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

FORM 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023

OR

□ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

Commission file number: 001-38728

(Exact name of registrant as specified in its charter)

Delaware	**47-1685128**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4400 Route 9 South, Suite 3100 Freehold, New Jersey	**07728**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **(732) 780-4400**

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

Title of each Class:	**Trading Symbol**	**Name of Each Exchange**
Common Stock, $0.0001 par value per share	ALBT	The NASDAQ Capital Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes □ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes □ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No □

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

Large accelerated filer	□	Accelerated filer	□
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	□

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. □

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes □ No ☒

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

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

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

As of June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter, the market value of our common stock held by non-affiliates was approximately $7,398,000.

The number of shares of our common stock, $0.0001 par value per share, outstanding as of March 29, 2024, was 11,104,534.

Documents incorporated by reference: NONE

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Forward-Looking Statements

CERTAIN STATEMENTS IN THIS ANNUAL REPORT ON FORM 10-K MAY CONSTITUTE "FORWARD LOOKING STATEMENTS". WHEN THE WORDS "BELIEVES," "EXPECTS," "PLANS," "PROJECTS," "ESTIMATES," "OBJECTIVES," "MAY," "MIGHT," "PREDICT," "TARGET," "POTENTIAL," "WILL," "WOULD," "COULD," "SHOULD," "CONTINUE," AND SIMILAR EXPRESSIONS ARE USED, THEY IDENTIFY FORWARD-LOOKING STATEMENTS. THESE FORWARD-LOOKING STATEMENTS ARE BASED ON MANAGEMENT'S CURRENT BELIEFS AND ASSUMPTIONS AND INFORMATION CURRENTLY AVAILABLE TO MANAGEMENT AND INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. INFORMATION CONCERNING FACTORS THAT COULD CAUSE OUR ACTUAL RESULTS TO DIFFER MATERIALLY FROM THESE FORWARD-LOOKING STATEMENTS CAN BE FOUND IN OUR PERIODIC REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. YOU SHOULD READ THIS ANNUAL REPORT ON FORM 10-K AND THE DOCUMENTS THAT WE HAVE FILED AS EXHIBITS TO THIS ANNUAL REPORT ON FORM 10-K COMPLETELY. WE UNDERTAKE NO OBLIGATION TO PUBLICLY RELEASE REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT FUTURE EVENTS OR CIRCUMSTANCES OR REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS, EXCEPT AS REQUIRED BY APPLICABLE LAW.

Unless otherwise indicated, references to "we," "us," "our," "Company," or "Avalon" mean Avalon GloboCare Corp. and its subsidiaries, and references to "fiscal" mean the Company's fiscal year ended December 31. References to the "parent company" mean Avalon GloboCare Corp.

PART I

ITEM 1. BUSINESS

We are dedicated to developing and delivering innovative, transformative, precision diagnostics and clinical laboratory services. Our main strategy is to acquire ownership or license rights in precision diagnostic assets, genetic testing and clinical laboratory companies through joint ventures, share ownership structures or distribution rights. We plan to play a leading role in the innovation of diagnostic testing, utilizing proprietary technology to deliver precise, genetics-driven results.

We have the following areas of focus:

Laboratory Acquisitions

We have embarked on a laboratory rollup strategy focused on forming joint ventures and acquiring laboratories that are accretive to our commercial strategy. On February 9, 2023, we entered into and closed an Amended and Restated Membership Interest Purchase Agreement (the "Amended MIPA"), by and among Avalon Laboratory Services, Inc., our wholly owned subsidiary ("Avalon Laboratory Services"), SCBC Holdings LLC, Laboratory Services MSO, LLC ("Lab Services MSO"), the Zoe Family Trust, Bryan Cox and Sarah Cox. The Amended MIPA amended and restated, in its entirety, that certain Membership Interest Purchase Agreement, dated November 7, 2022 (the "Original MIPA").

Under the Amended MIPA, we acquired from SCBC Holdings LLC through our subsidiary Avalon Laboratory Services, forty percent (40%) of all the issued and outstanding equity interests of Lab Services MSO, free and clear of all liens (the "Laboratory Services MSO Acquisition"). As part of the consideration for the Laboratory Services MSO Acquisition, we issued shares of our newly designated Series B Convertible Preferred Stock, stated value $1,000 per share ("the Series B Preferred Stock"). Further, Avalon Laboratory Services paid SCBC Holdings LLC $20,666,667 for 40% of all the issued and outstanding equity interests of Lab Services MSO, which comprised of (i) $9,000,000 in cash, (ii) $11,000,000 pursuant to the issuance of the Series B Preferred Stock, and (iii) a $666,667 cash payment on February 29, 2024.

- Lab Services MSO is focused on delivering high quality services related to toxicology and wellness testing and provides a broad portfolio of diagnostic tests, including drug testing, toxicology, and a broad array of test services, from general bloodwork to anatomic pathology, and urine toxicology. Specific capabilities include STAT blood testing, qualitative drug screening, genetic testing, urinary testing, and sexually transmitted disease testing. Lab Services MSO tests for the thyroid panel, comprehensive metabolic panel, kidney profile, liver function tests, and other individual tests. Through Lab Services MSO, we use fast, accurate, and efficient equipment to provide practitioners with the tools to quickly determine if a patient is following their designated treatment plan. In most instances, we are able to provide a practitioner with qualitative drug class results the same day a sample is received. Lab Services MSO provides a menu of extensive chemistry tests that physicians can use to obtain information to better treat their patients and maintain their overall wellness. Lab Services MSO has developed a premier reputation for customer service and fast turnaround times.

- Lab Services MSO is also focused on commercialization of genetic-based proprietary testing. The first area of focus in this area is confirmatory genetic testing during toxicology screening and genetic testing to screen for addictive propensity. Lab Services MSO plans to focus on diagnostic testing utilizing proprietary technology to deliver precise genetic driven results.

- In the third quarter of 2023, Lab Services MSO acquired Merlin Technologies, Inc., a retail medical equipment company.

Research and Development

We are focused on bringing forward intellectual property through joint patent filings with the Massachusetts Institute of Technology (MIT). We completed a sponsored research and co-development project with MIT, led by Professor Shuguang Zhang as Principal Investigator. Using the unique QTY code protein design platform, six water-soluble variant cytokine receptors have been successfully designed and tested to show binding affinity to the respective cytokines. We currently are focused on bringing forward the intellectual property associated with this program through joint patent submissions.

Product Commercialization

We have begun work on the commercialization and development of a versatile breathalyzer system.

We were granted exclusive distributorship rights for the KetoAir from Qi Diagnostics in Hong Kong for the following territories: North America, South America, the EU and the UK. We had a pilot launch and exhibition of the KetoAir in this year's KetoCon conference in Austin, Texas (April 21-23, 2023). For our commercialization strategy, we intend to target the diabetes and obesity markets. We are evaluating options for commercialization, including identifying distribution partners or distributing the KetoAir ourselves.

The KetoAir breathalyzer system (the "KetoAir") is a handheld device that allows the user to detect acetone levels in exhaled breath. The acetone level is in concentration units (ppm, part-per-million) such that the user will know his/her real-time ketosis status: inadequate ketosis (0-3.99 ppm), mild ketosis (4-9.99 ppm), optimal ketosis (10-40 ppm), or alarming level (> 40 ppm). The breathalyzer is registered with the United States Food and Drug Administration ("FDA") as a Class I medical device. The device is also paired with an "AI Nutritionist" software program (via Bluetooth connection) which is downloadable from Google Play (for Android mobile phones, approved) and iPhone (the app is currently being reviewed by Apple iOS AppStore). It helps users monitor and manage their ketogenic diet and related programs. We believe the KetoAir can be an essential tool to help diabetic patients adhere to their therapeutic programs and optimize their ketogenic dietary management.

Other Areas

In order to preserve cash and focus on our core laboratory rollup strategy and product commercialization, we have currently suspended all research and development efforts related to cellular therapy (except for our joint patent filing with MIT as noted above) in order to redirect our funding efforts to our core business strategies outlined above.

Corporate and Available Information

We are incorporated in Delaware. Our website is located at *http://www.avalon-globocare.com.* On our website, investors can obtain, free of charge, a copy of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, our Code of Conduct and Business Ethics, including disclosure related to any amendments or waivers thereto, other reports and any amendments thereto filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after we file such material electronically with, or furnish it to, the Securities and Exchange Commission (the "SEC"). None of the information posted on our website is incorporated by reference into this Annual Report. The SEC also maintains a website at http://www.sec.gov that contains reports, proxy and information statements and other information regarding us and other companies that file materials with the SEC electronically.

China Operations

Due to the winding down of the medical related consulting services segment, in November 2022, we decided to cease all operations in the People's Republic of China (the "PRC") with the exception of a small administrative office, in Beijing. We, through our Nevada Subsidiary Avactis Biosciences Inc., will continue to own Avactis Nanjing Biosciences Ltd., which only owns a patent and is not considered an operating entity. In addition, we reconstituted our Board of Directors (the "Board") in December 2022 at our annual meeting of stockholders and our directors who were citizens of China did not stand for re-election at our annual meeting. We do not expect nor do we plan that we will further operate in the PRC or generate revenue from PRC operations for the foreseeable future.

