AVALON HOLDINGS CORP
Form 10-K
March 25, 2014
2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2013

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

Commission File Number 1-14105

AVALON HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Class A Common Stock, $.01 par value	**NYSE Amex**

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

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

Yes ____ No X__

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

Yes ____ No X__

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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	Non-accelerated filer ___ (Do not check if a smaller reporting company)	Smaller reporting company X
___	___		

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

The aggregate market value of Class A Common Stock held by non-affiliates of the registrant on March 18, 2014 was $16.9 million. Assuming that the market value of Avalon Holdings Corporation's Class B Common Stock was the same as its Class A Common Stock by reason of its one-to-one conversion rights, the market value of Class B Common Stock held by non-affiliates of the registrant on March 18, 2014 was approximately $6,100. The registrant had 3,191,100 shares of its Class A Common Stock and 612,231 shares of its Class B Common Stock outstanding as of March 18, 2014.

Documents Incorporated by Reference

1. Portions of the Avalon Holdings Corporation Annual Report to Shareholders for the year ended December 31, 2013 (Parts I and II of Form 10-K).
2. Portions of the Avalon Holdings Corporation Proxy Statement for the 2014 Annual Meeting of Shareholders are incorporated by reference herein into Part III.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

As used in this report, the terms "Avalon," "Company," and "Registrant" mean Avalon Holdings Corporation and its wholly owned subsidiaries, taken as a whole, unless the context indicates otherwise.

TABLE OF CONTENTS

Part I		Page
Item 1.	Business	1
Item 1A.	Risk Factors	4
Item 1B.	Unresolved Staff Comments	9
Item 2.	Properties	9
Item 3.	Legal Proceedings	9
Item 4.	Mine Safety Disclosures	9
Part II		
Item 5.	Market for the Registrant's Common Equity and Related Stockholder Matters	10
Item 6.	Selected Financial Data	10
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 7A.	Quantitative and Qualitative Disclosures about Market Risk	10
Item 8.	Financial Statements and Supplementary Data	10
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	11
Item 9A.	Controls and Procedures	11
Item 9B.	Other Information	11
Part III		
Item 10.	Directors and Executive Officers of the Registrant	12
Item 11.	Executive Compensation	13
Item 12.	Security Ownership of Certain Beneficial Owners and Management	13
Item 13.	Certain Relationships and Related Transactions	13
Item 14.	Principal Accountant Fees and Services	13
Part IV		

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K 14

Signatures 16

Note on Incorporation by Reference

Throughout this report various information and data are incorporated by reference from Avalon's 2013 Annual Report to Shareholders (hereinafter referred to as the "Annual Report to Shareholders"). Any reference in this report to disclosures in the Annual Report to Shareholders shall constitute incorporation by reference of that specific material into this Form 10-K.

PART 1

ITEM 1. BUSINESS

General

Avalon Holdings Corporation ("Avalon") was formed on April 30, 1998 as a subsidiary of American Waste Services, Inc. ("AWS"). On June 17, 1998, AWS distributed, as a special dividend, all of the outstanding shares of capital stock of Avalon to the holders of AWS common stock on a pro rata and corresponding basis (the "Spin-off"). The history and organization of the remaining operations, some of which were contributed to Avalon as a result of the Spin-off, are described below.

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

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

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

On October 23, 2006, Avalon, through a newly created subsidiary, Avalon Country Club at Sharon, Inc. ("Sharon"), completed the acquisition of the Sharon Country Club assets. The primary assets of the Sharon club include the golf course and clubhouse. Avalon renovated the clubhouse and constructed additional recreational facilities and operates the Sharon facilities as part of its Avalon Golf and Country Club.

In June 2011, American Water Management Services, LLC was formed to acquire options on properties for the purpose of operating salt water injection wells. American Water Management Services, LLC will manage all the salt water injection well operations, be responsible for the marketing and sales function and make all the decisions regarding the well operations for a percentage of the gross revenues.

In August 2013, Avalon created a new Ohio limited liability company, AWMS Holdings, LLC, to act as a holding company to form and own a series of wholly owned subsidiaries that will own and operate salt water injection wells and facilities (together the “facilities”). AWMS Holdings, LLC, will offer 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, will be used to construct the facilities necessary for the operation of salt water injection wells. American Water Management Services, LLC, a wholly owned subsidiary of Avalon, will manage the operations, be responsible for the marketing and sales function and make all the decisions regarding the well operations for a percentage of the gross revenues. As a result of the private placement offerings, Avalon may not be the majority owner of AWMS Holdings, LLC; however, due to the managerial control of American Water Management Services, LLC, the financial statements of AWMS Holdings, LLC and subsidiaries will be included in the Avalon consolidated financial statements.

