

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

FORM 10-K

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

For the fiscal year ended December 31, 2023

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

(State or other jurisdiction of incorporation or organization)

34-1863889

(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:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Class A Common Stock, \$0.01 par value	NYSE Amex

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

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

Indicate by check mark whether the registrant has submitted electronically 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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 check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error in previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of Class A Common Stock held by non-affiliates of the registrant on March 11, 2024 was \$ 7.5 million. Assuming that the market value of Avalon Holdings Corporation's Class B Common Stock was the same as its Class A Common Stock by reason of its one-to-one conversion rights, the market value of Class B Common Stock held by non-affiliates of the registrant on March 11, 2024 was approximately \$1,333. 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 March 11, 2024.

Documents Incorporated by Reference

1. Portions of the Avalon Holdings Corporation Annual Report to Shareholders for the year ended December 31, 2023 (Parts I and II of Form 10-K).
2. Portions of the Avalon Holdings Corporation Proxy Statement for the 2024 Annual Meeting of Shareholders are incorporated by reference herein into Part III.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

As used in this report, the terms "Avalon," "Company," and "Registrant" mean 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.

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Note on Incorporation by Reference

Throughout this report various information and data are incorporated by reference from Avalon's 2023 Annual Report to Shareholders (hereinafter referred to as the "Annual Report to Shareholders"). Any reference in this report to disclosures in the Annual Report to Shareholders shall constitute incorporation by reference of that specific material into this Form 10-K.

PART 1

ITEM 1. BUSINESS

General

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 (the "Spin-off"). The history and organization of the remaining operations, some of which were contributed to Avalon as a result of the Spin-off, are described below.

In June 1990, AWS purchased approximately 5.6 acres of real estate located in Warren, Ohio on which it constructed Avalon's corporate headquarters. In connection with the acquisition of such property, Avalon Lakes Golf, Inc. ("ALGI"), a former subsidiary of AWS and now an indirect wholly owned subsidiary of Avalon, acquired the real and personal property associated with the Avalon Lakes Golf Course, an 18-hole golf course adjacent to the office property. The corporate headquarters and ALGI were contributed to Avalon by AWS. The Avalon corporate headquarters building includes a clubhouse, restaurant, golf simulators and a pro shop for the Avalon Golf and Country Club at Avalon Lakes Golf Course.

In 1995, American Waste Management Services, Inc. ("AWMS") commenced its waste disposal brokerage and management operations and in 1997, American Landfill Management, Inc. ("ALMI") started its captive landfill management operations. Both companies were contributed to Avalon by AWS and now are wholly owned subsidiaries of Avalon.

In November 2003, TBG, Inc. ("TBG"), a subsidiary of ALGI, entered into a long-term lease agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. As a result of the transaction, Avalon created a newly organized subsidiary, Avalon Golf and Country Club, Inc. ("AGCC") which manages all the golf courses and related operations.

In October 2006, Avalon, through a newly created subsidiary, Avalon Country Club at Sharon, Inc. ("Sharon"), completed the acquisition of the Sharon Country Club assets. The primary assets of the Sharon club include the golf course and clubhouse. Avalon renovated the clubhouse and constructed additional recreational facilities and operates the Sharon facilities as part of its Avalon Golf and Country Club.

In June 2011, AWMS Water Solutions, LLC was formed to acquire options on properties for the purpose of operating 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 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 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. As a result of the private placement offering, Avalon is not the majority owner of AWMS Holdings, LLC; however, due to the managerial control of AWMS Water Solutions, LLC, AWMS Holdings, LLC is a variable interest entity ("VIE"), and the financial statements of AWMS Holdings, LLC and subsidiaries are included in Avalon's consolidated financial statements.

In August 2013, AWMS Holdings, LLC formed its first wholly owned subsidiary, AWMS Rt. 169, LLC, to own and operate two salt water injection wells. AWMS Rt. 169, LLC leases 5.2 acres on which the salt water injection wells are located. As further described below, based on the Chief of the Division of Oil and Gas Resources Management's decision, the operations of the two salt water injection wells are currently suspended.

In August 2014, Avalon, through a newly created subsidiary, The Avalon Resort and Spa LLC, completed the acquisition of The Magnuson Grand Hotel in Howland, Ohio. Subsequent to the acquisition, The Magnuson Grand Hotel was renamed and now operates as The Grand Resort. The primary assets of The Grand Resort include the hotel, indoor junior Olympic size swimming pool, outdoor resort pool, Roman Bath, fitness center, restaurants, bars, cigar lounge, salon and spa, banquet and conference facilities and adjoining recreation and tennis center. The Grand Resort is located adjacent to Avalon's corporate headquarters and the Avalon Lakes Golf Course. The Grand Resort operates in conjunction with the Avalon Golf and Country Club.

In July 2016, the Company formed Avalon Resorts and Clubs, Inc. ("ARCI"), a wholly owned subsidiary of Avalon, the purpose of which is to hold the corporate activity of Avalon Clubs, Inc. and Avalon Resorts, Inc., both formed concurrently with ARCI. Avalon Clubs, Inc. was formed to hold the wholly owned subsidiaries of the Avalon Golf and Country Club, while Avalon Resorts, Inc. holds the operations of The Grand Resort.

In March 2018, Avalon, through a newly created subsidiary, Avalon Mahoning Sports Center, Inc., completed the acquisition of the Boardman Tennis Center property in Boardman, Ohio. Subsequent to the acquisition, the Boardman Tennis Center property was renamed and now operates as the Avalon Athletic Club at Boardman. The primary assets of the Avalon Athletic Club at Boardman include the acquired real property consisting of the building and associated land. The Avalon Athletic Club at Boardman facility is a multipurpose recreation center including indoor tennis, basketball, volleyball and pickleball courts and a fitness area. The Avalon Athletic Club at Boardman operates as part of its Avalon Golf and Country Club.

In May 2019, Havana Cigar Shop, Inc., a wholly owned subsidiary of Avalon, completed the acquisition of the New Castle Country Club real property assets located in New Castle, Pennsylvania. Subsequent to the acquisition, Havana Cigar Shop, Inc. was named and now operates as Avalon Field Club at New Castle. The primary assets of Avalon Field Club at New Castle include the acquired real property consisting of the golf course and associated clubhouse. Avalon Field Club at New Castle operates as part of its Avalon Golf and Country Club. During 2022 the existing clubhouse renovation was primarily completed.

In March 2021, Avalon created a new Ohio limited liability company, Avalon Med Spa, LLC. Avalon Med Spa, LLC, located in Warren, Ohio, 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. As a result of the private placement offering, Avalon is the majority owner of Avalon Med Spa, LLC owning 50.1% of the company. Avalon Med Spa, LLC is a VIE, and the financial statements of Avalon Med Spa, LLC are included in Avalon's consolidated financial statements.

Business Segments Information

Avalon's business segments are waste management services and golf and related operations. The waste management services segment includes waste disposal brokerage and management services, captive landfill management operations and salt water injection well operations. The golf and related operations segment includes the operation and management of four golf courses and related clubhouses, a hotel, fitness centers, tennis courts, salon and spa services, dining, banquet and conference facilities. In 2023, one customer of the waste management services segment accounted for 12% of the waste management services segment's net operating revenues to external customers and 6% of Avalon's consolidated net operating revenues. In 2022, two customers of the waste management services segment accounted for 22% of the waste management services segment's net operating revenues to external customers and 14% of Avalon's consolidated net operating revenues.

Waste Management Services

Avalon's waste management subsidiaries provide hazardous and nonhazardous waste disposal 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. For the years 2023 and 2022, the net operating revenues related to waste management services represented approximately 55% and 61%, respectively, of Avalon's total consolidated net operating revenues.

AWMS assists customers with managing and disposing of wastes at approved treatment and disposal sites based upon a customer's needs.

Because waste generators remain liable for their waste, both before and after disposal, they require assurance that their waste will be safely and properly transported, treated and disposed of. To give customers this confidence, as well as to limit its own potential liability, AWMS has instituted procedures designed to minimize the risks of improper handling or disposal of waste.

Before AWMS will provide waste brokerage or management services, a potential customer must complete a detailed waste profile setting forth the amount, chemical composition and any unique characteristics for each type of waste to be handled. Representative samples of the waste are analyzed by a state or federally certified laboratory. In addition, an AWMS representative generally inspects the process generating the waste, the location where the waste may be temporarily stored or the site of the remediation project producing the waste, and interviews representatives of the generator familiar with the waste. This inspection, along with the laboratory results, allows AWMS to determine whether the waste is within acceptable parameters for disposal and, if so, what special handling and treatment procedures must be instituted. If the waste is continuously generated, new representative samples are tested on a periodic basis.

These procedures are important to both AWMS and its customers because the key to proper handling of waste is accurate identification. Hazardous waste which is not identified as such, and thus, improperly disposed of can result in substantial liability to the waste generator, the disposal facility, AWMS and potentially to all other waste generators that have used the disposal site. Conversely, waste that could safely and legally be disposed of in a solid waste landfill, but is instead sent to a hazardous waste facility for treatment and disposal, will result in substantial and unnecessary expense to the generator.

ALMI is a landfill management company that 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. ALMI provides turnkey services, including daily operations, facilities management and management reporting for its customers. Currently, ALMI manages one captive disposal facility located in Ohio. In addition, American Construction Supply, Inc., a wholly owned subsidiary of ALMI, sells construction mats.

AWMS Holdings, LLC, is a holding company that was created to form and own a series of wholly owned subsidiaries that own and operate salt water injection wells and 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 the operations, including the marketing and sales function and all the decisions regarding the well operations for a percentage of the gross revenues. As a result of the private placement offering, Avalon is not the majority owner of AWMS Holdings, LLC; however, due to the managerial control of AWMS 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.

AWMS Holdings, LLC formed its first wholly owned subsidiary, AWMS Rt. 169, LLC, to own and operate two salt water injection wells. AWMS Rt. 169, LLC leases 5.2 acres on which the salt water injection wells are located. As further described below, based on the Chief of the Division of Oil and Gas Resources Management's decision, the operations of the two salt water injection wells are currently suspended.

Golf and Related Operations

Avalon's 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 an athletic center. For the years 2023 and 2022, the net operating revenues related to the golf and related operations represented approximately 45% and 39%, respectively, of Avalon's total consolidated net operating revenues.

ALGI owns and operates a Pete Dye designed championship golf course located in Warren, Ohio. ALGI generates revenue from membership dues, greens fees, cart rentals, merchandise, and food and beverage sales.

TBG, a subsidiary of ALGI, entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease, which commenced on November 1, 2003, has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by TBG. In addition to a championship golf course, the Squaw Creek facilities include a swimming pool, tennis courts and a clubhouse that includes a fitness center, dining and banquet facilities. TBG generates its revenue in the same manner as ALGI, but also generates revenues from tennis and swimming.

In October 2006, Avalon, through its subsidiary, Avalon Country Club of Sharon, Inc., completed the acquisition of the Sharon Country Club assets. The primary assets of Sharon include the golf course and clubhouse which includes, dining and banquet facilities, a swimming pool, salon and spa services and a fitness center. Sharon generates its revenue in the same manner as ALGI and TBG, but also generates revenues from its fitness center and salon and spa services.

In November 2003, Avalon formed the Avalon Golf and Country Club to manage its golf courses and the related operations. Members of the Avalon Golf and Country Club are entitled to privileges at all the facilities. Membership requires payment of annual dues. Members receive several benefits including reduced greens fees, preferential tee times and discounts on merchandise. In addition, 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. 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.

In August 2014, Avalon, through a newly created subsidiary, The Avalon Resort and Spa LLC, completed the acquisition of The Magnuson Grand Hotel in Howland, Ohio. Subsequent to the acquisition, The Magnuson Grand Hotel was renamed and now operates as The Grand Resort. The primary assets of The Grand Resort include the hotel, indoor junior Olympic size swimming pool, outdoor resort pool, Roman Bath, fitness center, restaurants, bars, cigar lounge, salon and spa, banquet and conference facilities and adjoining tennis center. The Grand Resort is located adjacent to Avalon's corporate headquarters and the Avalon Lakes Golf Course. 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 earns revenues through room rentals, food and beverage sales, merchandise sales, salon and spa services, tennis and fitness activities. The Grand Resort operates in conjunction with the Avalon Golf and Country Club.

In July 2016, the Company formed ARCI, a wholly owned subsidiary of Avalon, the purpose of which is to hold the corporate activity of Avalon Clubs, Inc. and Avalon Resorts, Inc., both formed concurrently with ARCI. Avalon Clubs, Inc. was formed to hold the wholly owned subsidiaries of the Avalon Golf and Country Club, while Avalon Resorts, Inc. holds the operations of The Grand Resort.