The accompanying consolidated financial statements reflect the activities of the Company and each of the following entities:

Name of Subsidiary	Place and Date of Incorporation	Percentage of Ownership	Principal Activities
Avalon Healthcare System, Inc. ("AHS")	Delaware May 18, 2015	100% held by Company	Holding company for payroll and other expenses
Avalon RT 9 Properties, LLC ("Avalon RT 9")	New Jersey February 7, 2017	100% held by Company	Owns and operates an income-producing real property and holds and manages the corporate headquarters
Avalon (Shanghai) Healthcare Technology Co., Ltd. ("Avalon Shanghai")	PRC April 29, 2016	100% held by AHS	Ceased operations and is not considered an operating entity
Genexosome Technologies Inc. ("Genexosome")	Nevada July 31, 2017	60% held by Company	No current activities to report, dormant
Avactis Biosciences Inc. ("Avactis")	Nevada July 18, 2018	60% held by Company	Patent holding company
Avactis Nanjing Biosciences Ltd. ("Avactis Nanjing")	PRC May 8, 2020	100% held by Avactis	Owns a patent and is not considered an operating entity
Avalon Laboratory Services, Inc. ("Avalon Lab")	Delaware October 14, 2022	100% held by Company	Laboratory holding company with a 40% membership interest in Lab Services MSO

Sales and Marketing

Laboratory Services

We seek to develop new business through relationships driven by our senior management, which have extensive contacts throughout the healthcare system. Our senior management will be seeking opportunities for joint ventures, strategic relationships and acquisitions in consulting, biomedical innovations, laboratory, and medical device companies. In addition, through our membership interest in Lab Services MSO, we plan to generate revenue from toxicology and wellness laboratory testing. We also intend to seek opportunities to expand the operations of Lab Services MSO and our wholly owned subsidiary, Avalon Laboratory Services, through the acquisition of additional lab companies and through the opening of new lab locations.

Breathalyzer System (KetoAir)

We are in the process of launching sales of the KetoAir in the US. We have retained a marketing expert to assist us to bring this product to market through social media, influencer promotion and our website. We will also be launching this product at the 2024 "KetoCon" convention taking place May 31, 2024 in Austin Texas, where we plan to begin taking orders for this product.

Markets

Laboratory Services

Through our membership interest in Lab Services MSO, we are focused on delivering high quality services related to toxicology and wellness testing. We use fast, accurate, and efficient equipment to provide practitioners with the tools to quickly determine if a patient is following their designated treatment plan. In most instances, we are able to provide a practitioner with qualitative drug class results the same day the sample is received. We provide an extensive chemistry test menu that gives physicians the information to better treat their patients and maintain their overall wellness. The panels that we test for are thyroid panel, comprehensive metabolic panel, kidney profile, liver function tests, and other individual tests.

We are currently offering our laboratory services in California, Texas and Arizona.

Breathalyzer System (KetoAir)

Our current area of focus for the launch of the KetoAir is within the United States ("US"). We are focused on the population within the US that is using the Keto Diet approach to weight loss and diabetic management.

Avalon RT 9 Properties, LLC

In May 2017, we acquired commercial property located in Freehold, New Jersey. This property serves as our corporate headquarters and contains several commercial tenants that generate revenue through rental income.

Strategic Development

Through our wholly owned subsidiary Avalon Laboratory Services and through our membership interest in Lab Services MSO, we plan to execute on a rollup acquisition strategy of small to medium size laboratories accretive to our strategy and complimentary to our membership interest in Lab Services MSO. We also intend to pursue the acquisition and development of healthcare related technologies for cell related diagnostics and therapeutics through acquisition, licensing or joint ventures with major universities and biotech companies seeking laboratory or medical device acquisitions.

Intellectual Property

Our goal is to obtain, maintain and enforce patent rights for our products, formulations, processes, methods of use and other proprietary technologies, preserve our trade secrets, and operate without infringing on the proprietary rights of other parties, both in the United States and abroad. Our policy is to actively seek to obtain, where appropriate, the broadest intellectual property protection possible for our current product candidates and any future product candidates, proprietary information and proprietary technology through a combination of contractual arrangements and patents, both in the United States and abroad. Even patent protection, however, may not always afford us with complete protection against competitors who seek to circumvent our patents. If we fail to adequately protect or enforce our intellectual property rights or secure rights to patents of others, the value of our intellectual property rights would diminish. To this end, we require all of our employees, consultants, advisors and other contractors to enter into confidentiality agreements that prohibit the disclosure and use of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions relevant to our technologies and important to our business.

Competition

Laboratory Services

While there has been consolidation in the diagnostic information services industry in recent years, the laboratory testing industry is fragmented and highly competitive. We primarily compete with three types of clinical testing providers: commercial clinical laboratories IDN-affiliated laboratories and physician-office laboratories. Our largest commercial clinical laboratory competitors are Quest Diagnostic Laboratories and Laboratory Corporation of America. In addition, we compete with many smaller regional and local commercial clinical laboratories, specialized advanced laboratories and providers of consumer-initiated testing. There also has been a trend among physician practices to establish their own histology laboratory capabilities and/or bring pathologists into their practices, thereby reducing referrals from these practices and increasing the competitive position of these practices.

In addition, we believe that consolidation in the diagnostic information services industry will continue. A significant portion of clinical testing is likely to continue to be performed by independent delivery networks (including hospitals and hospital health systems) (“IDNs”), which generally have affiliations with community clinicians and may have more, or more convenient, locations in a particular market. As a result, we compete against these affiliated laboratories primarily on the basis of service capability, quality and pricing. In addition, market activity may increase the competitive environment. For example, IDN ownership of physician practices may enhance the ties of the clinicians to IDN-affiliated laboratories, enhancing the competitive position of IDN-affiliated laboratories.

The diagnostic information services industry is faced with changing technology, new product introductions and new service offerings. Competitors may compete using advanced technology, including technology that enables more convenient or cost-effective testing. Digital pathology, still in an emerging state, is an example of this. Competitors also may compete on the basis of new service offerings. Competitors also may offer testing to be performed outside of a commercial clinical laboratory, such as (1) point-of-care testing that can be performed by physicians in their offices; (2) testing that can be performed by IDNs in their own laboratories; and (3) home testing that can be carried out without requiring the services of outside providers.

Clinical

The development and commercialization of new drug products is highly competitive. We expect that we will continue to face significant competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to our product candidates that we may seek to develop or commercialize in the future. Specifically, due to the large unmet medical need, global demographics and relatively attractive reimbursement dynamics, the markets in which we are seeking to develop products are fiercely competitive and there are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of product candidates similar to ours. Our competitors may succeed in developing, acquiring or licensing technologies and drug products that are more effective, have fewer or more tolerable side effects or are less costly than any product candidates that we are currently developing or that we may develop, which could render our product candidates obsolete and noncompetitive.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Our competitors also may obtain FDA or other marketing approval for their products before we are able to obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market.

General

Many of our existing and potential future competitors have significantly greater financial resources and expertise in lab services and operations, research and development, manufacturing, preclinical testing, conducting clinical studies, obtaining marketing approvals and marketing approved products than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller, or early stage, companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical study sites and patient registration for clinical studies, as well as in acquiring technologies complementary to, or necessary for, our programs.

We expect that our ability to compete effectively will depend upon our ability to:

- successfully operate and expand our lab services and locations;
- successfully and rapidly complete adequate and well-controlled clinical studies that demonstrate statistically significant safety and efficacy and to obtain all requisite regulatory approvals in a cost-effective manner;
- maintain a proprietary position for our manufacturing processes and other technology;
- produce our products in accordance with FDA and international regulatory guidelines;
- attract and retain key personnel; and
- build or access an adequate sales and marketing infrastructure for any approved products.

Failure to do one or more of these activities could have an adverse effect on our business, financial condition or results of operations.

Avalon RT 9 Properties, LLC

Our executive commercial building in Freehold, New Jersey is located on a major highway and is one of the largest buildings in the surrounding areas. It is centrally located and maintains high occupancy. There are other commercial properties in the vicinity that offer similar amenities. However, premier executive offices are limited and as such we expect to continue to maintain high occupancy in the near term.

Employees

As of March 29, 2024, we employed five employees, four of which are full time employees. None of our employees are represented by a collective bargaining arrangement.

Government Regulation

Overview

The healthcare industry in the U.S. is highly regulated and subject to changing political, legislative, regulatory, and other influences. Further, the healthcare industry is currently undergoing rapid change. We are uncertain how, when or in what context these new changes will be adopted or implemented. These new regulations could create unexpected liabilities for us, could cause us or our members to incur additional costs and could restrict our or our clients' operations. Many of the laws are complex and their application to us, our clients, or the specific services and relationships we have with our members are not always clear. Our failure to anticipate accurately the application of these laws and regulations, or our other failure to comply, could create liability for us, result in adverse publicity, and otherwise negatively affect our business.

Holding Foreign Companies Accountable Act Compliance

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. According to the HFCA Act, if the SEC determines that Avalon has filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC will prohibit Avalon's securities from being traded on a national securities exchange or in the over-the-counter trading market in the United States.

On December 16, 2021, the PCAOB issued a Determination Report which reported that the PCAOB is unable to inspect or investigate completely registered public accounting firms headquartered in: (1) mainland China of the People's Republic of China, because of a position taken by one or more authorities in mainland China; and (2) Hong Kong, a Special Administrative Region of the PRC, because of a position taken by one or more authorities in Hong Kong.

Avalon's auditor is Marcum LLP ("Marcum"), based in New York, New York. Marcum is registered with the PCAOB and is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess their compliance with the applicable professional standards. Since Marcum is located in the United States, the PCAOB has been able to conduct inspections of Marcum. In addition, Marcum is not among the PCAOB registered public accounting firms registered in mainland China or Hong Kong that are subject to PCAOB's determination on December 16, 2021.

Drug Approval Process

The research, development, testing, manufacture, labeling, promotion, advertising, distribution and marketing, among other things, of our product candidates are extensively regulated by governmental authorities in the United States and other countries. In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or the FDCA, and its implementing regulations. Failure to comply with the applicable U.S. requirements may subject us to administrative or judicial sanctions, such as the FDA's refusal to approve a pending new drug application, or NDA, or a pending biologics license application, or BLA, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions and/or criminal prosecution.

