

AVALON HOLDINGS CORP
Form 10-Q
November 10, 2011
2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from _____ to _____

Commission file number 1-14105

AVALON HOLDINGS CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Ohio | 34-1863889 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|--|------------|
| One American Way, Warren, Ohio | 44484-5555 |
| (Address of principal executive offices) | (Zip Code) |

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐

Edgar Filing: AVALON HOLDINGS CORP - Form 10-Q

Non-accelerated filer ☐

Smaller reporting company ☒

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes

☒ No ☐

The registrant had 3,191,038 shares of its Class A Common Stock and 612,293 shares of its Class B Common Stock outstanding as of November 10, 2011.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

INDEX

| PART I. FINANCIAL INFORMATION | Page |
|---|------|
| Item 1. Financial Statements | |
| Condensed Consolidated Statements of Operations for the Three and Nine Months Ended September 30, 2011 and 2010 (Unaudited) | 3 |
| Condensed Consolidated Balance Sheets at September 30, 2011 (Unaudited) and December 31, 2010 | 4 |
| Condensed Consolidated Statements of Cash Flows for the nine Months Ended September 30, 2011 and 2010 (Unaudited) | 5 |
| Notes to Condensed Consolidated Financial Statements (Unaudited) | 6 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 13 |
| Item 3. Quantitative and Qualitative Disclosures about Market Risk | 21 |
| Item 4. Controls and Procedures | 21 |
| PART II. OTHER INFORMATION | |
| Item 1. Legal Proceedings | 23 |
| Item 2. Changes in Securities and Use of Proceeds | 23 |
| Item 3. Defaults upon Senior Securities | 23 |
| Item 4. Removed and Reserved | 23 |
| Item 5. Other Information | 23 |
| Item 6. Exhibits and Reports on Form 8-K | 23 |
| SIGNATURE | 24 |

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations (Unaudited)

(in thousands, except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net operating revenues | \$15,835 | \$11,789 | \$37,104 | \$32,170 |
| Costs and expenses: | | | | |
| Costs of operations | 13,267 | 9,581 | 30,856 | 26,408 |
| Depreciation and amortization | 415 | 421 | 1,250 | 1,263 |
| Selling, general and administrative expenses | 1,877 | 1,830 | 5,200 | 5,249 |
| Operating income (loss) | 276 | (43) | (202) | (750) |
| Other income (expense): | | | | |
| Interest expense | (3) | (3) | (10) | (10) |
| Interest income | 1 | 5 | 4 | 21 |
| Other income, net | 54 | 47 | 297 | 163 |
| Income (loss) before income taxes | 328 | 6 | 89 | (576) |
| Provision for income taxes | 24 | 8 | 48 | 22 |
| Net income (loss) | \$304 | \$(2) | \$41 | \$(598) |
| Net Income (loss) per share – basic | \$.08 | \$(0) | \$.01 | \$(.16) |
| Net Income (loss) per share – diluted | \$.08 | \$(0) | \$.01 | \$(.16) |
| Weighted average shares outstanding –basic | 3,803 | 3,803 | 3,803 | 3,803 |
| Weighted average shares outstanding – diluted | 3,826 | 3,803 | 3,865 | 3,803 |

See accompanying notes to condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)

| | September 30, 2011 (Unaudited) | December 31, 2010 |
|---|--------------------------------------|----------------------|
| Assets: | | |
| Current Assets: | | |
| Cash and cash equivalents | \$6,008 | \$5,565 |
| Accounts receivable, net | 12,158 | 8,202 |
| Prepaid expenses | 289 | 341 |
| Refundable income taxes | — | 14 |
| Other current assets | 796 | 600 |
| Total current assets | 19,251 | 14,722 |
| Property and equipment, less accumulated depreciation and amortization of \$11,006 in 2011 and \$10,223 in 2010 | 26,337 | 27,265 |
| Leased property under capital leases, less accumulated depreciation and amortization of \$2,449 in 2011 and \$2,167 in 2010 | 6,059 | 5,314 |
| Noncurrent deferred tax asset | 8 | 8 |
| Other assets, net | 41 | 28 |
| Total assets | \$51,696 | \$47,337 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Current portion of obligations under capital leases | \$1 | \$1 |
| Accounts payable | 8,652 | 5,173 |
| Accrued payroll and other compensation | 718 | 383 |
| Accrued income taxes | 10 | — |
| Other accrued taxes | 220 | 269 |
| Deferred revenues | 2,306 | 1,988 |
| Other liabilities and accrued expenses | 398 | 318 |
| Total current liabilities | 12,305 | 8,132 |
| Obligations under capital leases | 228 | 228 |
| Shareholders' Equity: | | |
| Class A Common Stock, \$.01 par value | 32 | 32 |
| Class B Common Stock, \$.01 par value | 6 | 6 |
| Paid-in capital | 58,361 | 58,216 |
| Accumulated deficit | (19,236) | (19,277) |
| Total shareholders' equity | 39,163 | 38,977 |
| Total liabilities and shareholders' equity | \$51,696 | \$47,337 |