In March 2018, Avalon, through a newly created subsidiary, Avalon Mahoning Sports Center, Inc., completed the acquisition of the Boardman Tennis Center property in Boardman, Ohio. Subsequent to the acquisition, the Boardman Tennis Center property was renamed and now operates as the Avalon Athletic Club at Boardman. The primary assets of the Avalon Athletic Club at Boardman include the acquired real property consisting of the building and associated land. The Avalon Athletic Club at Boardman facility is a multipurpose recreation center including indoor tennis, basketball, volleyball and pickleball courts and a fitness area. Members of the Avalon Golf and Country Club have access to the facility and all the athletic and fitness related activities offered by the Avalon Athletic Club at Boardman. In addition, hotel guests at The Grand Resort can utilize the facility during their stay. The Avalon Athletic Club at Boardman earns revenue through membership fees, athletic and fitness related activities. The Avalon Athletic Club at Boardman operates as part of its Avalon Golf and Country Club.

In May 2019, Havana Cigar Shop, Inc., a wholly owned subsidiary of Avalon, completed the acquisition of the New Castle Country Club assets located in New Castle, Pennsylvania. Subsequent to the acquisition, Havana Cigar Shop, Inc. was named and now operates as Avalon Field Club at New Castle. The primary assets of Avalon Field Club at New Castle include the acquired real property consisting of the golf course and associated clubhouse. Avalon Field Club at New Castle earns revenue from membership dues, greens fees, cart rentals, merchandise, and food and beverage sales. Avalon Field Club at New Castle operates as part of its Avalon Golf and Country Club. During 2022 the existing clubhouse renovation was primarily completed.

In March 2021, Avalon created a new Ohio limited liability company, Avalon Med Spa, LLC. Avalon Med Spa, LLC, located in Warren, Ohio, earns revenue by providing 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. As a result of the private placement offering, Avalon is the majority owner of Avalon Med Spa, LLC owning 50.1% of the company. Avalon Med Spa, LLC is a VIE, and the financial statements of Avalon Med Spa, LLC are included in Avalon's consolidated financial statements.

The golf courses are significantly dependent upon weather conditions during the golf season as a result of being located in northeast Ohio and western Pennsylvania. Avalon's financial performance is adversely affected by adverse weather conditions.

Governmental 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.

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.

Sales and marketing

Avalon's sales and marketing approach is decentralized, with each business segment being responsible for its own sales and marketing efforts. Each business segment employs its own sales force which concentrates on expanding its business.

Competition

The hazardous and nonhazardous waste disposal brokerage and management business is highly competitive and fragmented. Avalon's waste disposal brokerage and management business competes with other brokerage companies, as well as, with companies which own treatment and disposal facilities. In addition to price, knowledge and service are key factors when competing for waste disposal brokerage and management business. Avalon's waste disposal brokerage and management operations obtain and retain 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 a reduction in the number of disposal options available to waste generators and may cause disposal pricing to increase. Avalon may need to absorb all or a portion of these cost increases depending upon competitive conditions at the time.

Avalon's golf courses are located in Warren, Ohio, Vienna, Ohio, Sharon, Pennsylvania and New Castle, Pennsylvania and compete with many public courses and country clubs in the area.

The Grand Resort's principal competitors are operators of full service, select service and extended stay properties, including major hospitality chains with well-established and recognized brands. We also compete against small chains and independent and local owners and operators. We compete for guests based primarily on the resort complex and country club experience created through the combination of the resort and country club operations.

Insurance

Avalon carries \$11,000,000 of liability insurance coverage. This insurance includes coverage for comprehensive general liability, automobile liability and other customary coverage. In addition, Avalon also carries \$6,000,000 of separate liability insurance coverage for the golf courses and related operations. Avalon carries comprehensive property damage coverage and, also, professional liability insurance for its fitness, swimming, salon and spa activities. No assurance can be given that such insurance will be available in the future or, if available, that the premiums for such insurance will be reasonable.

If Avalon were to incur a substantial liability for damages not covered by insurance or in excess of its policy limits or at a time when Avalon no longer is able to obtain appropriate liability insurance, its financial condition could be materially adversely affected.

Employees

As of December 31, 2023, Avalon had 755 employees, 34 of whom were employed by the waste management services segment, 700 of whom were employed by the golf and related operations and 21 of whom were employed in financial and administrative activities. Avalon believes that it has a good relationship with its employees.

Our principal human capital management objectives are to attract, retain and develop employees for key roles and future leadership positions through a variety of training and development programs. Our commitment to diversity, equity and inclusion is critical to effective human capital management. We seek diverse talent internally and externally in an effort to achieve broader diverse representation throughout our company.

Other business factors

None of Avalon's business segments is materially dependent on patents, trademarks, licenses, franchises or concessions, other than permits, licenses and approvals issued by regulatory agencies. Avalon does not sponsor significant research and development activities.

ITEM 1A. RISK FACTORS

The following factors, as well as, factors described elsewhere in the Form 10-K, or in other filings by Avalon with the Securities and Exchange Commission, could adversely affect Avalon's consolidated financial position, results of operations or cash flows. Other factors not presently known to us or that we presently believe are not material could also affect our business operations and financial results.

Voting control by management

Avalon has two classes of common stock, Class A and Class B. Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes on all matters submitted to a vote of the shareholders. Except for the election of Avalon's Board of Directors, the Class A Common Stock and the Class B Common Stock vote together as a single class on all matters presented for a vote to the shareholders. The holders of the Avalon Class B Common Stock, which consists principally of the management of Avalon, have approximately 66 percent of the aggregate voting power of the outstanding Avalon Common Stock. Currently, the holders of the Avalon Class A Common Stock will not, either alone or acting collectively, be able to elect a majority of the members of Avalon's Board of Directors (the "Avalon Board") or control many corporate actions. However, the holders of the Avalon Class A Common Stock, voting as a separate class, have the right to elect the number of directors equal to at least 25 percent of the total Board of Directors of Avalon until the outstanding Avalon Class B Common Stock constitutes less than 50 percent of the total voting power of the outstanding Avalon Common Stock, after which time the holders of the Avalon Class A and Class B Common Stock will vote as a single class for the election of directors and all matters presented for a vote to the shareholders. The holders of a majority of all outstanding shares of Class A Common Stock or Class B Common Stock, voting as separate classes, must also approve amendments to the Articles of Incorporation that adversely affect the shares of their class.

Each share of Class B Common Stock is convertible, at any time, at the option of the shareholder, into one share of Class A Common Stock. Shares of Class B Common Stock are also automatically converted into shares of Class A Common Stock on the transfer of such shares to any person other than Avalon, another holder of Class B Common Stock or a Permitted Transferee, as defined in Avalon's Articles of Incorporation.

Certain anti-takeover provisions of Articles of Incorporation, Code of Regulations and Ohio Law

The Articles of Incorporation and Code of Regulations of Avalon, as well as, Ohio statutory law, contain provisions that may have the effect of discouraging an acquisition of control of Avalon not approved by the Avalon Board. Such provisions may also have the effect of discouraging third parties from making proposals involving an acquisition or change of control of Avalon, even though such proposals, if made, might be considered desirable by a majority of the Avalon stockholders. Such provisions could also have the effect of making it more difficult for third parties to cause the replacement of the current management of Avalon without the concurrence of the Avalon Board. These provisions have been designed to enable Avalon to develop its business and foster its long-term growth without disruptions caused by the threat of a takeover not deemed by the Avalon Board to be in the best interest of Avalon and its stockholders.

Dividend policy

The dividend policy of Avalon is determined by the Avalon Board. Avalon intends to retain earnings for use in the operation and expansion of its business and, therefore, does not anticipate paying cash dividends in the foreseeable future.

Avalon's market for shares may be subject to greater volatility and limited daily activity

Market fluctuations, as well as economic conditions, may adversely affect the market price of the Avalon Class A Common Stock. Given the relatively small market capitalization of Avalon, the market for its Class A Common Stock may be subject to greater volatility than would be the case for a large company. In addition, the selling and buying of shares on a daily basis may be limited because of the relatively small capitalization of Avalon.

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.

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.

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. 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 and is 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.

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. 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 could be adversely affected by adverse weather conditions.

Environmental liabilities

Avalon may be subject to liability for environmental contamination caused by pollutants, the transportation, treatment or disposal of which was arranged for by Avalon or one of its predecessors.

Although Avalon has compliance guidelines for its waste brokerage and management services business, Avalon could still incur a substantial liability for environmental damage not covered by or in excess of its insurance policy limits and, as such, its financial condition could be adversely affected.

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.

Changes in laws, regulations and accounting standards

Our implementation of new accounting rules and interpretations or compliance with changes in existing accounting rules could adversely affect our balance sheet or results of operations or cause unanticipated fluctuations in our results of operations in future periods.

Accounting estimates and judgments

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and subsequent adjustments could have a material adverse effect on operating results for the period or periods in which the change is identified.

Long-lived asset impairment

Certain events or changes in circumstances may indicate that the recoverability of the carrying value of long-lived assets should be assessed. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, or a current-period operating or cash flow loss combined with historical losses or projected future losses. If an event occurs or changes in circumstances are present, Avalon estimates the future cash flows expected to result from the use of the applicable groups of long-lived assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying value, Avalon would recognize an impairment loss to the extent the carrying value of the groups of long-lived assets exceeds their 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.

The ability to accurately predict future cash flows may impact the determination of fair value. Avalon's assessments of cash flows represent management's best estimate at the time of the impairment review. Avalon estimates the future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets. The key variables that management must estimate include, among other factors, sales, costs, inflation and capital spending. Significant management judgment is involved in estimating these variables, and they include inherent uncertainties. If different cash flows had been estimated in the current period, the value of the long-lived assets could have been materially impacted. Furthermore, Avalon's accounting estimates may change from period to period as conditions in markets change, and this could materially impact financial results in future periods.

Inflation

The Federal Reserve continues to pursue efforts to lower inflation by raising interest rates. The Federal Reserve increased its key interest rate four times in 2023 and seven times in 2022 as consumer goods prices continued to rise throughout the year. 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 1B. UNRESOLVED STAFF COMMENTS

There were no unresolved comments from the Staff of the U. S. Securities and Exchange Commission at December 31, 2023.

ITEM 1C. CYBERSECURITY

Avalon faces various cyber risks, including, but not limited to, risks related to the storage of members' information, and security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. We utilize a multilayered, proactive approach to identify, evaluate, mitigate and prevent potential cyber and information security. Additionally, we devote significant resources to protecting the security of our computer systems, software, networks and other technology assets. Our efforts are designed to adapt with the evolution of information security risks and appropriate best practices and include physical, administrative and technical safeguards. The risk assessment is discussed with the audit committee and board of directors on at least an annual basis. Our practices are generally developed from, and benchmarked against, recognized cybersecurity frameworks, such as the National Institute of Standards and Technology Cybersecurity Framework. Our management team also engages certain outside advisors and consultants to assist in the identification, oversight, evaluation and management of cybersecurity risks on a regular basis, as well as to advise on specific topics.

ITEM 2. PROPERTIES

Avalon owns a 37,000 square foot headquarters building located on approximately 5.6 acres of property in Warren, Ohio adjacent to the Avalon Lakes Golf Course. The corporate and administrative offices of ALMI, AWMS and all the golf operations are located at the headquarters building of Avalon in Warren, Ohio. Avalon's corporate headquarters building also includes a clubhouse, restaurant, golf simulators, pro shop for the Avalon Golf and Country Club at Avalon Lakes Golf Course and a medical spa.

ALGI owns an 18-hole golf course and practice facility on approximately 200 acres, a maintenance and storage building of approximately 12,000 square feet and a restaurant building of approximately 10,400 square feet. All of ALGI's facilities are located in Warren, Ohio.

TBG, Inc. leases and operates the Avalon Golf and Country Club at Squaw Creek in Vienna, Ohio, which includes an 18-hole golf course and practice facility on approximately 224 acres, an outdoor swimming pool, 4 outdoor tennis courts, 4 indoor tennis courts and a 67,000 square foot clubhouse that includes a pro shop, fitness center, restaurants and banquet facilities.

Avalon Country Club at Sharon, Inc. owns an 18-hole golf course on approximately 130 acres in Hermitage, Pennsylvania. The clubhouse and recreational facilities are approximately 80,000 square feet and include a pro shop, dining and banquet facilities, an outdoor swimming pool, a salon and spa and fitness center.

The Avalon Resort and Spa LLC owns a 146,000 square foot hotel that includes an indoor junior Olympic size swimming pool, outdoor resort pool, Roman Bath, fitness center, cigar lounge, salon and spa, dining, banquet and conference facilities, a separate banquet facility of approximately 7,000 square feet, and 3 indoor tennis courts of approximately 4,500 square feet. The Grand Resort is located on approximately 9.3 acres in Warren, Ohio adjacent to the Avalon Lakes Golf Course.

Havana Cigar Shop, Inc. owns an 18-hole golf course located on approximately 200 acres in New Castle, Pennsylvania. The clubhouse is approximately 20,000 square feet and includes a pro shop, dining and banquet facilities.