In August 2013, AWMS Holdings, LLC formed its first wholly owned subsidiary, AWMS Rt. 169, LLC, to own and operate two salt water injection wells. AWMS Rt. 169, LLC leases 5.2 acres on which the salt water injection wells are located. At December 31, 2013, the two saltwater wells and related facilities were being constructed. The wells are expected to be operational by the end of the first quarter of 2014.

Business Segments Information

Avalon's business segments are waste management services and golf and related operations. The waste management services segment includes waste disposal brokerage and management services and captive landfill management operations. Once operational, the salt water injection well operations will be included in the waste management services segment. The golf and related operations segment includes the operation and management of golf courses, fitness centers, tennis, spa services, dining and banquet facilities and a travel agency. In 2013 and 2012, one customer of the waste management services segment, Shell Western Exploration and Production, Inc., accounted for 17% and 14%, respectively, of the waste management services segment's net operating revenues to external customers and 13% and 10%, respectively, of the consolidated net operating revenues.

Waste Management Services

Avalon's waste management subsidiaries provide hazardous and nonhazardous waste brokerage and management services and captive landfill management services. Waste management services are provided to industrial, commercial, municipal and governmental customers primarily in selected northeastern and midwestern United States markets. For the years 2013 and 2012, the net operating revenues of the waste management services segment represented approximately 79% and 76%, respectively, of Avalon's total segments' net operating revenues.

American Waste Management Services, Inc. ("AWMS") assists customers with managing and disposing of wastes at approved treatment and disposal sites based upon a customer's needs.

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

Before AWMS will provide waste brokerage or management services, a potential customer must complete a detailed waste profile setting forth the amount, chemical composition and any unique characteristics for each type of waste to

be handled. Representative samples of the waste are analyzed by a state or federally certified laboratory. In addition, an AWMS representative generally inspects the process generating the waste, the location where the waste may be temporarily stored or the site of the remediation project producing the waste, and interviews representatives of the generator familiar with the waste. This inspection, along with the laboratory results, allows AWMS to determine whether the waste is within acceptable parameters for disposal and, if so, what special handling and treatment procedures must be instituted. If the waste is continuously generated, new representative samples are tested on a periodic basis.

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

American Landfill Management, Inc. (“ALMI”) is a landfill management company that provides technical and operational services to customers owning captive disposal facilities. A captive disposal facility only disposes of waste generated by the owner of such facility. ALMI provides turnkey services, including daily operations, facilities management and management reporting for its customers. Currently, ALMI manages one captive disposal facility located in Ohio. In addition, American Construction Supply, Inc., a wholly owned subsidiary of ALMI, sells construction mats.

Golf and Related Operations

Avalon's golf and related operations segment operates golf courses and related facilities and a travel agency. For the years 2013 and 2012, the net operating revenues of the golf and related operations segment represented approximately 21% and 24%, respectively, of Avalon's total segments' net operating revenues.

Avalon Lakes Golf, Inc. ("ALGI") owns and operates a Pete Dye designed championship golf course located in Warren, Ohio. ALGI generates revenue from membership dues, greens fees, cart rentals, merchandise, and food and beverage sales. TBG, a subsidiary of ALGI, entered into a long-term agreement with Squaw Creek Country Club to lease and operate its golf course and related facilities. The lease, which commenced on November 1, 2003, has an initial term of ten (10) years with four (4) consecutive ten (10) year renewal term options unilaterally exercisable by TBG. In addition to a championship golf course, the Squaw Creek facilities include a swimming pool, tennis courts and a clubhouse that includes a fitness center, dining and banquet facilities. TBG generates its revenue in the same manner as ALGI, but also generates revenues from tennis and swimming. Avalon Travel, Inc., a subsidiary of ALGI, owns and operates a travel agency which generates its revenue from booking travel reservations.

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

On October 23, 2006, Avalon, through its subsidiary, Avalon Country Club of Sharon, Inc., completed the acquisition of the Sharon Country Club assets. The primary assets of Sharon include the golf course and clubhouse which includes, dining and banquet facilities, a swimming pool, spa services and a fitness center. Sharon generates its revenue in the same manner as ALGI and TBG, but also generates revenues from its fitness center and spa services.