Pharmaceutical products such as ours may not be commercially marketed without prior approval from the FDA and comparable regulatory agencies in other countries. In the United States, the process to receiving such approval is long, expensive and risky, and includes the following steps:

- pre-clinical laboratory tests, animal studies, and formulation studies;
- submission to the FDA of an IND for human clinical testing, which must become effective before human clinical trials may begin;
- adequate and well-controlled human clinical trials to establish the safety and efficacy of the drug for each indication;
- submission to the FDA of an NDA or BLA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with current good manufacturing practices, or cGMPs;

- a potential FDA audit of the preclinical and clinical trial sites that generated the data in support of the NDA or BLA;
- the ability to obtain clearance or approval of companion diagnostic tests, if required, on a timely basis, or at all; and
- FDA review and approval of the NDA or BLA.

Regulation by U.S. and foreign governmental authorities is a significant factor affecting our ability to commercialize any of our products, as well as the timing of such commercialization and our ongoing research and development activities. The commercialization of drug products requires regulatory approval by governmental agencies prior to commercialization. Various laws and regulations govern or influence the research and development, non-clinical and clinical testing, manufacturing, processing, packing, validation, safety, labeling, storage, record keeping, registration, listing, distribution, advertising, sale, marketing and post-marketing commitments of our products. The lengthy process of seeking these approvals, and the subsequent compliance with applicable laws and regulations, require expending substantial resources.

The results of pre-clinical testing, which include laboratory evaluation of product chemistry and formulation, animal studies to assess the potential safety and efficacy of the product and its formulations, details concerning the drug manufacturing process and its controls, and a proposed clinical trial protocol and other information must be submitted to the FDA as part of an IND that must be reviewed and become effective before clinical testing can begin. The study protocol and informed consent information for patients in clinical trials must also be submitted to an independent Institutional Review Board, or IRB, for approval covering each institution at which the clinical trial will be conducted. Once a sponsor submits an IND, the sponsor must wait 30 calendar days before initiating any clinical trials. If the FDA has comments or questions within this 30-day period, the issue(s) must be resolved to the satisfaction of the FDA before clinical trials can begin. In addition, the FDA, an IRB or the Company may impose a clinical hold on ongoing clinical trials due to safety concerns. If the FDA imposes a clinical hold, clinical trials can only proceed under terms authorized by the FDA. Our pre-clinical and clinical studies must conform to the FDA's Good Laboratory Practice, or GLP, and Good Clinical Practice, or GCP, requirements, respectively, which are designed to ensure the quality and integrity of submitted data and protect the rights and well-being of study patients. Information for certain clinical trials also must be publicly disclosed within certain time limits on the clinical trial registry and results databank maintained by the NIH.

Typically, clinical testing involves a three-phase process; however, the phases may overlap or be combined:

- Phase I clinical trials typically are conducted in a small number of volunteers or patients to assess the early tolerability and safety profile, and the pattern of drug absorption, distribution and metabolism;
- Phase II clinical trials typically are conducted in a limited patient population with a specific disease in order to assess appropriate dosages and dose regimens, expand evidence of the safety profile and evaluate preliminary efficacy; and
- Phase III clinical trials typically are larger scale, multicenter, well-controlled trials conducted on patients with a specific disease to generate enough data to statistically evaluate the efficacy and safety of the product, to establish the overall benefit-risk relationship of the drug and to provide adequate information for the registration of the drug.

A therapeutic product candidate being studied in clinical trials may be made available for treatment of individual patients, in certain circumstances. Pursuant to the 21st Century Cures Act (Cures Act), which was signed into law in December 2016. The manufacturer of an investigational product for a serious disease or condition is required to make available, such as by posting on its website, its policy on evaluating and responding to requests for individual patient access to such investigational product.

The results of the pre-clinical and clinical testing, chemistry, manufacturing and control information, proposed labeling and other information are then submitted to the FDA in the form of either an NDA or BLA for review and potential approval to begin commercial sales. In responding to an NDA or BLA, the FDA may grant marketing approval, request additional information in a Complete Response Letter, or CRL, or deny the approval if it determines that the NDA or BLA does not provide an adequate basis for approval. A CRL generally contains a statement of specific conditions that must be met in order to secure final approval of an NDA or BLA and may require additional testing. If and when those conditions have been met to the FDA's satisfaction, the FDA will typically issue an approval letter, which authorizes commercial marketing of the product with specific prescribing information for specific indications, and sometimes with specified post-marketing commitments and/or distribution and use restrictions imposed under a Risk Evaluation and Mitigation Strategy program. Any approval required from the FDA might not be obtained on a timely basis, if at all.

Among the conditions for an NDA or BLA approval is the requirement that the manufacturing operations conform on an ongoing basis with cGMPs. In complying with cGMPs, we must expend time, money and effort in the areas of training, production and quality control within our own organization and at our contract manufacturing facilities. A successful inspection of the manufacturing facility by the FDA is usually a prerequisite for final approval of a pharmaceutical product. Following approval of the NDA or BLA, we and our manufacturers will remain subject to periodic inspections by the FDA to assess compliance with cGMPs requirements and the conditions of approval. We will also face similar inspections coordinated by foreign regulatory authorities.

Disclosure of Clinical Trial Information

Sponsors of certain clinical trials of FDA-regulated products are required to register and disclose certain clinical trial information. Information related to the product, patient population, phase of investigation, trial sites and investigators, and other aspects of the clinical trial are then made public as part of the registration. Sponsors are also obligated to disclose the results of their clinical trials after completion. Disclosure of the results of these trials can be delayed in certain circumstances for up to two years after the date of completion of the trial. Competitors may use this publicly available information to gain knowledge regarding the progress of development programs.

Expedited Development and Review Programs

The FDA has a Fast Track program that is intended to expedite or facilitate the process for reviewing new drugs and biological products that meet certain criteria. Specifically, new drugs and biological products are eligible for Fast Track designation if they are intended to treat a serious or life-threatening condition and demonstrate the potential to address unmet medical needs for the condition. Fast Track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a new drug or biologic may request the FDA to designate the drug or biologic as a Fast Track product at any time during the clinical development of the product. Unique to a Fast Track product, the FDA may consider for review sections of the marketing application on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the application, the FDA agrees to accept sections of the application and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the application.

Any product submitted to the FDA for marketing, including under a Fast Track program, may be eligible for other types of FDA programs intended to expedite development and review, such as priority review and accelerated approval. Under the Breakthrough Therapy program, products intended to treat a serious or life-threatening disease or condition may be eligible for the benefits of the Fast Track program when preliminary clinical evidence demonstrates that such product may have substantial improvement on one or more clinically significant endpoints over existing therapies. Additionally, FDA will seek to ensure the sponsor of a breakthrough therapy product receives timely advice and interactive communications to help the sponsor design and conduct a development program as efficiently as possible. Any product is eligible for priority review if it has the potential to provide safe and effective therapy where no satisfactory alternative therapy exists or a significant improvement in the treatment, diagnosis or prevention of a disease compared to marketed products. The FDA will attempt to direct additional resources to the evaluation of an application for a new drug or biological product designated for priority review in an effort to facilitate the review. Additionally, a product may be eligible for accelerated approval. Drug or biological products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may receive accelerated approval, which means that they may be approved on the basis of adequate and well-controlled clinical studies establishing that the product has an effect on a surrogate endpoint that is reasonably likely to predict a clinical benefit, or on the basis of an effect on a clinical endpoint other than survival or irreversible morbidity. As a condition of approval, the FDA may require that a sponsor of a drug or biological product receiving accelerated approval perform adequate and well-controlled post-marketing clinical studies. In addition, the FDA currently requires as a condition for accelerated approval the pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product. Fast Track designation, Breakthrough Therapy designation, priority review and accelerated approval do not change the standards for approval but may expedite the development or approval process.

Regenerative Medicine Advanced Therapies (RMAT) Designation

The FDA has established a Regenerative Medicine Advanced Therapy, or RMAT, designation as part of its implementation of the 21st Century Cures Act, or Cures Act. The RMAT designation program is intended to fulfill the Cures Act requirement that the FDA facilitate an efficient development program for, and expedite review of, any drug that meets the following criteria: (1) it qualifies as a RMAT, which is defined as a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or any combination product using such therapies or products, with limited exceptions; (2) it is intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition; and (3) preliminary clinical evidence indicates that the drug has the potential to address unmet medical needs for such a disease or condition. Like breakthrough therapy designation, RMAT designation provides potential benefits that include more frequent meetings with FDA to discuss the development plan for the product candidate, and eligibility for rolling review and priority review. Products granted RMAT designation may also be eligible for accelerated approval on the basis of a surrogate or intermediate endpoint reasonably likely to predict long-term clinical benefit, or reliance upon data obtained from a meaningful number of sites, including through expansion to additional sites. RMAT-designated products that receive accelerated approval may, as appropriate, fulfill their post-approval requirements through the submission of clinical evidence, clinical studies, patient registries, or other sources of real world evidence (such as electronic health records); through the collection of larger confirmatory data sets; or via post-approval monitoring of all patients treated with such therapy prior to approval of the therapy.

Post-Approval Requirements

Oftentimes, even after a drug has been approved by the FDA for sale, the FDA may require that certain post-approval requirements be satisfied, including the conduct of additional clinical studies. If such post-approval requirements are not satisfied, the FDA may withdraw its approval of the drug. In addition, holders of an approved NDA or BLA are required to report certain adverse reactions to the FDA, comply with certain requirements concerning advertising and promotional labeling for their products, and continue to have quality control and manufacturing procedures conform to cGMPs after approval. The FDA periodically inspects the sponsor's records related to safety reporting and/or manufacturing facilities; this latter effort includes assessment of compliance with cGMPs. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMPs compliance.