The Avalon Mahoning Sports Center, Inc. owns a 55,000 square foot tennis and athletic facility that includes 6 indoor tennis, basketball, volleyball and pickleball courts and a fitness area, on approximately 3.5 acres in Youngstown, Ohio.

The captive landfill management operations use four pieces of equipment (bulldozers, excavators and backhoes) and two pieces of rolling stock, all of which are owned or leased by ALMI.

AWMS Rt. 169, LLC leases 5.2 acres on which the salt water injection wells and related facilities are located.

Generally, Avalon's fixed assets are in good condition and are satisfactory for the purposes for which they are intended

ITEM 3. LEGAL PROCEEDINGS

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, would have a material adverse effect on its liquidity, financial position or results of operations. See Item 1. "Business—Insurance."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Information with respect to the following items can be found on the indicated pages of Exhibit 13.1, the 2023 Annual Report to Shareholders, if not otherwise included herein.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

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Common stock information	45
Dividend policy	45

ITEM 6. SELECTED FINANCIAL DATA

Not required for Smaller Reporting Company

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations	2-15
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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for Smaller Reporting Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm (PCAOB ID Number 248)	41
Financial Statements:	
Consolidated Balance Sheets as of December 31, 2023 and 2022	16
Consolidated Statements of Operations for the years ended December 31, 2023 and 2022	17
Consolidated Statements of Cash Flows for the years ended December 31, 2023 and 2022	18
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2023 and 2022	19
Notes to Consolidated Financial Statements	20-40

Information regarding financial statement schedules is contained in Item 15(a) of Part IV of this report.

The consolidated financial statements and schedule listed in items 15(a)(1) and (a)(2) hereof are incorporated herein by reference and are filed as part of this report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A. CONTROLS AND PROCEDURES***Evaluation of Disclosure 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 the end of the period covered by the 2023 Annual Report. 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 December 31, 2023, our disclosure controls and procedures were effective at a reasonable assurance level.

Management's Report on Internal Control Over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting is set forth on page 42 of our 2023 Annual Report, which is incorporated herein by reference.

Changes in Internal Control over Financial Reporting

During the fourth fiscal quarter ended December 31, 2023, there was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 regarding Directors is contained under the caption "Election of Directors" in the Registrant's definitive Proxy Statement for its 2024 Annual Meeting of Shareholders (the "Proxy Statement") which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year, which information under such caption is incorporated herein by reference. The following information with respect to the Executive Officers of Avalon is included pursuant to Instruction 3 of Item 401(b) of Regulation S-K:

Name	Age	Position
Ronald E. Klingle	76	Chairman of the Board, Chief Executive Officer and a Director
Michael J. Havalos	39	Chief Financial Officer, Treasurer and Secretary
Frances R. Klingle	77	Chief Administrative Officer
Kenneth J. McMahon	71	Chief Executive Officer and President of American Waste Management Services, Inc.
Christine M. Bell	55	President of Avalon Golf and Country Club and Director

The above-listed individuals have been elected to the offices set opposite their names to hold office at the discretion of the Board of Directors of Avalon or its subsidiaries, as the case may be.

Ronald E. Klingle has been a director and Chairman of the Board of the Company since June 1998. He was Chief Executive Officer from June 1998 until December 2002. He reassumed and held the position of Chief Executive Officer from March 15, 2004 until February 28, 2010. On February 16, 2011 he again assumed the position of Chief Executive Officer. Mr. Klingle has over 40 years of environmental experience and received his Bachelor of Engineering degree in Chemical Engineering from Youngstown State University. Mr. Klingle is the spouse of Frances R. Klingle who is the Chief Administrative Officer of the Company.

Michael J. Havalos was appointed Chief Financial Officer, Treasurer and Secretary of the Company in June 2023. Mr. Havalos previously served as the Chief Financial Officer and Treasurer at McDonald Steel Corporation. Prior to McDonald Steel Corporation, Mr. Havalos worked for Hill, Barth & King, LLC, public accounting firm. Mr. Havalos received his Bachelor of Business Administration degree in Accounting from Youngstown State University and has been a Certified Public Accountant since 2010.

Frances R. Klingle has been Chief Administrative Officer since June 1998. She was Controller of Avalon from June 1998 to April 2002. Ms. Klingle received a Bachelor of Arts degree in French from Kent State University and has completed postgraduate work in accounting at Youngstown State University. Mrs. Klingle is the spouse of Ronald E. Klingle who is Chairman of the Board and a director of Avalon.

Kenneth J. McMahon has been Chief Executive Officer and President of American Waste Management Services, Inc. since June 1998. Mr. McMahon had previously been Executive Vice President, Sales and a director of American Waste Services, Inc. from September 1996 to June 1998. Mr. McMahon received a Bachelor of Business Administration degree in finance and his Master of Business Administration degree from Youngstown State University.

Christine M. Bell has been a director of the Company since April 2021. Ms. Bell was appointed President of Avalon Golf and Country Club in August 2013 and The Grand Resort in August 2014. She joined the Avalon management team in June of 2007 and is responsible for overall operations at The Grand Resort and all country club locations. Christine began her career in the hospitality industry employed by the Meyer Jabara Hotel Group from 1991 to 2007 where she served in a variety of management positions, including Director of Sales and Catering for the Holiday Inn Metroplex in Youngstown, Ohio and the Sheraton Inn in Canton, Ohio. Christine earned a Bachelor of Science degree in Commercial Recreation and Tourism with a Business Management Minor from Kent State University.

CODE OF ETHICS

Avalon has adopted a Code of Ethics in the form of Standards of Business Ethics and Conduct. Such code applies to all employees of Avalon including its principal executive officer, principal financial officer, principal accounting officer, controller and persons performing similar functions. The Code of Ethics is posted on our website at <http://www.avalonholdings.com>.

Copies of Avalon's Code of Ethics may be obtained without charge by any shareholder. Written requests for copies should be directed to the Secretary of Avalon Holdings Corporation, One American Way, Warren, Ohio 44484.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 is contained under the captions "Executive Compensation," and "Compensation of Directors and Executive Officers" in the Proxy Statement. The information under such captions is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by Item 12 is contained under the captions "Voting Securities and Principal Holders Thereof" and "Stock Ownership of Management" in the Proxy Statement which information under such captions is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Item 13 is contained under the captions "Certain Relationships and Related Transactions" in the Proxy Statement which information under such captions is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by Item 14 is contained under the caption "Independent Public Accountants" in the Proxy Statement which information under such captions is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements and Reports of Independent Registered Public Accounting Firms (See Part II, Item 8 of this report regarding incorporation by reference from the 2023 Annual Report to Shareholders).
2. Financial Statement Schedule required to be filed by Item 8 and Paragraph (d) of this Item 15.

The following financial statement schedule, which is applicable for years ended December 31, 2023 and 2022, should be read in conjunction with the previously referenced financial statements.

Schedule II - Valuation and Qualifying Accounts

The financial statement schedule is located on page 23 of this report. The other schedules are omitted because of the absence of conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto.

3. Exhibits.

Registrant will furnish to any shareholder, upon written request, any of the following exhibits upon payment by such shareholder of the Registrant's reasonable expenses in furnishing any such exhibit.

Exhibit No.

- 2.1 [Agreement and Plan of Merger, dated as of February 6, 1998, entered into by and among USA Waste Services, Inc. \("USA"\), C&S Ohio Corp. and American Waste Services, Inc. \("AWS"\), incorporated by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 2.1.](#)
- 2.2 [Form of Contribution and Distribution Agreement, dated as of May 7, 1998, by and between AWS and Avalon Holdings Corporation \("Avalon"\), incorporated by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 2.2.](#)
- 3.1 [Articles of Incorporation of Avalon incorporated by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 3.1.](#)
- 3.2 [Code of Regulations of Avalon incorporated by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 3.2.](#)
- 4.1 [Form of certificate evidencing shares of Class A common stock, par value \\$.01, of Avalon Holdings Corporation incorporated by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 4.1.](#)
- 4.2 [Avalon Holdings Corporation Long-Term Incentive Plan incorporated by reference as Exhibit 4.2 to Avalon Holdings Corporation Form S-8 filed on February 25, 2010.](#)
- 4.3 [Avalon Holdings Corporation 2019 Long-Term Incentive Plan incorporated by reference as Exhibit 4.2 to Avalon Holdings Corporation Form S-8 filed on April 26, 2019.](#)
- 10.1 [Form of Tax Allocation Agreement, dated as of May 7, 1998, by and among AWS, Avalon and USA incorporated by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 10.1.](#)
- 10.2 [Lease Agreement with Squaw Creek Country Club, incorporated by reference as Exhibit 10.3 to Avalon Holdings Corporation Form 10-Q for the period ended September 30, 2003.](#)
- 10.3 [Stock Purchase Agreement dated as of June 30, 2004 between Avalon Holdings Corporation and BMC International, Inc. for the purchase of DartAmerica, Inc., incorporated by reference as Exhibit 10.4 to Avalon Holdings Corporation Form 10-Q for the period ended June 30, 2004.](#)
- 10.4 [Loan and Security Agreement, dated as of August 5, 2022 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Laurel Capital Corporation, as lender, incorporated by reference as Exhibit 10.1 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.5 [Mortgage Note, dated as of August 5, 2022 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Laurel Capital Corporation, as lender, incorporated by reference as Exhibit 10.2 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.6 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Avalon Holdings Corporation, as mortgagor, and Laurel Capital Corporation, as mortgagee, incorporated by reference as Exhibit 10.3 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.7 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Avalon Lakes Golf, Inc., as mortgagor, and Laurel Capital Corporation, as mortgagee, incorporated by reference as Exhibit 10.4 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.8 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Avalon Resort and Spa, LLC., as mortgagor, and Laurel Capital Corporation, as mortgagee, incorporated by reference as Exhibit 10.5 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.9 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Avalon Country Club at Sharon, Inc., as mortgagor, and Laurel Capital Corporation, as mortgagee, incorporated by reference as Exhibit 10.6 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.10 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Avalon Mahoning Sports Center, Inc., as mortgagor, and Laurel Capital Corporation, as mortgagee, incorporated by reference as Exhibit 10.7 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.11 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Havana Cigar Shop, Inc., as mortgagor, and Laurel Capital Corporation, as mortgagee \(Parcel 1\), incorporated by reference as Exhibit 10.8 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.12 [Open-End Mortgage, Assignment of Leases, Security Agreement and Fixture Filing, dated August 1, 2022 and effective as of August 5, 2022 between Havana Cigar Shop, Inc., as mortgagor, and Laurel Capital Corporation, as mortgagee \(Parcel 2\), incorporated by reference as Exhibit 10.9 to Avalon Holdings Corporation Form 8-K filed on August 8, 2022.](#)

10.13 [Business Loan Agreement \(Asset Based\), dated as of May 31, 2018 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.1 to Avalon Holdings Corporation Form 8-K filed on May 31, 2018.](#)

10.14 [Promissory Note, dated as of May 31, 2018 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.2 to Avalon Holdings Corporation Form 8-K filed on May 31, 2018.](#)

10.15 [Commercial Security Agreement, dated as of May 31, 2018 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Landfill Management, Inc., as grantor, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.3 to Avalon Holdings Corporation Form 8-K filed on May 31, 2018.](#)

10.16 [Commercial Security Agreement, dated as of May 31, 2018 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Waste NJ LLC, as grantor, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.4 to Avalon Holdings Corporation Form 8-K filed on May 31, 2018.](#)

10.17 [Commercial Security Agreement, dated as of May 31, 2018 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Waste Management Services, Inc., as grantor, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.5 to Avalon Holdings Corporation Form 8-K filed on May 31, 2018.](#)

10.18 [Loan Documents Addendum, dated as of May 31, 2018 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.6 to Avalon Holdings Corporation Form 8-K filed on May 31, 2018.](#)

10.19 [Change in Terms Agreement, dated as of June 17, 2019 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Home Savings Bank, as lender, incorporated by reference as Exhibit 10.1 to Avalon Holdings Corporation Form 8-K filed on June 18, 2019.](#)

10.20 [Business Loan Agreement \(Asset Based\), dated as of August 5, 2020 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Premier Bank formerly known as Home Savings Bank, as lender, incorporated by reference as Exhibit 10.1 to Avalon Holdings Corporation Form 8-K filed on August 6, 2020.](#)

10.21 [Promissory Note, dated as of August 5, 2020 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, and Premier Bank formerly known as Home Savings Bank, as lender, incorporated by reference as Exhibit 10.2 to Avalon Holdings Corporation Form 8-K filed on August 6, 2020.](#)

10.22 [Commercial Security Agreement, dated as of August 5, 2020 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Landfill Management, Inc., as grantor, and Premier Bank formerly known as Home Savings Bank, as lender, incorporated by reference as Exhibit 10.3 to Avalon Holdings Corporation Form 8-K filed on August 6, 2020.](#)

10.23 [Commercial Security Agreement, dated as of August 5, 2020 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Waste NJ L.L.C., as grantor, and Premier Bank formerly known as Home Savings Bank, as lender, incorporated by reference as Exhibit 10.4 to Avalon Holdings Corporation Form 8-K filed on August 6, 2020.](#)

10.24 [Commercial Security Agreement, dated as of August 5, 2020 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Waste Management Services, Inc., as grantor, and Premier Bank formerly known as Home Savings Bank, as lender, incorporated by reference as Exhibit 10.5 to Avalon Holdings Corporation Form 8-K filed on August 6, 2020.](#)

10.25 [Change in Terms Agreement, dated as of August 17, 2021 between Avalon Holdings Corporation and certain wholly-owned subsidiaries, as borrowers, and Premier Bank, as lender, incorporated by reference as Exhibit 10.1 to Avalon Holdings Corporation Form 8-K filed on August 18, 2021.](#)

10.26 [Change in Terms Agreement, dated as of July 22, 2022 between Avalon Holdings Corporation and certain wholly-owned subsidiaries, as borrowers, and Premier Bank, as lender, incorporated by reference at Exhibit 10.1 to Avalon Holdings Corporation Form 8-K filed on July 25, 2022.](#)

10.27 [Commercial Security Agreement, dated as of September 18, 2023 between Avalon Holdings Corporation and certain wholly owned subsidiaries, as borrowers, American Waste Management Services, Inc., as grantor, and Premier Bank as lender, incorporated by reference as Exhibit 10.3 to Avalon Holdings Corporation Form 8-K filed on September 19, 2023.](#)

11.1 Omitted—inapplicable. See “Basic and diluted net loss per share” on page 30 of the 2023 Annual Report to Shareholders.