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 its three facilities will result in additional memberships in the Avalon Golf and Country Club. The ability to retain current members and attract new members has been an ongoing challenge. Although Avalon has been able to increase the number of members of the Avalon Golf and Country Club, as of December 31, 2013, 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.

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

Governmental Regulations

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 may also be affected by the trend toward laws requiring the development of waste reduction and recycling or other programs.

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 their liquor license, the financial performance of the golf and related operations would be adversely affected.

Sales and Marketing

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

Competition

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

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

Insurance

Avalon carries $11,000,000 of liability insurance coverage. This insurance includes coverage for comprehensive general liability, automobile liability and other customary coverage. Avalon also carries $5,000,000 of liability insurance for the golf courses and related operations which maintain separate insurance coverage. Avalon carries comprehensive property damage coverage and, also, professional liability insurance for its fitness, swimming and spa activities. No assurance can be given that such insurance will be available in the future or, if available, that the premiums for such insurance will be reasonable.

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

Employees

As of December 31, 2013, Avalon had 285 employees, 31 of whom were employed by the waste management services segment, 229 of whom were employed by the golf and related operations and 25 of whom were employed in financial and administrative activities. Avalon believes that it has a good relationship with its employees.

Other Business Factors

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

ITEM 1A. RISK FACTORS

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

Voting Control by Management

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

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

Certain Anti-Takeover Provisions of Articles

of Incorporation, Code of Regulations and Ohio Law

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

Dividend Policy

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

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

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

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.

The golf operations primary source of 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 operations are primarily dependent on the sale and renewal of memberships in the Avalon Golf and Country Club, on a year to year basis.

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.

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.

Saltwater Disposal Wells

The saltwater disposal business is a startup business for Avalon. Avalon has no history of operating saltwater disposal wells, although Avalon has successfully operated waste disposal facilities and waste brokering businesses for over 20 years. To be successful, Avalon must, among other things, acquire and/or develop and construct disposal wells; attract and maintain customers; provide disposal services at attractive prices; and respond to competitive developments. The failure to do so could have a material adverse effect on the business and financial results of Avalon.

Currently, there are relatively few saltwater disposal wells in Ohio; however, because of the recent increase in the use of hydrofracturing in both Pennsylvania and Ohio, the need for saltwater disposal wells has increased substantially and it is likely that the number of saltwater disposal wells being permitted and constructed will increase. As such, the price charged to customers to dispose of the saltwater brine may fluctuate with the increase in competition. In addition, alternative methods for the disposal of saltwater brine may be developed. Both a price decline and/or alternative methods for the disposal of saltwater brine could adversely impact the financial results of Avalon.

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

There is a continuing risk during the saltwater disposal well's operation of an environmental event causing contamination to the water tables in the surrounding area, or seismic events similar to the one that occurred in the Youngstown, Ohio area. 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.

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.

Competitive pressures

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

Golf Memberships and Liquor Licenses

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. In addition, the Squaw Creek facility has tennis courts and the Sharon facility offers spa services. 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 three facilities will result in additional memberships in the Avalon Golf and Country Club. The ability to retain current members and attract new members has been an ongoing challenge. Although Avalon was able to increase the number of members of the Avalon Golf and Country Club, as of December 31, 2013, 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 their liquor license, the financial performance of the golf and related operations would be adversely affected.

Government regulations

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 management services revenues is derived from the brokerage of 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 may also be affected by the trend toward laws requiring the development of waste reduction and recycling or other programs.

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.

Inflation

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. In general, management believes that rising costs resulting from price

inflation could be passed on to customers; however, Avalon may need to absorb all or a portion of these cost increases depending upon competitive conditions at the time.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There were no unresolved comments from the Staff of the U. S. Securities and Exchange Commission at December 31, 2013.

ITEM 2. PROPERTIES

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

ALGI owns an 18-hole golf course and practice facility on approximately 200 acres, a maintenance and storage building of approximately 12,000 square feet, a restaurant building of approximately 10,400 square feet, and a banquet facility of approximately 7,000 square feet. ALGI currently leases the restaurant building and banquet facility to a third party operator. All of ALGI's facilities are located in Warren, Ohio.

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

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

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

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

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

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of conducting its business, Avalon becomes involved in lawsuits, administrative proceedings and governmental investigations, including those related to environmental matters. Some of these proceedings may result in fines, penalties or judgments being assessed against Avalon which, from time to time, may have an impact on its business and financial condition. Although the outcome of such lawsuits or other proceedings cannot be predicted with certainty, Avalon does not believe that any uninsured ultimate liabilities, fines or penalties resulting from such pending proceedings, individually or in the aggregate, would have a material adverse effect on its liquidity, financial position or results of operations. See Item 1. "Business—Insurance."

