

# Avalon Holdings Corporation



2023 Annual Report

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## Financial Highlights

(in thousands, except for per share amounts)

<b>For the year</b>	<b>2023</b>	<b>2022</b>
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)
<b>At year-end</b>	<b>2023</b>	<b>2022</b>
Working capital deficit	\$ (3,864)	\$ (2,768)
Total assets	87,965	89,750
Avalon Holdings Corporation Shareholders' Equity	36,716	38,490

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## 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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## **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 10<sup>th</sup> District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10<sup>th</sup> 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 10<sup>th</sup> 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 10<sup>th</sup> 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 10<sup>th</sup> 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 11<sup>th</sup> 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 11<sup>th</sup> 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 11<sup>th</sup> 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 11<sup>th</sup> 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)*

	<b>December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
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	<u>14,045</u>	<u>16,088</u>
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	<u>\$ 87,965</u>	<u>\$ 89,750</u>
<b>Liabilities and Equity</b>		
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	<u>17,909</u>	<u>18,856</u>
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	<u>36,716</u>	<u>38,490</u>
Non-controlling interest in subsidiaries	(616)	(347)
Total equity	<u>36,100</u>	<u>38,143</u>
Total liabilities and equity	<u>\$ 87,965</u>	<u>\$ 89,750</u>

*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	<u>35,904</u>	<u>31,417</u>
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	<u>(273)</u>	<u>347</u>
Other income (expense):		
Interest expense	(2,098)	(1,464)
Other income, net	384	231
Loss before income taxes	<u>(1,987)</u>	<u>(886)</u>
Provision for income taxes	57	94
Net loss	<u>(2,044)</u>	<u>(980)</u>
Less net loss attributable to non-controlling interest in subsidiaries	(269)	(397)
Net loss attributable to Avalon Holdings Corporation common shareholders	<u>\$ (1,775)</u>	<u>\$ (583)</u>
Loss per share attributable to Avalon Holdings Corporation common shareholders:		
Basic net loss per share	<u>\$ (0.46)</u>	<u>\$ (0.15)</u>
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	2,355	2,259
Cash flows from investing activities:		
Capital expenditures	(3,897)	(6,393)
Net cash used in investing activities	(3,897)	(6,393)
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)
Borrowings 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	944	11,234
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	\$ 11,452	\$ 12,050
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				Paid-in Capital	Accumulated Deficit	Total Avalon Shareholders' Equity	Non-controlling Interest in Subsidiary	Total
	Shares		Amount						
	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	3,287,647	611,784	\$ 33	\$ 6	\$ 59,206	\$ (22,529)	\$ 36,716	\$ (616)	\$ 36,100

*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):

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

## 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 noncancellable commitment and pricing varies based on the membership type selected by the customer. Based on the terms and conditions of the membership contract, resignations received within the membership period do not relieve the member of their annual commitment. Memberships automatically renew on the member’s anniversary date unless the member resigns for the upcoming membership period prior to the renewal date.

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

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

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

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

The following table presents our net operating revenues disaggregated by revenue source for the years ended December 31, 2023 and 2022 (in thousands). Sales and other taxes are excluded from revenues.

	<b>2023</b>	<b>2022</b>
Waste management and brokerage services	\$ 41,578	\$ 47,138
Captive landfill management operations	3,033	2,625
Total waste management services revenues	<u>44,611</u>	<u>49,763</u>
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	<u>35,904</u>	<u>31,417</u>
Total net operating revenues	<u>\$ 80,515</u>	<u>\$ 81,180</u>

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):

	<b>Balance at Beginning of Period</b>	<b>Provision for Credit Losses</b>	<b>Write-offs less Recoveries</b>	<b>Balance at End of Period</b>
<b>Allowance for credit losses</b>				
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):

	<b>Balance at Beginning of Period</b>	<b>Unbilled Membership Dues</b>	<b>Billings</b>	<b>Balance at End of Period</b>
<b>Contract Assets:</b>				
<b>Unbilled membership dues receivable</b>				
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):