Other Healthcare Fraud and Abuse Laws

In the U.S., our activities are potentially subject to regulation by various federal, state and local authorities in addition to the FDA, including but not limited to, the Centers for Medicare and Medicaid Services, or CMS, other divisions of the U.S. Department of Health and Human Services (such as the Office of Inspector General and the Health Resources and Service Administration), the U.S. Department of Justice, or the DOJ, and individual U.S. Attorney offices within the DOJ, and state and local governments. For example, sales, marketing and scientific/educational grant programs may have to comply with the anti-fraud and abuse provisions of the Social Security Act, the false claims laws, the privacy and security provisions of the Health Insurance Portability and Accountability Act, or HIPAA, and similar state laws, each as amended, as applicable.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any item or service reimbursable, in whole or in part, under Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between therapeutic product manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution. The exceptions and safe harbors are drawn narrowly and practices that involve remuneration that may be alleged to be intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Additionally, the intent standard under the Anti-Kickback Statute was amended by the ACA to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act, or FCA.

The federal false claims and civil monetary penalty laws, including the FCA, which imposes significant penalties and can be enforced by private citizens through civil qui tam actions, prohibit any person or entity from, among other things, knowingly presenting, or causing to be presented, a false or fraudulent claim for payment to, or approval by, the federal healthcare programs, including Medicare and Medicaid, or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. For instance, historically, pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of the product for unapproved, off-label, and thus generally non-reimbursable, uses.

HIPAA created additional federal criminal statutes that prohibit, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud or to obtain, by means of false or fraudulent pretenses, representations or promises, any money or property owned by, or under the control or custody of, any healthcare benefit program, including private third-party payors, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up by trick, scheme or device, a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Like the Anti-Kickback Statute, the ACA amended the intent standard for certain healthcare fraud statutes under HIPAA such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Many states have similar, and typically more prohibitive, fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Additionally, to the extent that our product candidates may in the future be sold in a foreign country, we may be subject to similar foreign laws.

We may be subject to data privacy and security regulations by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, and its implementing regulations, imposes requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to business associates, independent contractors, or agents of covered entities that receive or obtain protected health information in connection with providing a service on behalf of a covered entity. HITECH also created four new tiers of civil monetary penalties, amended HIPAA to make civil and criminal penalties directly applicable to business associates, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce HIPAA and seek attorneys' fees and costs associated with pursuing federal civil actions. In addition, many state laws govern the privacy and security of health information in specified circumstances, many of which differ from each other in significant ways, are often not pre-empted by HIPAA, and may have a more prohibitive effect than HIPAA, thus complicating compliance efforts.

We expect our product, after approval, may be eligible for coverage under Medicare, the federal health care program that provides health care benefits to the aged and disabled, and covers outpatient services and supplies, including certain pharmaceutical products, that are medically necessary to treat a beneficiary's health condition. In addition, the product may be covered and reimbursed under other government programs, such as Medicaid and the 340B Drug Pricing Program. The Medicaid Drug Rebate Program requires pharmaceutical manufacturers to enter into and have in effect a national rebate agreement with the Secretary of the Department of Health and Human Services as a condition for states to receive federal matching funds for the manufacturer's outpatient drugs furnished to Medicaid patients. Under the 340B Drug Pricing Program, the manufacturer must extend discounts to entities that participate in the program. As part of the requirements to participate in certain government programs, many pharmaceutical manufacturers must calculate and report certain price reporting metrics to the government, such as average manufacturer price, or AMP, and best price. Penalties may apply in some cases when such metrics are not submitted accurately and timely.

Additionally, the federal Physician Payments Sunshine Act, or the Sunshine Act, within the ACA, and its implementing regulations, require that certain manufacturers of drugs, devices, biological and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program (with certain exceptions) report annually to CMS information related to certain payments or other transfers of value made or distributed to physicians and teaching hospitals, or to entities or individuals at the request of, or designated on behalf of, the physicians and teaching hospitals and to report annually certain ownership and investment interests held by physicians and their immediate family members. Failure to report accurately could result in penalties. In addition, many states also govern the reporting of payments or other transfers of value, many of which differ from each other in significant ways, are often not pre-empted, and may have a more prohibitive effect than the Sunshine Act, thus further complicating compliance efforts.

New Legislation and Regulations

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the testing, approval, manufacturing and marketing of products regulated by the FDA. In addition to new legislation, FDA regulations and policies are often revised or interpreted by the agency in ways that may significantly affect our business and our products. It is impossible to predict whether further legislative changes will be enacted or whether FDA regulations, guidance, policies or interpretations will be changed or what the effect of such changes, if any, may be.

ITEM 1A. RISK FACTORS

You should carefully consider the following material risk factors as well as all other information set forth or referred to in this report before purchasing shares of our common stock. Investing in our common stock involves a high degree of risk. We may not be successful in preventing the material adverse effects that any of the following risks and uncertainties may cause. These potential risks and uncertainties may not be a complete list of the risks and uncertainties facing us. There may be additional risks and uncertainties that we are presently unaware of, or presently consider immaterial, that may become material in the future and have a material adverse effect on us. You could lose all or a significant portion of your investment due to any of these risks and uncertainties.

Summary of Risk Factors

Our business is subject to numerous risks and uncertainties that you should consider before investing in our company, as fully described below. The principal factors and uncertainties that make investing in our company risky include, among others:

General Operating and Business Risks

- Our limited operating history makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance.
- Our results of operations have not resulted in profitability and we may not be able to achieve profitability going forward.
- There is substantial doubt about our ability to continue as a going concern, which will affect our ability to obtain future financing and may require us to curtail our operations.
- Our cash will only fund our operations for a limited time and we will need to raise additional capital in order to support our development.
- Joint ventures, joint ownership arrangements and other projects pose unique challenges and we may not be able to fully implement or realize synergies, expected returns or other anticipated benefits associated with such projects.

- We must effectively manage the growth of our operations, or our company will suffer.
- Our prospects will suffer if we are not able to hire, train, motivate, manage, and retain a significant number of highly skilled employees.
- Potential liability claims may adversely affect our business.
- In accordance with our strategic development policy, we may invest in companies for strategic reasons and may not realize a return on our investments.
- Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and any patent protection we may obtain in the future could be reduced or eliminated for non-compliance with these requirements.
- It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection. If we fail to protect or enforce our intellectual property rights adequately or secure rights to patents of others, the value of our intellectual property rights would diminish.
- If any of our trade secrets, know-how or other proprietary information is disclosed, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

Risk Factors Related to our Laboratory Services Business

- Continued changes in healthcare reimbursement models and products, changes in government payment and reimbursement systems, or changes in payer mix could have a material adverse effect on our revenues, profitability and cash flow.
- The Laboratory Services MSO Acquisition will result in organizational changes that could create significant growth for our business. If we fail to effectively manage this growth and adapt our business structure in a manner that preserves our reputation, then our business, financial condition and results of operations could be harmed.
- The clinical testing business is highly competitive, and if we fail to provide an appropriately priced level of service or otherwise fail to compete effectively it could have a material adverse effect on our revenues and profitability.
- Failure to obtain and retain new customers, the loss of existing customers or material contracts, or a reduction in services or tests ordered or specimens submitted by existing customers, or the inability to retain existing and/or create new relationships with health systems could impact our ability to successfully grow our business.
- Discontinuation or recalls of existing testing products; failure to develop or acquire licenses for new or improved testing technologies; or our customers using new technologies to perform their own tests could adversely affect our business.
- Continued and increased consolidation of pharmaceutical, biotechnology and medical device companies, health systems, physicians and other customers could adversely affect our business.

Risk Factors Related to Clinical and Commercialization Activity

- We may not be able to file investigational new drug applications (INDs) to commence additional clinical trials on the timelines we expect, and even if we are able to do so, the FDA may not permit us to proceed.
- We have limited experience in conducting clinical trials.
- Delays in the commencement, enrollment, and completion of clinical testing could result in increased costs to us and delay or limit our ability to obtain regulatory approval for our product candidates.

- As the results of earlier pre-clinical studies or clinical trials are not necessarily predictive of future results, any product candidate we advance into clinical trials may not have favorable results in later clinical trials or receive regulatory approval.

- Even if our product candidates receive regulatory approval, we may still face future development and regulatory difficulties.

- Any cell based therapies we develop may become subject to unfavorable pricing regulations, third party coverage and reimbursement practices or healthcare reform initiatives, thereby harming our business.

Risks Related to Our Securities

- Our officers, directors and principal stockholders own a significant percentage of our capital stock and will be able to exert significant control over matters that are subject to stockholder approval.

- If we are unable to maintain listing of our securities on The Nasdaq Capital Market or another reputable stock exchange, it may be more difficult for our stockholders to sell their securities.

- The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for our stockholders.

- You may experience dilution of your ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock.

General Operating and Business Risks

Our limited operating history makes it difficult for us to evaluate our future business prospects and make decisions based on those estimates of our future performance.

We did not begin operations of our business through AHS until May 2015. We have a limited operating history and limited revenue. As a consequence, it is difficult, if not impossible, to forecast our future results based upon our historical data. Reliance on the historical results may not be representative of the results we will achieve, particularly in our combined form. Because of the uncertainties related to our lack of historical operations, we may be hindered in our ability to anticipate and timely adapt to increases or decreases in revenues or expenses. If we make poor budgetary decisions as a result of unreliable historical data, we could be less profitable or incur losses, which may result in a decline in our stock price.