See accompanying notes to condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)
(in thousands)

| | Nine Months Ended September 30, | |
|---|------------------------------------|---------|
| | 2011 | 2010 |
| Operating activities: | | |
| Net income (loss) | \$41 | \$(598) |
| Reconciliation of income (loss) to cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,250 | 1,263 |
| Compensation costs – stock options | 145 | 153 |
| Provision for losses on accounts receivable | 17 | 5 |
| Gain from disposal of property and equipment | (107) | (2) |
| Change in operating assets and liabilities: | | |
| Accounts receivable | (3,973) | (321) |
| Prepaid expenses | 52 | 11 |
| Refundable income taxes | 14 | 1 |
| Other current assets | (196) | (94) |
| Other assets, net | (14) | (1) |
| Accounts payable | 3,479 | (539) |
| Accrued payroll and other compensation | 335 | 151 |
| Accrued income taxes | 10 | 8 |
| Other accrued taxes | (49) | (70) |
| Deferred revenues | 318 | 158 |
| Other liabilities and accrued expenses | 80 | 91 |
| Net cash provided by operating activities | 1,402 | 216 |
| Investing activities: | | |
| Capital expenditures | (1,320) | (386) |
| Proceeds from disposal of property and equipment | 361 | 2 |
| Net cash used in investing activities | (959) | (384) |
| Increase (decrease) in cash and cash equivalents | 443 | (168) |
| Cash and cash equivalents at beginning of year | 5,565 | 5,862 |
| Cash and cash equivalents at end of period | \$6,008 | \$5,694 |

See accompanying notes to condensed consolidated financial statements.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

September 30, 2011

Note 1. Basis of Presentation

The unaudited condensed consolidated financial statements of Avalon Holdings Corporation and subsidiaries (collectively "Avalon") and related notes included herein have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission. Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted consistent with such rules and regulations. The accompanying unaudited condensed consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes included in Avalon's 2010 Annual Report to Shareholders.

In the opinion of management, these unaudited condensed consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the financial position of Avalon as of September 30, 2011, and the results of its operations and cash flows for the interim periods presented.

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

Avalon evaluated subsequent events through the date the financial statements were issued. In October 2011, Avalon signed a proposed five year lease agreement with a certain energy company to lease approximately two hundred acres for the purpose of drilling for oil and gas. The energy company has 30 days to execute the lease. If the energy company executes the lease, Avalon will receive in excess of \$.4 million as an initial bonus payment at that time.

Note 2. Net Income (Loss) per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the periods presented, which was 3,803,331 for each period.

Diluted net income (loss) per share is computed by dividing net income (loss) by the weighted average number of common shares outstanding plus any weighted common equivalent shares determined to be outstanding during the period using the treasury method. The weighted common equivalent shares included in the calculation are related to the stock options granted by Avalon where the weighted average market price of Avalon's common stock for the period presented is greater than the option exercise price of the stock option. For the three and nine months ended September 30, 2011, the dilutive weighted average number of shares outstanding were 3,826,364 and 3,865,344, respectively. Although there were common equivalent shares outstanding for the three and nine months ended September 30, 2010, the diluted per share amounts reported are equal to basic per share amounts because Avalon was in a net loss position and as a result, such dilution would be considered anti-dilutive. Assuming dilution, the weighted average number of common shares outstanding for the three and nine months ended September 30, 2010 were 3,879,109 and 3,893,744, respectively.

Note 3. Credit Facility

On March 21, 2008, Avalon entered into a \$3.5 million unsecured line of credit agreement with The Huntington National Bank. Avalon has never borrowed monies under the line of credit. On April 26, 2011 the line of credit was reduced to \$1 million. Interest on borrowings accrues at LIBOR plus 1.75%. The agreement provides for a minimum interest rate of 3.25%. The line of credit contains certain financial and other covenants, customary representations, warranties and events of defaults. At September 30, 2011 and December 31, 2010, there were no borrowings under the line of credit.

Note 4. Income Taxes

Avalon recorded net income of \$304,000 in the third quarter of 2011 compared with a net loss of \$2,000 in the third quarter of 2010. Avalon recorded a state income tax provision in both the third quarter of 2011 and 2010, which was related entirely to the waste management and brokerage operations. Excluding the effect of this state tax provision, Avalon's overall effective tax rate was 0% in the third quarter of 2011 and 2010. The income tax provision recorded for the third quarter of 2011 and 2010 was offset by a change in the valuation allowance. The overall effective tax rate is different than statutory rates primarily due to 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.

Avalon recorded net income of \$41,000 for the first nine months of 2011 compared with a net loss of \$.6 million for the first nine months of 2010. Avalon recorded a state income tax provision for the nine months ended September 30, 2011 and a state income tax benefit for the nine months ended 2010, both of which were related entirely to the waste management and brokerage operations. Excluding the effect of the state income tax provision and benefit, Avalon's overall effective tax rate was 0% in the first nine months of 2011 and 2010. The income tax provision recorded for the first nine months of 2011 and the benefit for the first nine months of 2010 were offset by a change in the valuation allowance. The overall effective tax rate is different than statutory rates primarily due to a change in the valuation allowance. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Note 5. Long-term Incentive Plan

The purpose of the Avalon Holdings Corporation 2009 Long-term Incentive Plan (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. Under the Plan, 1,300,000 shares have been reserved for the issuance of stock options. During the first quarter of 2010, 980,000 stock options were granted under the Plan. Of these options granted, 450,000 were forfeited in February 2011 and 50,000 cancelled in March 2011. In March 2011, 280,000 stock options were granted under the 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 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 no options have been exercised as of yet, and therefore no historical exercising behavior available, an alternative method was used. Because of the nature of the vesting as described above, the options were separated into five blocks, with each block having its own vesting period and expected term. Assuming the vesting occurs ratably over the vesting period for each option block, the average vesting term (requisite service period) for each option block was calculated to be 2.54, 3.54, 4.54, 5.54 and 6.54 years for option blocks 1 through 5, respectively. As such, the expected terms were calculated to be 6.27, 6.77, 7.27, 7.77 and 8.27 years, for option blocks 1 through 5, respectively.

The current 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 volatility was based on the observed volatility of Avalon common stock for a five year period prior to the grant dates. The expected volatility that was used ranged from 60.9% to 61.7% with a weighted average expected volatility of 61.2%.

There were no expected dividends and the risk-free interest rate(s), which ranged from 2.06% to 2.28%, were based on yield data for U. S. Treasury securities over a period consistent with the expected term.

The following information is a summary of the stock option activity:

| | |
|---|------------|
| Options outstanding at January 1, 2011 | 980,000 |
| Options forfeited | (450,000) |
| Options cancelled | (50,000) |
| 2011 Options granted | 280,000 |
| Total options outstanding at September 30, 2011 | 760,000 |
| Options Vested | 96,000 |
| Options Exercisable | -0- |

| | | |
|------------------------------|------------------------------------|--|
| Number of Options Granted | Weighted Average Exercise Price | Weighted Average Fair Value at Grant Date |
| 760,000 | \$2.63 | \$1.09 |

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 Contract Vesting Term.

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

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

Compensation cost was approximately \$52,000 and \$66,000 for the three months ended September 30, 2011 and 2010 respectively and \$145,000 and \$153,000 for the nine months ended September 30, 2011 and 2010, respectively, based upon the estimated fair value calculation. The associated deferred tax benefit recorded was offset by an increase to the valuation allowance. As of September 30, 2011, there was \$.6 million of total unrecognized compensation costs related to non-vested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.46 years. Although the first block of options associated with the options granted in the first quarter of 2010 have met the contract vesting term, as of September 30, 2011, none of the options were exercisable due to the fact that Avalon's common stock price has not reached the predetermined vesting price of \$3.43 in order for the options to be exercisable.

