:						
Waste management services					$ 1,221	$ 949
Golf and related operations					(751)	(1,292)
Segment income (loss) before income taxes					470	(343)
Corporate interest expense, net					(515)	(496)

General corporate expenses	(969)	(929)
Loss before income taxes	$ (1,014)	$ (1,768)

Income (loss) before income taxes:				
Waste management services	$ 1,180	$ 1,454	$ 2,973	$ 3,143
Golf and related operations	1,214	1,223	312	976
Segment income before income taxes	2,394	2,677	3,285	4,119
Corporate interest expense	(530)	(402)	(1,573)	(937)
Corporate other income, net	12	-	35	1
General corporate expenses	(1,009)	(1,148)	(2,829)	(2,999)
Income (loss) before income taxes	$ 867	$ 1,127	$ (1,082)	$ 184

	September 30, 2023	**December 31, 2022**	March 31, 2024	December 31, 2023
Identifiable assets:				
Waste management services	$ 36,929	$ 35,198	$ 37,988	$ 35,839
Golf and related operations	64,844	63,355	65,763	63,670
Corporate	62,894	65,630	64,310	65,453
Subtotal	164,667	164,183	168,061	164,962
Elimination of intersegment receivables	(74,619)	(74,433)	(77,458)	(76,997)
Total	$ 90,048	$ 89,750	$ 90,603	$ 87,965

In comparing total assets at September 30, 2023 March 31, 2024 with those at December 31, 2022 December 31, 2023, the increase in the total assets of the waste management services segment of approximately $1.7 million $2.1 million was primarily a result of an increase in accounts receivable and intersegment transactions, which are eliminated in consolidation, partially offset by a decrease in accounts receivable. consolidation. The increase in total assets of the golf and related operations segment of $1.5 million $2.1 million was primarily due to an increase in accounts receivable, inventory and capital expenditures associated with The Grand Resort, partially offset by current year depreciation on property and Avalon Field Club at New Castle. equipment. The decrease in corporate total assets of approximately $1.1 million was primarily due to a decrease in both operating cash and intersegment transactions, which are eliminated in consolidation.

Note 14. Certain Relationships and Related Transactions

AWMS Holdings, LLC

In August 2013, Avalon created a new Ohio limited liability company, AWMS Holdings, LLC, to act as a holding company to form and own a series of wholly owned subsidiaries that will own and operate Class II salt water injection wells and facilities (together the “facilities”). AWMS Holdings, LLC, offers investment opportunities to accredited investors by selling membership units of AWMS Holdings, LLC through private placement offerings. The monies received from these offerings, along with internally contributed capital, are used to construct the facilities necessary for the operation of salt water injection wells. AWMS Water Solutions, LLC, a wholly owned subsidiary of Avalon, manages all the salt water injection well operations, including the marketing and sales function and all decisions regarding the well operations for a percentage of the gross revenues.

In 2014 and 2013, Avalon, through a wholly owned subsidiary made capital contributions totaling approximately $3.4 million, which included cash and certain well assets, including the permits, in exchange for membership units of AWMS Holdings, LLC. Through a private placement offering for the purchase of membership units, AWMS Holdings, LLC raised approximately $3.8 million from accredited investors in 2014 and 2013. Management and outside directors of Avalon, who qualified as accredited investors, invested approximately $1.0 million in AWMS Holdings, LLC.

As a result of a private placement offering, Avalon is not the majority owner of AWMS Holdings, LLC. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively, Avalon owns approximately 47% of AWMS Holdings, LLC. In accordance with ASC 810-10 and related amendment, due to the managerial control of American Water Solutions, LLC, AWMS Holdings, LLC is a VIE, and the financial statements of AWMS Holdings, LLC and subsidiaries are included in Avalon’s consolidated financial statements. ASC 810-10 requires noncontrolling interests to be reported as a separate component of equity. The amount of net loss attributable to the noncontrolling interest is recorded in “net loss attributable to noncontrolling interest” in our Condensed Consolidated Statements of Operations. During the three and nine months ended September 30, 2023, Avalon’s net loss attributable to the noncontrolling interest in AWMS Holdings, LLC was $10,000 and $112,000, respectively. During $0.1 million during each of the three months ending March 31, 2024 and nine months ended September 30, 2022, net loss attributable to the noncontrolling interest in AWMS Holdings, LLC was $13,000 and $85,000, 2023, respectively.

Avalon Med Spa, LLC

In March 2021, Avalon created a new Ohio limited liability company, Avalon Med Spa, LLC. Avalon Med Spa, LLC provides elective appearance improving nonsurgical aesthetic services under the supervision of a licensed physician. Avalon Med Spa, LLC, offers investment opportunities to accredited investors by selling membership units through private placement offerings. The monies received from these offerings, along with internally contributed capital, are used to purchase medical spa equipment and construct the facilities necessary for operation. Avalon operates and manages all decisions regarding the medical spa operations for a percentage of the gross revenues.

In 2021, Avalon made a capital contribution totaling $359,000, which included cash and certain equipment, in exchange for membership units of Avalon Med Spa, LLC. Through a private placement offering for the purchase of membership units, Avalon Med Spa, LLC raised $358,000 from accredited investors in August 2021. In March 2022, Avalon and accredited investors made additional capital contributions of $143,000 and $142,000, respectively. An outside director of Avalon, who qualified as an accredited investor, invested less than 10% of the total investment in Avalon Med Spa, LLC. Avalon is the majority owner of Avalon Med Spa, LLC owning 50.1% of the company at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

In accordance with ASC 810-10 and related amendment, Avalon Med Spa, LLC is a VIE, and the financial statements of Avalon Med Spa, LLC are included in Avalon's consolidated financial statements. ASC 810-10 requires noncontrolling interests to be reported as a separate component of equity. The amount of net loss attributable to the noncontrolling interest is recorded in "net loss attributable to noncontrolling interest" in our Condensed Consolidated Statements of Operations. During the three and nine months ended September 30, 2023, Avalon's net loss attributable to the noncontrolling interest in Avalon Med Spa, LLC was approximately $47,000 and $119,000, respectively. For $0.1 million during each of the three months ending March 31, 2024 and nine months ended September 30, 2022, net loss attributable to 2023, respectively.

Avalon Dermatology, LLC

In March 2024, Avalon created a new Ohio limited liability company, Avalon Dermatology, LLC. Avalon Dermatology, LLC provides dermatology services provided by a board licensed dermatologist. Avalon will manage all decisions regarding the noncontrolling interest dermatology operation for a percentage of gross revenues. An outside director of Avalon, who qualified as an accredited investor maintains 49.9% of the total ownership in Avalon Med Spa was approximately $83,000 and $229,000, respectively. Dermatology, LLC. Avalon is the majority owner of Avalon Dermatology, LLC owning 50.1% of the company at March 31, 2024.

In March 2024, Avalon made capital contributions of approximately $0.2 million, which included building improvements and the purchases of certain equipment, in exchange for membership units of Avalon Dermatology, LLC. At March 31, 2024 Avalon Dermatology, LLC was not in operation. The operating results will be included in Avalon's golf and related operations segment.

Note 15. Injection Wells Suspension

As a result of a seismic event with a magnitude of 2.1 occurring on August 31, 2014, the Chief of the Division of Oil and Gas Resources Management ("Chief" or "Division") issued Orders on September 3, 2014 to immediately suspend all operations of Avalon's two saltwater injection wells until the Division could further evaluate the wells. The Orders were based on the findings that the two saltwater injection wells were located in close proximity to an area of known seismic activity and that the saltwater injection wells pose a risk of increasing or creating seismic activity.

On September 5, 2014, Avalon submitted the information required by the Chief's Order in regards to its AWMS #1 injection well, and the Chief lifted the suspension for that well on September 18, 2014. On September 19, 2014, Avalon submitted information and a written plan required by the Chief's Order proposing the establishment of certain operations and management controls on injections for the AWMS #2 injection well. To date, the Division has not responded to that plan despite Avalon's requests for feedback.

On October 2, 2014, Avalon filed an appeal with the Ohio Oil and Gas Commission (the "Commission") disputing the basis for suspending operations of AWMS #2 and also the authority of the Chief to immediately suspend such operations. On March 11, 2015, an appeal hearing was held. The Chief stated during the hearing that the suspension order is temporary, and he expects that AWMS #2 will be allowed to resume operations once the state's final policymaking is complete.

On August 12, 2015, the Commission upheld the temporary suspension of injection operations of AWMS #2 stating that the temporary suspension would allow the Chief more time to fully evaluate the facts in anticipation of the Division's implementation of a comprehensive regulatory plan that will specifically address injection-induced seismicity.

Avalon appealed that decision to the Franklin County Court of Common Pleas (the "Court"), and on November 1, 2016 an appeal hearing was held in that Court. On December 23, 2016, the Court issued its Decision and Order in Avalon's favor, and vacated the Commission's decision. The Court found that the Division's suspension and refusal to work with the Company over the 26 month period was arbitrary and not in accordance with reason. Subsequent to the ruling, and in accordance with the Court's Decision and Order, both Avalon and the Division submitted their proposed restart plans to the Court. Avalon's plan sets forth both the initial volumes and pressures and increases in volume and pressure while continuously monitoring seismicity and addressing the concerns of public health and safety.

On February 21, 2017, the Court issued its Final Decision and Order. The Court's Final Decision and Order set forth conditions for restarting the AWMS #2 salt water injection well in accordance with the proposed restart plans filed by Avalon with minor revisions. On February 22, 2017, the Division appealed the Final Decision and Order and filed a Motion to Stay the Court Order. The Motion to Stay was granted by the Ohio 10th District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10th District Court of Appeals and on July 31, 2018 a decision was issued on the appeal. The decision reinstated the previous Ohio Oil and Gas Commission decision in this matter.

On September 12, 2018, the Company appealed the Ohio 10th District Court of Appeals decision to the Supreme Court of Ohio. On November 21, 2018, the Company received notice from the Supreme Court of Ohio that the court would not accept for review the Company's appeal of the Ohio 10th District Court of Appeals decision on the Division of Oil and Gas Resources Management's appeal of the Franklin County Court of Common Pleas February 21, 2017 entry allowing restart of the Company's AWMS Water Solutions, LLC #2 salt water injection well.

On April 5, 2019, Avalon filed with the Oil and Gas Commission a motion to vacate its prior decisions in this matter. The Oil and Gas Commission scheduled a hearing on this motion for August 13, 2019. Before the hearing began, and in response to the Division's motion to dismiss the Company's motion to vacate, the Commission dismissed the matter. The Company appealed that decision to the Franklin County Court of Common Pleas. In April 2020, the Division's motion to dismiss and the Company's opposition were reviewed by the Court. Following the restart orders received on May 24, 2021, and discussed below, the Court dismissed the complaint.

Concurrently with the filing of the appeal with the Franklin County Court of Common Pleas, the Company filed a writ of mandamus in the 10th District Court of Appeals on August 30, 2019 to compel the chief of the Division to issue restart orders, or alternative orders that would allow the Company to either restart the AWMS #2 well, or appeal said orders to the Oil and Gas Commission in accordance with Ohio Law. On October 6, 2020 and in response to a motion from the Division, the Court dismissed this complaint for writ of mandamus.

In addition, on August 26, 2016, Avalon filed a complaint in the 11th Appellate District Court in Trumbull County, Ohio for a Peremptory Writ of Mandamus to compel the Director of the Ohio Department of Natural Resources ("ODNR") to initiate appropriations procedures to determine damages from the illegal regulatory taking of the Company's property, or issue an alternative remedy at law. The Company believes that the actions, and lack of responsible actions, by the ODNR is a clear violation of the Company's property rights and a violation of the Fifth and Fourteenth Amendments to the U.S. Constitution; Article I, Section 19 of the Ohio Constitution; and Ohio Revised Code Chapter 163.