13.1 [Avalon Holdings Corporation 2023 Annual Report to Shareholders \(except pages and information therein expressly incorporated by reference in this Form 10-K, the Annual Report to Shareholders, is provided for the information of the Commission and is not to be deemed “filed” as part of the Form 10-K\).](#)

14.1 [Code of Ethics, incorporated by reference to Exhibit 14.1 to Avalon Holdings Corporation Form 10-K for the period ended December 31, 2010.](#)

21.1 [Subsidiaries of Avalon Holdings Corporation.](#)

23.1 [Consent of Independent Registered Public Accounting Firm – Grant Thornton LLP.](#)

31.1 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

31.2 [Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)

32.1 [Certification pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2 [Certification pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101.INS Inline XBRL Instance Document, submitted electronically herewith.

101.SCHInline XBRL Taxonomy Extension Schema Document, submitted electronically herewith.

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document, submitted electronically herewith

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document, submitted electronically herewith

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document, submitted electronically herewith

101.PREInline XBRL Taxonomy Extension Presentation Linkbase Document, submitted electronically herewith

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

(b) Reports on Form 8-K

On April 26, 2023, announced the resignation of Bryan P. Saksa as Chief Financial Officer, Treasurer and Secretary.

On June 26, 2023, announced the appointment of Michael J. Havalos as Chief Financial Officer, Treasurer and Secretary

On January 24, 2024 Avalon reported that on 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 appealed this decision 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.

(c) Reference is made to Item 15 (a)(3) above for the index of Exhibits.

(d) Reference is made to Item 15 (a)(2) above for the index to the financial statements and financial statement schedules.

ITEM 16. FORM 10-K SUMMARY

None

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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, on the 21st day of March, 2024.

AVALON HOLDINGS CORPORATION
(Registrant)

/s/ Michael J. Havalos

Michael J. Havalos –
Chief Financial Officer and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on the 21st day of March, 2024.

<u>Signatures</u>	<u>Title</u>
<u>/s/ Ronald E. Klinge</u> Ronald E. Klinge	Chairman of the Board, Chief Executive Officer and Director
<u>/s/ Michael J. Havalos</u> Michael J. Havalos	Chief Financial Officer, Treasurer and Secretary
<u>/s/ Christine M. Bell</u> Christine M. Bell	President, Avalon Golf and Country Club and Director
<u>/s/ Kurtis D. Gramley</u> Kurtis D. Gramley	Director
<u>/s/ Stephen L. Gordon</u> Stephen L. Gordon	Director
<u>/s/ Timothy C. Coxson</u> Timothy C. Coxson	Director

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES
SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(in thousands)

DESCRIPTION	Balance at Beginning of Year	Additions			Deductions / (Recoveries)	Balance at End of Year
		Charged (Credited) to Costs and Expenses	Charged to Other Accounts			
Year ended December 31, 2023						
Allowance for credit losses	\$ 260	\$ 56	\$ -	\$ 56 ⁽¹⁾	\$ 260	
Deferred tax asset valuation allowance	\$ 2,488	\$ 477 ⁽²⁾	\$ -	\$ -	\$ 2,965	
Year ended December 31, 2022						
Allowance for credit losses	\$ 265	\$ 32	\$ -	\$ 37 ⁽¹⁾	\$ 260	
Deferred tax asset valuation allowance	\$ 2,351	\$ 137 ⁽²⁾	\$ -	\$ -	\$ 2,488	

(1) Accounts receivable written-off as uncollectible, net of recoveries.

(2) Change in valuation allowance primarily for deferred tax assets when it is more likely than not that the deferred tax assets will not be realized.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

Exhibit

- 13.1 2023 Annual Report to Shareholders
- 21.1 Subsidiaries of Avalon Holdings Corporation
- 23.1 Consent of Independent Registered Public Accounting Firm –Grant Thornton LLP
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 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

Exhibit 101.SCH Inline XBRL Taxonomy Extension Schema Document

Exhibit 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

Exhibit 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

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Exhibit 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

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

Financial Highlights
(in thousands, except for per share amounts)

<u>For the year</u>	<u>2023</u>	<u>2022</u>
Net operating revenues	\$ 80,515	\$ 81,180
Loss before income taxes	(1,987)	(886)
Net loss attributable to Avalon Holdings Corporation common shareholders	(1,775)	(583)
Net loss per share attributable to Avalon Holdings Corporation common shareholders	(0.46)	(0.15)
<u>At year-end</u>	<u>2023</u>	<u>2022</u>
Working capital deficit	\$ (3,864)	\$ (2,768)
Total assets	87,965	89,750
Avalon Holdings Corporation Shareholders' Equity	36,716	38,490

The Company

Avalon Holdings Corporation 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. Avalon Holdings Corporation also owns Avalon Resorts and Clubs Inc., which includes the operation of a hotel and its associated resort amenities, four golf courses and related country clubs and a multipurpose recreation center.

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Consolidated Statements of Operations	17
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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 (collectively "Avalon" or the "Company"). 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. This discussion should be read in conjunction with the consolidated financial statements and accompanying notes.

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 year ended December 31, 2023, 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 and the Avalon Field Club at New Castle 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 the Avalon Field Club at New Castle. At December 31, 2023 and 2022 the balance of "Restricted Cash" is \$10.3 million and \$10.4 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 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 December 31, 2023, approximately \$3.2 million was outstanding under the Line of Credit Agreement. At December 31, 2022, approximately \$1.6 million was outstanding under the Line of Credit Agreement. At December 31, 2023 and 2022, approximately \$1.8 million and \$3.4 million, respectively, were available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At December 31, 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 December 31, 2023 and 2022.

During the years ended December 31, 2023 and 2022, the weighted average interest rate on all outstanding borrowings was 6.17% and 5.50%, 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

In 2023, Avalon incurred and paid to vendors capital expenditures in the amount of \$3.9 million. In 2022, Avalon incurred capital expenditures of \$6.6 million of which \$6.4 million of such expenditures was paid to vendors during the year. For both the years ended December 31, 2023 and 2022, expenditures primarily related to the continued renovation of The Grand Resort and the 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 2023, the renovation of the Avalon Field Club at New Castle was substantially complete. 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 expansion and continued 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 December 31, 2023 and 2022, there was a working capital deficit of approximately \$3.9 million and \$2.8 million, respectively. Working capital was negatively impacted by a decrease in accounts receivable along with increases in accrued payroll and other compensation.

Accounts receivable decreased to \$9.5 million at December 31, 2023 compared with \$11.1 million at December 31, 2022. Accounts receivable related to our waste management services segment decreased approximately \$1.8 million at December 31, 2023 compared with December 31, 2022 as a result of a decrease in net operating revenues in the fourth 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 \$0.2 million at December 31, 2023 compared to December 31, 2022 due to an increase in membership dues and the associated timing of annual membership renewals.

Inventory was approximately \$1.7 million at December 31, 2023 compared to \$1.5 million at December 31, 2022. Food and beverage inventory quantities slightly increased along with an increase in product costs.

Accounts payable was approximately \$9.7 million at December 31, 2023 compared to \$11.0 million at December 31, 2022. The decrease in accounts payable between periods was primarily related to our waste management segment as a decrease in business resulted in a decrease in amounts due to disposal facilities and transportation carriers in the fourth quarter of 2023 compared to the fourth quarter of 2022.

Deferred revenue relating to membership dues was approximately \$3.4 million at December 31, 2023 compared to \$3.6 million at December 31, 2022. The slight decrease was primarily due to timing of membership renewals and the associated dues collected prior to year-end. The number of members at December 31, 2023 was 4,952 compared to 4,983 at December 31, 2022.

Accrued payroll and other compensation was approximately \$1.3 million at December 31, 2023 compared to \$1.0 million at December 31, 2022. The increase is primarily due to the associated timing of payment of certain employee incentives earned.

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 2023 compared with 2022

Overall Performance

Net operating revenues decreased to \$80.5 million in 2023 compared with \$81.2 million in 2022. Net operating revenues of the waste management services segment were approximately \$44.6 million in 2023 compared to \$49.8 million in 2022. 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 in 2023 compared to 2022. Net operating revenues of the golf and related operations segment were approximately \$35.9 million in 2023 compared to \$31.4 million in 2022. The increase in net operating revenues of the golf and related operations was a result of an increase in business and higher selling prices related to both The Grand Resort and the country clubs during 2023 compared to 2022.

Total cost of operations related to the waste management services segment increased to \$35.6 million in 2023 compared with \$40.4 million in 2022. The decrease in the cost of operations between years 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 \$31.1 million in 2023 compared to \$26.8 million in 2022. The increase between years was primarily due to higher product costs and employee related costs associated with an increase in business operations and wage increases during the year.

Depreciation and amortization expense was approximately \$3.8 million in 2023 compared to \$3.5 million in 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 \$10.2 million in 2023 compared to \$10.1 million in 2022. The increase was primarily attributable to higher employee related costs during the year.

Interest expense was approximately \$2.1 million in 2023 compared to \$1.5 million in 2022. During 2023, the increase in interest expense was due to higher average debt outstanding and the increased weighted average interest rate on the associated borrowings. The weighted average debt outstanding during 2023 was approximately \$32.9 million compared to \$26.7 million in 2022. During the years ended December 31, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.17% and 5.50%, respectively.

Net loss attributable to Avalon Holdings Corporation common shareholders was \$1.8 million, or \$0.46 per share, in 2023 compared with a net loss attributable to Avalon Holdings Corporation common shareholders of \$0.6 million, or \$0.15 per share, in 2022.

Segment Performance

Segment performance should be read in conjunction with Note 15 to the Consolidated Financial Statements.

Waste Management Services Segment

The net operating revenues of the waste management services segment decreased to \$44.6 million in 2023 compared with \$49.8 million in 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 \$41.6 million in 2023 compared to \$47.2 million in 2022. Event work net operating revenues related to multiple projects decreased by approximately \$6.3 million during 2023 when compared to 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 16.2 million in 2023 compared with \$22.5 million in 2022. In addition, continuous work of the waste disposal brokerage business increased approximately \$0.7 million between years as a result of increased work from multiple customers. Net operating revenues related to continuous work were approximately \$25.4 million in 2023 compared with \$24.7 million in 2022.

The net operating revenues of the captive landfill management operations were approximately \$3.0 million in 2023 compared to \$2.6 million in 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 \$35.6 million in 2023 compared with \$40.4 million in 2022. The decrease in the costs of operations between years for the waste management services segment is primarily due to a decrease in net operating revenues of event work. The overall gross margin percentage of the waste brokerage and management services business was approximately 20% in 2023 compared to 19% in 2022. The higher gross margin percentage during 2023 was attributable to higher gross profit generated from event work during the year.

Income before income taxes for the waste management services segment was approximately \$4.0 million in 2023 compared to \$4.4 million in 2022. Income before income taxes of the waste brokerage and management services business was approximately \$3.7 million in both 2023 compared to \$4.3 million in 2022. The decreased income before income taxes is a result of a decrease in event work net operating revenues compared to 2022. Income before income taxes of the captive landfill operations were approximately \$0.4 million in 2023 compared to \$0.1 million in 2022. The increase in income before income taxes between years was due to higher disposal revenue compared to 2022. For both 2023 and 2022, the salt water injection wells incurred a loss before income taxes of approximately \$0.1 million 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 \$35.9 million in 2023 compared to \$31.4 million in 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 \$13.5 million in 2023 compared to \$12.1 million in 2022. Food, beverage and merchandise sales increased between years as a result of an increase in business activity and sales pricing at both The Grand Resort and the country clubs.

Other net operating revenues related to the golf and related operations were approximately \$22.4 million in 2023 compared to \$19.3 million in 2022. Membership dues revenue was approximately \$7.3 million in 2023 compared to \$7.1 million in 2022. The increase in membership dues revenue was attributable to an increase in membership dues rates during 2023. Net operating revenues related to room rental was approximately \$6.4 million in 2023 compared to \$5.5 million in 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 year. Other revenues consisting of athletic, fitness, salon and spa related activities were approximately \$5.4 million in 2023 compared to \$3.8 million in 2022. The increase between years was primarily due to an increase in salon and spa revenue of \$1.2 million between years. Greens fees and associated cart rentals were approximately \$3.3 million in 2023 compared to \$2.9 million in 2022. The increase was due to both an increase in rounds played during the year and an increase in cart rental rates. 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 \$31.1 million in 2023 compared with \$26.8 million in 2022. Cost of food, beverage and merchandise was approximately \$6.3 million in 2023 compared to \$5.5 million in 2022. The increase in total food, beverage and merchandise costs between years was attributable to both higher revenues from increased business operations and higher product costs. The cost of food, beverage and merchandise sales was approximately 47% of associated revenue in 2023 compared to 45% in 2022. Golf and related operations operating costs increased to approximately \$24.8 million in 2023 compared with \$21.3 million in 2022. The increase in operating costs between years was directly attributable to both an increase in the level of business operations and higher employee related costs in 2023 compared to 2022. In addition, various operating costs including utilities, fuel, laundry and golf course fertilizer increased between years.

The golf and related operations recorded a loss before income taxes of \$0.2 million in 2023 compared with income before income taxes of \$0.2 million in 2022. The change between years was primarily a result of higher employee related costs due to higher employee wages paid per hour in 2023 compared to 2022 along with increases in various operating costs including utilities, fuel, laundry and golf course fertilizer.

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 \$3.8 million in 2023 compared to 4.0 million in 2022. The decrease was mainly attributable to lower legal and professional fees.

Interest Expense

Interest expense was approximately \$2.1 million in 2023 compared to \$1.5 million in 2022. During 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. The weighted average debt outstanding during 2023 was approximately \$32.9 million compared to \$26.7 million in 2022. During the years ended December 31, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.17% and 5.50%, respectively.

Net Loss

Net loss attributable to Avalon Holdings Corporation common shareholders was \$1.8 million in 2023 compared to net loss attributable to Avalon Holdings Corporation common shareholders of \$0.6 million in 2022. Avalon recorded a state income tax provision in both 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 years reflects taxes owed in certain U.S state jurisdictions. Avalon's income tax provision (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 2023, 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 into 2024. 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. 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 Impact

The Federal Reserve continues to pursue efforts to lower inflation by raising interest rates. The Federal Reserve increased its key interest rate four times in 2023 and seven times in 2022 as consumer goods prices continued to rise throughout the year. 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.

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions, and estimates that affect reported amounts. Significant accounting policies used in the preparation of Avalon's Consolidated Financial Statements are described in Note 2 to the consolidated financial statements. Estimates are used when accounting for, among other things, the allowance for credit losses, estimated useful lives of property and equipment used to depreciate and amortize the assets, asset impairments, compensation costs relating to stock options granted, contingencies and administrative proceedings, environmental matters and taxes.

The majority of Avalon's accounts receivable is due from industrial and commercial customers. Credit is extended based on an evaluation of a customer's financial condition and, generally, collateral is not required. The amounts due are stated at their net realizable value. 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. Bankruptcy or economic challenges of a particular customer represent uncertainties that are not controllable by management. If management's assessments change due to different assumptions or if actual collections differ from management's estimates, future operating results could be impacted. 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.

Avalon recognizes share-based compensation expense related to stock options issued to employees and directors. Avalon estimates the fair value of the stock options granted using a 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 expected term, or time until the option is exercised, is typically based on historical exercising behavior of previous option holders of a company's stock. Due to the fact that the Company has had no historical exercising activity, prior to 2018, we estimated the expected term using the simplified method.

Avalon amortizes the fair value of the stock options over the expected term which approximates the requisite service period. If accelerated vesting occurs based on the market performance of Avalon's common stock, the compensation costs related to the vested stock options that have not previously been amortized are recognized upon vesting.

Certain events or changes in circumstances may indicate that the recoverability of the carrying value of long-lived assets should be assessed. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, or a current-period operating or cash flow loss combined with historical losses or projected future losses. If an event occurs or changes in circumstances are present, Avalon estimates the future cash flows expected to result from the use of the applicable groups of long-lived assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying value, Avalon would recognize an impairment loss to the extent the carrying value of the groups of long-lived assets exceeds their 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.

The ability to accurately predict future cash flows may impact the determination of fair value. Avalon's assessments of cash flows represent management's best estimate at the time of the impairment review. Avalon estimates the future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets. The key variables that management must estimate include, among other factors, sales, costs, inflation and capital spending. Significant management judgment is involved in estimating these variables and they include inherent uncertainties. If different cash flows had been estimated in the current period, the value of the long-lived assets could have been materially impacted. Furthermore, Avalon's accounting estimates may change from period to period as conditions in markets change, and this could materially impact financial results in future periods.

When Avalon concludes that it is probable that an environmental liability has been incurred, a provision is made in Avalon's financial statements for Avalon's best estimate of the liability based on management's judgment and experience, information available from regulatory agencies, and the number, financial resources and relative degree of responsibility of other potentially responsible parties who are jointly and severally liable for remediation of that site, as well as, the typical allocation of costs among such parties. If a range of possible outcomes is estimated and no amount within the range appears to be a better estimate than any other, then Avalon provides for the minimum amount within the range, in accordance with generally accepted accounting principles. The liability is recognized on an undiscounted basis. Avalon's estimates are revised, as deemed necessary, as additional information becomes known. Such revisions may impact future operating results. Although Avalon is not currently aware of any environmental liability, there can be no assurance that in the future an environmental liability will not occur.

Avalon recognizes deferred tax assets and liabilities based on differences between financial statement carrying amounts and the tax bases of assets and liabilities. Avalon also records tax benefits when it believes that it is more likely than not that the benefit will be sustained by the tax authority. Avalon regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance based upon historical taxable income, projected future taxable income and the expected timing of the reversals of existing temporary differences to reduce its deferred assets to the amount that it believes is more likely than not to be realized. Avalon has considered future taxable income in assessing the need for the valuation allowance. The \$2.0 million of deferred tax liabilities will reverse in the same period and jurisdiction and is of the same character as the temporary differences giving rise to the \$2.0 million of deferred tax assets. Avalon has not provided a valuation allowance on the amount of deferred tax assets that it estimates will be utilized. Should Avalon ascertain in the future that it is more likely than not that deferred tax assets will be realized in excess of the net deferred tax assets, all or a portion of the \$3.0 million valuation allowance as of December 31, 2023, would be reversed as a benefit to the provision for income taxes in the period such determination was made.

Consolidated Balance Sheets

(in thousands, except for share data)

	December 31,	
	2023	2022
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,187	\$ 1,624
Accounts receivable, less allowance for credit losses of \$ 260 at December 31, 2023 and December 31, 2022, respectively	9,499	11,127
Unbilled membership dues receivable	567	599
Inventories	1,662	1,461
Prepaid expenses	1,116	1,172
Other current assets	14	105
Total current assets	14,045	16,088
Property and equipment, net	56,630	56,805
Property and equipment under finance leases, net	5,711	5,001
Operating lease right-of-use assets	1,270	1,386
Restricted cash	10,265	10,426
Noncurrent deferred tax asset	8	8
Other assets, net	36	36
Total assets	\$ 87,965	\$ 89,750
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 538	\$ 503
Current portion of obligations under finance leases	198	115
Current portion of obligations under operating leases	432	424
Accounts payable	9,657	10,995
Accrued payroll and other compensation	1,277	989
Accrued taxes	539	643
Deferred membership dues revenue	3,443	3,643
Other liabilities and accrued expenses	1,825	1,544
Total current liabilities	17,909	18,856
Long-term debt, net of current portion	29,220	29,758
Line of credit	3,200	1,550
Obligations under finance leases, net of current portion	598	381
Obligations under operating leases, net of current portion	838	962
Asset retirement obligation	100	100
Commitments and contingencies (Note 17)		
Equity:		
Avalon Holdings Corporation Shareholders' Equity:		
Class A Common Stock, \$.01 par value, one vote per share: authorized 10,500,000 shares; issued and outstanding 3,287,647 shares at December 31, 2023 and 2022	33	33
Class B Common Stock, \$.01 par value, ten votes per share: authorized 1,000,000 shares; issued and outstanding 611,784 shares at December 31, 2023 and 2022	6	6
Paid-in capital	59,206	59,205
Accumulated deficit	(22,529)	(20,754)
Total Avalon Holdings Corporation Shareholders' Equity	36,716	38,490
Non-controlling interest in subsidiaries	(616)	(347)
Total equity	36,100	38,143
Total liabilities and equity	\$ 87,965	\$ 89,750

See accompanying notes to consolidated financial statements.

Consolidated Statements of Operations
 (in thousands, except for per share amounts)

	Year Ended December 31,	
	2023	2022
Net operating revenues:		
Waste management services	\$ 44,611	\$ 49,763
Food, beverage and merchandise sales	13,491	12,137
Other golf and related operations	22,413	19,280
Total golf and related operations	35,904	31,417
Total net operating revenues	80,515	81,180
Costs and expenses:		
Waste management services operating costs	35,642	40,380
Cost of food, beverage and merchandise	6,318	5,500
Golf and related operations operating costs	24,775	21,337
Depreciation and amortization expense	3,826	3,483
Selling, general and administrative expenses	10,227	10,133
Operating (loss) income	(273)	347
Other income (expense):		
Interest expense	(2,098)	(1,464)
Other income, net	384	231
Loss before income taxes	(1,987)	(886)
Provision for income taxes	57	94
Net loss	(2,044)	(980)
Less net loss attributable to non-controlling interest in subsidiaries	(269)	(397)
Net loss attributable to Avalon Holdings Corporation common shareholders	\$ (1,775)	\$ (583)
Loss per share attributable to Avalon Holdings Corporation common shareholders:		
Basic net loss per share	\$ (0.46)	\$ (0.15)
Weighted average shares outstanding - basic	<u>3,899</u>	<u>3,899</u>

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (2,044)	\$ (980)
Reconciliation of net loss to cash provided by operating activities:		
Depreciation and amortization expense	3,826	3,483
Amortization of debt issuance costs	60	50
Compensation costs - stock options	1	4
Provision for losses on accounts receivable	56	32
Change in operating assets and liabilities:		
Accounts receivable	1,572	(1,226)
Unbilled membership dues receivable	32	(21)
Inventories	(201)	(356)
Prepaid expenses	56	(176)
Other assets, net	91	-
Accounts payable	(1,359)	663
Accrued payroll and other compensation	288	192
Accrued taxes	(104)	35
Deferred membership dues revenue	(200)	280
Other liabilities and accrued expenses	281	279
Net cash provided by operating activities	<u>2,355</u>	<u>2,259</u>
Cash flows from investing activities:		
Capital expenditures	(3,897)	(6,393)
Net cash used in investing activities	<u>(3,897)</u>	<u>(6,393)</u>
Cash flows from financing activities:		
Proceeds under New Term Loan facility	-	31,000
Principal payments on term loan facilities	(563)	(21,014)
Principal payments on finance lease obligations	(143)	(167)
Borrowinings under line of credit facility	1,650	1,550
Payments of debt issuance costs	-	(277)
Proceeds from subsidiary private placement offering	-	142
Net cash provided by financing activities	<u>944</u>	<u>11,234</u>
Increase (decrease) in cash, cash equivalents and restricted cash	(598)	7,100
Cash, cash equivalents and restricted cash at beginning of year	12,050	4,950
Cash, cash equivalents and restricted cash at end of year	<u>\$ 11,452</u>	<u>\$ 12,050</u>
Supplemental disclosure of cash flow information:		
Significant non-cash operating and investing activities:		
Capital expenditures included in accounts payable	\$ 21	\$ 168
Significant non-cash investing and financing activities:		
Operating lease right-of-use assets in exchange for lease obligations	\$ 323	\$ 427
Finance lease obligations incurred	\$ 443	\$ -
Cash paid during the year for interest	\$ 2,009	\$ 1,313
Cash paid during the year for income taxes	\$ 162	\$ 58

For supplemental cash flow information regarding income taxes, see Note 10.

See accompanying notes to consolidated financial statements

Consolidated Statements of Shareholders' Equity
 (in thousands, except for share data)

For the Years Ended December 31, 2023 and 2022

	Common Stock								Total Avalon Shareholders' Equity	Non-controlling Interest in Subsidiary	Total			
	Shares		Amount		Paid-in Capital	Accumulated Deficit								
	Class A	Class B	Class A	Class B										
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	-	-	-	-	-	4	-	-	4	-	4			
Investment in subsidiary from accredited investors	-	-	-	-	-	-	-	-	-	142	142			
Net loss	-	-	-	-	-	-	(583)	(583)	(397)	(980)				
	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	-	-	-	-	-	-	(1,775)	(1,775)	(269)	(2,044)				
Balance at December 31, 2023	<u>3,287,647</u>	<u>611,784</u>	<u>\$ 33</u>	<u>\$ 6</u>	<u>\$ 59,206</u>	<u>\$ (22,529)</u>			<u>\$ 36,716</u>	<u>\$ (616)</u>	<u>\$ 36,100</u>			

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Note 1. Description of the 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. Avalon also owns and operates a hotel and its associated resort amenities, four golf courses and related country clubs and a multipurpose recreation center.

Note 2. Summary of Significant Accounting Policies

The significant accounting policies of Avalon, which are summarized below, are consistent with accounting principles generally accepted in the United States and reflect practices appropriate to the businesses in which they operate. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The 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.

Reclassifications

Accrued income taxes on the consolidated balance sheets and consolidated statement of cash flows for 2022 have been reclassified to conform to the presentation for 2023. Such reclassifications had no effect on changes in operations.

Subsequent Events

Avalon evaluated subsequent events for potential recognition and disclosure through the date the financial statements were issued.

Cash and Cash Equivalents

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 Consolidated Statements of Cash Flows and 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 (See Note 4).

Restricted Cash

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 Consolidated Balance Sheets. Restricted cash of \$10.3 million and \$10.4 million at December 31, 2023 and 2022, respectively, consists of loan proceeds deposited into a project fund account to fund costs associated with the renovation and expansion of The Grand Resort and the Avalon Field Club at New Castle in accordance with the provisions of the loan and security agreement (See Notes 4 and 9).

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost of inventories is determined by the average cost method. If necessary, a provision for potentially obsolete or slow-moving inventory is made based on management's analysis of inventory levels and future sales forecasts.

Financial Instruments

The Company follows the guidance included in the Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC") 820, *Fair Value Measurements and Disclosures*, for its financial assets and liabilities. The fair value of financial instruments consisting of cash, cash equivalents, restricted cash, accounts receivable, and accounts payable at December 31, 2023 and 2022 approximates carrying value due to the relative short maturity of these financial instruments.

The fair value of the Company's term loan approximates carrying value at December 31, 2023 and 2022, as neither the Company's credit rating nor credit conditions have changed substantially since the debt was refinanced.

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 the term of the lease (See Note 6).

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. Gains or losses resulting from disposals of property and equipment are recorded in "Other income, net" in our Consolidated Statements of Operations.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized over the life of the related debt. Amortization of deferred financing costs is included in interest expense in the Consolidated Statements of Operations. Debt issuance costs incurred related to the loan and security agreement is presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of the debt (See Note 9).

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and to operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded against net deferred tax assets when management believes it is more likely than not that such deferred tax assets will not be realized. Avalon recognizes any interest and penalty assessed by taxing authorities as a component of interest expense and other expense, respectively (see Note 10).

The provisions of ASC 740, *Income Taxes* ("ASC 740"), clarify the accounting for uncertainty in income taxes recognized in financial statements and prescribe a recognition threshold and measurement attribute for uncertain tax positions taken or expected to be taken on a tax return. ASC 740 also requires that interest and penalties related to unrecognized tax benefits be recognized in the financial statements. Avalon does not have any unrecognized tax benefits that would affect its financial position.

Revenue Recognition

The Company recognizes revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). In accordance with ASC 606, Avalon 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 (See Note 5).

Accounts Receivable

Receivables, net, include amounts billed and currently due from customers. The majority of Avalon's accounts receivable is due from industrial and commercial customers. Credit is extended based on an evaluation of a customer's financial condition and, generally, collateral is not required. The amounts due are stated at their net realizable value. 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 (See Note 5).

Leases

Avalon applies FASB Accounting Standards Update ("ASU") 2016-02, *Leases*. The standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement as either rental expense for operating leases and depreciation and interest expense for finance leases (See Note 7).

Non-controlling Interest

Under FASB ASC 810-10, *Consolidations – Overall* ("ASC 810-10"), a company must determine whether it has a variable interest in a legal entity being evaluated for consolidation. A variable interest entity ("VIE") is consolidated in the financial statements if the company has the power to direct activities that most significantly impact the economic performance of the VIE and has the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

In accordance with ASC 810-10, both AWMS Holdings, LLC and Avalon Med Spa, LLC are VIEs, and their financial statements are included in Avalon's consolidated financial statements. ASC 810-10 requires non-controlling interests to be reported as a separate component of equity. The amount of net loss attributable to the non-controlling interest is recorded in "net loss attributable to non-controlling interest in subsidiaries" in our Consolidated Statements of Operations (See Note 16).

Share-Based Compensation

Avalon recognizes share-based compensation expense related to stock options issued to employees and directors. Avalon estimates the fair value of the stock options granted using a 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.

Avalon amortizes the grant date fair value of the stock options over the expected term which approximates the requisite service period. If accelerated vesting occurs based on the market performance of Avalon's common stock, the compensation costs related to the vested stock options that have not previously been amortized are recognized upon vesting (See Note 12).

Asset Retirement Obligation

Avalon recorded an estimated asset retirement obligation of \$0.1 million at December 31, 2023 and 2022, respectively, to plug and abandon the two salt water injection wells based upon an estimate from an experienced and qualified third party.

Asset Impairments

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.

Avalon reviewed the carrying value of its long-lived assets in accordance with FASB ASC 360-10-35, *Property, Plant and Equipment – Overall – Subsequent Measurement*. Avalon does not believe there was a triggering event in 2023 or 2022 as future cash flows have not changed significantly and asset values have remained relatively stable.

Environmental Liabilities

When Avalon concludes that it is probable that a liability has been incurred with respect to a site, a provision is made in Avalon's financial statements for Avalon's best estimate of the liability based on management's judgment and experience, information available from regulatory agencies, and the number, financial resources and relative degree of responsibility of other potentially responsible parties who are jointly and severally liable for remediation of that site, as well as, the typical allocation of costs among such parties. If a range of possible outcomes is estimated and no amount within the range appears to be a better estimate than any other, Avalon provides for the minimum amount within the range, in accordance with generally accepted accounting principles. The liability is recognized on an undiscounted basis. Avalon's estimates are revised, as deemed necessary, as additional information becomes known. Although Avalon is not currently aware of any environmental liability, there can be no assurance that in the future an environmental liability will not occur.

Basic and Diluted Net Loss per Share

Basic net loss per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing the net loss attributable to Avalon Holdings Corporation common shareholders by the weighted average number of common shares outstanding.

Diluted net loss per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing net loss attributable to Avalon Holdings Corporation 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. 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 periods in which Avalon is in a net loss position, the diluted per share amount reported is equal to the basic per share amount because such dilution would be considered anti-dilutive (See Note 8).

Note 3. Recent Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, to improve disclosures about a public entity's reportable segments and provide additional information about a segment's expenses. Calendar-year-end public entities are required to include the new disclosure for fiscal years beginning after December 15, 2023 (calendar year 2024). The Company is currently evaluating the adoption of this pronouncement and does not expect the adoption to have a material impact on the Company's financial position, results of operations or financial disclosures.

In December 2023, The FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, to improve income tax disclosures around effective tax rates and cash income taxes paid. ASU-2023-09 is effective for public entities for annual periods beginning after December 15, 2024 (calendar year 2025). The Company is currently evaluating the adoption of this pronouncement and does not expect the adoption to have a material impact on the Company's financial position, results of operations or financial disclosures.

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 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 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 the 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 Consolidated Balance Sheets that sum to the total of the same such amounts shown in the Consolidated Statements of Cash Flows. Cash, cash equivalents and restricted cash consist of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022
Cash and cash equivalents	\$ 1,187	\$ 1,624
Restricted cash	10,265	10,426
Total cash, cash equivalents and restricted cash	\$ 11,452	\$ 12,050

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 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 17). Due to the suspension of the salt water injection wells, there were no operating revenues for the years ended December 31, 2023 and 2022.

For the years ended December 31, 2023 and 2022, the net operating revenues related to waste management services represented approximately 55% and 61%, respectively, of Avalon's total consolidated net operating revenues. For the year ended December 31, 2023, one customer accounted for 12% of the waste management services segment's net operating revenues to external customers and 6% of the consolidated net operating revenues. For the year ended December 31, 2022, two customers accounted for 22% of the waste management services segment's net operating revenues to external customers and 14% 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 resort related amenities including dining, banquet and conference facilities, fitness center, swimming pools, salon and spa 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 and salon and spa services. Due to adverse weather conditions, net operating revenues relating to the golf courses, which are located in northeast Ohio and Pennsylvania, were minimal during the first three months of 2023 and 2022.

For the years ended December 31, 2023 and 2022, the net operating revenues related to the golf and related operations represented approximately 45% and 39%, respectively, of Avalon's total consolidated net operating revenues. For both the years ended December 31, 2023 and 2022, 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 noncancelable 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 years ended December 31, 2023 and 2022 (in thousands). Sales and other taxes are excluded from revenues.

	2023	2022
Waste management and brokerage services	\$ 41,578	\$ 47,138
Captive landfill management operations	3,033	2,625
Total waste management services revenues	44,611	49,763
Food, beverage and merchandise sales	13,491	12,137
Membership dues revenue	7,341	7,092
Room rental revenue	6,435	5,507
Greens fees and cart rental revenue	3,300	2,871
Salon and spa services	2,989	1,830
Fitness and tennis lesson revenue	394	435
Other revenue	1,954	1,545
Total golf and related operations revenue	35,904	31,417
Total net operating revenues	\$ 80,515	\$ 81,180

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 December 31, 2023 and 2022, accounts receivable, net, related to our waste management services segment were approximately \$8.4 million and \$10.0 million, respectively. At December 31, 2023 no one customer accounted for 10% or more of the waste management service's segment or consolidated net receivables. At December 31, 2022, one customer accounted for approximately 18% of the waste management services segment's receivables and 16% of the consolidated receivables. Accounts receivable, net, related to our golf and related operations segment were approximately \$1.1 million at December 31, 2023 and 2022, 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 December 31, 2023 and 2022.

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 \$0.3 million at both December 31, 2023 and 2022.

The following table presents changes in our allowance for credit losses during the years ended at December 31, 2023 and 2022 (in thousands):

	Balance at Beginning of Period	Provision for Credit Losses	Write-offs less Recoveries	Balance at End of Period
Allowance for credit losses				
Year ended December 31, 2023	\$ 260	\$ 56	\$ (56)	\$ 260
Year ended December 31, 2022	\$ 265	\$ 32	\$ (37)	\$ 260

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 Consolidated Balance Sheets were approximately \$0.6 million at December 31, 2023 and 2022, respectively.

The following table presents changes in our contract assets during the years ended December 31, 2023 and 2022 (in thousands):

	Balance at Beginning of Period	Unbilled Membership Dues	Billings	Balance at End of Period
Contract Assets:				
Unbilled membership dues receivable				
Year ended December 31, 2023	\$ 599	\$ 1,892	\$ (1,924)	\$ 567
Year ended December 31, 2022	\$ 578	\$ 2,060	\$ (2,039)	\$ 599

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 Consolidated Balance Sheets were approximately \$3.4 million and \$3.6 million at December 31, 2023 and 2022, 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 Consolidated Balance Sheets. Customer advance deposits were approximately \$1.2 million and \$1.0 million at December 31, 2023 and 2022, respectively.

The following table presents changes in our contract liabilities during the years ended December 31, 2023 and 2022 (in thousands):

	Balance at Beginning of Period	Billings	Revenue Recognized	Balance at End of Period
Contract Liabilities:				
Deferred membership dues revenue				
Year ended December 31, 2023	\$ 3,643	\$ 7,141	\$ (7,341)	\$ 3,443
Year ended December 31, 2022	\$ 3,363	\$ 7,372	\$ (7,092)	\$ 3,643
Customer advance deposits				
Year ended December 31, 2023	\$ 965	\$ 3,030	\$ (2,772)	\$ 1,223
Year ended December 31, 2022	\$ 795	\$ 3,038	\$ (2,868)	\$ 965

Note 6. Property and Equipment

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

	2023	2022
Land and land improvements	\$ 17,052	\$ 16,764
Buildings and improvements	54,171	52,974
Machinery and equipment	9,490	8,567
Office furniture and fixtures	10,346	9,638
Vehicles	976	865
Construction in progress	10	11
	92,045	88,819
Less accumulated depreciation and amortization	(35,415)	(32,014)
Property and equipment, net	\$ 56,630	\$ 56,805

At December 31, 2023, the Company did not have any significant fixed contractual commitments for construction projects.