	<b>Balance at Beginning of Period</b>		<b>Billings</b>		<b>Revenue Recognized</b>		<b>Balance at End of Period</b>
<b>Contract Liabilities:</b>							
<b>Deferred membership dues revenue</b>							
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
<b>Customer advance deposits</b>							
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):

	<b>2023</b>	<b>2022</b>
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
	<u>92,045</u>	<u>88,819</u>
Less accumulated depreciation and amortization	<u>(35,415)</u>	<u>(32,014)</u>
Property and equipment, net	<u>\$ 56,630</u>	<u>\$ 56,805</u>

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):

	<u>2023</u>	<u>2022</u>
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):

	<u>2023</u>	<u>2022</u>
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):

	<u>2023</u>	<u>2022</u>
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):

	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
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	<u>1,117</u>	<u>1,430</u>	<u>2,547</u>
Less imputed interest	321	160	481
Total	<u>796</u>	<u>1,270</u>	<u>2,066</u>
Less current portion of obligations under leases	198	432	630
Long-term portion of obligations under leases	<u>\$ 598</u>	<u>\$ 838</u>	<u>\$ 1,436</u>

### 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):

	<u>2023</u>	<u>2022</u>
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		
Basic net loss per share	<u>\$ (0.46)</u>	<u>\$ (0.15)</u>

### 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):



	<b>December 31, 2023</b>		
	<b>Gross Amount</b>	<b>Debt Issuance Costs</b>	<b>Net Amount</b>
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>
	<b>December 31, 2022</b>		
	<b>Gross Amount</b>	<b>Debt Issuance Costs</b>	<b>Net Amount</b>
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):

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

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):

	<u>2023</u>	<u>2022</u>
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	<u>4,980</u>	<u>4,339</u>
Less valuation allowance	<u>(2,965)</u>	<u>(2,488)</u>
Deferred tax assets net of valuation allowance	<u>\$ 2,015</u>	<u>\$ 1,851</u>
Deferred tax liabilities:		
Property and equipment	\$ (1,670)	\$ (1,498)
Operating lease right of use assets	<u>(337)</u>	<u>(345)</u>
Gross deferred tax liabilities	<u>\$ (2,007)</u>	<u>\$ (1,843)</u>
Net deferred tax asset	<u>\$ 8</u>	<u>\$ 8</u>

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):

	<u>2023</u>	<u>2022</u>
Loss before income taxes	\$ (1,987)	\$ (886)
Less net loss attributable to non-controlling interest in subsidiary	<u>(269)</u>	<u>(397)</u>
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	<u>(361)</u>	<u>(103)</u>
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	<u>\$ 57</u>	<u>\$ 94</u>

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:

	<b>Number of Options Granted</b>	<b>Weighted Average Exercise Price</b>	<b>Weighted Average Fair Value at Grant Date</b>
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.

	<b>Begins Vesting</b>	<b>Ends Vesting</b>	<b>Predetermined Vesting Price</b>
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):

	<b>Year Ended December 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Net operating revenues from:</b>		
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>
<b>Income (loss) before income taxes:</b>		
Waste management services	\$ 4,013	\$ 4,373
Golf and related operations	(184)	151
Segment income before taxes	<u>3,829</u>	<u>4,524</u>
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>
<b>Depreciation and amortization expense:</b>		
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>
<b>Interest expense:</b>		
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>

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

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 10<sup>th</sup> District Court of Appeals on March 21, 2017.

On September 14, 2017, an appeal hearing was held in the Ohio 10<sup>th</sup> 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 10<sup>th</sup> 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 10<sup>th</sup> 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 10<sup>th</sup> 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 11<sup>th</sup> 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 11<sup>th</sup> 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 11<sup>th</sup> 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 11<sup>th</sup> 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. Klinge  
Chief Executive Officer

/s/ Michael J. Havallo  
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

## **D i r e c t o r s   a n d   O f f i c e r s**

### **D i r e c t o r s**

**Ronald E. Klinge**

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

### **O f f i c e r s**

**Ronald E. Klinge**

Chairman of the Board and Chief Executive Officer

**Michael J. Havalo**

Chief Financial Officer, Treasurer and Secretary

**Frances R. Klinge**

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](http://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. Havallo, 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.