On March 18, 2019, Avalon received notice that the 11th Appellate District Court in Trumbull County, Ohio issued summary judgment in favor of the Ohio Department of Natural Resources in the writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The decision was appealed to the Supreme Court of Ohio on April 5, 2019. Oral arguments in the case occurred on April 7, 2020. On September 23, 2020, the Supreme Court of Ohio ruled in favor of the Company. The Supreme Court of Ohio reversed the decision of the 11th Appellate District Court and remanded the case back to that court for a trial on the merits. The trial occurred in September and October 2021. On December 19, 2022, the 11th Appellate District Court denied the Company's writ of mandamus action. The Court determined that the Company failed to establish a cognizable property interest that would necessitate a just compensation/takings analysis and accordingly denied the Company's petition for writ of mandamus. The decision was appealed to the Supreme Court of Ohio on January 30, 2023. Briefings to the Supreme Court were completed in May 2023 and the company is awaiting a decision.

On May 24, 2021, the Company received Chief's Orders from the Division vacating the September 3, 2014 suspension orders for AWMS #2 and setting conditions for restart of that well. Among these conditions was a limit placed on the seismicity within three miles of the well. Under the Order, if a seismic event with a magnitude 2.1 or above occurs, the well must cease operations for an indefinite period of time until concurrence for subsequent restart is received from the Division. The Company appealed the May 2021 Chief's Order to the Ohio Oil and Gas Commission, seeking reasonable operating conditions that will allow the facility to operate profitably while protecting human health and property. A hearing in this matter occurred in February 2022. On June 30, 2022, the Oil and Gas Commission rendered their decision for the Division in this matter, once again deferring to the Division in their decision. The Company appealed the decision to the Franklin County Ohio Court of Common Pleas on August 3, 2022.

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

The following discussion provides information which management believes is relevant to an assessment and understanding of the operations and financial condition of Avalon Holdings Corporation and its subsidiaries. As used in this report, the term "Avalon" or the "Company" means Avalon Holdings Corporation, its wholly owned subsidiaries and variable interest entities when it has been determined that Avalon is the primary beneficiary of those company's operations, taken as a whole, unless the context indicates otherwise.

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, "forward looking statements". Avalon cautions readers that forward looking statements, including, without limitation, those relating to Avalon's future business prospects, revenues, working capital, liquidity, capital needs, interest costs, and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements, due to risks and factors identified herein and from time to time in Avalon's reports filed with the Securities and Exchange Commission.

Liquidity and Capital Resources

For the nine months ended September 30, 2023, Avalon utilized existing cash and cash provided by operations to meet operating needs, fund capital expenditures and make required monthly payments on our term loan facility. Cash in our project fund account and borrowings under our line of credit were also utilized to fund capital expenditures which included the continued renovation of The Grand Resort and Avalon Field Club at New Castle as further described below.

Term Loan Agreement

On August 5, 2022, Avalon and certain direct and indirect wholly owned subsidiaries entered into a loan and security agreement (the "New Term Loan Agreement") with Laurel Capital Corporation which provided for a $31.0 million term loan. At closing, $20.2 million of the proceeds were used to pay off and refinance amounts outstanding and associated interest under our existing term loan agreement with Laurel Capital Corporation and $0.4 million of the proceeds were utilized to pay transaction costs. The remaining proceeds of approximately $10.4 million were deposited into a project fund account for which those proceeds are to fund future costs of renovating and expanding both The Grand Resort and Avalon Field Club at New Castle. The existing term loan was terminated in conjunction with the New Term Loan Agreement.

The New Term Loan Agreement is payable in 119 equal monthly installments of principal and interest, based on a twenty-five (25) year maturity schedule commencing September 5, 2022 followed by one final balloon payment of all remaining principal, interest and fees due on the maturity date of August 5, 2032. Upon request by Avalon, project fund proceeds can be utilized to pay debt service. Borrowings under the New Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Avalon has the right to prepay the amount outstanding under the New Term Loan Agreement, in whole or in part, at any time upon payment of the principal amount of the loan to be prepaid plus accrued unpaid interest thereon to the prepayment date, plus an applicable prepayment penalty. The prepayment penalty, expressed as a percentage of the principal of the loan being prepaid, is six percent (6%) on any prepayment in the first five years; four percent (4%) on any prepayment in the sixth and seventh year; three percent (3%) on any prepayment in the eighth and ninth year; and two percent (2%) on any prepayment in the tenth year.

Borrowings under the New Term Loan Agreement are secured by certain real property and related business assets as defined in the agreement. The New Term Loan Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year, commencing December 31, 2023. The New Term Loan also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the 2022 Term Loan Agreement covenants at September 30, 2023 and December 31, 2022.

Line of Credit Agreement

On May 31, 2018, Avalon entered into a business loan agreement with Premier Bank, (the "Line of Credit Agreement") which provides for a line of credit of up to $5.0 million. On September 19, 2023, the Company amended the Line of Credit Agreement to extend the maturity date to July 31, 2025. Under the Line of Credit Agreement, borrowings in excess of $1.0 million are subject to a borrowing base which is calculated based off a specific level of eligible accounts receivable of the waste management business as defined in the agreement.

At September 30, 2023 and December 31, 2022 outstanding borrowings under the Line of Credit Agreement were approximately $2.2 million and $1.6 million respectively. At September 30, 2023 and December 31, 2022, approximately $2.8 million and $3.4 million were available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At September 30, 2023, the interest rate on the Line of Credit Agreement was 8.75%.

Borrowings under the Line of Credit Agreement are secured by certain business assets of the Company including accounts receivable, inventory and equipment. The Line of Credit Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year. The Line of Credit Agreement also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the Line of Credit Agreements covenants at September 30, 2023 and December 31, 2022.

During the three months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.18% and 5.69%, respectively. During the nine months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.15% and 5.27%, respectively.

Squaw Creek Country Club Lease Agreement

In November 2003, Avalon entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by Avalon. Under the lease, Avalon is obligated to pay $15,000 in annual rent and make leasehold improvements of $150,000 per year. Amounts expended by Avalon for leasehold improvements during a given year in excess of $150,000 will be carried forward and applied to future leasehold improvement obligations. Based upon the amount of leasehold improvements already made, Avalon expects to exercise all of its remaining renewal options.

Capital Expenditures

During the nine months ended September 30, 2023, Avalon incurred capital expenditures of $3.5 million of which $3.2 million of such expenditures was paid to vendors during the period. During the nine months ended September 30, 2022, Avalon incurred capital expenditures of $5.5 million of which $5.3 million of such expenditures was paid to vendors during the period. For both the nine months ended September 30, 2023 and 2022, expenditures primarily related to the continued renovation of The Grand Resort and the clubhouse at Avalon Field Club at New Castle.

In 2023 and 2022, The Grand Resort was in operation but certain existing hotel rooms were in the process of being renovated. In addition, in 2022, the Avalon Field Club at New Castle was in operation but the club house was in the process of being renovated. During the third quarter of 2022, the club house renovation was substantially completed. Avalon's aggregate capital expenditures in 2023 are expected to be in the range of $4.0 million to $5.0 million, funded with cash from our project fund account, existing operating cash and cash generated from operations. Capital expenditures principally relate to the expansion and continued hotel room renovations at The Grand Resort, the clubhouse at Avalon Field Club at New Castle, building improvements and equipment purchases.

Working Capital

At September 30, 2023 and December 31, 2022, there was a working capital deficit of approximately $4.3 million and $2.8 million, respectively. Working capital was negatively impacted by an increase in deferred membership dues revenue, accounts payable, accrued payroll and other liabilities. The negative impact was partially offset by an increase in accounts receivable and inventory.

Accounts receivable increased to $11.6 million at September 30, 2023 compared with $11.1 million at December 31, 2022. Accounts receivable related to our waste management services segment decreased approximately $0.8 million at September 30, 2023 compared with December 31, 2022 as a result of a decrease in net operating revenues in the third quarter of 2023 compared with the fourth quarter of 2022 and the timing of receipt on those associated receivables. Accounts receivable related to the golf and related operations segment increased approximately $1.3 million at September 30, 2023 compared to December 31, 2022 due to the associated timing of annual membership renewals.

Unbilled membership dues receivable was approximately $0.8 million at September 30, 2023 compared to $0.6 million at December 31, 2022. The increase was primarily due to the timing of annual membership renewals related to the Avalon Golf and Country Club and associated monthly billing over the course of the annual agreement.

Inventory was approximately $1.7 million at September 30, 2023 compared to $1.5 million at December 31, 2022. The increase is related to merchandise, food and beverage inventory as a result of the increase in business operations for our golf and related operations segment.

Accounts payable was approximately $10.8 million at September 30, 2023 compared to $11.0 million at December 31, 2022. The decrease in accounts payable between periods was primarily due to the waste management segment. Accounts payable related to our waste management segment decreased as a result of a decrease in amounts due to disposal facilities and transportation carriers in the third quarter of 2023 compared to the fourth quarter of 2022 and the associated timing of those vendor payments in the ordinary course of business.

Deferred revenue relating to membership dues was approximately $4.6 million at September 30, 2023 compared to $3.6 million at December 31, 2022. The increase in deferred revenues was primarily due to the associated timing of annual membership renewals and, to a lesser extent, an increase in membership dues rates during 2023.

Accrued payroll and other compensation was approximately $1.3 million at September 30, 2023 compared to $1.0 million at December 31, 2022. The increase is primarily due to the associated timing of employee payroll payments in the ordinary course of business related to our golf and related operations and the timing of payment of certain earned employee incentives.

Management believes that anticipated cash provided from future operations will be sufficient to meet operating requirements and make required monthly payments under our term loan facility. If business conditions warrant additional monies needed, Avalon will take all available actions to fund operating requirements including borrowing from our existing line of credit.

Growth Strategy

Waste Management Services Segment

Our growth strategy for the waste management services segment focuses on increasing revenue, gaining market share and enhancing shareholder value through internal growth. Although we are a waste management services company, we do not own any landfills or provide waste collection services. However, because of our many relationships with various disposal facilities and transporters, we are able to be more flexible and provide alternative solutions to a customer’s waste disposal or recycling needs. We intend to capitalize on our management and sales staff which has extensive experience in all aspects of the waste business. As such, we intend to manage our internal growth as follows:

- ***Sales and Marketing Activities***. We will focus on retaining existing customers and obtaining new business through our well-managed sales and marketing activities. We seek to manage our sales and marketing activities to enable us to capitalize on our position in many of the markets in which we operate. We provide a tailored program to all of our customers in response to their particular needs. We accomplish this by centralizing services to effectively manage their needs, such as minimizing their procurement costs.

We currently have a number of professional sales and marketing employees in the field who are compensated using a commission structure that is focused on generating high levels of quality revenue. For the most part, these employees directly solicit business from existing and prospective customers. We emphasize our rate and cost structures when we train new and existing sales personnel. We intend to hire additional qualified professional sales personnel to expand into different geographical areas.

- ***Development Activities***. We will seek to identify opportunities to further position us as an integrated service provider in markets where we provide services. In addition, we will continue to utilize the extensive experience of our management and sales staff to bid on significant one-time projects and those that require special expertise. Where appropriate, we may seek to obtain permits that would provide vertically integrated waste services or expand the service offerings or leverage our existing volumes with current vendors to provide for long term, cost competitive strategic positioning within our existing markets.