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

Information with respect to the following items can be found on the indicated pages of Exhibit 13.1, the 2013 Annual Report to Shareholders, if not otherwise included herein.

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

	Page(s)
Common stock information	25
Dividend policy	25

ITEM 6. SELECTED FINANCIAL DATA

Not required for Smaller Reporting Company

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

Management's Discussion and Analysis of Financial Condition and Results of Operations	2-8

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for Smaller Reporting Company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Independent auditors' report regarding financial statements as of December 31, 2013 and 2012 and for each of the two years in the period ended December 31, 2013	21
Financial Statements:	
Consolidated Balance Sheets, December 31, 2013 and 2012	9
Consolidated Statements of Operations for the years ended December 31, 2013 and 2012	10
Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012	11
Consolidated Statements of Shareholders' Equity for each of the two years in the period ended December 31, 2013	12
Notes to Consolidated Financial Statements	13-20

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

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

None

item 9A. controls and procedures

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), Avalon's management conducted an evaluation, under the supervision and with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by the Annual Report. For purposes of the foregoing, the term disclosure controls and procedures means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's ("SEC") rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Avalon's disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives as outlined above. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that they believe that, as of December 31, 2013, our disclosure controls and procedures were effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting during the fourth fiscal quarter ended December 31, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. Other INFORMATION

None

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by Item 10 regarding Directors is contained under the caption "Election of Directors" in the Registrant's definitive Proxy Statement for its 2014 Annual Meeting of Shareholders (the "Proxy Statement") which will be filed with the Securities and Exchange Commission, pursuant to Regulation 14A, not later than 120 days after the end of the fiscal year, which information under such caption is incorporated herein by reference. The following information with respect to the Executive Officers of Avalon is included pursuant to Instruction 3 of Item 401(b) of Regulation S-K:

Name	Age	Position
Ronald E. Klingle	66	Chairman of the Board, Chief Executive Officer and a Director
Timothy C. Coxson	63	Treasurer, Chief Financial Officer, Secretary and a Director
Frances R. Klingle	67	Chief Administrative Officer
Kenneth J. McMahon	61	Chief Executive Officer and President of American Waste Management Services, Inc.

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

Ronald E. Klingle has been a director and Chairman of the Board of the Company since June 1998. He was Chief Executive Officer from June 1998 until December 2002. He reassumed and held the position of Chief Executive Officer from March 15, 2004 until February 28, 2010. On February 16, 2011 he again assumed the position of Chief Executive Officer. Mr. Klingle has over 30 years of environmental experience and received his Bachelor of Engineering degree in Chemical Engineering from Youngstown State University. Mr. Klingle is the spouse of Frances R. Klingle who is the Chief Administrative Officer of the Company.

Timothy C. Coxson has been a director of the Company since April 2007. He has been Chief Financial Officer and Treasurer since March 2006. He became Secretary in April 2007. Mr. Coxson had been Chief Financial Officer and Treasurer of Avalon from June 1998 until August 2004. From September 2004 to March 2006, Mr. Coxson was Director of Corporate Services of Avalon. He has over 25 years of experience working for publicly owned companies in accounting and external reporting. He received a Bachelor of Business Administration degree in Accounting from The Ohio State University.

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

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

CODE OF ETHICS

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

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

ITEM 11. EXECUTIVE COMPENSATION

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

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

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

PART IV

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

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

1. Financial Statements and Independent Auditors' Report (See Part II, Item 8 of this report regarding incorporation by reference from the 2013 Annual Report to Shareholders).

2. Financial Statement Schedules required to be filed by Item 8 and Paragraph (d) of this Item 15.

The following financial statement schedule, which is applicable for years ended December 31, 2013 and 2012, should be read in conjunction with the previously referenced financial statements.

Independent Auditors' Report on Financial Statement Schedule
Schedule II - Valuation and Qualifying Accounts

Such independent auditors' report and financial statement schedule are at pages 17 and 18 of this report. The other schedules are omitted because of the absence of conditions under which they are required or because the information required is shown in the consolidated financial statements or the notes thereto.

3. Exhibits.

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

Exhibit
No.