Note 6. Legal Matters

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

Note 7. Business Segment Information

Avalon's reportable segments include waste management services and golf and related operations. 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." On this basis, 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 waste disposal brokerage and management services to industrial, commercial, municipal and governmental customers, manages a captive landfill for an industrial customer and sells construction mats. The golf and related operations segment includes the operations of golf courses, clubhouses that provide recreational activities, dining and banquet facilities, spa services and a travel agency. Revenue for the golf and related operations segment consists primarily of membership dues, food and beverage sales, green fees, cart rentals, merchandise sales and spa services. Revenue related to membership dues are recognized proportionately over twelve months. The unrecognized or deferred revenues relating to membership dues at September 30, 2011 and December 31, 2010 were \$2.3 million and \$2.0 million, respectively. Avalon does not have significant operations located outside the United States and, accordingly, geographical segment information is not presented.

For the nine months ended September 30, 2011, one customer accounted for 12% of the waste management services segment's net operating revenues to external customers and 9% of Avalon's consolidated net operating revenues. For the nine months ended September 30, 2010, one customer accounted for 10% of the waste management services segment's net operating revenues to external customers and 8% of Avalon's consolidated net operating revenues. In addition, Avalon's captive landfill management business is dependent upon a single customer as its sole source of revenue.

The accounting policies of the segments are consistent with those described for the consolidated financial statements in the summary of significant accounting policies. Avalon measures segment profit for internal reporting purposes as income (loss) before taxes. Business segment information including the reconciliation of segment income before taxes to income (loss) before taxes is as follows (in thousands):

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------|-------------------------------------|----------|------------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net operating revenues from: | | | | |
| Waste management services: | | | | |
| External customers revenues | \$12,264 | \$8,696 | \$28,873 | \$24,667 |
| Intersegment revenues | 2 | — | 2 | — |
| Total waste management services | 12,266 | 8,696 | 28,875 | 24,667 |
| Golf and related operations: | | | | |
| External customers revenues | 3,571 | 3,093 | 8,231 | 7,503 |
| Intersegment revenues | 11 | 14 | 44 | 44 |
| Total golf and related operations | 3,582 | 3,107 | 8,275 | 7,547 |
| Segment operating revenues | 15,848 | 11,803 | 37,150 | 32,214 |
| Intersegment eliminations | (13) | (14) | (46) | (44) |
| Total net operating revenues | \$15,835 | \$11,789 | \$37,104 | \$32,170 |
| Income (loss) before taxes: | | | | |
| Waste management services | \$901 | \$670 | \$2,275 | \$1,931 |
| Golf and related operations | 35 | 72 | (473) | (435) |
| Segment income before taxes | 936 | 742 | 1,802 | 1,496 |
| Corporate interest income | 1 | 5 | 4 | 21 |
| Corporate other income, net | 11 | 2 | 135 | 6 |
| General corporate expenses | (620) | (743) | (1,852) | (2,099) |
| Income (loss) before taxes | \$328 | \$6 | \$89 | \$(576) |
| Interest income: | | | | |
| Waste management services | \$— | \$— | \$— | \$— |
| Golf and related operations | — | — | — | — |
| Corporate | 1 | 5 | 4 | 21 |
| Total | \$1 | \$5 | \$4 | \$21 |

| | September 30, 2011 | December 31, 2010 |
|---|-----------------------|----------------------|
| Identifiable assets: | | |
| Waste management services | \$ 15,826 | \$ 11,648 |
| Golf and related operations | 30,919 | 30,233 |
| Corporate | 40,292 | 40,006 |
| Subtotal | 87,037 | 81,887 |
| Elimination of intersegment receivables | (35,341) | (34,550) |
| Total | \$ 51,696 | \$ 47,337 |

In comparing the identifiable assets at September 30, 2011 with those at December 31, 2010, the increase in identifiable assets of the waste management services segment of \$4.2 million is primarily due to an increase in accounts receivable as a result of higher net operating revenues in the third quarter of 2011 compared with the fourth quarter of 2010. The increase in the identifiable assets of \$0.7 million of the golf and related operations segment is primarily the result of capital expenditures. The increase in identifiable assets of corporate is primarily due to an increase in cash and cash equivalents, partially offset by a decrease in property and equipment as a result of the sale of an asset.

Note 8. Recently Issued Financial Accounting Standards

In May 2011, the Financial Accounting Standards Board ("FASB") issued ASU No. 2011-04, Amendments to achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards ("IFRS"), which amends ASC 820, Fair Value Measurement. This ASU modifies the existing standard to include disclosure of all transfers between Level 1 and Level 2 asset and liability fair value categories. In addition, The ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value changes in unobservable inputs and any interrelationship between those inputs. This guidance is effective for interim and annual reporting periods beginning after December 15, 2011, with early adoption prohibited. Avalon does not expect such adoption will have a material impact on the results of operations, financial condition or its disclosures.