Golf and Related Operations Segment

In August 2014, the Company acquired The Grand Resort which was integrated into the golf and related operations segment. The acquisition is consistent with the Company's business strategy in that The Grand Resort provides guests with a self-contained vacation experience, offering hotel guests golf packages to all of the golf courses of the Avalon Golf and Country Club and allows its guests to utilize the facilities at each of the clubhouses. Members of the Avalon Golf and Country Club also have access to all of the amenities offered by The Grand Resort. The Grand Resort is open year-round and provides a consistent, comfortable environment where our guests can enjoy our various amenities and activities. Avalon believes that the combination of its four golf facilities and The Grand Resort will result in additional memberships in the Avalon Golf and Country Club.

In addition, several private country clubs in the northeast Ohio area are experiencing economic difficulties. Avalon believes some of these clubs may represent an attractive investment opportunity. While Avalon has not entered into any pending agreements for acquisitions, it may do so at any time and will continue to consider acquisitions that make economic sense.

Results of Operations

Avalon’s primary business segment, the waste management services segment, provides hazardous and nonhazardous waste brokerage and management services, captive landfill management services and salt water injection well operations. The golf and related operations segment includes the operation and management of four golf courses and related country clubs and facilities, a hotel and its associated resort amenities and a multipurpose recreation center.

Performance in the third quarter of 2023 compared with the third quarter of 2022

Overall Performance

Net operating revenues decreased to $23.9 million in the third quarter of 2023 compared with $25.7 million in the third quarter of 2022. Net operating revenues of the waste management services segment were approximately $11.7 million in the third quarter of 2023 compared to $15.0 million in the third quarter of 2022. The decrease in net operating revenues of the waste management services segment was a result of a decrease in event work projects during the third quarter of 2023 compared to the third quarter of 2022. Net operating revenues of the golf and related operations segment were approximately $12.2 million in the third quarter of 2023 compared to $10.7 million in the third quarter of 2022. The increase in net operating revenues of the golf and related operations was a result of increased business operations related to both The Grand Resort and the country clubs during the third quarter of 2023 compared to the third quarter of 2022.

Total cost of operations related to the waste management services segment decreased to $9.3 million in the third quarter of 2023 compared with $12.2 million in the third quarter of 2022. The decrease in the cost of operations between periods for the waste management services segment is primarily due to a decrease in net operating revenues as these costs vary directly with the associated revenues.

Total cost of operations related to the golf and related operations segment increased to $9.5 million in the third quarter of 2023 compared to $8.2 million in the third quarter of 2022. The increase between periods was primarily a result of higher employee related costs associated with an increase in business operations and wage increases during the period.

Depreciation and amortization expense was approximately $1.0 million in the third quarter of 2023 compared to $0.9 million in the third quarter of 2022. The increase is due to a higher depreciable asset base primarily related to the renovation of The Avalon Field Club at New Castle and The Grand Resort.

Consolidated selling, general and administrative expenses were approximately $2.8 million in the third quarter of 2023 compared to $2.9 million in the third quarter of 2022. The slight decrease was due to lower wages compared to the prior year.

Interest expense was approximately $0.5 million in the third quarter of 2023 compared to $0.4 million in the third quarter of 2022. During the third quarter of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the three months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.18% and 5.69%, respectively.

Net income attributable to Avalon Holdings Corporation common shareholders was $0.9 million, or $0.23 per share, in the third quarter of 2023 compared with net income attributable to Avalon Holdings Corporation common shareholders of $1.2 million, or $0.30 per share, in the third quarter of 2022.

Segment Performance

Segment performance should be read in conjunction with Note 13 to the Condensed Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services segment decreased to $11.7 million in the third quarter of 2023 compared with $15.0 million in the third quarter of 2022. The waste management services segment includes waste disposal brokerage and management services, captive landfill management operations and salt water injection well operations.

The net operating revenues of the waste disposal brokerage and management services business were approximately $11.2 million in the third quarter of 2023 compared to $14.3 million in the third quarter of 2022. Continuous work of the waste disposal brokerage business increased approximately $0.9 million between periods as a result of increased work from multiple customers. Net operating revenues related to continuous work were approximately $7.3 million in the third quarter of 2023 compared with $6.4 million in the third quarter of 2022. In addition, event work net operating revenues related to multiple projects decreased by approximately $4.0 million during third quarter of 2023 when compared to third quarter of 2022. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time. Such work can fluctuate significantly from period to period. Event work net operating revenues were approximately $3.9 million in the third quarter of 2023 compared with $7.9 million in the third quarter of 2022.

The net operating revenues of the captive landfill management operations were approximately $0.7 million in the third quarter of both 2023 and 2022, respectively. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Costs of operations related to the waste management services segment decreased to $9.3 million in the third quarter of 2023 compared with $12.2 million in the third quarter of 2022. The decrease in the cost of operations between periods for the waste management segment is primarily due to the decrease in net operating revenues as these costs vary directly with the associated revenues. The overall gross margin percentage of the waste brokerage and management services business was approximately 20% in the third quarter of 2023 and 19% in the third quarter of 2022. Overall gross margin percentage tends to vary based upon the revenues generated between continuous and event work.

Income before income taxes for the waste management services segment were approximately $1.2 million in the third quarter of 2023 compared to $1.5 million in the third quarter of 2022. Income before income taxes of the waste brokerage and management services business was approximately $1.2 million in the third quarter of 2023 compared to $1.4 million in the third quarter of 2022. The decrease in income before income taxes was primarily attributable to a decrease in event work during the third quarter of 2023 compared to the third quarter of 2022. Income before income taxes of the captive landfill operations were approximately $0.1 million in both the third quarter of 2023 and 2022. The salt water injection wells incurred a loss before income taxes of less than $0.1 million in the third quarter of 2023 and 2022, respectively, primarily due to legal and professional costs incurred relating to Avalon’s appeal and mandamus processes.

Golf and Related Operations Segment

Net operating revenues of the golf and related operations segment were approximately $12.2 million in the third quarter of 2023 compared to $10.7 million in the third quarter of 2022. Avalon’s golf and related operations segment consists of the operation and management of four golf courses and related country clubs which provide dining and banquet facilities, a hotel which provides lodging, dining, banquet and conference facilities and other resort related amenities and a multipurpose recreation center.

Food, beverage and merchandise sales increased to approximately $4.6 million in the third quarter of 2023 compared to $4.1 million in the third quarter of 2022. Food, beverage and merchandise sales increased between periods as a result of an increase in business activity at both The Grand Resort and the country clubs.

Other net operating revenues related to the golf and related operations were approximately $7.6 million in the third quarter of 2023 compared to $6.6 million in the third quarter of 2022. Membership dues revenue was approximately $1.8 million in both the third quarter of 2023 and 2022, respectively. Net operating revenues related to room rental was approximately $2.5 million in the third quarter of 2023 compared to $2.2 million in the third quarter of 2022. The increase in room revenue was a result of both higher occupancy and an increase in average room rates when compared to the prior period. Greens fees and associated cart rentals were approximately $1.8 million in the third quarter of 2023 compared to $1.6 million in the third quarter of 2022. The increase was primarily due to an increase in cart rental rates during the period. Other revenues consisting of athletic, fitness, salon and spa related activities were approximately $1.5 million in the third quarter of 2023 compared to $1.0 million in the third quarter of 2022. The increase between periods was primarily due to an increase in salon and spa revenue.

Total cost of operations for the golf and related operations segment were $9.5 million in the third quarter of 2023 compared with $8.2 million in the third quarter of 2022. Cost of food, beverage and merchandise was approximately $2.0 million in the third quarter of 2023 compared to $1.7 million in the third quarter of 2022. The increase in total food, beverage and merchandise costs between periods is primarily due to higher revenues from increased business operations. The cost of food, beverage and merchandise sales was approximately 43% of associated revenue in the third quarter 2023 compared to 42% of associated revenue in both the third quarter of 2022. Golf and related operations operating costs increased to approximately $7.5 million in the third quarter of 2023 compared with $6.5 million in the third quarter of 2022. The increase in operating costs between periods, primarily employee related costs, was directly attributable to both an increase in business operations and higher employee wages paid per hour during the third quarter of 2023 compared to the third quarter of 2022.

The golf and related operations recorded income before income taxes of $1.2 million in both the third quarter of 2023 and 2022.

General Corporate Expenses

General corporate expenses were $1.0 million in the third quarter of 2023 compared to $1.1 million in the third quarter of 2022. The decrease was attributable to lower legal and professional fees.

Interest Expense

Interest expense was approximately $0.5 million in the third quarter of 2023 compared to $0.4 million in the third quarter of 2022. During the third quarter of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the three months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.18% and 5.69%, respectively.

Net Income

Net income attributable to Avalon Holdings Corporation common shareholders was $0.9 million in the third quarter of 2023 compared to net income attributable to Avalon Holdings Corporation common shareholders of $1.2 million in the third quarter of 2022. Avalon recorded a state income tax provision in both the third quarter of 2023 and 2022, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company’s federal net deferred tax assets, the overall effective tax rate in both periods reflect taxes owed in certain U.S state jurisdictions. Avalon's income tax on the income before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Performance in the first nine months of 2023 compared with the first nine months of 2022

Overall Performance

Net operating revenues increased to $62.9 million in the first nine months of 2023 compared with $59.5 million in the first nine months of 2022. Net operating revenues of the waste management services segment were approximately $34.7 million in the first nine months of 2023 compared to $35.1 million in the first nine months of 2022. The decrease in net operating revenues of the waste management services segment was a result of a decrease in event work projects during the first nine months of 2023 compared to the first nine months of 2022. Net operating revenues of the golf and related operations segment were approximately $28.2 million in the first nine months of 2023 compared to $24.4 million in the first nine months of 2022. The increase in net operating revenues of the golf and related operations was a result of increased business operations related to both The Grand Resort and the country clubs during the first nine months of 2023 compared to the first nine months of 2022.

Total cost of operations related to the waste management services segment increased to $27.9 million in the first nine months of 2023 compared with $28.2 million in the first nine months of 2022. The decrease in the cost of operations between periods for the waste management services segment is primarily due to decreased net operating revenues as these costs vary directly with the associated revenues.

Total cost of operations related to the golf and related operations segment increased to $24.2 million in the first nine months of 2023 compared to $20.3 million in the first nine months of 2022. The increase between periods was primarily a result of higher product costs and employee related costs associated with an increase in business operations and wage increases during the period.

Depreciation and amortization expense was approximately $2.9 million in the first nine months of 2023 compared to $2.6 million in the first nine months of 2022. The increase is due to a higher depreciable asset base primarily related to the renovation of The Avalon Field Club at New Castle and The Grand Resort.

Consolidated selling, general and administrative expenses were approximately $7.8 million in the first nine months of 2023 compared to $7.5 million in the first nine months of 2022. The increase was primarily attributable to higher wages and discretionary employee bonuses paid during the period.

Interest expense was approximately $1.6 million in the first nine months of 2023 compared to $1.0 million in the first nine months of 2022. During the first nine months of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the nine months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.15% and 5.27%, respectively.

Net loss attributable to Avalon Holdings Corporation common shareholders was $0.9 million, or $0.24 per share, in the first nine months of 2023 compared with net income attributable to Avalon Holdings Corporation common shareholders of $0.4 million, or $0.10 per share, in the first nine months of 2022.

Segment Performance

Segment performance should be read in conjunction with Note 13 to the Condensed Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services segment decreased to $34.7 million in the first nine months of 2023 compared with $35.1 million in the first nine months of 2022.

The net operating revenues of the waste disposal brokerage and management services business were approximately $32.4 million in the first nine months of 2023 compared to $33.1 million in the first nine months of 2022. Continuous work of the waste disposal brokerage business increased approximately $0.3 million between periods as a result of increased work from multiple customers. Net operating revenues related to continuous work were approximately $18.9 million in the first nine months of 2023 compared with $18.6 million in the first nine months of 2022. In addition, event work net operating revenues related to multiple projects decreased by approximately $1.0 million during first nine months of 2023 when compared to first nine months of 2022. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time. Such work can fluctuate significantly from year to year. Event work net operating revenues were approximately $13.5 million in the first nine months of 2023 compared with $14.5 million in the first nine months of 2022.

The net operating revenues of the captive landfill management operations were approximately $2.3 million in the first nine months of 2023 compared to $2.0 million in the first nine months of 2022. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Costs of operations related to the waste management services segment decreased to $27.9 million in the first nine months of 2023 compared with $28.2 million in the first nine months of 2022. The decrease in the cost of operations between periods for the waste management segment is primarily due to the decrease in net operating revenues as these costs vary directly with the associated revenues. The overall gross margin percentage of the waste brokerage and management services business was approximately 20% in both the first nine months of 2023 and 2022.

Income before income taxes for the waste management services segment were approximately $3.0 million in the first nine months of 2023 compared to $3.1 million in the first nine months of 2022. Income before income taxes of the waste brokerage and management services business was approximately $2.9 million in the first nine months of 2023 compared to $3.1 million in the first nine months of 2022. The decreased income before income taxes was primarily attributable to the decrease in net operating revenues during the first nine months of 2023 compared to the first nine months of 2022. Income before income taxes of the captive landfill operations were approximately $0.2 million in the first nine months of 2023 compared to $0.1 million in the first nine months of 2022. During both the first nine months of 2023 and 2022, the salt water injection wells incurred a loss before income taxes of approximately $0.1, primarily due to legal and professional costs incurred relating to Avalon’s appeal and mandamus processes.

Golf and Related Operations Segment

Net operating revenues of the golf and related operations segment were approximately $28.2 million in the first nine months of 2023 compared to $24.4 million in the first nine months of 2022.

Food, beverage and merchandise sales increased to approximately $10.6 million in the first nine months of 2023 compared to $9.3 million in the first nine months of 2022. Food, beverage and merchandise sales increased between periods as a result of an increase in business activity at both The Grand Resort and the country clubs.

Other net operating revenues related to the golf and related operations were approximately $17.6 million in the first nine months of 2023 compared to $15.1 million in the first nine months of 2022. Membership dues revenue was approximately $5.5 million in the first nine months of 2023 compared to $5.3 million in the first nine months of 2022. The increase in membership dues revenue was attributable to an increase in membership dues rates partially offset by a slight decrease in the average number of members during the period. Net operating revenues related to room rental was approximately $5.1 million in the first nine months of 2023 compared to $4.3 million in the first nine months of 2022. The increase in room revenue was a result of both higher occupancy and an increase in average room rates when compared to the prior period. Other revenues consisting of athletic, fitness, salon and spa related activities were approximately $4.0 million in the first nine months of 2023 compared to $2.9 million in the first nine months of 2022. The increase between periods was primarily due to an increase in salon and spa revenue. Greens fees and associated cart rentals were approximately $3.0 million in the first nine months of 2023 compared to $2.6 million in the first nine months of 2022. The increase was primarily due to an increase in cart rental rates during the period. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and western Pennsylvania, were minimal during the first three months of 2023 and 2022.

Total cost of operations for the golf and related operations segment were $24.2 million in the first nine months of 2023 compared with $20.3 million in the first nine months of 2022. Cost of food, beverage and merchandise was approximately $4.8 million in the first nine months of 2023 compared to $4.0 million in the first nine months of 2022. The increase in total food, beverage and merchandise costs between periods is primarily due to higher revenues from increased business operations, and to a lesser extent, higher product costs. The cost of food, beverage and merchandise sales was approximately 46% of associated revenue in the first nine months of 2023 compared to 43% in the first nine months of 2022. Golf and related operations operating costs increased to approximately $19.3 million in the first nine months of 2023 compared with $16.3 million in the first nine months of 2022. The increase in operating costs between periods, primarily employee related costs, was directly attributable to both an increase in business operations and higher employee wages paid per hour during the first nine months of 2023 compared to the first nine months of 2022.

The golf and related operations recorded income before income taxes of $0.3 million in the first nine months of 2023 compared with income before income taxes of $1.0 million in the first nine months of 2022. The change between periods was primarily a result of higher product and employee related costs in the first nine months of 2023 compared to the first nine months of 2022.

The ability to attract new members and retain members is very important to the success of the golf and related operations segment. Avalon is continually using different marketing strategies to attract and retain members, such as local television advertising and/or various membership promotions. A significant decline in members could adversely impact the financial results of the golf and related operations segment.

General Corporate Expenses

General corporate expenses were $2.8 million in the first nine months of 2023 compared to $3.0 million in the first nine months of 2022. The decrease was attributable to lower legal and professional fees.

Interest Expense

Interest expense was approximately $1.6 million in the first nine months of 2023 compared to $1.0 million in the first nine months of 2022. During the first nine months of 2023, the increase in interest expense was due to both the higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. During the nine months ended September 30, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.15% and 5.27%, respectively.

Net Income (loss)

Net loss attributable to Avalon Holdings Corporation common shareholders was $0.9 million in the first nine months of 2023 compared to net income attributable to Avalon Holdings Corporation common shareholders of $0.4 million in the first nine months of 2022. Avalon recorded a state income tax provision in both the first nine months of 2023 and 2022, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal net deferred tax assets, the overall effective tax rate in both periods reflect taxes owed in certain U.S state jurisdictions. Avalon's income tax on the income before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Trends and Uncertainties

Government regulations

A portion of Avalon's waste brokerage and management services revenues is derived from the disposal and/or transportation of out-of-state waste. Any law or regulation restricting or impeding the transportation of waste or the acceptance of out-of-state waste for disposal could have a negative effect on Avalon.

Legal matters

In the ordinary course of conducting its business, Avalon becomes involved in lawsuits, administrative proceedings and governmental investigations, including those relating to environmental matters. Some of these proceedings may result in fines, penalties or judgments being assessed against Avalon which, from time to time, may have an impact on its business and financial condition. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty, management assesses the probability of loss and accrues a liability as appropriate. Avalon does not believe that any uninsured ultimate liabilities, fines or penalties resulting from such pending proceedings, individually or in the aggregate, will have a material adverse effect on its liquidity, financial position or results of operations.

Credit and collections

Economic challenges throughout the industries served by Avalon may result in payment defaults by customers. While Avalon continuously endeavors to limit customer credit risks, customer-specific financial downturns are not controllable by management. Significant customer payment defaults would have a material adverse impact upon Avalon's future financial performance.

Competitive pressures

Avalon's waste brokerage and management services business obtains and retains customers by providing services and identifying cost-efficient disposal options unique to a customer's needs. Consolidation within the solid waste industry has resulted in reducing the number of disposal options available to waste generators and may cause disposal pricing to increase. Avalon's waste brokerage and management services business may not be able to pass these price increases onto some of its customers, which, in turn, may adversely impact Avalon's future financial performance.

Unfavorable general economic conditions could adversely affect our business and financial results

Our operations are substantially affected by economic conditions, including inflation, which can impact consumer disposable income levels and spending habits. Economic conditions can also be impacted by a variety of factors including epidemics, pandemics and actions taken by governments to manage economic matters, whether through initiatives intended to control wages, unemployment, inflation, taxation and other economic drivers. Adverse economic conditions could pressure Avalon's business and operating performance and financial results may suffer.

Numerous economic factors, including a recession, other economic downturns, inflation and the potential for a decrease in consumer spending, could adversely affect us

Various adverse economic conditions, including a recession, other economic downturns and inflation could decrease consumer discretionary spending and adversely affect our financial performance. Rising inflation rates have led to increased interest rates. A recession or other economic downturn could have a material adverse effect on our financial results. The products and services that are golf and related operations offer are products or services that consumers may view as discretionary rather than necessities. Our results of operations are sensitive to changes in macroeconomic conditions that impact consumer spending, including discretionary spending. Other factors, including consumer confidence, employment levels, interest rates, fuel and energy costs, tax rates, and consumer debt levels could reduce consumer spending or change consumer purchasing habits. Slowdowns in the U.S. or global economy, or an uncertain economic outlook, could materially adversely affect consumer spending habits and could have a material adverse effect on our business, results of operations and financial condition.

Challenges with respect to labor, including availability and cost, could impact our business and results of operations

Avalon's success depends in part on our ability to recruit, motivate and retain qualified individuals to work in an intensely competitive labor market. We have experienced, and may continue to experience, challenges in adequately staffing, which can negatively impact operations. Our ability to meet labor needs is generally subject to external factors, including the availability of sufficient workforce, unemployment levels and prevailing wages in the markets in which we operate. Increased costs and competition associated with recruiting, motivating and retaining qualified employees could have a negative impact on Avalon's operating margins and profitability.

Changes in commodity and other operating costs could adversely affect our results of operations

The profitability of our golf and related operations segment depends on our ability to anticipate and react to changes in commodity costs, including food, supplies, fuel, utilities and other operating costs, including labor. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected, and in the future, could adversely affect Avalon's operating results. An increase in commodity costs could have an adverse impact on our profitability.

Effective succession planning is important to our continued success

Effective succession planning is important to our long-term success. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could disrupt our business and adversely affect our results.

A majority of Avalon's business is not subject to long-term contracts

A significant portion of Avalon's business is generated from waste brokerage and management services provided to customers that are not subject to long-term contracts. In light of current economic, regulatory and competitive conditions, there can be no assurance that Avalon's current customers will continue to transact business with Avalon at historical levels. Failure by Avalon to retain its current customers or to replace lost business could adversely impact the future financial performance of Avalon.

Avalon's captive landfill management business is dependent upon a single customer as its sole source of revenue. If the captive landfill management business is unable to retain this customer, Avalon's future financial performance could be adversely impacted.

A significant source of the golf and related operations revenues is derived from the members of the Avalon Golf and Country Club. Members are obligated to pay dues for a one year period. As such, the golf and related operations is primarily dependent on the sale and renewal of memberships in the Avalon Golf and Country Club, on a year to year basis.

Avalon's loan and security agreement may obligate it to repay debt before its maturity

The Company's loan and security agreement contains certain covenants and events of default. Should Avalon be unable to meet one or more of these covenants, its lender may require it to repay any outstanding balance prior to the expiration date of the agreement. Our ability to comply with the financial and other covenants in our loan and security agreement may be affected by worsening economic or business conditions, or other events that may be beyond our control. We cannot provide assurance that our business will generate sufficient cash flow from operating activities in amounts sufficient to enable us to service debt and meet these covenants. We may need to refinance all or a portion of our indebtedness, on or before maturity. The Company cannot assure that additional sources of financing would be available to pay off any long-term borrowings under the loan and security agreement, so as to avoid default.

Saltwater disposal wells

Saltwater disposal wells are regulated by the Ohio Department of Natural Resources ("ODNR"), with portions of the disposal facilities regulated by the Ohio EPA. As exploitation of the Marcellus and Utica shale formations by the hydrofracturing process develops, regulatory and public awareness of the environmental risks of saltwater brine and its disposal in saltwater disposal wells is growing and consequently, it is expected that regulation governing the construction and operation of saltwater disposal wells will increase in scope and complexity. Increased regulation may result in increased construction and/or operating costs, which could adversely affect the financial results of Avalon.

There is a continuing risk during the saltwater disposal well's operation of an environmental event causing contamination to the water tables in the surrounding area, or seismic events. The occurrence of a spill or contamination at a disposal well site could result in remedial expenses and/or result in the operations at the well site being suspended and/or terminated by the Ohio EPA or the ODNR. Incurring remedial expenses and /or a suspension or termination of Avalon's right to operate one or more saltwater disposal wells at the well site could have an adverse effect on Avalon's financial results.

As a result of a seismic event with a magnitude of 2.1 occurring on August 31, 2014, the Chief of the Division of Oil and Gas Resources Management ("Chief" or "Division") issued Orders on September 3, 2014 to immediately suspend all operations of Avalon's two saltwater injection wells until the Division could further evaluate the wells. The Orders were based on the findings that the two saltwater injection wells were located in close proximity to an area of known seismic activity and that the saltwater injection wells pose a risk of increasing or creating seismic activity.

On September 5, 2014, Avalon submitted the information required by the Chief's Order in regards to its AWMS #1 injection well, and the Chief lifted the suspension for that well on September 18, 2014. On September 19, 2014, Avalon submitted information and a written plan required by the Chief's Order proposing the establishment of certain operations and management controls on injections for the AWMS #2 injection well. To date, the Division has not responded to that plan despite Avalon's requests for feedback.

On October 2, 2014, Avalon filed an appeal with the Ohio Oil and Gas Commission (the "Commission") disputing the basis for suspending operations of AWMS #2 and also the authority of the Chief to immediately suspend such operations. On March 11, 2015, an appeal hearing was held. The Chief stated during the hearing that the suspension order is temporary, and he expects that AWMS #2 will be allowed to resume operations once the state's final policymaking is complete.

On August 12, 2015, the Commission upheld the temporary suspension of injection operations of AWMS #2 stating that the temporary suspension would allow the Chief more time to fully evaluate the facts in anticipation of the Division's implementation of a comprehensive regulatory plan that will specifically address injection-induced seismicity.

Avalon appealed that decision to the Franklin County Court of Common Pleas (the "Court"), and on November 1, 2016 an appeal hearing was held in that Court. On December 23, 2016, the Court issued its Decision and Order in Avalon's favor, and vacated the Commission's decision. The Court found that the Division's suspension and refusal to work with the Company over the 26 month period was arbitrary and not in accordance with reason. Subsequent to the ruling, and in accordance with the Court's Decision and Order, both Avalon and the Division submitted their proposed restart plans to the Court. Avalon's plan sets forth both the initial volumes and pressures and increases in volume and pressure while continuously monitoring seismicity and addressing the concerns of public health and safety.

On February 21, 2017, the Court issued its Final Decision and Order. The Court's Final Decision and Order set forth conditions for restarting the AWMS #2 salt water injection well in accordance with the proposed restart plans filed by Avalon with minor revisions. On February 22, 2017, the Division appealed the Final Decision and Order and filed a Motion to Stay the Court Order. The Motion to Stay was granted by the Ohio 10th District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10th District Court of Appeals and on July 31, 2018 a decision was issued on the appeal. The decision reinstated the previous Ohio Oil and Gas Commission decision in this matter.

On September 12, 2018, the Company appealed the Ohio 10th District Court of Appeals decision to the Supreme Court of Ohio. On November 21, 2018, the Company received notice from the Supreme Court of Ohio that the court would not accept for review the Company's appeal of the Ohio 10th District Court of Appeals decision on the Division of Oil and Gas Resources Management's appeal of the Franklin County Court of Common Pleas February 21, 2017 entry allowing restart of the Company's AWMS Water Solutions, LLC #2 salt water injection well.

On April 5, 2019, Avalon filed with the Oil and Gas Commission a motion to vacate its prior decisions in this matter. The Oil and Gas Commission scheduled a hearing on this motion for August 13, 2019. Before the hearing began, and in response to the Division's motion to dismiss the Company's motion to vacate, the Commission dismissed the matter. The Company appealed that decision to the Franklin County Court of Common Pleas. In April 2020, the Division's motion to dismiss and the Company's opposition were reviewed by the Court. Following the restart orders received on May 24, 2021, and discussed below, the Court dismissed the complaint.

Concurrently with the filing of the appeal with the Franklin County Court of Common Pleas, the Company filed a writ of mandamus in the 10th District Court of Appeals on August 30, 2019 to compel the chief of the Division to issue restart orders, or alternative orders that would allow the Company to either restart the AWMS #2 well, or appeal said orders to the Oil and Gas Commission in accordance with Ohio Law. On October 6, 2020 and in response to a motion from the Division, the Court dismissed this complaint for writ of mandamus.

In addition, on August 26, 2016, Avalon filed a complaint in the 11th Appellate District Court in Trumbull County, Ohio for a Peremptory Writ of Mandamus to compel the Director of the Ohio Department of Natural Resources ("ODNR") to initiate appropriations procedures to determine damages from the illegal regulatory taking of the Company's property, or issue an alternative remedy at law. The Company believes that the actions, and lack of responsible actions, by the ODNR is a clear violation of the Company's property rights and a violation of the Fifth and Fourteenth Amendments to the U.S. Constitution; Article I, Section 19 of the Ohio Constitution; and Ohio Revised Code Chapter 163.

On March 18, 2019, Avalon received notice that the 11th Appellate District Court in Trumbull County, Ohio issued summary judgment in favor of the Ohio Department of Natural Resources in the writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The decision was appealed to the Supreme Court of Ohio on April 5, 2019. Oral arguments in the case occurred on April 7, 2020. On September 23, 2020, the Supreme Court of Ohio ruled in favor of the Company. The Supreme Court of Ohio reversed the decision of the 11th Appellate District Court and remanded the case back to that court for a trial on the merits. The trial occurred in September and October 2021. On December 19, 2022, the 11th Appellate District Court denied the Company's writ of mandamus action. The Court determined that the Company failed to establish a cognizable property interest that would necessitate a just compensation/takings analysis and accordingly denied the Company's petition for writ of mandamus. The decision was appealed to the Supreme Court of Ohio on January 30, 2023. Briefings to and on January 24, 2024 the Supreme Court were completed of Ohio ruled in May 2023 and a unanimous decision to overturn the company is awaiting Court of Appeal's decision. The Supreme Court of Ohio remanded to the Court again for a decision. decision on the mandamus complaint as to whether the Company suffered a total or partial taking.

On May 24, 2021, the Company received Chief's Orders from the Division vacating the September 3, 2014 suspension orders for AWMS #2 and setting conditions for restart of that well. Among these conditions was a limit placed on the seismicity within three miles of the well. Under the Order, if a seismic event with a magnitude 2.1 or above occurs, the well must cease operations for an indefinite period of time until concurrence for subsequent restart is received from the Division. The Company appealed the May 2021 Chief's Order to the Ohio Oil and Gas Commission, seeking reasonable operating conditions that will allow the facility to operate profitably while protecting human health and property. A hearing in this matter occurred in February 2022. On June 30, 2022, the Oil and Gas Commission rendered their decision for the Division in this matter, once again deferring to the Division in their decision. The Company appealed the decision to the Franklin County Ohio Court of Common Pleas on August 3, 2022. The company awaits a decision by the Court.

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

The following discussion provides information which management believes is relevant to an assessment and understanding of the operations and financial condition of Avalon Holdings Corporation and its subsidiaries. As used in this report, the term "Avalon" or the "Company" means Avalon Holdings Corporation, its wholly owned subsidiaries and variable interest entities when it has been determined that Avalon is the primary beneficiary of those company's operations, taken as a whole, unless the context indicates otherwise.

Statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations which are not historical in nature are intended to be, and are hereby identified as, "forward looking statements". Avalon cautions readers that forward looking statements, including, without limitation, those relating to Avalon's future business prospects, revenues, working capital, liquidity, capital needs, interest costs, and income, are subject to certain risks and uncertainties that could cause actual results to differ materially from those indicated in the forward looking statements, due to risks and factors identified herein and from time to time in Avalon's reports filed with the Securities and Exchange Commission.

Liquidity and Capital Resources

For the three months ended March 31, 2024, Avalon utilized existing cash and cash provided by operations and the line of credit to meet operating needs, fund capital expenditures and make required monthly payments on our term loan facility. Cash in our project fund account and borrowings under our line of credit were also utilized to fund capital expenditures which included the continued renovation of The Grand Resort as further described below.

2022 Term Loan Agreement

On August 5, 2022, Avalon and certain direct and indirect wholly owned subsidiaries entered into a loan and security agreement (the "2022 Term Loan Agreement") with Laurel Capital Corporation which provided for a $31.0 million term loan. At closing, $20.2 million of the proceeds were used to pay off and refinance amounts outstanding and associated interest under our 2019 Term Loan Agreement with Laurel Capital Corporation and $0.4 million of the proceeds were utilized to pay transaction costs. The remaining proceeds of approximately $10.4 million were deposited into a project fund account for which those proceeds are to fund future costs of renovating and expanding both The Grand Resort and Avalon Field Club at New Castle. At March 31, 2024 and December 31, 2023 the balance of "Restricted Cash" is $10.2 million and $10.3 million, respectively, and presented in the Consolidated Balance Sheets. The monies are earning nominal interest. The 2019 Term Loan Agreement was terminated in conjunction with the 2022 Term Loan Agreement.

The 2022 Term Loan Agreement is payable in 119 equal monthly installments of principal and interest, based on a twenty-five (25) year maturity schedule which commenced September 5, 2022 followed by one final balloon payment of all remaining principal, interest and fees due on the maturity date of August 5, 2032. Upon request by Avalon, project fund proceeds can be utilized to pay debt service. Borrowings under the 2022 Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Avalon has the right to prepay the amount outstanding under the 2022 Term Loan Agreement, in whole or in part, at any time upon payment of the principal amount of the loan to be prepaid plus accrued unpaid interest thereon to the prepayment date, plus an applicable prepayment penalty. The prepayment penalty, expressed as a percentage of the principal of the loan being prepaid, is six percent (6%) on any prepayment in the first five years; four percent (4%) on any prepayment in the sixth and seventh year; three percent (3%) on any prepayment in the eighth and ninth year; and two percent (2%) on any prepayment in the tenth year.

Borrowings under the 2022 Term Loan Agreement are secured by certain real property and related business assets as defined in the agreement. The 2022 Term Loan Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year, commencing December 31, 2023. The 2022 Term Loan also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the 2022 Term Loan Agreement covenants at March 31, 2024 and December 31, 2023.

Line of Credit Agreement

On May 31, 2018, Avalon entered into a business loan agreement with Premier Bank (the "Line of Credit Agreement") which provides for a line of credit of up to $5.0 million. On September 18, 2023, the Company amended the Line of Credit Agreement to extend the maturity date to July 31, 2025. Under the Line of Credit Agreement, borrowings in excess of $1.0 million are subject to a borrowing base which is calculated based off a specific level of eligible accounts receivable of the waste management business as defined in the agreement.

At both March 31, 2024 and December 31, 2023, approximately $3.2 million was outstanding under the Line of Credit Agreement. At March 31, 2024 and December 31, 2023, approximately $1.8 million was available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At March 31, 2024, the interest rate on the Line of Credit Agreement was 8.75%.

Borrowings under the Line of Credit Agreement are secured by certain business assets of the Company including accounts receivable, inventory and equipment. The Line of Credit Agreement contains a Fixed Charge Coverage Ratio requirement of at least 1.20 tested on an annual basis on December 31 of each year. The Line of Credit Agreement also contains other nonfinancial covenants, customary representations, warranties and events of default. Avalon was in compliance with the Line of Credit Agreements covenants at March 31, 2024 and December 31, 2023.