Note 7. Leases

Operating Leases

Avalon leases golf carts and associated GPS equipment, machinery and 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 5.0 years. The weighted average remaining lease term on operating leases was approximately 3.4 years at December 31, 2023.

During 2023, the Company entered into new operating lease agreements for golf carts, GPS equipment and office printers. The Company recorded operating lease right-of-use assets and corresponding obligations under the operating leases of approximately \$0.3 million. During 2022, the Company entered into new operating lease agreements for a facility, vehicle, golf carts and associated GPS equipment. The Company recorded operating lease right-of-use assets and corresponding obligations under the operating leases of approximately \$0.4 million.

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

	2023	2022
Operating lease right-of-use assets	\$ 1,270	\$ 1,386
Current portion of obligations under operating leases	\$ 432	\$ 424
Long-term portion of obligations under operating leases	\$ 838	\$ 962
Total obligations under operating leases	<u>\$ 1,270</u>	<u>\$ 1,386</u>

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

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

In addition, the Company also entered into lease agreements for vehicles, golf course maintenance and restaurant equipment which were determined to be finance leases. At December 31, 2023, the vehicles, golf course maintenance and restaurant equipment have remaining lease terms ranging from less than one year to 4.7 years. The weighted average remaining lease term on the vehicles and equipment leases was approximately 3.4 years at December 31, 2023.

Leased property and associated obligations under finance leases at December 31, 2023 and 2022 consist of the following (in thousands):

	2023	2022
Leased property under finance leases	\$ 13,131	\$ 12,004
Less accumulated amortization	(7,420)	(7,003)
Leased property under finance leases, net	<u>\$ 5,711</u>	<u>\$ 5,001</u>
Current portion of obligations under finance leases	\$ 198	\$ 115
Long-term portion of obligations under finance leases	\$ 598	\$ 381
Total obligations under finance leases	<u>\$ 796</u>	<u>\$ 496</u>

The weighted average discount rate on finance leases was 6.3% at December 31, 2023 and 5.2% at December 31, 2022.

For the years ended December 31, 2023 and 2022, components of lease expense were as follows (in thousands):

	2023	2022
Operating lease cost:		
Rental expense	\$ 736	\$ 766
Finance lease cost:		
Depreciation expense	\$ 498	\$ 511
Interest expense	\$ 33	\$ 28
Total finance lease cost	<u>\$ 531</u>	<u>\$ 539</u>

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

	Finance	Operating	Total
2024	\$ 246	\$ 502	\$ 748
2025	181	440	621
2026	156	262	418
2027	106	165	271
2028	69	61	130
Thereafter	359	-	359
Total lease payments	1,117	1,430	2,547
Less imputed interest	321	160	481
Total	796	1,270	2,066
Less current portion of obligations under leases	198	432	630
Long-term portion of obligations under leases	\$ 598	\$ 838	\$ 1,436

Note 8. Basic and Diluted Net Loss per Share

Basic net loss per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing the net loss attributable to Avalon Holdings Corporation common shareholders by the weighted average number of common shares outstanding. For both the years ended December 31, 2023 and 2022, the weighted average number of common shares outstanding was 3,899,431.

Diluted net loss per share attributable to Avalon Holdings Corporation common shareholders is computed by dividing net 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. 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 year ended December 31, 2023 there was no outstanding options, therefore, no dilution. For the year ended December 31, 2022 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.

The loss per share calculations for the years ended December 31, 2023 and 2022 are as follows (in thousands, except per share amounts):

	2023	2022
Net loss attributable to Avalon Holdings Corporation common shareholders	\$ (1,775)	\$ (583)
Shares used in computing basic loss per share	3,899	3,899
Loss per share attributable to Avalon Holdings Corporation common shareholders	\$ (0.46)	\$ (0.15)
Basic net loss per share	\$ (0.46)	\$ (0.15)

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 the Avalon Field Club at New Castle. At December 31, 2023 and 2022 the balance of "Restricted Cash" is \$10.3 million and \$10.4 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 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 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 (formerly Home Savings 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 December 31, 2023 and 2022, approximately \$3.2 million and \$1.6 million, respectively, were outstanding on the line of credit. At December 31, 2023 and 2022, approximately \$1.8 million and \$3.4 million, respectively, were available under the Line of Credit Agreement. Outstanding borrowings under the Line of Credit Agreement bear interest at Prime Rate plus .25%. At December 31, 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 December 31, 2023 and 2022.

During the years ended December 31, 2023 and 2022, the weighted average interest rate on outstanding borrowings was 6.17% and 5.50%, respectively.

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

	December 31, 2023		
	Gross Amount	Debt Issuance Costs	Net Amount
2022 Term Loan Agreement	\$ 30,257	\$ (499)	\$ 29,758
Less current portion	598	(60)	538
Long-term debt	<u>\$ 29,659</u>	<u>\$ (439)</u>	<u>\$ 29,220</u>

	December 31, 2022		
	Gross Amount	Debt Issuance Costs	Net Amount
2022 Term Loan Agreement	\$ 30,820	\$ (559)	\$ 30,261
Less current portion	563	(60)	503
Long-term debt	<u>\$ 30,257</u>	<u>\$ (499)</u>	<u>\$ 29,758</u>

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

For the twelve months ending December 31, future maturities under the Company's 2023 Term Loan and Line of Credit Agreements are as follows (in thousands):

2024	\$ 598
2025	3,835
2026	674
2027	715
2028	759
Thereafter	26,876
Total	<u>\$ 33,457</u>

Note 10. Income Taxes

Income before income taxes for each of the two years in the period ended December 31, 2023 was subject to taxation under United States jurisdictions only. The provision for income taxes consists of the following (in thousands):

	2023		2022	
Current:				
Federal	\$ (3)	\$ (2)		
State	60	96		
Total current income taxes	<u>57</u>	<u>94</u>		
Deferred:				
Federal	-	-		
State	-	-		
Total deferred income taxes	-	-		
Total provision for income taxes	\$ 57	\$ 94		

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Deferred tax assets:		
Accounts receivable, allowance for doubtful accounts	\$ 63	\$ 65
Reserves not deductible until paid	6	7
Net operating loss carryforwards		
Federal	2,030	2,081
State	579	494
Federal tax credit	1,261	1,041
Operating lease liabilities	337	345
Section 163(j) business interest expense carryforward	682	269
Other	22	37
Gross deferred tax assets	4,980	4,339
Less valuation allowance	(2,965)	(2,488)
Deferred tax assets net of valuation allowance	\$ 2,015	\$ 1,851
Deferred tax liabilities:		
Property and equipment	\$ (1,670)	\$ (1,498)
Operating lease right of use assets	(337)	(345)
Gross deferred tax liabilities	\$ (2,007)	\$ (1,843)
Net deferred tax asset	\$ 8	\$ 8

The \$2.0 million of deferred tax liabilities will reverse in the same period and jurisdiction and is of the same character as the temporary differences giving rise to the \$2.0 million of deferred tax assets. Avalon has not provided a valuation allowance on the amount of deferred tax assets that it estimates will be utilized. If future taxable income is less than the amount that has been assumed in assessing the recoverability of the deferred tax assets, then an increase in the valuation allowance will be required, with a corresponding increase to income tax expense. Likewise, should Avalon ascertain in the future that it is more likely than not that deferred tax assets will be realized in excess of the net deferred tax assets, all or a portion of the \$3.0 million valuation allowance as of December 31, 2023, would be reversed as a benefit to the provision for income taxes in the period such determination was made.

The provision for income taxes differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to the income before income taxes as a result of the following for each of the two years ended December 31, 2023 and 2022 (in thousands):

	2023	2022
Loss before income taxes	\$ (1,987)	\$ (886)
Less net loss attributable to non-controlling interest in subsidiary	(269)	(397)
Loss before income taxes attributable to		
Avalon Holdings Corporation common shareholders	(1,718)	(489)
Federal statutory rate	21%	21%
Computed Federal provision (benefit) for income taxes	(361)	(103)
State income taxes, net of federal income tax benefits	47	76
Change in valuation allowance	477	137
Increase in available federal tax credit	(185)	(164)
Other nondeductible expenses	41	39
Adjustment to deferred tax balances	38	109
Total provision for income taxes	\$ 57	\$ 94

Avalon is subject to income taxes in the U.S. federal and various states jurisdictions. With few exceptions, Avalon is no longer subject to U.S. federal, state and local income tax examinations by taxing authorities for the years before 2020. Avalon recognizes any interest and penalty assessed by taxing authorities as a component of interest expense and other expense, respectively. There were no accruals for the payment of interest and penalties for 2023 and 2022.

Avalon made net income tax payments of approximately \$0.2 million and \$0.1 million in 2023 and 2022, respectively. At December 31, 2023, Avalon has taxable loss carryforwards for federal income tax purposes aggregating approximately \$9.7 million which are available to offset future federal taxable income. Legislation under the Tax Act allows for corporations to carryforward net operating losses generated beginning in 2018 indefinitely. Net operating losses generated in 2018 may offset 80% of future taxable income. Of the \$9.7 million taxable loss carryforwards, \$2.1 million is carryforward indefinitely to offset 80% of future taxable income. Net operating losses generated prior to 2018 expire in 2024 through 2037. In addition, at December 31, 2023, certain subsidiaries of Avalon have net operating loss carryforwards for state purposes of approximately \$14.7 million which are available to offset future state taxable income. These carryforwards expire at various dates through 2042. A valuation allowance has been provided because it is more likely than not that the deferred tax assets relating to certain federal and state loss carryforwards will not be realized.

Note 11. Retirement Benefits

Avalon sponsors a defined contribution profit sharing plan that is a qualified tax deferred benefit plan under Section 401(k) of the Internal Revenue Code (the "Plan"). Substantially all employees are eligible to participate in the Plan. The Plan provides for employer discretionary cash contributions as determined by Avalon's Board of Directors. Discretionary contributions vest on a graduated basis and become 100% vested after five years of service. Plan participants may also contribute a portion of their annual compensation to the Plan, subject to maximums imposed by the Internal Revenue Code and related regulations. The Board decided not to make a discretionary employer contribution for 2023 or 2022.

Note 12. 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, 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 remaining 18,000 shares previously granted expired.

The following table is a summary of the stock option activity during 2023 and 2022:

	Number of Options Granted	Weighted Average Exercise Price	Weighted Average Fair Value at Grant Date
Outstanding at January 1, 2022	54,000	\$ 1.83	\$ 0.43
Options granted	-	-	-
Options exercised	-	-	-
Options expired	-	-	-
Options cancelled or forfeited	-	-	-
Outstanding at December 31, 2022	54,000	1.83	0.43
Options granted	-	-	-
Options exercised	-	-	-
Options expired	-	-	-
Options cancelled or forfeited	(54,000)	1.83	0.43
Outstanding at December 31, 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) 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 costs were approximately \$1,000 and \$4,000 for the years ended December 31, 2023 and 2022, respectively, based upon the estimated grant date fair value calculations. As of December 31, 2023, there were no unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan.

Note 13. Shareholders' Equity

Each share of Class A Common Stock is entitled to one vote and each share of Class B Common Stock is entitled to ten votes on all matters submitted to a vote of the shareholders. Except for the election of Avalon's Board of Directors, the Class A Common Stock and the Class B Common Stock vote together as a single class on all matters presented for a vote to the shareholders. However, with regard to the election of directors, for as long as the outstanding Class B Common Stock has more than 50% of the total outstanding voting power of all common stock, the holders of the Class A Common Stock, voting as a separate class, will elect the number of directors equal to at least 25% of the total Board of Directors and the holders of the Class B Common Stock, voting as a separate class, will elect the remaining directors. Thereafter, the holders of the Class A Common Stock (one vote per share) and Class B Common Stock (ten votes per share) will vote together as a single class for the election of directors. The holders of a majority of all outstanding shares of Class A Common Stock or Class B Common Stock, voting as separate classes, must also approve amendments to the Articles of Incorporation that adversely affect the shares of their class. Shares of Class A Common Stock and Class B Common Stock do not have cumulative voting rights.

Each share of Class B Common Stock is convertible, at any time, at the option of the shareholder, into one share of Class A Common Stock. Shares of Class B Common Stock are also automatically converted into shares of Class A Common Stock on the transfer of such shares to any person other than Avalon, another holder of Class B Common Stock or a Permitted Transferee, as defined in Avalon's Articles of Incorporation. The Class A Common Stock is not convertible.

Note 14. 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, would have a material adverse effect on its liquidity, financial position or results of operations (See Note 17).

Note 15. 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 years 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. In 2023, one customer accounted for 12% of the waste management services segment's net operating revenues to external customers and 6% of the consolidated net operating revenues. In 2022, two customers accounted for 22% of the waste management services segment's net operating revenues to external customers and 14% 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 (See Note 2). Avalon measures segment profit for internal reporting purposes as income (loss) before taxes.