In June 2011, the FASB issued ASU No. 2011-05, Presentation of Comprehensive Income. This standard eliminates the current option to report other comprehensive income and its components in the statement of changes in equity. Under this new ASU, an entity can elect to present items of net income and other comprehensive income in one continuous statement or in two separate, but consecutive, statements. This guidance is effective for publicly traded companies as of the beginning of a fiscal year that begins after December 15, 2011 and interim and annual periods thereafter. Early adoption is permitted, but full retrospective adoption application is required. Currently, Avalon does not have any other comprehensive income.

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

The following discussion provides information which management believes is relevant to an assessment and understanding of the operations and financial condition of Avalon Holdings Corporation and its subsidiaries. As used in this report, the term "Avalon" means Avalon Holdings Corporation and its wholly owned subsidiaries, taken as a whole, unless the context indicates otherwise.

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

Liquidity and Capital Resources

For the first nine months of 2011, Avalon utilized existing cash and cash provided from operations to fund capital expenditures and meet operating needs.

Avalon's aggregate capital expenditures in 2011 are expected to be in the range of \$1.4 million to \$1.6 million. Such expenditures will principally relate to building improvements, expanding and resurfacing the patio area surrounding the pool at the Squaw Creek facility and equipment purchases. During the first nine months of 2011, capital expenditures for Avalon totaled approximately \$1.3 million which principally related to such items.

Avalon entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease, which commenced November 1, 2003, 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 renewal options.

Working capital was \$6.9 million at September 30, 2011 and \$6.6 million at December 31, 2010.

The increase in accounts receivable of \$4.0 million at September 30, 2011 compared with December 31, 2010 is primarily due to a significant increase in net operating revenues of the waste management services segment in the third quarter of 2011 compared with the fourth quarter of 2010. The waste management services segment recorded net operating revenues of \$12.3 million in the third quarter of 2011 compared with \$9.2 million in the fourth quarter of 2010.

Accounts receivable of the golf and related operations segment also increased, but to a lesser extent, due to higher net operating revenues in the third quarter of 2011 compared with the fourth quarter of 2010.

The increase in other current assets at September 30, 2011 compared with December 31, 2010 is primarily a result of higher inventories of the golf and related operations segment.

The increase in accounts payable at September 30, 2011 compared with December 31, 2010 is primarily due to an increase in amounts due disposal facilities and transportation carriers of the waste brokerage and management services business as a result of higher net operating revenues in the third quarter of 2011 compared with the fourth quarter of 2010 and the timing of payments to vendors in the ordinary course of business.

The increase in accrued payroll and other compensation at September 30, 2011 compared with December 31, 2010 is primarily due to an increase in accrued bonus incentives of the waste management services segment and other accrued bonuses. At December 31, 2010, there were no other accrued bonuses, except those relating to the waste management services segment, because such bonuses were paid prior to yearend.

The increase in deferred revenues at September 30, 2011 compared with December 31, 2010 is primarily due to an increase in deferred revenues relating to membership dues of the golf and related operations segment.

Management believes that anticipated cash provided from future operations, existing working capital, as well as Avalon's ability to incur indebtedness, will be, for the foreseeable future, sufficient to meet operating requirements and fund capital expenditure programs.

Growth Strategy: Our growth strategy for the waste management services segment will focus 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.

- **Long-Term Agreements.** We seek to obtain long-term agreements with all of our customers. By obtaining such long-term agreements, we will have the opportunity to grow our revenue base at the same rate as the underlying revenue growth of these customers. We believe this positions us to minimize revenue deterioration and experience internal growth rates that are generally higher than our industry's overall growth rate. Additionally, we believe that by securing a base of long-term recurring revenue, we are better able to protect our market position from competition and our business may be less susceptible to downturns in economic conditions.
- **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.

Due to the increased activity of oil and gas drilling in the Marcellus Shale and Utica Shale regions, Avalon is exploring and researching the possibility of drilling deep waste water disposal wells for the disposal of the brine waters from such drilling and, as such, has purchased options on a number of properties for this purpose.

For the golf and related operations, 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. Such potential acquisitions could be financed by existing working capital, utilizing its line of credit, secured or unsecured debt, issuance of common stock, or issuance of a security with characteristics of both debt and equity, any of which could impact liquidity in the future.

Results of Operations

Overall performance

Net operating revenues in the third quarter of 2011 increased to \$15.8 million from \$11.8 million in the prior year's third quarter. The increase is primarily the result of a significant increase in the net operating revenues of the waste management services segment. Costs of operations increased to \$13.3 million in the third quarter of 2011 compared with \$9.6 million in the prior year's third quarter. This increase is primarily due to the increased net operating revenues of the waste management services segment, which resulted in higher transportation and disposal costs, as these costs vary directly with the associated net operating revenues. Fixed costs relating to depreciation and amortization expense were \$.4 million in both the third quarter of 2011 and 2010. Consolidated selling, general and administrative expenses increased to \$1.9 million in the third quarter of 2011 compared with \$1.8 million in the third quarter of 2010 primarily due to an increase in the sales and management incentive bonuses of the waste management services segment. Avalon recorded net income of \$.3 million or \$.08 per share in the third quarter of 2011 compared with a net loss of \$2,000 in the third quarter of 2010 or basically breakeven on a per share basis.

For the first nine months of 2011, net operating revenues increased to \$37.1 million compared with \$32.2 million for the first nine months of 2010. The increase is primarily the result of significantly higher net operating revenues of the waste management services segment. Costs of operations were \$30.9 million for the first nine months of 2011 compared with \$26.4 million for the first nine months of 2010. This increase is primarily due to the increased net operating revenues of the waste management services segment, which resulted in higher transportation and disposal costs, as these costs vary directly with the associated net operating revenues. Fixed costs relating to depreciation and amortization expense were \$1.3 million for both the first nine months of 2011 and 2010. Consolidated selling, general and administrative expenses were \$5.2 million for both the first nine months of 2011 and 2010. Avalon recorded net income of \$41,000, or \$.01 per share, for the first nine months of 2011 compared with a net loss of \$.6 million, or \$.16 per share, for the first nine months of 2010.

Performance in the Third Quarter of 2011 compared with the Third Quarter of 2010

Segment performance

Segment performance should be read in conjunction with Note 7 to the Condensed Consolidated Financial Statements.

Net operating revenues of the waste management services segment increased approximately 41% to \$12.3 million in the third quarter of 2011 compared with \$8.7 million in the third quarter of the prior year. For the third quarter of 2011, net operating revenues of the waste brokerage and management services business were \$11.7 million compared with \$8.0 million in the third quarter of 2010, while the net operating revenues of the captive landfill management operations were \$.6 million in the third quarter of 2011 compared with \$.7 million in the third quarter of 2010. The increase in the net operating revenues of the waste brokerage and management services business was due to an increase of 56% in event work or one-time projects and a 33% increase in continuous work. The increase in event work was primarily due to a substantial amount of work performed on three significant projects in the third quarter of 2011. Event work is defined as bid projects under contract that occurs on a one-time basis over a short period of time and can fluctuate significantly from quarter to quarter. The increase in the net operating revenues in continuous work is primarily the result of our customers increasing their production or operations, which, in turn, increased the amount of waste generated that needed to be disposed of. The decrease in net operating revenues of the captive landfill operations was primarily due to no sales of construction mats in the third quarter of 2011 compared with the prior year third quarter.

As a result of the higher net operating revenues, income before taxes for the waste management services segment increased to \$.9 million in the third quarter of 2011 compared with \$.7 million in the third quarter of the prior year. Income before taxes of the waste brokerage and management services business was \$.8 million for the third quarter of 2011 compared with \$.6 million for the third quarter of 2010. The average gross profit percentage of the waste brokerage and management services business decreased to 15.8% in the third quarter of 2011 compared with 18.4% in the third quarter of the prior year. The decrease was primarily due to significantly lower gross margins of the three significant event work projects mentioned previously. Because of the competitiveness in the bidding process for large event work, lower gross margins were needed to win the bid for these projects. Income before taxes of the captive landfill operations was \$.1 million in both the third quarter of 2011 and 2010.