During the three months ended March 31, 2024 and 2023, the weighted average interest rate on outstanding borrowings was 6.27% and 6.10%, respectively.

Squaw Creek Country Club Lease Agreement

In November 2003, Avalon entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by Avalon. Under the lease, Avalon is obligated to pay $15,000 in annual rent and make leasehold improvements of $150,000 per year. Amounts expended by Avalon for leasehold improvements during a given year in excess of $150,000 will be carried forward and applied to future leasehold improvement obligations. Based upon the amount of leasehold improvements already made, Avalon expects to exercise all of its remaining renewal options.

Capital Expenditures

During the three months ended March 31, 2024, Avalon incurred and paid to vendors capital expenditures in the amount of $0.4 million. During the three months ended March 31, 2023, Avalon incurred capital expenditures of $1.2 million of which $1.1 million of such expenditures was paid to vendors during the period. For both the three months ended March 31, 2024 and 2023, expenditures primarily related to the continued renovation of The Grand Resort and the clubhouse at Avalon Field Club at New Castle.

In 2024 and 2023, certain hotel rooms at The Grant Resort and other areas of the facility were in the process of being renovated. Avalon’s aggregate capital expenditures in 2024 are expected to be in the range of $3.0 million to $4.0 million. Capital expenditures principally relate to hotel room renovations at The Grand Resort, building improvements and equipment purchases. Such capital expenditures are expected to be funded with cash from our project fund account, proceeds from our line of credit and cash generated from operations.

Working Capital

At March 31, 2024 and December 31, 2023, there was a working capital deficit of approximately $4.4 million and $3.9 million, respectively. Working capital was negatively impacted primarily by an increase in accounts payable, accrued payroll, deferred membership dues revenue and other accrued liabilities. The negative impact was partially offset by an increase in accounts receivable, unbilled membership dues receivables, inventory and prepaid assets

Accounts receivable increased to $12.3 million at March 31, 2024 compared with $9.5 million at December 31, 2023. Accounts receivable related to our waste management services segment increased approximately $0.6 million at March 31, 2024 compared with December 31, 2023 as a result of increased billings and the timing of receipt on the receivables. Accounts receivable related to the golf and related operations segment increased approximately $2.2 million at March 31, 2024 compared to December 31, 2023 due to an increase in membership dues and the associated timing of annual membership renewals.

Unbilled membership dues receivable was approximately $0.8 million at March 31, 2024 compared to $0.6 million at December 31, 2023. The increase was primarily due to an increase in dues and the timing of annual membership renewals related to the Avalon Golf and Country Club and associated monthly billing over the course of the annual agreement.

Inventory was approximately $1.9 million at March 31, 2024 compared to $1.7 million at December 31, 2023. The increase is related to merchandise, food and beverage inventory related to our golf and related operations segment.

Accounts payable was approximately $11.3 million at March 31, 2024 compared to $9.7 million at December 31, 2023. Approximately $1.0 million of the increase in accounts payable between periods was due to the waste management segment. Accounts payable related to our waste management segment increased as a result of the associated timing of vendor payments in the ordinary course of business. Accounts payable related to our golf and related operations increased $0.6 million at March 31, 2024 compared to December 31, 2023, due to the associated timing of vendor payments in the ordinary course of business.

Deferred revenue relating to membership dues was approximately $5.2 million at March 31, 2024 compared to $3.4 million at December 31, 2023. The increase in deferred revenues was primarily due to an increase in membership dues and the associated timing of annual membership renewals. The number of members at March 31, 2024 was 5,050 compared to 4,952 at December 31, 2023.

Accrued payroll and other compensation was approximately $1.8 million at March 31, 2024 compared to $1.3 million at December 31, 2023. The increase is primarily due to the associated timing of payment of certain earned employee incentives relating to our waste management services segment.

Management believes that anticipated cash provided from future operations will be sufficient to meet operating requirements and make required monthly payments under our term loan facility. If business conditions warrant additional monies needed, Avalon will take all available actions to fund operating requirements including borrowing from our existing line of credit.

Growth Strategy

Waste Management Segment

Our growth strategy for the waste management services segment focuses on increasing revenue, gaining market share and enhancing shareholder value through internal growth. Although we are a waste management services company, we do not own any landfills or provide waste collection services. However, because of our many relationships with various disposal facilities and transporters, we are able to be more flexible and provide alternative solutions to a customer's waste disposal or recycling needs. We intend to capitalize on our management and sales staff which has extensive experience in all aspects of the waste business. As such, we intend to manage our internal growth as follows:

• ***Sales and Marketing Activities***. We will focus on retaining existing customers and obtaining new business through our well-managed sales and marketing activities. We seek to manage our sales and marketing activities to enable us to capitalize on our position in many of the markets in which we operate. We provide a tailored program to all of our customers in response to their particular needs. We accomplish this by centralizing services to effectively manage their needs, such as minimizing their procurement costs.

We currently have a number of professional sales and marketing employees in the field who are compensated using a commission structure that is focused on generating high levels of quality revenue. For the most part, these employees directly solicit business from existing and prospective customers. We emphasize our rate and cost structures when we train new and existing sales personnel. We intend to hire additional qualified professional sales personnel to expand into different geographical areas.

• ***Development Activities***. We will seek to identify opportunities to further position us as an integrated service provider in markets where we provide services. In addition, we will continue to utilize the extensive experience of our management and sales staff to bid on significant one-time projects and those that require special expertise. Where appropriate, we may seek to obtain permits that would provide vertically integrated waste services or expand the service offerings or leverage our existing volumes with current vendors to provide for long term, cost competitive strategic positioning within our existing markets.

Golf and Related Operations Segment

In August 2014, the Company acquired The Grand Resort which was integrated into the golf and related operations segment. The acquisition is consistent with the Company's business strategy in that The Grand Resort provides guests with a self-contained vacation experience, offering hotel guests golf packages to all of the golf courses of the Avalon Golf and Country Club and allows its guests to utilize the facilities at each of the clubhouses. Members of the Avalon Golf and Country Club also have access to all of the amenities offered by The Grand Resort. The Grand Resort is open year-round and provides a consistent, comfortable environment where our guests can enjoy our various amenities and activities. Avalon believes that the combination of its four golf facilities and The Grand Resort will result in additional memberships in the Avalon Golf and Country Club. In addition, several private country clubs in the northeast Ohio area are experiencing economic difficulties. Avalon believes some of these clubs may represent an attractive investment opportunity. While Avalon has not entered into any pending agreements for acquisitions, it may do so at any time and will continue to consider acquisitions that make economic sense.

Results of Operations

Avalon's primary business segment, the waste management services segment, provides hazardous and nonhazardous waste brokerage and management services, captive landfill management services and salt water injection well operations. The golf and related operations segment includes the operation and management of four golf courses and related country clubs and facilities, a hotel and its associated resort amenities and a multipurpose recreation center.

Performance in the first quarter of 2024 compared with the first quarter of 2023

Overall Performance

Net operating revenues increased to $18.9 million in the first quarter of 2024 compared with $18.4 million in the first quarter of 2023. Net operating revenues of the waste management services segment were approximately $12.5 million in the first quarter of 2024 compared to $12.7 million in the first quarter of 2023. The decrease in net operating revenues of the waste management services segment was a result of a marginal increase in continuous work but a significant decrease in event work projects during the first quarter of 2024 compared to the first quarter of 2023. Net operating revenues of the golf and related operations segment were approximately $6.4 million in the first quarter of 2024 compared to $5.8 million in the first quarter of 2023. The increase in net operating revenues of the golf and related operations was a result of an increase in pricing and also an increase in business operations related to both The Grand Resort and the country clubs during the first quarter of 2024 compared to the first quarter of 2023.

Total cost of operations related to the waste management services segment decreased to $9.9 million in the first quarter of 2024 compared with $10.4 million in the first quarter of 2023. The decrease in the cost of operations between periods for the waste management services segment is primarily due to a decrease in net operating revenues as these costs vary directly with the associated revenues.

Total cost of operations related to the golf and related operations segment were $5.9 million in both the first quarter of 2024 and 2023. The decrease in costs as a percentage of revenue between periods was primarily a result of cost cutting efforts implemented with a specific focus on reducing employee related costs.

Depreciation and amortization expense was approximately $1.0 million in the first quarter of 2024 compared to $0.9 million in the first quarter of 2023. The increase is due to a higher depreciable asset base primarily related to the renovations at The Grand Resort.

Consolidated selling, general and administrative expenses were approximately $2.6 million in the first quarter of 2024 compared to $2.5 million in the first quarter of 2023. The increase was primarily a result of an increase in certain earned employee incentives relating to our waste management services segment

Interest expense was approximately $0.5 million for both the first quarter of 2024 and the first quarter of 2023. During the three months ended March 31, 2024 and 2023, the weighted average interest rate on outstanding borrowings was 6.27% and 6.10%, respectively.

Net loss attributable to Avalon Holdings Corporation common shareholders was $1.0 million, or $0.25 per share, in the first quarter of 2024 compared with a net loss attributable to Avalon Holdings Corporation common shareholders of $1.7 million, or $0.43 per share, in the first quarter of 2023.

Segment Performance

Segment performance should be read in conjunction with Note 13 to the Condensed Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services segment decreased slightly to $12.5 million in the first quarter of 2024 compared with $12.7 million in the first quarter of 2023. The waste management services segment includes waste disposal brokerage and management services, captive landfill management operations and salt water injection well operations.

The net operating revenues of the waste disposal brokerage and management services business were approximately $11.8 million in the first quarter of 2024 compared to $11.9 million in the first quarter of 2023. Event work net operating revenues decreased by approximately $0.8 million during first quarter of 2024 when compared to first quarter of 2023. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time. Such work can fluctuate significantly from period to period. Event work net operating revenues were approximately $5.2 million in the first quarter of 2024 compared with $6.0 million in the first quarter of 2023. In addition, continuous work of the waste disposal brokerage business increased approximately $0.6 million between periods as a result of increased work from multiple customers. Net operating revenues related to continuous work were approximately $6.6 million in the first quarter of 2024 compared with $5.9 million in the first quarter of 2023.

The net operating revenues of the captive landfill management operations were approximately $0.7 million in the first quarter of 2024 compared to $0.8 million in the first quarter of 2023. The net operating revenues of the captive landfill operations are almost entirely dependent upon the volume of waste generated by the owner of the landfill for whom Avalon manages the facility.

Costs of operations related to the waste management services segment decreased to $9.9 million in the first quarter of 2024 compared with $10.4 million in the first quarter of 2023. The decrease in the cost of operations between periods for the waste management segment is primarily due to the decrease in net operating revenues as these costs vary directly with the associated revenues. The overall gross margin percentage of the waste brokerage and management services business was approximately 21% in the first quarter of 2024 compared to 18% in the first quarter of 2023. The increase in the overall gross margin percentage was primarily attributable to the increased gross profit associated with continuous work during first quarter of 2024.

Income before income taxes for the waste management services segment were approximately $1.2 million in the first quarter 2024 compared with $0.9 million in the first quarter 2023. Income before income taxes of the waste brokerage and management services business was approximately $1.2 million for the first quarter of 2024 compared to $0.9 million in the first quarter of and 2023. The increased income before income taxes was primarily attributable to the increased gross profit in the first quarter of 2024 compared to the first quarter of 2023. Income before income taxes of the captive landfill operations were approximately $0.1 million in both the first quarter of 2024 and 2023. During both the first quarter of 2024 and 2023, the salt water injection wells incurred a loss before income taxes of approximately $0.1 million primarily due to legal and professional costs.

Golf and Related Operations Segment

Net operating revenues of the golf and related operations segment were approximately $6.4 million in the first quarter of 2024 compared to $5.8 million in the first quarter of 2023. Avalon’s golf and related operations segment consists of the operation and management of four golf courses and related country clubs which provide dining and banquet facilities, a hotel which provides lodging, dining, banquet and conference facilities and other resort related amenities and a multipurpose recreation center.

Food, beverage and merchandise sales were approximately $2.0 million in both the first quarter of 2024 and 2023.

Other net operating revenues related to the golf and related operations were approximately $4.4 million in the first quarter of 2024 compared to $3.8 million in the first quarter of 2023. Membership dues revenue was approximately $2.0 million in the first quarter of 2024 compared to $1.8 million in the first quarter of 2023. The increase in membership dues revenue was attributable to an increase in membership dues rates. Net operating revenues related to room rental was approximately $1.0 million in the first quarter of 2024 compared to $0.9 million in the first quarter of 2023. The increase in room revenue was a result of both higher occupancy and an increase in average room rates when compared to the prior period. Other revenues consisting of athletic, fitness, salon and spa related activities were approximately $1.3 million in the first quarter of 2024 compared to $1.0 million in the first quarter of 2023. The increase between periods was primarily due to an increase in salon and spa revenue. Greens fees and associated cart rentals were approximately $0.1 million in both the first quarter of 2024 and 2023. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and western Pennsylvania, were minimal during the first three months of 2024 and 2023.

Total cost of operations for the golf and related operations segment were $5.9 million in both the first quarter of 2024 and 2023. Cost of food, beverage and merchandise was approximately $1.0 million in both the first quarter of and 2023. The cost of food, beverage and merchandise sales was approximately 51% of associated revenue in the first quarter of 2024 compared to 52% in the first quarter of 2023. Golf and related operations operating costs was approximately $4.9 million in both the first quarter of 2024 and 2023. The decrease in costs as a percentage of revenue between periods was primarily a result of cost cutting efforts implemented with a specific focus on reducing employee related costs.

The golf and related operations recorded a loss before income taxes of $0.8 million in the first quarter of 2024 compared with a loss before income taxes of $1.3 million in the first quarter of 2023. The change between periods was primarily a result of an increase in membership due rates, increased revenue at the salon and spa along with cost cutting efforts implemented with a specific focus on reducing employee related costs.

General Corporate Expenses

General corporate expenses were $1.0 million in the first quarter of 2024 compared to $0.9 million in the first quarter of 2023. The change between periods was primarily a result of a slight increase in professional fees.

Interest Expense

Interest expense was approximately $0.5 million for both the first quarter of 2024 and 2023. During the three months ended March 31, 2024 and 2023, the weighted average interest rate on outstanding borrowings was 6.27% and 6.10%, respectively.

Net Loss

Net loss attributable to Avalon Holdings Corporation common shareholders was $1.0 million in the first quarter of 2024 compared to a net loss attributable to Avalon Holdings Corporation common shareholders of $1.7 million in the first quarter of 2023. Avalon recorded a state income tax provision in both the first quarter of 2024 and 2023, which was related entirely to the waste management and brokerage operations. Due to the recording of a full valuation allowance against the Company's federal net deferred tax assets, the overall effective tax rate in both periods reflect taxes owed in certain U.S state jurisdictions. Avalon's income tax benefit on the loss before taxes was offset by a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Trends and Uncertainties

Government regulations

A portion of Avalon's waste brokerage and management services revenues is derived from the disposal and/or transportation of out-of-state waste. Any law or regulation restricting or impeding the transportation of waste or the acceptance of out-of-state waste for disposal could have a negative effect on Avalon.

Legal matters

In the ordinary course of conducting its business, Avalon becomes involved in lawsuits, administrative proceedings and governmental investigations, including those relating to environmental matters. Some of these proceedings may result in fines, penalties or judgments being assessed against Avalon which, from time to time, may have an impact on its business and financial condition. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty, management assesses the probability of loss and accrues a liability as appropriate. Avalon does not believe that any uninsured ultimate liabilities, fines or penalties resulting from such pending proceedings, individually or in the aggregate, will have a material adverse effect on its liquidity, financial position or results of operations.

Credit and collections

Economic challenges throughout the industries served by Avalon may result in payment defaults by customers. While Avalon continuously endeavors to limit customer credit risks, customer-specific financial downturns are not controllable by management. Significant customer payment defaults would have a material adverse impact upon Avalon's future financial performance.

Competitive pressures

Avalon's waste brokerage and management services business obtains and retains customers by providing services and identifying cost-efficient disposal options unique to a customer's needs. Consolidation within the solid waste industry has resulted in reducing the number of disposal options available to waste generators and may cause disposal pricing to increase. Avalon's waste brokerage and management services business may not be able to pass these price increases onto some of its customers, which, in turn, may adversely impact Avalon's future financial performance.

Unfavorable general economic conditions could adversely affect our business and financial results

Our operations are substantially affected by economic conditions, including inflation, which can impact consumer disposable income levels and spending habits. Economic conditions can also be impacted by a variety of factors including epidemics, pandemics and actions taken by governments to manage economic matters, whether through initiatives intended to control wages, unemployment, inflation, taxation and other economic drivers. Adverse economic conditions could pressure Avalon's business and operating performance and financial results may suffer.

Numerous economic factors, including a recession, other economic downturns, inflation and the potential for a decrease in consumer spending, could adversely affect us

Various adverse economic conditions, including a recession, other economic downturns and inflation could decrease consumer discretionary spending and adversely affect our financial performance. Rising inflation rates have led to increased interest rates. A recession or other economic downturn could have a material adverse effect on our financial results. The products and services that are golf and related operations offer are products or services that consumers may view as discretionary rather than necessities. Our results of operations are sensitive to changes in macroeconomic conditions that impact consumer spending, including discretionary spending. Other factors, including consumer confidence, employment levels, interest rates, fuel and energy costs, tax rates, and consumer debt levels could reduce consumer spending or change consumer purchasing habits. Slowdowns in the U.S. or global economy, or an uncertain economic outlook, could materially adversely affect consumer spending habits and could have a material adverse effect on our business, results of operations and financial condition.

Challenges with respect to labor, including availability and cost, could impact our business and results of operations

Avalon's success depends in part on our ability to recruit, motivate and retain qualified individuals to work in an intensely competitive labor market. We have experienced, and may continue to experience, challenges in adequately staffing, which can negatively impact operations. Our ability to meet labor needs is generally subject to external factors, including the availability of sufficient workforce, unemployment levels and prevailing wages in the markets in which we operate. Increased costs and competition associated with recruiting, motivating and retaining qualified employees could have a negative impact on Avalon's operating margins and profitability.

The waste brokerage and management division employs individuals with unique capabilities and knowledge in the handling, disposal and transportation of both hazardous and non-hazardous waste. In addition, the majority of the senior management and sales representatives have been employed by Avalon for many years and are approaching retirement age. Over the years, the waste brokerage and management division has had difficulty finding qualified individuals with the required expertise in specific geographic areas. Our inability to replace these individuals upon retirement, with the required expertise could have a negative impact on the profitability of the waste brokerage and management division.

Changes in commodity and other operating costs could adversely affect our results of operations

The profitability of our golf and related operations segment depends on our ability to anticipate and react to changes in commodity costs, including food, supplies, fuel, utilities and other operating costs, including labor. We continuously monitor supply and cost trends of these commodities. During the first three months of 2023 and 2022, we experienced higher commodity costs compared to the prior year period. These increases are primarily driven by overall market demand and inflationary pressures. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected, and in the future, could adversely affect Avalon's operating results. We anticipate commodity costs to continue to remain elevated throughout 2024 due to inflationary pressures. An increase in commodity costs could have an adverse impact on our profitability.

Effective succession planning is important to our continued success

Effective succession planning is important to our long-term success. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could disrupt our business and adversely affect our results.

A majority of Avalon's business is not subject to long-term contracts

A significant portion of Avalon's business is generated from waste brokerage and management services provided to customers that are not subject to long-term contracts. In light of current economic, regulatory and competitive conditions, there can be no assurance that Avalon's current customers will continue to transact business with Avalon at historical levels. Failure by Avalon to retain its current customers or to replace lost business could adversely impact the future financial performance of Avalon.

Avalon's captive landfill management business is dependent upon a single customer as its sole source of revenue. If the captive landfill management business is unable to retain this customer, Avalon's future financial performance could be adversely impacted.

A significant source of the golf and related operations revenues is derived from the members of the Avalon Golf and Country Club. Members are obligated to pay dues for a one year period. As such, the golf and related operations is primarily dependent on the sale and renewal of memberships in the Avalon Golf and Country Club, on a year to year basis.

Avalon's loan and security agreement may obligate it to repay debt before its maturity

The Company's loan and security agreement contains certain covenants and events of default. Should Avalon be unable to meet one or more of these covenants, its lender may require it to repay any outstanding balance prior to the expiration date of the agreement. Our ability to comply with the financial and other covenants in our loan and security agreement may be affected by worsening economic or business conditions, or other events that may be beyond our control. Although the Company believes that cash generated from operations will be sufficient to meet obligations under our loan and security agreement, we cannot provide assurance that our business will generate cash flow from operating activities in amounts sufficient to enable us to service debt and meet these covenants. We may need to refinance all or a portion of our indebtedness, on or before maturity. The Company cannot assure that additional sources of financing would be available to pay off any long-term borrowings under the loan and security agreement, so as to avoid default.

Saltwater disposal wells

Saltwater disposal wells are regulated by the Ohio Department of Natural Resources ("ODNR"), with portions of the disposal facilities regulated by the Ohio EPA. As exploitation of the Marcellus and Utica shale formations by the hydrofracturing process develops, regulatory and public awareness of the environmental risks of saltwater brine and its disposal in saltwater disposal wells is growing and consequently, it is expected that regulation governing the construction and operation of saltwater disposal wells will increase in scope and complexity. Increased regulation may result in increased construction and/or operating costs, which could adversely affect the financial results of Avalon.

The saltwater disposal wells are currently not operational. Assuming operations resume in the future, there is a risk during the operation of an environmental event causing contamination to the water tables in the surrounding area, or seismic events. The occurrence of a spill or contamination at a disposal well site could result in remedial expenses and/or result in the operations at the well site being suspended and/or terminated by the Ohio EPA or the ODNR. Incurring remedial expenses and /or a suspension or termination of Avalon's right to operate one or more saltwater disposal wells at the well site could have an adverse effect on Avalon's financial results.

As a result of a seismic event with a magnitude of 2.1 occurring on August 31, 2014, the Chief of the Division of Oil and Gas Resources Management ("Chief" or "Division") issued Orders on September 3, 2014 to immediately suspend all operations of Avalon's two saltwater injection wells until the Division could further evaluate the wells. The Orders were based on the findings that the two saltwater injection wells were located in close proximity to an area of known seismic activity and that the saltwater injection wells pose a risk of increasing or creating seismic activity.

On September 5, 2014, Avalon submitted the information required by the Chief's Order in regards to its AWMS #1 injection well, and the Chief lifted the suspension for that well on September 18, 2014. On September 19, 2014, Avalon submitted information and a written plan required by the Chief's Order proposing the establishment of certain operations and management controls on injections for the AWMS #2 injection well. To date, the Division has not responded to that plan despite Avalon's requests for feedback.

On October 2, 2014, Avalon filed an appeal with the Ohio Oil and Gas Commission (the "Commission") disputing the basis for suspending operations of AWMS #2 and also the authority of the Chief to immediately suspend such operations. On March 11, 2015, an appeal hearing was held. The Chief stated during the hearing that the suspension order is temporary, and he expects that AWMS #2 will be allowed to resume operations once the state's final policymaking is complete.

On August 12, 2015, the Commission upheld the temporary suspension of injection operations of AWMS #2 stating that the temporary suspension would allow the Chief more time to fully evaluate the facts in anticipation of the Division's implementation of a comprehensive regulatory plan that will specifically address injection-induced seismicity.

Avalon appealed that decision to the Franklin County Court of Common Pleas (the "Court"), and on November 1, 2016 an appeal hearing was held in that Court. On December 23, 2016, the Court issued its Decision and Order in Avalon's favor, and vacated the Commission's decision. The Court found that the Division's suspension and refusal to work with the Company over the 26 month period was arbitrary and not in accordance with reason. Subsequent to the ruling, and in accordance with the Court's Decision and Order, both Avalon and the Division submitted their proposed restart plans to the Court. Avalon's plan sets forth both the initial volumes and pressures and increases in volume and pressure while continuously monitoring seismicity and addressing the concerns of public health and safety.

On February 21, 2017, the Court issued its Final Decision and Order. The Court's Final Decision and Order set forth conditions for restarting the AWMS #2 salt water injection well in accordance with the proposed restart plans filed by Avalon with minor revisions. On February 22, 2017, the Division appealed the Final Decision and Order and filed a Motion to Stay the Court Order. The Motion to Stay was granted by the Ohio 10th District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10th District Court of Appeals and on July 31, 2018 a decision was issued on the appeal. The decision reinstated the previous Ohio Oil and Gas Commission decision in this matter.

On September 12, 2018, the Company appealed the Ohio 10th District Court of Appeals decision to the Supreme Court of Ohio. On November 21, 2018, the Company received notice from the Supreme Court of Ohio that the court would not accept for review the Company's appeal of the Ohio 10th District Court of Appeals decision on the Division of Oil and Gas Resources Management's appeal of the Franklin County Court of Common Pleas February 21, 2017 entry allowing restart of the Company's AWMS Water Solutions, LLC #2 salt water injection well.

On April 5, 2019, Avalon filed with the Oil and Gas Commission a motion to vacate its prior decisions in this matter. The Oil and Gas Commission scheduled a hearing on this motion for August 13, 2019. Before the hearing began, and in response to the Division's motion to dismiss the Company's motion to vacate, the Commission dismissed the matter. The Company appealed that decision to the Franklin County Court of Common Pleas. In April 2020, the Division's motion to dismiss and the Company's opposition were reviewed by the Court. Following the restart orders received on May 24, 2021, and discussed below, the Court dismissed the complaint.

Concurrently with the filing of the appeal with the Franklin County Court of Common Pleas, the Company filed a writ of mandamus in the 10th District Court of Appeals on August 30, 2019 to compel the chief of the Division to issue restart orders, or alternative orders that would allow the Company to either restart the AWMS #2 well, or appeal said orders to the Oil and Gas Commission in accordance with Ohio Law. On October 6, 2020 and in response to a motion from the Division, the Court dismissed this complaint for writ of mandamus.

In addition, on August 26, 2016, Avalon filed a complaint in the 11th Appellate District Court in Trumbull County, Ohio for a Peremptory Writ of Mandamus to compel the Director of the Ohio Department of Natural Resources ("ODNR") to initiate appropriations procedures to determine damages from the illegal regulatory taking of the Company's property, or issue an alternative remedy at law. The Company believes that the actions, and lack of responsible actions, by the ODNR is a clear violation of the Company's property rights and a violation of the Fifth and Fourteenth Amendments to the U.S. Constitution; Article I, Section 19 of the Ohio Constitution; and Ohio Revised Code Chapter 163.

On March 18, 2019, Avalon received notice that the 11th Appellate District Court in Trumbull County, Ohio issued summary judgment in favor of the Ohio Department of Natural Resources in the writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The decision was appealed to the Supreme Court of Ohio on April 5, 2019. Oral arguments in the case occurred on April 7, 2020. On September 23, 2020, the Supreme Court of Ohio ruled in favor of the Company. The Supreme Court of Ohio reversed the decision of the 11th Appellate District Court and remanded the case back to that court for a trial on the merits. The trial occurred in September and October 2021. On December 19, 2022, the 11th Appellate District Court denied the Company's writ of mandamus action. The Court determined that the Company failed to establish a cognizable property interest that would necessitate a just compensation/takings analysis and accordingly denied the Company's petition for writ of mandamus. The decision was appealed to the Supreme Court of Ohio on January 30, 2023 and on January 24, 2024 the Supreme Court of Ohio ruled in a unanimous decision to overturn the Court of Appeal's decision. The Supreme Court of Ohio remanded to the Court again for a decision on the mandamus complaint as to whether the Company suffered a total or partial taking.

On May 24, 2021, the Company received Chief's Orders from the Division vacating the September 3, 2014 suspension orders for AWMS #2 and setting conditions for restart of that well. Among these conditions was a limit placed on the seismicity within three miles of the well. Under the Order, if a seismic event with a magnitude 2.1 or above occurs, the well must cease operations for an indefinite period of time until concurrence for subsequent restart is received from the Division. The Company appealed the May 2021 Chief's Order to the Ohio Oil and Gas Commission, seeking reasonable operating conditions that will allow the facility to operate profitably while protecting human health and property. A hearing in this matter occurred in February 2022. On June 30, 2022, the Oil and Gas Commission rendered their decision for the Division in this matter, once again deferring to the Division in their decision. The Company appealed the decision to the Franklin County Ohio Court of Common Pleas on August 3, 2022. The company awaits a decision by the Court.

Golf memberships and liquor licenses

The Avalon Golf and Country Club operates four golf courses and related country clubs and a multipurpose recreation center. The Avalon Golf and Country Club facilities also offer swimming pools, fitness centers, tennis courts, dining and banquet facilities, salon and spa services. In addition, The Grand Resort provides guests with a self-contained vacation experience, offering hotel guests golf packages to all of the golf courses of the Avalon Golf and Country Club and allows its guests to utilize the facilities at each of the clubhouses. Members of the Avalon Golf and Country Club also have access to all of the amenities offered by The Grand Resort. The Avalon Golf and Country Club competes with many public courses and country clubs in the area. Although the golf courses continue to be available to the general public, the primary source of revenues is derived from the members of the Avalon Golf and Country Club. Avalon believes that the combination of its golf facilities and The Grand Resort will result in additional memberships in the Avalon Golf and Country Club. The ability to retain current members and attract new members has been an ongoing challenge. Although Avalon was able to increase the number of members of the Avalon Golf and Country Club, as of September 30, 2023, Avalon has not attained its membership goals. There can be no assurance as to when such goals will be attained. Avalon is continually using different marketing strategies to attract new members, such as local television advertising and various membership promotions. A significant decline in members could adversely affect the future financial performance of Avalon.

Avalon's golf course operations, The Grand Resort and multipurpose recreation center currently hold liquor licenses for their respective facilities. If, for some reason, any one of these facilities were to lose their liquor license, the financial performance of the golf and related operations would be adversely affected.

Seasonality

Avalon's operations are somewhat seasonal in nature since a significant portion of those operations are primarily conducted in selected northeastern and midwestern states. Additionally, Avalon's golf courses are located in northeast Ohio and western Pennsylvania and are significantly dependent upon weather conditions during the golf season. As a result, Avalon's financial performance is adversely affected by adverse weather conditions.

Inflation

The Federal Reserve continues to pursue efforts to lower inflation by raising interest rates. The Federal Reserve increased its key interest rate four nine times in 2023 and seven times in since 2022 as consumer goods prices continued continue to rise throughout the year. increase. Our operations are substantially affected by economic conditions, including inflation, which can impact consumer disposable income levels and spending habits. Although Avalon has not entered into any long-term fixed price contracts that could have a material adverse impact upon its financial performance in periods of inflation, adverse economic conditions could pressure Avalon's business and operating performance and financial results may suffer. In general, management believes that rising costs resulting from inflation could be passed on to customers; however, Avalon may need to absorb all or a portion of these cost increases depending upon competitive conditions at the time.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Avalon does not have significant exposure to changing interest rates.

Borrowings under our New Term Loan Agreement bear interest at a fixed rate of 6.00% until the seventh anniversary date of the closing at which time the interest rate will be reset to a fixed rate equal to the greater of (a) 6.00% per annum or (b) the sum of the three year treasury rate on the date two (2) business days prior to the reset date plus 3.40%, provided that the applicable rate shall in no event exceed 8.50% per annum.

Outstanding borrowings under our Line of Credit Agreement bear interest at Prime Rate plus .25%. At September 30, 2023 March 31, 2024, the interest rate on the Line of Credit Agreement was 8.75%. At September 30, 2023 March 31, 2024, approximately $2.2 million $3.2 million was outstanding under the Line of Credit Agreement.

Avalon does not undertake any specific actions to cover its exposure to interest rate risk and Avalon is not a party to any interest rate risk management transactions. Avalon does not purchase or hold any derivative financial instruments.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), Avalon's management conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2023 March 31, 2024. For purposes of the foregoing, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Avalon's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as outlined above. Based upon that evaluation, the Chief Executive Officer and Chief

Financial Officer have concluded that they believe that, as of September 30, 2023 March 31, 2024, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Controls over Financial Reporting.

There were no changes in our internal controls over financial reporting during the fiscal quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to “Item 3. Legal Proceedings” in Avalon’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 for a description of legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit 101.INS Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document) (1)

Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document (1)

Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document (1)

Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document (1)

Exhibit 101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document (1)

Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document (1)

Exhibit 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) These interactive data files shall not be deemed filed for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, or Section 18 of the Securities Exchange Act, as amended, or otherwise subject to liability under those sections.

(b) Reports on Form 8-K

On September 19, 2023, January 24, 2024 Avalon reported that on September 18, 2023 December 19, 2022, the 11th Appellate District Court in Trumbull County, Ohio denied AWMS Water Solutions, LLC's writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The Company entered into an amendment appealed this decision on January 30, 2023 and on January 24, 2024 the Supreme Court of Ohio ruled in a unanimous decision to its existing Line overturn the Court of Credit Agreement with Premier Bank Appeal's decision. The Supreme Court of Ohio remanded to extend the maturity date to July 31, 2025. Court again for a decision on the mandamus complaint.

SIGNATURE

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

AVALON
HOLDINGS
CORPORATION

(Registrant)

Date: May 8, 2024 November 9, 2023

By: /s/ Michael J. Havalo

Michael J. Havalo, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer and Duly Authorized Officer)

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Exhibit 31.1

AVALON HOLDINGS CORPORATION

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Ronald E. Klingle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avalon Holdings Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 9, 2023 May 8, 2024

/s/ Ronald E. Klingle
Ronald E. Klingle
Chief Executive Officer

Exhibit 31.2

AVALON HOLDINGS CORPORATION

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

CERTIFICATION

I, Michael J. Havalo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Avalon Holdings Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: November 9, 2023 May 8, 2024

/s/ Michael J. Havalo
Michael J. Havalo
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Avalon Holdings Corporation on Form 10-Q for the period ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Ronald E. Klingle, Chief Executive Officer of Avalon Holdings Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Avalon Holdings Corporation.

/s/ Ronald E. Klingle
Ronald E. Klingle
Chief Executive Officer
November 9, 2023 May 8, 2024

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Avalon Holdings Corporation on Form 10-Q for the period ending September 30, 2023 March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael J. Havalo, Chief Financial Officer of Avalon Holdings Corporation, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Avalon Holdings Corporation.

/s/ Michael J. Havalo
Michael J. Havalo
Chief Financial Officer
November 9, 2023 May 8, 2024

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

REFINITIV