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

	Year Ended December 31,	
	2023	2022
Net operating revenues from:		
Waste management services:		
External customer revenues	\$ 44,611	\$ 49,763
Total waste management services	<u>44,611</u>	<u>49,763</u>
Golf and related operations:		
External customer revenues	35,904	31,417
Intersegment revenues	80	80
Total golf and related operations	<u>35,984</u>	<u>31,497</u>
Segment operating revenues	80,595	81,260
Intersegment eliminations	(80)	(80)
Total net operating revenues	<u>\$ 80,515</u>	<u>\$ 81,180</u>
Income (loss) before income taxes:		
Waste management services	\$ 4,013	\$ 4,373
Golf and related operations	(184)	151
Segment income before taxes	3,829	4,524
Corporate interest expense	(2,068)	(1,436)
Corporate other income, net	9	13
General corporate expenses	(3,757)	(3,987)
Loss before income taxes	<u>\$ (1,987)</u>	<u>\$ (886)</u>
Depreciation and amortization expense:		
Waste management services	\$ 109	\$ 118
Golf and related operations	3,464	3,169
Corporate	253	196
Total depreciation and amortization expense	<u>\$ 3,826</u>	<u>\$ 3,483</u>
Interest expense:		
Waste management services	\$ -	\$ 1
Golf and related operations	30	27
Corporate	2,068	1,436
Total interest expense	<u>\$ 2,098</u>	<u>\$ 1,464</u>

	Year Ended December 31,	
	2023	2022
Capital expenditures:		
Waste management services	\$ 205	\$ 94
Golf and related operations	3,620	6,333
Corporate	93	134
Total capital expenditures	\$ 3,918	\$ 6,561
Total assets:		
Waste management services	\$ 35,839	\$ 35,198
Golf and related operations	63,670	63,355
Corporate	65,453	65,630
Subtotal	164,962	164,183
Elimination of intersegment receivables	(76,997)	(74,433)
Total assets	\$ 87,965	\$ 89,750

In comparing total assets at December 31, 2023 with those at December 31, 2022, the increase in the total assets of the waste management services segment of approximately \$0.6 million was primarily a result of an increase in intersegment accounts receivable. The increase in total assets of the golf and related operations segment of \$0.3 million was primarily due to an increase in capital expenditures associated with The Grand Resort and the Avalon Field Club at New Castle partially offset by current year depreciation on property and equipment. The decrease in corporate total assets of approximately \$0.2 million was primarily due to a decrease in restricted cash received in conjunction with our 2022 Term Loan Agreement.

Note 16. 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 December 31, 2023 and 2022, 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 Consolidated Statements of Operations. Avalon's net loss attributable to the noncontrolling interest in AWMS Holdings, LLC was \$0.1 million during each of the years ended December 31, 2023 and 2022, 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 December 31, 2023 and 2022, respectively.

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 Consolidated Statements of Operations. During the years ended December 31, 2023 and 2022, net loss attributable to the noncontrolling interest in Avalon Med Spa, LLC was approximately \$0.1 million and \$0.3 million, respectively.

Note 17. 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 10 th 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Avalon Holdings Corporation

Opinion on the financial statements

We have audited the accompanying consolidated balance sheets of Avalon Holdings Corporation (an Ohio corporation) and subsidiaries (the "Company") as of December 31, 2023 and 2022, the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 2023, and the related notes and financial statement schedule included under Item 15(a) (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical audit matters

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ GRANT THORNTON LLP
We have served as the Company's auditor since 2019.

Cleveland, Ohio
March 21, 2024

Management's Annual Report on Internal Control over Financial Reporting

The management of Avalon, including the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) of the Securities and Exchange Act of 1934, as amended. Avalon's internal control system was designed to provide reasonable assurance as to the reliability of the preparation and presentation of the consolidated financial statements for external reporting and the safeguarding of assets from unauthorized use or disposition.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

With our participation, an evaluation of the effectiveness of our internal control over financial reporting was conducted as of December 31, 2023, based upon the framework and criteria established in *Internal Control – Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2023.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

/s/ Ronald E. Kingle
Chief Executive Officer

/s/ Michael J. Havalos
Chief Financial Officer

March 21, 2024

Company Location Directory

Corporate Office

Avalon Holdings Corporation
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

Waste Management Services

American Waste Management Services, Inc.
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

American Landfill Management, Inc.
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

American Construction Supply, Inc.
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

American Water Solutions, LLC
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

AWMS Holdings, LLC
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

AWMS Rt. 169, LLC
One American Way
Warren, Ohio 44484-5555
(330) 856-8800

Golf and Related Operations

Avalon Resorts and Clubs, Inc.
One American Way
Warren, Ohio 44484-5555
(330) 856-8898

Avalon Clubs, Inc.
One American Way
Warren, Ohio 44484-5555
(330) 856-8898

Avalon Resorts, Inc.
One American Way
Warren, Ohio 44484-5555
(330) 856-8898

Avalon Golf and Country Club
One American Way
Warren, Ohio 44484-5555
(330) 856-8898

Avalon Lakes Golf Course
One American Way
Warren, Ohio 44484-5555
(330) 856-8898

Squaw Creek Golf Course
761 Youngstown-Kingsville Road
Vienna, Ohio 44473
(330) 539-5103

The Avalon Resort and Spa LLC
9519 East Market Street
Warren, Ohio 44484-5555
(330) 856-1900

Havana Cigar Shop, Inc.
1030 Forker Blvd.
Hermitage, Pennsylvania 16148-1566
(330) 856-8898

Avalon Mahoning Sports Center, Inc.
1223 W Western Reserve Road
Youngstown, Ohio 44514-3545
(330) 758-7400

Avalon Cigar Shop, Inc.
9519 East Market Street
Warren, Ohio 44484-5555
(330) 856-1900

Avalon Med Spa LLC
One American Way
Warren, Ohio 44484-5555
(330) 856-8898

Avalon Field Club at New Castle
511 Country Club Drive
New Castle, Pennsylvania 16105-0338
(724) 654-1341

Avalon Country Club at Sharon, Inc.
1030 Forker Blvd.
Hermitage, Pennsylvania 16148-1566
(724) 981-6700

Directors and Officers

Directors

Ronald E. Kingle
Chairman of the Board and
Chief Executive Officer
Executive Committee (Chairman)
Compensation Committee

Christine M. Bell
President, Avalon Golf and Country Club, Inc.

Kurtis D. Gramley
Chairman and Chief Executive Officer,
Edgewood Surgical Hospital
Audit Committee (Chairman)
Executive Committee
Option Plan Committee

Stephen L. Gordon
Partner, Beveridge & Diamond, P.C.
Compensation Committee
Audit Committee
Option Plan Committee (Chairman)

Timothy C. Coxson
Financial Consultant
Audit Committee
Executive Committee
Option Plan Committee

Officers

Ronald E. Kingle
Chairman of the Board and Chief Executive Officer

Michael J. Havalos
Chief Financial Officer, Treasurer and Secretary

Frances R. Kingle
Chief Administrative Officer

Marjorie J. Patterson
Controller

Shareholder Information

Common stock information

Avalon's Class A Common Stock is listed on the NYSE Amex (symbol: AWX). Quarterly stock information for 2023 and 2022 as reported by The Wall Street Journal is as follows:

2023:

Quarter Ended	High	Low	Close
March 31	\$ 3.10	\$ 2.64	\$ 2.65
June 30	2.85	2.22	2.55
September 30	2.66	1.97	1.94
December 31	2.33	1.88	2.39

2022:

Quarter Ended	High	Low	Close
March 31	\$ 3.92	\$ 2.99	\$ 3.28
June 30	3.66	2.58	2.60
September 30	4.40	2.53	2.65
December 31	3.28	2.52	2.75

No dividends were paid during 2023 or 2022.

There are 277 Class A and 9 Class B Common Stock shareholders of record as of the close of business March 11, 2024. The number of holders is based upon the actual holders registered on the records of Avalon's transfer agent and registrar and does not include holders of shares in "street names" or persons, partnerships, associations, corporations or other entities identified in security position listings maintained by depository trust companies.

Dividend policy

Avalon presently intends to retain earnings for use in the operation and expansion of its business and therefore, does not anticipate paying any cash dividends in the foreseeable future.

Annual report on Form 10-K

Copies of Avalon's annual report on Form 10-K can be obtained free of charge by writing to Avalon Holdings Corporation, One American Way, Warren, Ohio 44484-5555, Attention: Shareholder Relations or by visiting Avalon's web-site at www.avalonholdings.com.

Transfer agent and registrar

The transfer agent and registrar for Avalon is Broadridge Corporate Issuer Solutions, Inc. Regular mail correspondence should be sent to P.O. Box 1342, Brentwood, NY 11717 and overnight correspondence to ATTN: IWS, 1155 Long Island Avenue, Edgewood, NY 11717.

Investor inquiries

Security analysts, institutional investors, shareholders, news media representatives and others seeking financial information or general information about Avalon are invited to direct their inquiries to Michael J. Havalos, Chief Financial Officer and Treasurer, telephone (330) 856-8800.

Policy statement on equal employment opportunity and affirmative action

Avalon is firmly committed to a policy of equal employment opportunity and affirmative action. Toward this end, Avalon will continue to recruit, hire, train and promote persons in all job titles, without regard to race, color, religion, sex, national origin, age, handicap, ancestry or Vietnam-era or disabled veteran status. We will base all decisions on merit so as to further the principle of equal employment opportunity. This policy extends to promotions and to all actions regarding employment including compensation, benefits, transfers, layoffs, returns from layoff, company-sponsored training and social programs.

The following is a list of Avalon's subsidiaries except for unnamed subsidiaries which considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

<i>Subsidiary Name</i>	<i>State of Incorporation</i>
• American Landfill Management, Inc.	Ohio
• American Construction Supply, Inc.	Ohio
• American Waste Management Services, Inc.	Ohio
• AWMS Water Solutions, LLC	Ohio
• AWMS Holdings, LLC	Ohio
• AWMS Rt. 169, LLC	Ohio
• Avalon Med Spa, LLC	Ohio
• Avalon Clubs and Resorts, Inc.	Ohio
• Avalon Resorts, Inc.	Ohio
• The Avalon Resort and Spa LLC	Ohio
• Avalon Cigar Shop, Inc.	Ohio
• Avalon Clubs, Inc.	Ohio
• Avalon Golf and Country Club, Inc.	Ohio
• Avalon Mahoning Sports Center, Inc.	Ohio
• Avalon Country Club at Sharon, Inc.	Pennsylvania
• Havana Cigar Company	Pennsylvania
• Avalon Lakes Golf, Inc.	Ohio
• TBG, Inc.	Ohio

Parent/subsidiary relationships are indicated by indentations. In each case, 100% of the voting securities of each of the subsidiaries are owned by the indicated parent of such subsidiary, except for AWMS Holdings, LLC and Avalon Med Spa, LLC.

At December 31, 2023 AWMS Water Solutions, LLC owned approximately 47% of AWMS Holdings, LLC. Due to the managerial control of AWMS Water Solutions, LLC, AWMS Holdings, LLC is a variable interest entity ("VIE"), and the financial statements of AWMS Holdings, LLC and subsidiaries are included in Avalon's consolidated financial statements.

At December 31, 2023, Avalon owned approximately 50.1% of Avalon Med Spa, LLC. Avalon Med Spa, LLC is a VIE, and the financial statements of Avalon Med Spa, LLC are included in Avalon's consolidated financial statements.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 21, 2024, with respect to the consolidated financial statements included in the Annual Report of Avalon Holdings Corporation on Form 10-K for the year ended December 31, 2023. We consent to the incorporation by reference of said report in the Registration Statements of Avalon Holdings Corporation on Forms S-8 (File No. 333-231082 and File No. 333-165064).

/s/ GRANT THORNTON LLP

Cleveland, Ohio
March 21, 2024

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

I, Ronald E. Kingle, certify that:

1. I have reviewed this Annual Report on Form 10-K of Avalon Holdings Corporation;
2. Based on my knowledge, this 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 and 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 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 registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Date: March 21, 2024

/s/ Ronald E. Kingle

Ronald E. Kingle, Chief Executive Officer

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

I, Michael J. Havalos, certify that:

1. I have reviewed this Annual Report on Form 10-K of Avalon Holdings Corporation;
2. Based on my knowledge, this 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 and 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 quarter in 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 registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Date: March 21, 2024

/s/ Michael J. Havalos

Michael J. Havalos, Chief Financial Officer

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 Annual Report of Avalon Holdings Corporation (the "Registrant") on Form 10-K for the year ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chief Executive Officer of the Registrant, certify, pursuant to 18 U.S.C. (a) 1350, as adopted pursuant to (a) 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Ronald E. Kingle

Ronald E. Kingle
Chief Executive Officer
March 21, 2024

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 Annual Report of Avalon Holdings Corporation (the "Registrant") on Form 10-K for the year ending December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Chief Financial Officer of the Registrant, certify, pursuant to 18 U.S.C. (a) 1350, as adopted pursuant to (a) 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

/s/ Michael J. Havalos

Michael J. Havalos
Chief Financial Officer
March 21, 2024