2.1 Agreement and Plan of Merger, dated as of February 6, 1998, entered into by and among USA Waste Services, Inc. ("USA"), C&S Ohio Corp. and American Waste Services, Inc. ("AWS"), incorporated herein by

	reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 2.1.
2.2	Form of Contribution and Distribution Agreement, dated as of May 7, 1998, by and between AWS and Avalon Holdings Corporation ("Avalon"), incorporated herein by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 2.2.
3.1	Articles of Incorporation of Avalon incorporated herein by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 3.1.
3.2	Code of Regulations of Avalon incorporated herein by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 3.2.
4.1	Form of certificate evidencing shares of Class A common stock, par value $.01, of Avalon Holdings Corporation incorporated herein by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 4.1.
4.2	Avalon Holdings Corporation Long-Term Incentive Plan incorporated herein by reference as Exhibit 4.2 on registrant's Form S-8.
10.1	Form of Tax Allocation Agreement, dated as of May 7, 1998, by and among AWS, Avalon and USA incorporated herein by reference to Avalon Holdings Corporation Registration Statement on Form 10, Exhibit 10.1.
10.2	Lease Agreement with Squaw Creek Country Club, as referenced as Exhibit 10.3 to the registrant's Form 10-Q for the period ended September 30, 2003.
10.3	Stock Purchase Agreement dated as of June 30, 2004 between Avalon Holdings Corporation and BMC International, Inc. for the purchase of DartAmericA, Inc., as referenced as Exhibit 10.4 to the registrant's Form 10-Q for the period ended June 30, 2004.

11.1	Omitted—inapplicable. See “Basic and dilutive net income (loss) per share” on page 15 of the 2013 Annual Report to Shareholders.
13.1	Avalon Holdings Corporation 2013 Annual Report to Shareholders (except pages and information therein expressly incorporated by reference in this Form 10-K, the Annual Report to Shareholders, is provided for the information of the Commission and is not to be deemed “filed” as part of the Form 10-K).
14.1	Code of Ethics, incorporated herein by reference to Exhibit 14.1 to the registrant’s Form 10-K for the period ended December 31, 2010.
21.1	Subsidiaries of Avalon Holdings Corporation.
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

October 22, 2013 Announced private placement offering of membership units to accredited investors in newly formed limited liability corporation to raise capital for construction of saltwater injection wells and facilities.

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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized, on the 25th day of March, 2014.

AVALON HOLDINGS CORPORATION
(Registrant)

By /s/ Timothy C. Coxson
Timothy C. Coxson- Treasurer and Chief Financial Officer

_____

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated, on the 25th day of March, 2014.

Signatures	Title
/s/ RONALD E. KLINGLE Ronald E. Klingle	Chairman of the Board, Chief Executive Officer and Director
/s/ TIMOTHY C. COXSON Timothy C. Coxson	Chief Financial Officer, Treasurer, Secretary and Director
/s/ KURTIS D. GRAMLEY Kurtis D. Gramley	Director
/s/ STEPHEN L. GORDON Stephen L. Gordon	Director

/s/ DAVID G. BOZANICH — Director
David G. Bozanich

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and

Shareholders of Avalon Holdings Corporation

We have audited in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated financial statements of Avalon Holdings Corporation and subsidiaries referred to in our report dated March 25, 2014, which is included in the 2013 Annual Report to Shareholders and incorporated by reference in Part II of this form. Our audits of the basic consolidated financial statements included the financial statement schedule listed in the index appearing under Item 15(a) (2), which is the responsibility of the Company's management. In our opinion, this financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ GRANT THORNTON LLP

Cleveland, Ohio

March 25, 2014

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(thousands of dollars)

DESCRIPTION	Balance at Beginning of Year	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts	Deductions / (Recoveries)[1]	Balance at End of Year
Allowance for Doubtful Accounts:					
Year ended December 31,					
2013	$166	$ 18	$ —	$16	$ 168
2012	$168	$ 50	$ —	$52	$ 166

[1] Accounts receivable written-off as uncollectible, net of recoveries.

AVALON HOLDINGS CORPORATION AND SUBSIDIARIES

EXHIBIT INDEX

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Exhibit	
13.1	2013 Annual Report to Shareholders
21.1	Subsidiaries of Avalon Holdings Corporation
23.1	Consent of Independent Registered Public Accounting Firm
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Exhibit 101.INS* XBRL Instance

Exhibit 101.SCH* XBRL Taxonomy Extension Schema

Exhibit 101.CAL* XBRL Taxonomy Extension Calculation

Exhibit 101.DEF* XBRL Taxonomy Extension Definition

Exhibit 101.LAB* XBRL Taxonomy Extension Labels

Exhibit 101.PRE* XBRL Taxonomy Extension Presentation

* XBRL information is furnished and not filed or a part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections.