

Risk Factors Comparison 2024-03-21 to 2023-03-23 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text **Moved Text Section**

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. **8**

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 2022, we experienced higher commodity costs compared to the prior year period. These increases are primarily driven by overall market demand and inflationary pressures. Volatility in certain commodity prices and fluctuations in labor costs have adversely affected, and in the future, could adversely affect Avalon's operating results. We anticipate commodity costs to continue to remain elevated into 2023 due to inflationary pressures.~~ An increase in commodity costs could have an adverse impact on our profitability. ~~Global conflict, increasing tensions between the United States and Russia, and other effects of the ongoing conflict in Ukraine, could negatively impact our business, results of operations and financial condition. Global conflict could increase costs and limit availability of fuel, energy, and other resources we depend upon for our business operations. For example, while we do not operate in Russia or Ukraine, the increasing tensions between the United States and Russia and the other effects of the ongoing conflict in Ukraine, have resulted in many broader economic impacts such as the United States imposing sanctions and bans against Russia and Russian products imported into the United States. Such sanctions and bans have impacted and may continue to impact commodity pricing such as fuel and energy costs. Further sanctions, bans or other economic actions in response to the ongoing conflict in Ukraine or in response to any other global conflict could result in an increase in costs and negatively impact our business, results of operations and financial condition.~~ Effective succession planning is important to our continued success. Effective succession planning is important to our long-term success. Failure to effectively identify, develop and retain key personnel, recruit high-quality candidates and ensure smooth management and personnel transitions could disrupt our business and adversely affect our results. A majority of Avalon's business is not subject to long-term contracts. A significant portion of Avalon's business is generated from waste brokerage and management services provided to customers and is not subject to long-term contracts. In light of current economic, regulatory and competitive conditions, there can be no assurance that Avalon's current customers will continue to transact business with Avalon at historical levels. Failure by Avalon to retain its current customers or to replace lost business could adversely impact the future financial performance of Avalon. Avalon's captive landfill management business is dependent upon a single customer as its sole source of revenue. If the captive landfill management business is unable to retain this customer, Avalon's future financial performance could be adversely impacted. A significant source of the golf and related operations revenues is derived from the members of the Avalon Golf and Country Club. Members are obligated to pay dues for a one year period. As such, the golf and related operations is primarily dependent on the sale and renewal of memberships in the Avalon Golf and Country Club, on a year to year basis. **9**

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

Company cannot assure that additional sources of financing would be available to pay off any long-term borrowings under the loan and security agreement, so as to avoid default. Golf memberships and liquor licenses The Avalon Golf and Country Club operates four golf courses and related country clubs and a multipurpose recreation center. The Avalon Golf and Country Club facilities also offer swimming pools, fitness centers, tennis courts, dining and banquet facilities, salon and spa services. In addition, The Grand Resort provides guests with a self-contained vacation experience, offering hotel guests golf packages to all of the golf courses of the Avalon Golf and Country Club and allows its guests to utilize the facilities at each of the clubhouses. Members of the Avalon Golf and Country Club also have access to all of the amenities offered by The Grand Resort. The Avalon Golf and Country Club competes with many public courses and country clubs in the area. Although the golf courses continue to be available to the general public, the primary source of revenues is derived from the members of the Avalon Golf and Country Club. Avalon believes that the combination of its golf facilities and The Grand Resort will result in additional memberships in the Avalon Golf and Country Club. The ability to retain current members and attract new members has been an ongoing challenge. Avalon is continually using different marketing strategies to attract new members, such as local television advertising and various membership promotions. A significant decline in members could adversely affect the future financial performance of Avalon. Avalon's golf course operations, The Grand Resort and multipurpose recreation center currently hold liquor licenses for their respective facilities. If, for some reason, any one of these facilities were to lose their liquor license, the financial performance of the golf and related operations would be adversely affected. Seasonality Avalon's operations are somewhat seasonal in nature since a significant portion of those operations are primarily conducted in selected northeastern and midwestern states. Additionally, Avalon's golf courses are located in northeast Ohio and western Pennsylvania and are significantly dependent upon weather conditions during the golf season. As a result, Avalon's financial performance could be adversely affected by adverse weather conditions. Environmental liabilities Avalon may be subject to liability for environmental contamination caused by pollutants, the transportation, treatment or disposal of which was arranged for by Avalon or one of its predecessors. Although Avalon has compliance guidelines for its waste brokerage and management services business, Avalon could still incur a substantial liability for environmental damage not covered by or in excess of its insurance policy limits and, as such, its financial condition could be adversely affected. Saltwater disposal wells Saltwater disposal wells are regulated by the Ohio Department of Natural Resources ("ODNR"), with portions of the disposal facilities regulated by the Ohio EPA. As exploitation of the Marcellus and Utica shale formations by the hydrofracturing process develops, regulatory and public awareness of the environmental risks of saltwater brine and its disposal in saltwater disposal wells is growing and consequently, it is expected that regulation governing the construction and operation of saltwater disposal wells will increase in scope and complexity. Increased regulation may result in increased construction and / or operating costs, which could adversely affect the financial results of Avalon. **10 The saltwater disposal wells are currently not operational. Assuming operations resume in the future, there there** is a continuing risk during the saltwater disposal well's operation of an environmental event causing contamination to the water tables in the surrounding area, or seismic events. The occurrence of a spill or contamination at a disposal well site could result in remedial expenses and / or result in the operations at the well site being suspended and / or terminated by the Ohio EPA or the ODNR. Incurring remedial expenses and / or a suspension or termination of Avalon's right to operate one or more saltwater disposal wells at the well site could have an adverse effect on Avalon's financial results. As a result of a seismic event with a magnitude of 2.1 occurring on August 31, 2014, the Chief of the Division of Oil and Gas Resources Management ("Chief" or "Division") issued Orders on September 3, 2014 to immediately suspend all operations of Avalon's two saltwater injection wells until the Division could further evaluate the wells. The Orders were based on the findings that the two saltwater injection wells were located in close proximity to an area of known seismic activity and that the saltwater injection wells pose a risk of increasing or creating seismic activity. On September 5, 2014, Avalon submitted the information required by the Chief's Order in regards to its AWMS # 1 injection well, and the Chief lifted the suspension for that well on September 18, 2014. On September 19, 2014, Avalon submitted information and a written plan required by the Chief's Order proposing the establishment of certain operations and management controls on injections for the AWMS # 2 injection well. To date, the Division has not responded to that plan despite Avalon's requests for feedback. On October 2, 2014, Avalon filed an appeal with the Ohio Oil and Gas Commission (the "Commission") disputing the basis for suspending operations of AWMS # 2 and also the authority of the Chief to immediately suspend such operations. On March 11, 2015, an appeal hearing was held. The Chief stated during the hearing that the suspension order is temporary, and he expects that AWMS # 2 will be allowed to resume operations once the state's final policymaking is complete. On August 12, 2015, the Commission upheld the temporary suspension of injection operations of AWMS # 2 stating that the temporary suspension would allow the Chief more time to fully evaluate the facts in anticipation of the Division's implementation of a comprehensive regulatory plan that will specifically address injection-induced seismicity. Avalon appealed that decision to the Franklin County Court of Common Pleas (the "Court"), and on November 1, 2016 an appeal hearing was held in that Court. On December 23, 2016, the Court issued its Decision and Order in Avalon's favor, and vacated the Commission's decision. The Court found that the Division's suspension and refusal to work with the Company over the 26 month period was arbitrary and not in accordance with reason. Subsequent to the ruling, and in accordance with the Court's Decision and Order, both Avalon and the Division submitted their proposed restart plans to the Court. Avalon's plan sets forth both the initial volumes and pressures and increases in volume and pressure while continuously monitoring seismicity and addressing the concerns of public health and safety. On February 21, 2017, the Court issued its Final Decision and Order. The Court's Final Decision and Order set forth conditions for restarting the AWMS # 2 salt water injection well in accordance with the proposed restart plans filed by Avalon with minor revisions. On February 22, 2017, the Division appealed the Final Decision and Order and filed a Motion to Stay the Court Order. The Motion to Stay was granted by the Ohio 10th District Court of Appeals on March 21, 2017. On September 14, 2017, an appeal hearing was held in the Ohio 10th District Court of Appeals and on July 31, 2018 a decision was issued on the appeal. The decision reinstated the previous Ohio Oil and Gas Commission decision in this matter. On September 12, 2018, the

Company appealed the Ohio 10th District Court of Appeals decision to the Supreme Court of Ohio. On November 21, 2018, the Company received notice from the Supreme Court of Ohio that the court would not accept for review the Company's appeal of the Ohio 10th District Court of Appeals decision on the Division of Oil and Gas Resources Management's appeal of the Franklin County Court of Common Pleas February 21, 2017 entry allowing restart of the Company's AWMS Water Solutions, LLC # 2 salt water injection well. ~~11~~ On April 5, 2019, Avalon filed with the Oil and Gas Commission a motion to vacate its prior decisions in this matter. The Oil and Gas Commission scheduled a hearing on this motion for August 13, 2019. Before the hearing began, and in response to the Division's motion to dismiss the Company's motion to vacate, the Commission dismissed the matter. The Company appealed that decision to the Franklin County Court of Common Pleas. In April 2020, the Division's motion to dismiss and the Company's opposition were reviewed by the Court. Following the restart orders received on May 24, 2021, and discussed below, the Court dismissed the complaint. Concurrently with the filing of the appeal with the Franklin County Court of Common Pleas, the Company filed a writ of mandamus in the 10th District Court of Appeals on August 30, 2019 to compel the chief of the Division to issue restart orders, or alternative orders that would allow the Company to either restart the AWMS # 2 well, or appeal said orders to the Oil and Gas Commission in accordance with Ohio Law. On October 6, 2020 and in response to a motion from the Division, the Court dismissed this complaint for writ of mandamus. In addition, on August 26, 2016, Avalon filed a complaint in the 11th Appellate District Court in Trumbull County, Ohio for a Peremptory Writ of Mandamus to compel the Director of the Ohio Department of Natural Resources ("ODNR") to initiate appropriations procedures to determine damages from the illegal regulatory taking of the Company's property, or issue an alternative remedy at law. The Company believes that the actions, and lack of responsible actions, by the ODNR is a clear violation of the Company's property rights and a violation of the Fifth and Fourteenth Amendments to the U. S. Constitution; Article I, Section 19 of the Ohio Constitution; and Ohio Revised Code Chapter 163. On March 18, 2019, Avalon received notice that the 11th Appellate District Court in Trumbull County, Ohio issued summary judgment in favor of the Ohio Department of Natural Resources in the writ of mandamus action that resulted from the suspension order of the Company's salt water injection well. The decision was appealed to the Supreme Court of Ohio on April 5, 2019. Oral arguments in the case occurred on April 7, 2020. On September 23, 2020, the Supreme Court of Ohio ruled in favor of the Company. The Supreme Court of Ohio reversed the decision of the 11th Appellate District Court and remanded the case back to that court for a trial on the merits. The trial occurred in September and October 2021. On December 19, 2022, the 11th Appellate District Court denied the Company's writ of mandamus action. The Court determined that the Company failed to establish a cognizable property interest that would necessitate a just compensation / takings analysis and accordingly denied the Company's petition for writ of mandamus. The decision was appealed to the Supreme Court of Ohio on January 30, 2023. ~~Briefing to~~ **and on January 24, 2024** the Supreme Court of Ohio ~~is underway~~ **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 ~~September~~ **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 ~~9~~ **3**, 2022. ~~The briefings in this matter are complete and the Company company awaits~~ ~~is awaiting~~ **by the Court**. Changes in laws, regulations and accounting standards Our implementation of new accounting rules and interpretations or compliance with changes in existing accounting rules could adversely affect our balance sheet or results of operations or cause unanticipated fluctuations in our results of operations in future periods. Accounting estimates and judgments The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and subsequent adjustments could have a material adverse effect on operating results for the period or periods in which the change is identified. ~~12~~ Long-lived asset impairment Certain events or changes in circumstances may indicate that the recoverability of the carrying value of long-lived assets should be assessed. Such events or changes may include a significant decrease in market value, a significant change in the business climate in a particular market, or a current-period operating or cash flow loss combined with historical losses or projected future losses. If an event occurs or changes in circumstances are present, Avalon estimates the future cash flows expected to result from the use of the applicable groups of long-lived assets and their eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying value, Avalon would recognize an impairment loss to the extent the carrying value of the groups of long-lived assets exceeds their fair value. Avalon would determine the fair value by using quoted market prices, if available, for such assets; or if quoted market prices are not available, Avalon would discount the expected estimated future cash flows. The ability to accurately predict future cash flows may impact the determination of fair value. Avalon's assessments of cash flows represent management's best estimate at the time of the impairment review. Avalon estimates the future cash flows expected to result from the use and, if applicable, the eventual disposition of the assets. The key variables that management must estimate include, among other factors, sales, costs, inflation and capital spending. Significant management judgment is involved in estimating these variables, and they include inherent uncertainties. If different cash flows had been estimated in the current period, the value of the long-lived assets could have been materially impacted. Furthermore, Avalon's accounting estimates

may change from period to period as conditions in markets change, and this could materially impact financial results in future periods. ~~Cybersecurity risks and security breaches Our business involves the storage of members' information, and security breaches could expose us to a risk of loss or misuse of this information, litigation and potential liability. We are entirely dependent on the secure operation of our systems. While we have incurred no cyber-attacks or security breaches to date, a number of other companies have disclosed cyber-attacks and security breaches, some of which have involved intentional attacks. Attacks may be targeted at us, our members, or both. Although we devote significant resources to maintain and regularly upgrade our systems and processes that are designed to protect the security of our computer systems, software, networks and the confidentiality, integrity and availability of information belonging to us and our members, our security measures may not provide absolute security. A cybersecurity breach could have a material adverse effect on our business, results of operations, financial condition or cash flows.~~Inflation The Federal Reserve continues to pursue efforts to lower inflation by raising interest rates. The Federal Reserve increased its key interest rate **four times in 2023 and** seven times in 2022 as consumer goods prices continued to rise throughout the year. Our operations are substantially affected by economic conditions, including inflation, which can impact consumer disposable income levels and spending habits. Although Avalon has not entered into any long-term fixed price contracts that could have a material adverse impact upon its financial performance in periods of inflation, adverse economic conditions could pressure Avalon's business and operating performance and financial results may suffer. In general, management believes that rising costs resulting from inflation could be passed on to customers; however, Avalon may need to absorb all or a portion of these cost increases depending upon competitive conditions at the time. ITEM 1B. UNRESOLVED STAFF COMMENTS