Avalon's golf and related operations segment consists primarily of golf courses, clubhouses which provide dining and banquet facilities, recreational facilities, and a travel agency. Although the golf courses will continue to be available to the general public, the primary source of revenues will arise from members of the Avalon Golf and Country Club. Net operating revenues for the golf and related operations were \$3.6 million in the third quarter of 2011 compared with \$3.1 million in the third quarter of 2010. Net operating revenues from golfing activities, food and beverage sales, spa services and membership dues all increased during in the third quarter of 2011 compared with the prior year quarter. The average number of members during the third quarter of 2011 increased to 3,134 compared with 2,830 in the prior year's third quarter. Although the membership increased, due to the mix between social and golf members and promotional membership programs to attract new members, net operating revenues from membership dues did not increase proportionately as the average membership dues per member declined. The ability to attract 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. However, due to the state of the economy, retaining members and attracting new members has been difficult. A significant decline in members could adversely impact the financial results of the golf and related operations segment. The golf and related operations segment recorded income before taxes of \$35,000 for the third quarter of 2011 compared with approximately \$72,000 in the third quarter of 2010. The decrease in income before taxes is primarily due to higher employee costs and increased advertising and membership promotional expenses.

Interest income

Interest income was \$1,000 in the third quarter of 2011 compared with \$5,000 in the third quarter of 2010. The decrease is primarily the result of lower average investment rates.

General corporate expenses

General corporate expenses were \$.6 million in the third quarter of 2011 compared with \$.7 million in the third quarter of 2010. The decrease is primarily the result of a decrease in employee costs and less compensation expense related to stock options.

Net income

Avalon recorded net income of \$.3 million in the third quarter of 2011 compared with a net loss of \$2,000 in the third quarter of 2010. Excluding the effect of the state income tax provisions which related entirely to the waste management segment, Avalon's overall effective tax rate was 0% in the third quarter of 2011 and 2010. The overall effective tax rate is different than statutory rates primarily due to a change in the valuation allowance. Avalon's income tax provision on income before taxes was offset by an increase in the valuation allowance due to the use of its net operating losses. A valuation allowance is provided when it is more likely than not that deferred tax assets relating to certain federal and state loss carryforwards will not be realized. Avalon continues to maintain a valuation allowance against the majority of its deferred tax amounts until it is evident that the deferred tax asset will be utilized in the future.

Performance in the first nine months of 2011 compared with the first nine months of 2010

Segment performance

Segment performance should be read in conjunction with Note 7 to the Condensed Consolidated Financial Statements.

Net operating revenues of the waste management services segment increased approximately 17% to \$28.9 million in the first nine months of 2011 compared with \$24.7 million in the first nine months of the prior year. For the first nine months of 2011, net operating revenues of the waste brokerage and management services business were \$27.0 million compared with \$22.7 million for the first nine months of 2010, while the net operating revenues of the captive landfill management operations was \$1.9 million in the first nine months of 2011 compared with \$2.0 million for the same period in 2010. The increase in net operating revenues of the waste brokerage and management services business was primarily the result of a 38% increase in net operating revenues relating to continuous work. The increase in the net operating revenues in continuous work is primarily the result of our customers increasing their production or operations, which, in turn, increased the amount of waste generated that needed to be disposed of. The decrease in net operating revenues of the captive landfill management operations in the first nine months of 2011 compared with the first nine months of 2010 was primarily the result of no sales of construction mats in 2011 compared with \$.3 million for the first nine months of 2010. The decrease in the sales of construction mats is primarily the result of significantly higher steel prices, making the mats too expensive to be competitive with alternative products. The decrease in net operating revenues of the captive landfill was partially offset by an increase in the amount of waste disposed of at the landfill. The amount of waste disposed of at the landfill is entirely dependent upon the amount of waste generated by the owner of the landfill for whom Avalon manages the facility.

Income before taxes for the waste management services segment increased to \$2.3 million in the first nine months of 2011 compared with \$1.9 million in the first nine months of the prior year. The increase is primarily due to the significant increase in net operating revenues of the waste brokerage and management services business. Income before taxes of the waste brokerage and management services business was \$1.9 million for the first nine months of 2011 compared with \$1.5 million for the first nine months of 2010. Overall gross profit percentage of the waste brokerage and management services business declined to 17.8% for the first nine months of 2011 compared with 18.8% for the first nine months of the prior year. The decrease was primarily attributable to lower gross margins of the event work performed during the third quarter of 2011. Income before taxes of the captive landfill operations was \$.4 million in both the first nine months of 2011 and 2010.

Net operating revenues of the golf and related operations segment increased to \$8.3 million in the first nine months of 2011 compared with \$7.5 million in the first nine months of the prior year. 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 2011 and 2010. Net operating revenues from food and beverage sales, spa services and membership dues all increased during the first nine months of 2011 compared with the first nine months of the prior year. The average number of members during the first nine months of 2011 increased to 2,988 compared with 2,790 in the prior year's first nine months. Although the membership increased, due to the mix between social and golf members and promotional membership programs to attract new members, net operating revenues from membership dues did not increase proportionately as the average membership dues per member declined. The ability to attract 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. However, due to the state of the economy, retaining members and attracting new members has been difficult. A significant decline in members could adversely impact the financial results of the golf and related operations segment.

The golf and related operations segment incurred a loss before taxes of \$.5 million for the first nine months of 2011 compared with a loss before taxes of \$.4 million for the first nine months of 2010. The increase in loss before taxes is primarily due to higher employee costs and increased advertising and membership promotional expenses.

Interest income

Interest income was \$4,000 in the first nine months of 2011 compared with \$21,000 in the first nine months of 2010. The decrease is primarily the result of a lower average investment rates.

Other income, net

Other income, net was \$297,000 in the first nine months of 2011 compared with \$163,000 in the first nine months of 2010. The increase was primarily attributable to the sale of an asset during the second quarter of 2011 in which Avalon recognized a gain of \$.1 million.

General corporate expenses

General corporate expenses were \$1.9 million in the first nine months of 2011 compared with \$2.1 million in the first nine months of 2010. The decrease is primarily the result of a decrease in employee costs.

Net income

Avalon recorded net income of \$41,000 in the first nine months of 2011 compared with a net loss of \$.6 million in the first nine months of the prior year. Excluding the effect of state income tax provisions which related entirely to the waste management segment, Avalon's overall effective tax rate was 0% for the first nine months of 2011 and 2010. The overall effective tax rate is different than statutory rates primarily due to a change in the valuation allowance. The income tax provision for the first nine months of 2011 and the income tax benefit for the first nine months of 2010 were 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

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.

The federal government and numerous state and local governmental bodies are continuing to consider legislation or regulations to either restrict or impede the disposal and/or transportation of waste. A portion of Avalon's waste brokerage and management services revenues is derived from the disposal and/or transportation of out-of-state waste. Any law or regulation restricting or impeding the transportation of waste or the acceptance of out-of-state waste for disposal could have a negative effect on Avalon.

Avalon's 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.

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.

Economic challenges throughout the industries served by Avalon have resulted 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.

The Avalon Golf and Country Club has golf courses and clubhouses at each of its three facilities. The Squaw Creek and Sharon facilities each have a swimming pool, a fitness center and dining and banquet facilities. The Squaw Creek facility also has tennis courts. 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 for use by the general public, the primary source of revenues will be generated by the members of the Avalon Golf and Country Club. Avalon believes that the combination of these three facilities will result in additional memberships in the Avalon Golf and Country Club. Due to the state of the economy, the ability to retain current members and attract new members has been difficult. Although Avalon has been able to retain and increase the number of members of the Avalon Golf and Country Club, as of September 30, 2011, Avalon has not attained its membership goals. There can be no assurance as to when such goals will be attained and when the golf and related operations will ultimately become profitable. 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.

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

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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Avalon does not have significant exposure to changing interest rates. A 10% change in interest rates would have an immaterial effect on Avalon's income before taxes for the next fiscal year. Avalon currently has no debt outstanding and invests primarily in Certificates of Deposit, U.S. Treasury notes, short-term money market funds and other short-term obligations. Avalon does not undertake any specific actions to cover its exposure to interest rate risk and Avalon is not a party to any interest rate risk management transactions. Avalon does not purchase or hold any derivative financial instruments.

Item 4. Controls and Procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), Avalon's management conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2011. For purposes of the foregoing, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Avalon's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as outlined above. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they believe that, as of September 30, 2011 our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Controls over Financial Reporting. There were no changes in our internal controls over financial reporting during the fiscal quarter ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Reference is made to “Item 3. Legal Proceedings” in Avalon’s Annual Report on Form 10-K for the year ended December 31, 2010 for a description of legal proceedings.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults upon Senior Securities

None

Item 4. Removed and Reserved

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

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

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

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

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

(b) Reports on Form 8-K

None

SIGNATURE

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

AVALON HOLDINGS CORPORATION
(Registrant)

Date: November 10, 2011

By: /s/ Timothy C. Coxson
Timothy C. Coxson, Chief Financial Officer and
Treasurer (Principal Financial and Accounting
Officer and Duly Authorized Officer)