Our results of operations have not resulted in profitability and we may not be able to achieve profitability going forward.

We incurred net losses amounting to approximately $16.7 million and $11.9 million for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, we had an accumulated deficit of approximately $79.8 million. If we incur additional significant losses, our stock price may decline, perhaps significantly. Our management is developing plans to achieve profitability. Our business plan is speculative and unproven. There is no assurance that we will be successful in executing our business plan or that even if we successfully implement our business plan, that we will be able to curtail our losses now or in the future. Further, as we are a new enterprise, we expect that net losses will continue.

There is substantial doubt about our ability to continue as a going concern, which will affect our ability to obtain future financing and may require us to curtail our operations.

Our financial statements as of December 31, 2023 were prepared under the assumption that we will continue as a going concern. The independent registered public accounting firm that audited our 2023 financial statements, in their report, included an explanatory paragraph referring to our recurring losses since inception and expressing management's assessment and conclusion that there is substantial doubt in our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our ability to continue as a going concern depends on our ability to obtain additional equity or debt financing, attain further operating efficiencies, reduce expenditures, and, ultimately, to generate revenue. We cannot assure you, however, that we will be able to achieve any of the foregoing. See Note 2 to our Consolidated Financial Statements for further details.

Our cash will only fund our operations for a limited time and we will need to raise additional capital in order to support our development.

We are currently operating at a loss and expect our operating costs will increase significantly as we continue to grow our operations. The independent registered public accounting firm that audited our 2023 financial statements, in their report, included an explanatory paragraph referring to our recurring losses since inception and expressing management's assessment and conclusion that there is substantial doubt in our ability to continue as a going concern. At December 31, 2023, we had cash of approximately $285,000. We will need to raise additional capital or generate substantial revenue in order to support our development and commercialization efforts.

If our available cash balances are insufficient to satisfy our liquidity requirements, including due to risks described herein, we may seek to raise additional capital through equity offerings, debt financings, collaborations or licensing arrangements. We will need to raise additional capital, and we may also consider raising additional capital in the future to expand our business, to pursue strategic investments, to take advantage of financing opportunities, or for other reasons, including to:

- fund development and expansion of our operations;
- acquire, license or invest in technologies and additional laboratories;
- acquire or invest in complementary businesses or assets; and
- finance capital expenditures and general and administrative expenses.

Our present and future funding requirements will depend on many factors, including:

- our revenue growth rate and ability to generate cash flows from operating activities;
- our sales and marketing and research and development activities; and
- changes in regulatory oversight applicable to our products and services.

Other than our debt facility with our chairman, we have no arrangements or credit facilities in place as a source of funds, and there can be no assurance that we will be able to raise sufficient additional capital on acceptable terms, or at all, and if we are not successful in raising additional capital, we may not be able to continue as a going concern. We may seek additional capital through a combination of private and public equity offerings, debt financings and strategic collaborations. Debt financing, if obtained, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, that could increase our expenses and require that our assets secure such debt. Equity financing, if obtained, could result in dilution to our then existing stockholders and/or require such stockholders to waive certain rights and preferences. If such financing is not available on satisfactory terms, or is not available at all, we may be required to delay, scale back or eliminate the development of business opportunities and our operations and financial condition may be materially adversely affected. We can provide no assurances that any additional sources of financing will be available to us on favorable terms, if at all. Future capital raises may dilute our existing stockholders' ownership and/or have other adverse effects on our operations.

If we raise additional capital by issuing equity securities, our existing stockholders' percentage ownership will be reduced and these stockholders may experience substantial dilution.

If we raise additional funds by issuing debt securities, these debt securities would have rights senior to those of our common stock and the terms of the debt securities issued could impose significant restrictions on our operations, including liens on our assets. If we raise additional funds through collaborations and licensing arrangements, we may be required to relinquish some rights to our technologies or products, or to grant licenses on terms that are not favorable to us.

We have significant outstanding debt obligations and servicing these debt obligations will require a significant amount of capital, and our business may not be able to pay our substantial debt.

As of December 31, 2023, we had approximately $9.1 million of outstanding indebtedness. In order to service this indebtedness and any additional indebtedness we may incur in the future, we will need to generate cash from our operating activities. Our ability to generate cash is subject, in part, to our ability to successfully execute our business strategy, as well as general economic, financial, competitive, regulatory and other factors beyond our control. If we are unable to generate sufficient cash to repay our debt obligations when they become due and payable, either when they mature, or in the event of a default, we may not be able to obtain additional debt or equity financing on favorable terms, if at all, which may negatively impact our business operations and financial condition.

If we breach any of the undertakings or default on any of our obligations under our agreements with our lenders, our outstanding indebtedness could become immediately due and payable, which would harm our business, financial condition and results of operations and could require us to reduce or cease operations. If our indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay in full that indebtedness.

Our business and operations may be further impacted by epidemics, outbreaks and other public health events.

Epidemics, outbreaks or other public health events that are outside of our control could significantly disrupt our operations and adversely affect our financial condition. The global or national outbreak of an illness or other communicable disease, or any other public health crisis, such as COVID-19, may cause disruptions to our business and operations, which may include (i) shortages of employees, (ii) unavailability of contractors or subcontractors, (iii) interruption of supplies from third parties upon which we rely, (iv) recommendations of, or restrictions imposed by government and health authorities, including quarantines, to address an outbreak and (v) restrictions that we and our contractors, subcontractors and our customers impose, including facility shutdowns, to ensure the safety of employees.

We depend upon key personnel and need additional personnel.

Our success depends on the continuing services of Wenzhao Lu, our Chairman of the Board, and David Jin, Meng Li and Luisa Ingargiola, our executive officers. The loss of Mr. Lu, Dr. Jin, Ms. Li or Ms. Ingargiola could have a material and adverse effect on our business operations. Additionally, the success of our operations will largely depend upon our ability to successfully attract and maintain competent and qualified key management personnel. As with any company with limited resources, there can be no guaranty that we will be able to attract such individuals or that the presence of such individuals will necessarily translate into profitability for us. Our inability to attract and retain key personnel may materially and adversely affect our business operations. The supply of qualified technical, professional, managerial and other personnel, including lab medical directors and lab operations managers, is currently constrained; competition for qualified employees, even across different industries, is intense, including as individuals leave the job market. We may lose, or fail to attract and retain, key management personnel, or qualified skilled technical, professional or other employees. The same is true for patient-facing staff with specialized training required to perform activities related to specimen collection. In the future, if competition for the services of these professionals increases, we may not be able to continue to attract and retain individuals in its markets. Changes in key management, or the ability to attract and retain qualified personnel, as a result of increased competition for talent, wage growth, or other market factors, could lead to strategic and operational challenges and uncertainties, distractions of management from other key initiatives, and inefficiencies and increased costs, any of which could adversely affect our business, financial condition, results of operations, and cash flows.

Joint ventures, joint ownership arrangements and other projects pose unique challenges and we may not be able to fully implement or realize synergies, expected returns or other anticipated benefits associated with such projects.

We are, and may be in the future, involved in strategic joint ventures and other joint ownership arrangements. We may not always be in complete alignment with our joint venture or joint owner counterparties; we may have differing strategic or commercial objectives and may be outvoted by our joint venture partners or we may disagree on governance matters with respect to the joint venture entity or the jointly owned assets. As a result, when we enter into joint ventures or joint ownership arrangements, we may be subject to a number of risks. In some joint ventures and joint ownership arrangements we may not be responsible for the operation of projects and will rely on our joint venture or joint owner counterparties for such services. Joint ventures and joint ownership arrangements may also require us to expend additional internal resources that could otherwise be directed to other projects. If we are unable to successfully execute and manage our existing and any proposed joint venture and joint owner arrangements, it could adversely impact our financial and operating results.

We may be undertaking, or participating with various counterparties in, a number of projects that involve forming joint ventures and acquiring laboratories that are accretive to our commercial strategy. Many of these projects could involve numerous regulatory, environmental, commercial, economic, political and legal uncertainties that are beyond our control, including the following:

- We may be unable to realize our forecasted commercial, operational or administrative synergies in connection with our joint venture and joint ownership arrangements, including the Laboratory Services MSO Acquisition; and

- Joint ventures and other joint ownership arrangements may demand substantial internal resources and may divert resources and attention from other areas of our business.

As a result of these uncertainties, the anticipated benefits associated with our joint ventures and joint ownership arrangements may not be achieved or could be delayed. In turn, this could negatively impact our cash flow and our ability to make or increase cash distributions to our partners.

We must effectively manage the growth of our operations, or our company will suffer.

To manage our growth, we believe we must continue to implement and improve our services and products. We may not have adequately evaluated the costs and risks associated with our planned expansion, and our systems, procedures, and controls may not be adequate to support our operations. In addition, our management may not be able to achieve the rapid execution necessary to successfully offer our products and services and implement our business plan on a profitable basis. The success of our future operating activities will also depend upon our ability to expand our support system to meet the demands of our growing business. Any failure by our management to effectively anticipate, implement, and manage changes required to sustain our growth would have a material adverse effect on our business, financial condition, and results of operations.

Our revenue and results of operations may suffer if we are unable to attract new tenants.

We presently derive our revenue from rental revenue from our income-producing real estate property in New Jersey. Our growth therefore depends on our ability to attract new tenants. This depends on our ability to understand and anticipate market and pricing trends and our tenants' needs. Our failure to attract new tenants could materially and adversely affect our operating results.

Our prospects will suffer if we are not able to hire, train, motivate, manage, and retain a significant number of highly skilled employees.

We only recently commenced business and we presently generate medical related consulting services from related parties and generate rental revenue from our income-producing real estate property in New Jersey. On the consulting side, Wenzhao Lu, our Chairman and significant shareholder, is the Chairman of each of the clients in which we have provided consulting services. Our future success depends upon our ability to hire, train, motivate, manage, and retain a significant number of highly skilled employees, particularly research analysts, technical experts, and sales and marketing staff. We will experience competition for professional personnel in each of our business lines. Hiring, training, motivating, managing, and retaining employees with the skills we need is time consuming and expensive. Any failure by us to address our staffing needs in an effective manner could hinder our ability to continue to provide high-quality products and services and to grow our business.

Potential liability claims may adversely affect our business.

Our services, which may include recommendations and advice to organizations regarding complex business and operational processes and regulatory and compliance issues may give rise to liability claims by our clients or by third parties who bring claims against our clients. Healthcare organizations often are the subject of regulatory scrutiny and litigation, and we also may become the subject of such litigation based on our advice and services. Any such litigation, whether or not resulting in a judgment against us, may adversely affect our reputation and could have a material adverse effect on our financial condition and results of operations. We may not have adequate insurance coverage for claims against us.

In accordance with our strategic development policy, we may invest in companies for strategic reasons and may not realize a return on our investments.

From time to time, we may make investments in companies. These investments may be for strategic objectives to support our key business initiatives but may also be standalone investments or acquisitions. Such investments or acquisitions could include equity or debt instruments in private companies, many of which may not be marketable at the time of our initial investment. These companies may range from early-stage companies that are often still defining their strategic direction to more mature companies with established revenue streams and business models. The success of these companies may depend on product development, market acceptance, operational efficiency, and other key business factors. The companies in which we invest may fail because they may not be able to secure additional funding, obtain favorable investment terms for future financings, or take advantage of liquidity events such as public offerings, mergers, and private sales. If any of these private companies fails, we could lose all or part of our investment in that company. If we determine that impairment indicators exist and that there are other-than-temporary declines in the fair value of the investments, we may be required to write down the investments to their fair value and recognize the related write-down as an investment loss. For the year ended December 31, 2023, we had an impairment of goodwill acquired from Lab Services MSO acquisition of approximately $9.2 million. In the future, we could have additional impairment charges related to investments that we may make.

We face intense competition which could cause us to lose market share.

In the healthcare markets in which we operate, we will compete with large healthcare providers who have more significant financial resources, established market positions, long-standing relationships, and who have more significant name recognition, technical, marketing, sales, distribution, financial and other resources than we do. The resources available to our competitors to develop new services and products and introduce them into the marketplace exceed the resources currently available to us. This intense competitive environment may require us to make changes in our services, products, pricing, licensing, distribution, or marketing to develop a market position.

If we fail to comply with our obligations in the agreements under which we license intellectual property rights from third parties or otherwise experience disruptions to our business relationships with our licensors, we could lose intellectual property rights that are important to our business.

We are party to a research agreement with the Massachusetts Institute of Technology ("MIT") for development of chimeric antigen receptor (CAR) technology. MIT has granted us options to non-exclusively or exclusively license MIT inventions arising under this research agreement. We may need to negotiate commercially reasonable terms and conditions with MIT to advance our research and development activities or allow the commercialization of CAR technology or any other product candidates we may identify and pursue.

Moreover, disputes may arise regarding intellectual property subject to a licensing agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our product candidates, technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

In addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates, which could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

We may face uncertainty and difficulty in obtaining and enforcing our patents and other proprietary rights.

There can be no assurance that any patent applications we file or license will be approved, or that challenges will not be instituted against the validity or enforceability of any patent licensed-in or owned by us. Our pending and future patent applications may not result in patents being issued that protect our product candidates, in whole or in part, or which effectively prevent others from commercializing competitive product candidates. Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our patents by developing similar or alternative product candidates in a non-infringing manner. The cost of litigation to uphold the validity and prevent infringement of a patent is substantial. Furthermore, there can be no assurance that others will not independently develop substantially equivalent technologies not covered by patents to which we have rights or obtain access to our know-how. In addition, the laws of certain countries may not adequately protect our intellectual property. Our competitors may possess or obtain patents on products or processes that are necessary or useful to the development, use, or manufacture of our product candidates. There can also be no assurance that our proposed technology will not infringe upon patents or proprietary rights owned by others, with the result that others may bring infringement claims against us and require us to license such proprietary rights, which may not be available on commercially reasonable terms, if at all. Any such litigation, if instituted, could have a material adverse effect, potentially including monetary penalties, diversion of management resources, and injunction against continued manufacture, use, or sale of certain products or processes.

We rely upon non-patented proprietary know-how. There can be no assurance that we can adequately protect our rights in such non-patented proprietary know-how, or that others will not independently develop substantially equivalent proprietary information or techniques or gain access to our proprietary know-how. Any of the foregoing events could have a material adverse effect on us. In addition, if any of our trade secrets, know-how or other proprietary information were to be disclosed, or misappropriated, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

In September 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law. These include provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. In particular, under the Leahy-Smith Act, the United States transitioned in March 2013 to a "first to file" system in which the first inventor to file a patent application will be entitled to the patent. Third parties are allowed to submit prior art before the issuance of a patent by the U.S. Patent and Trademark Office, or USPTO, and may become involved in opposition, derivation, post-grant and *inter partes* review, or interference proceedings challenging our patent rights. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, which could adversely affect our competitive position.

The USPTO has developed new and untested regulations and procedures to govern the full implementation of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the "first-to-file" provisions, only became effective in March 2013. The Leahy-Smith Act has also introduced procedures that may make it easier for third parties to challenge issued patents, as well as to intervene in the prosecution of patent applications. Finally, the Leahy-Smith Act contains new statutory provisions that still require the USPTO to issue new regulations for their implementation, and it may take the courts years to interpret the provisions of the new statute. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. The Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive, and our intellectual property rights in some countries outside the United States may be less extensive than those in the United States. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States, or from selling or importing products made using our inventions in and into the United States or other jurisdictions. Competitors may use our technologies in jurisdictions where we do not obtain patent protection to develop their own products and may also export infringing products to territories where we have patent protection, but enforcement is not as strong as that in the United States. These products may compete with our products and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Patent terms may be inadequate to protect our competitive position on our product candidates for an adequate amount of time.

Patents have a limited lifespan. In the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest U.S. non-provisional filing date. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering our product candidates are obtained, once the patent life has expired, we may be open to competition from competitive products, including generics or biosimilars. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, any patents we may obtain may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and any patent protection we may obtain in the future could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and/or applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to enter the market and this circumstance would have a material adverse effect on our business.

It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection. If we fail to protect or enforce our intellectual property rights adequately or secure rights to patents of others, the value of our intellectual property rights would diminish.

Our commercial viability will depend in part on obtaining and maintaining patent protection and trade secret protection of our product candidates, and the methods used to manufacture them, as well as successfully defending these patents against third-party challenges. Our ability to stop third parties from making, using, selling, offering to sell, or importing our products is dependent upon the extent to which we obtain rights under valid and enforceable patents or trade secrets that cover these activities.

The patent positions of pharmaceutical and biopharmaceutical companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in biopharmaceutical patents has emerged to date in the United States. The biopharmaceutical patent situation outside the United States is even more uncertain. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in the patents we own. Further, if any of our patents are deemed invalid and unenforceable, it could impact our ability to commercialize or license our technology.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to make products that are similar to our product candidates but that are not covered by the claims of any patents;
- we might not have been the first to make the inventions covered by any issued patents or patent applications;
- we might not have been the first to file patent applications for these inventions;

- it is possible that any patent applications we own or license will not result in issued patents;
- any issued patents may not provide us with any competitive advantages, or may be held invalid or unenforceable as a result of legal challenges by third parties;
- we may not develop additional proprietary technologies that are patentable or protectable under trade secrets law; or
- the patents of others may have an adverse effect on our business.

We also may rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators, and other advisors may unintentionally or willfully disclose our information to competitors. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods, and know-how.

We may be subject to claims challenging the inventorship of patents and other intellectual property.

We or our licensors may be subject to claims that former employees, collaborators or other third parties have an interest as an inventor or co-inventor in intellectual property we own or license. For example, we or our licensors may have inventorship disputes arise from conflicting obligations of employees, consultants or others who are involved in developing our product candidates. We may be subject to claims by third parties asserting that our licensors, employees or we have misappropriated their intellectual property, or claiming ownership of what we regard as our own intellectual property. Litigation may be necessary to defend against these and other claims challenging inventorship or our or our licensors' ownership of our owned or in-licensed patents, trade secrets or other intellectual property. If we or our licensors fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use, intellectual property that is important to our product candidates. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

If any of our trade secrets, know-how or other proprietary information is disclosed, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

Our viability also depends upon the skills, knowledge and experience of our scientific and technical personnel, and our consultants and advisors. To help protect our proprietary know-how and our inventions for which patents may be unobtainable or difficult to obtain, we rely on trade secret protection and confidentiality agreements. To this end, we require all of our employees, consultants, advisors and contractors to enter into agreements which prohibit unauthorized disclosure and use of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business. These agreements are often limited in duration and may not provide adequate protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use or disclosure or the lawful development by others of such information. There is no assurance that such agreements will be honored by such parties or enforced in whole or part by the courts. We cannot be certain that others will not gain access to these trade secrets or that our patents will provide adequate protection. Others may independently develop substantially equivalent proprietary information and techniques or otherwise gain access to our trade secrets. In addition, enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. If any of our trade secrets, know-how or other proprietary information is improperly disclosed, the value of our trade secrets, know-how and other proprietary rights would be significantly impaired and our business and competitive position would suffer.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights and we may be unable to protect our rights to, or use of, our technology.

If we choose to go to court to stop a third party from using the inventions claimed in our patents, that individual or company has the right to ask the court to rule that such patents are invalid and/or should not be enforced against that third party. These lawsuits are expensive and would consume time and other resources, even if we were successful in discontinuing the infringement of our patents. In addition, there is a risk that the court will decide that these patents are not valid and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of these patents is upheld, the court will refuse to stop the other party on the ground that such other party's activities do not infringe our rights to these patents. In addition, the U.S. Supreme Court has in the past invalidated tests used by the USPTO in granting patents over the past 20 years. As a consequence, issued patents may be found to contain invalid claims according to the newly revised standards. Some of our own patents may be subject to challenge and subsequent invalidation in a variety of post-grant proceedings, particularly *inter partes* review, before the USPTO or during litigation under the revised criteria, which make it more difficult to defend the validity of claims in already issued patents.

Furthermore, a third party may claim that we or our manufacturing or commercialization partners are using inventions covered by the third party's patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our product candidates. These lawsuits are costly and could affect our results of operations and divert the attention of managerial and technical personnel. There is a risk that a court could decide that we or our commercialization partners are infringing the third party's patents and order us or our partners to stop the activities covered by the patents. In addition, there is a risk that a court could order us or our partners to pay the other party damages for having violated the other party's patents. The biotechnology industry has produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products, manufacturing processes or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform. If we are sued for patent infringement, we would need to demonstrate that our products, manufacturing processes or methods of use either do not infringe the patent claims of the relevant patent and/or that the patent claims are invalid, and we may not be able to do this. Proving invalidity, in particular, is difficult since it requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents.

As some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our issued patents or our pending applications, or that we were the first to invent the technology. Our competitors may have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent applications may have priority over our patent applications or patents, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a United States patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful if, unbeknownst to us, the other party had independently arrived at the same or similar invention prior to our own invention, resulting in a loss of our U.S. patent position with respect to such inventions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation or *inter partes* review proceedings could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

Some jurisdictions in which we operate have enacted legislation which allows members of the public to access information under statutes similar to the U.S. Freedom of Information Act. Even though we believe our information would be excluded from the scope of such statutes, there are no assurances that we can protect our confidential information from being disclosed under the provisions of such laws. If any confidential or proprietary information is released to the public, such disclosures may negatively impact our ability to protect our intellectual property rights.

Breaches or compromises of our information security systems or our information technology systems or infrastructure could result in exposure of private information, disruption of our business and damage to our reputation, which could harm our business, results of operation and financial condition.

We utilize information security and information technology systems and websites that allow for the secure storage and transmission of proprietary or private information regarding our clients, patients, employees, vendors and others, including individually identifiable health information. A security breach of our network, hosted service providers, or vendor systems, may expose us to a risk of loss or misuse of this information, litigation and potential liability. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks, including on companies within the healthcare industry. Although we believe that we take appropriate measures to safeguard sensitive information within our possession, we may not have the resources or technical sophistication to anticipate or prevent rapidly-evolving types of cyber-attacks targeted at us, our clients, our patients, or others who have entrusted us with information. Actual or anticipated attacks may cause us to incur costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. We invest in industry standard security technology to protect personal information. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used by us to protect personal information or other data being breached or compromised. To our knowledge, we have not experienced any material breach of our cybersecurity systems. If our or our third-party service provider systems fail to operate effectively or are damaged, destroyed, or shut down, or there are problems with transitioning to upgraded or replacement systems, or there are security breaches in these systems, any of the aforementioned could occur as a result of natural disasters, software or equipment failures, telecommunications failures, loss or theft of equipment, acts of terrorism, circumvention of security systems, or other cyber-attacks, we could experience delays or decreases in revenue, and reduced efficiency of our operations. Additionally, any of these events could lead to violations of privacy laws, loss of customers, or loss, misappropriation or corruption of confidential information, trade secrets or data, which could expose us to potential litigation, regulatory actions, sanctions or other statutory penalties, any or all of which could adversely affect our business, and cause us to incur significant losses and remediation costs.

We may be exposed to liabilities under the Foreign Corrupt Practices Act, and any determination that we violated the Foreign Corrupt Practices Act or Chinese anti-corruption law could have a material adverse effect on our business.

We are subject to the Foreign Corrupt Practice Act, or FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. persons and issuers as defined by the statute, for the purpose of obtaining or retaining business. We have operations and agreements with third parties where corruption may occur. It is our policy to implement safeguards to prevent these practices by our employees. However, our existing safeguards and any future improvements may prove to be less than effective, and the employees, consultants, sales agents or distributors of our company may engage in conduct for which we might be held responsible.

Violations of the FCPA or other anti-corruption laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition. In addition, the United States government may seek to hold our company liable for successor liability FCPA violations committed by companies in which we invest or that we acquire.

Risk Factors Related to our Lab Services MSO Business

Continued changes in healthcare reimbursement models and products (e.g., health insurance exchanges), changes in government payment and reimbursement systems, or changes in payer mix, including an increase in third-party benefits management and value-based payment models, could have a material adverse effect on our revenues, profitability and cash flow.

Diagnostic testing services are billed to managed care organizations (MCOs), Medicare, Medicaid, physicians and physician groups, hospitals, patients and employer groups. Most testing services are billed to a party other than the physician or other authorized person who ordered the test. Increases in the percentage of services billed to government and MCOs could have an adverse effect on our revenues. Although we currently do not provide any “in network” laboratory services, our plan is to begin providing such services in the near future.

These organizations have different contracting philosophies, which are influenced by the design of their products. Some MCOs contract with a limited number of clinical laboratories and engage in direct negotiation of rates. Other MCOs adopt broader networks with generally uniform fee structures for participating clinical laboratories. In some cases, those fee structures are specific to independent clinical laboratories, while the fees paid to hospital-based and physician-office laboratories may be different, and are typically higher. MCOs may also offer Managed Medicare or Managed Medicaid plans. In addition, an increasing number of MCOs are implementing, directly or through third parties, various types of laboratory benefit management programs that may include laboratory networks, utilization management tools (such as prior authorization and/or prior notification), and claims edits, which may impact coverage or reimbursement for commercial laboratory tests. Some of these programs address commercial laboratory testing broadly, while others are focused on certain types of testing such as molecular, genetic and toxicology testing. An increase in the use of such programs could lead to increased denial of claims, extended appeals, and reduced revenue.

Our ability to attract and retain MCOs is critical given the impact of healthcare reform, related products and expanded coverage (e.g. health insurance exchanges and Medicaid expansion) and evolving value-based care and risk-based reimbursement delivery models (e.g., accountable care organizations (ACOs) and Independent Physician Associations (IPAs)).

A portion of the managed care fee-for-service revenues is collectible from patients in the form of deductibles, coinsurance and copayments. As patient cost-sharing has been increasing, our collections may be adversely impacted.

In addition, Medicare and Medicaid and private insurers have increased their efforts to control the cost, utilization and delivery of healthcare services, including commercial laboratory services. Measures to regulate healthcare delivery in general, and clinical laboratories in particular, have resulted in reduced prices, added costs and decreased test utilization for the commercial laboratory industry by increasing complexity and adding new regulatory and administrative requirements. Pursuant to legislation passed in late 2003, the percentage of Medicare beneficiaries enrolled in Managed Medicare plans has increased. The percentage of Medicaid beneficiaries enrolled in Managed Medicaid plans has also increased; however, changes to, or repeal of, the Patient Protection and Affordable Care Act (ACA) may continue to affect coverage, reimbursement, and utilization of laboratory services, as well as administrative requirements, in ways that are currently unpredictable. Further healthcare reform could adversely affect laboratory reimbursement from Medicare, Medicaid or commercial carriers.

We expect the efforts to impose reduced reimbursement, more stringent payment policies, and utilization and cost controls by government and other payers to continue. If our laboratory services business cannot offset additional reductions in the payments it receives for its services by reducing costs, increasing test volume, and/or introducing new services and procedures, it could have a material adverse effect on our revenues, profitability and cash flows. In 2014, Congress passed the Protecting Access to Medicare Act (PAMA), requiring Medicare to change the way payment rates are calculated for tests paid under the Clinical Laboratory Fee Schedule (CLFS), and to base the payment on the weighted median of rates paid by private payers. On June 23, 2016, CMS issued a final rule to implement PAMA that required applicable laboratories, including our laboratory services business, to begin reporting their test-specific private payer payment amounts to CMS during the first quarter of 2017. CMS exercised enforcement discretion to permit reporting for an additional 60 days, through May 30, 2017. CMS used that private market data to calculate weighted median prices for each test (based on applicable current procedural technology (CPT) codes) to represent the new CLFS rates beginning in 2018, subject to certain phase-in limits. For 2018-2020, a test price could not be reduced by more than 10% per year. As a result of provisions included within the CARES Act, PAMA rate reductions for 2021 were suspended. As a result of the Protecting Medicare and American Farmers from Sequester Cuts Act that became law in December 2021, the data reporting requirements and Medicare reimbursement cuts that would have occurred under PAMA in 2022 were delayed by one additional year. As a result of the Consolidated Appropriations Act, 2023, which became law in December 2022, the data reporting requirements and Medicare reimbursement cuts that would have occurred under PAMA in 2023 were delayed by one additional year.

For 2024-2026, a test price cannot be reduced by more than 15.0% per year. The process of data reporting and repricing will be repeated every three years for Clinical Diagnostic Laboratory Tests (CDLTs) beginning in 2024. CFLS rates for 2027 and subsequent periods will not be subject to phase-in limits. The phase-in of rates for CDLTs established in 2018 will resume in 2024. New CLFS rates will be established in 2025 based on data from 2019 to be reported in 2024. New CLFS rates will be established in 2028 based on data from 2026 to be reported in 2027 CLFS rates for Advanced Diagnostic Laboratory Tests (ADLTs) will be updated annually.

CMS published its initial proposed CLFS rates under PAMA for 2018-2020 on September 22, 2017. Following a public comment period, CMS made adjustments and published final CLFS rates for 2018-2020 on November 17, 2017, with additional adjustments published on December 1, 2017. 2021, 2022 and 2023 PAMA rates were frozen as described above.

Healthcare reform legislation also contains numerous regulations that will require us, as an employer, to implement significant process and record-keeping changes to be in compliance. These changes increase the cost of providing healthcare coverage to employees and their families. Given the limited release of regulations to guide compliance, as well as potential changes to the ACA, the exact impact to employers, including us, is uncertain.

Government payers, such as Medicare and Medicaid, have taken steps to reduce the utilization and reimbursement of healthcare services, including clinical testing services.

Although we currently do not provide any laboratory services that are billed through Medicare or Medicaid, we plan to do so in the near future. At that time, we will face efforts by government payers to reduce utilization of and reimbursement for diagnostic information services. One example of this is increased use of prior authorization requirements. We expect efforts to reduce reimbursements, to impose more stringent cost controls and to reduce utilization of clinical test services will continue.

Pursuant to PAMA, reimbursement rates for many clinical laboratory tests provided under Medicare were reduced from 2018 - 2020. PAMA calls for further revision of the Medicare CLFS for years after 2020, based on future surveys of market rates; reimbursement rate reduction from 2024-26 is capped by PAMA at 15% annually. PAMA's next data collection and reporting period have been delayed, most recently by federal legislation adopted in December 2022, which further delayed the reimbursement rate reductions and reporting requirements until January 1, 2024.

In addition, CMS has adopted policies limiting or excluding coverage for clinical tests that we perform. We also expect in the future to provide physician services that are reimbursed by Medicare under a physician fee schedule, which is subject to adjustment on an annual basis. Medicaid reimbursement varies by state and is subject to administrative and billing requirements and budget pressures.

In addition, over the last several years, the federal government has expanded its contracts with private health insurance plans for Medicare beneficiaries, called "Medicare Advantage" programs, and has encouraged such beneficiaries to switch from the traditional programs to the private programs. There has been growth of health insurance plans offering Medicare Advantage programs, and of beneficiary enrollment in these programs. States have mandated that Medicaid beneficiaries enroll in private managed care arrangements. In addition, state budget pressures have encouraged states to consider several courses of action that may impact our business, such as delaying payments, reducing reimbursement, restricting coverage eligibility, denying claims and service coverage restrictions. Further, CMS has set goals for value-based reimbursement to be achieved by 2030.

Reimbursement for Medicare services also is subject to annual reduction under the Budget Control Act of 2011, and the Statutory Pay-As-You-Go Act of 2010.

From time to time, the federal government has considered whether competitive bidding could be used to provide clinical testing services for Medicare beneficiaries while maintaining quality and access to care. Congress periodically considers cost-saving initiatives. These initiatives have included coinsurance for clinical testing services, co-payments for clinical testing and further laboratory physician fee schedule reductions.

Other steps taken to reduce utilization and reimbursement include requirements to obtain diagnosis codes to obtain payment, increased documentation requirements, limiting the allowable number of tests or ordering frequency, expanded prior authorization programs and otherwise increasing payment denials.

Steps to reduce utilization and reimbursement also discourage innovation and access to innovative solutions that we may offer.

Health plans and other third parties have taken steps to reduce the utilization and reimbursement of health services, including clinical testing services.

We face efforts by non-governmental third-party payers, including health plans, to reduce utilization of and reimbursement for clinical testing services. Examples include increased use of prior authorization requirements and increased denial of coverage for services. There is increased market activity regarding alternative payment models, including bundled payment models. We expect continuing efforts by third-party payers, including in their rules, practices and policies, to reduce reimbursements, to impose more stringent cost controls and to reduce utilization of clinical testing services. ACOs and Independent Delivery Networks (IDNs), including hospitals and hospital health systems, also may undertake efforts to reduce utilization of, or reimbursement for, diagnostic information services.

The healthcare industry has experienced a trend of consolidation among health insurance plans, resulting in fewer but larger insurance plans with significant bargaining power to negotiate fee arrangements with clinical testing providers. The increased consolidation among health plans also has increased pricing transparency, insurer bargaining power and the potential adverse impact of ceasing to be a contracted provider with an insurer. Health plans, and independent physician associations, may demand that clinical testing providers accept discounted fee structures or assume all or a portion of the financial risk associated with providing testing services to their members through capitated payment arrangements. Some health plans also are reviewing test coding, evaluating coverage decisions and requiring preauthorization of certain testing. There are also an increasing number of patients enrolling in consumer driven products and high deductible plans that involve greater patient cost-sharing.

Other steps taken to reduce utilization and reimbursement include requirements to obtain diagnosis codes to obtain payment, increased documentation requirements, limiting the allowable number of tests or ordering frequency, expanded prior authorization programs and otherwise increasing payment denials.

Steps to reduce utilization and reimbursement also discourage innovation and access to innovative solutions that we may offer.

The Laboratory Services MSO Acquisition will result in organizational changes that could create significant growth for our business. If we fail to effectively manage this growth and adapt our business structure in a manner that preserves our reputation, then our business, financial condition and results of operations could be harmed.

On February 9, 2023, we acquired 40% of all the issued and outstanding equity interests of Lab Services MSO. The Laboratory Services MSO Acquisition has resulted in significant growth in our operations. We have incurred and will continue to incur significant expenditures and the allocation of management time to assimilate Lab Services MSO in a manner that preserves the key aspects of our business, but there can be no assurance that we will be successful in our efforts. If we do not effectively integrate Lab Services MSO, the effectiveness of our business growth could suffer, and our reputation could be harmed, each of which could adversely impact our business, financial condition and results of operations.

The success of our business will depend, in part, on our ability to realize our anticipated benefits and opportunities from the acquisition. We can provide no assurance that the anticipated benefits of the Laboratory Services MSO Acquisition will be fully realized in the time frame anticipated or at all. The failure to meet the challenges involved in integrating the two businesses could cause an interruption of business activities, an increase in operating costs or lower anticipated financial performance. Our failure to achieve the anticipated and the potential benefits underlying our reasons for the Laboratory Services MSO Acquisition could have a material adverse impact on our business, financial condition and results of operations.

The clinical testing business is highly competitive, and if we fail to provide an appropriately priced level of service or otherwise fail to compete effectively it could have a material adverse effect on our revenues and profitability.

The laboratory testing industry is fragmented and highly competitive. We primarily compete with three types of clinical testing providers: commercial clinical laboratories IDN-affiliated laboratories and physician-office laboratories. Our largest commercial clinical laboratory competitors are Quest Diagnostic Laboratories and Laboratory Corporation of America. In addition, we compete with many smaller regional and local commercial clinical laboratories, specialized advanced laboratories and providers of consumer-initiated testing. There also has been a trend among physician practices to establish their own histology laboratory capabilities and/or bring pathologists into their practices, thereby reducing referrals from these practices and increasing the competitive position of these practices.

The commercial laboratory business is intensely competitive both in terms of price and service. Pricing of laboratory testing services is often one of the most significant factors used by physicians, third-party payers and consumers in selecting a laboratory. As a result of significant consolidation in the commercial laboratory industry, larger commercial laboratory providers are able to increase cost efficiencies afforded by large-scale automated testing. This consolidation results in greater price competition. Our laboratory services business may be unable to increase cost efficiencies sufficiently, if at all, and as a result, its net earnings and cash flows could be negatively impacted by such price competition. We may face increased competition from health system laboratories, due to physicians within those systems directing their testing to the health system laboratory and away from us, and as those laboratories seek to expand their testing volume from unaffiliated physicians in their service areas. We may also face competition from companies that do not comply with existing laws or regulations or otherwise disregard compliance standards in the industry. Additionally, we may also face changes in fee schedules, competitive bidding for laboratory services, or other actions or pressures reducing payment schedules as a result of increased or additional competition. These competitive pressures may affect the attractiveness or profitability of our laboratory services business, and could adversely affect our financial results.

The diagnostic information services industry also is faced with changing technology and new product introductions. Competitors may compete using advanced technology, including technology that enables more convenient or cost-effective testing. Digital pathology, still in an emerging state, is an example of this. Competitors also may compete on the basis of new service offerings. Competitors also may offer testing to be performed outside of a commercial clinical laboratory, such as (1) point-of-care testing that can be performed by physicians in their offices; (2) advanced testing that can be performed by IDNs in their own laboratories; and (3) home testing that can be carried out without requiring the services of outside providers.

Failure to obtain and retain new customers, the loss of existing customers or material contracts, or a reduction in services or tests ordered or specimens submitted by existing customers, or the inability to retain existing and/or create new relationships with health systems could impact our ability to successfully grow our business.

To maintain and grow its business, we need to obtain and retain new customers and business partners. In addition, a reduction in tests ordered or specimens submitted by existing customers, a decrease in demand for our services from existing customers, or the loss of existing contracts, without offsetting growth in its customer base, could impact our ability to successfully grow its business and could have a material adverse effect on our revenues and profitability. We compete primarily on the basis of the quality of services, reporting and information systems, reputation in the medical community, the pricing of services and ability to employ qualified personnel. Our failure to successfully compete on any of these factors could result in the loss of existing customers, an inability to gain new customers and a reduction in our business.

Discontinuation or recalls of existing testing products; failure to develop or acquire licenses for new or improved testing technologies; or our customers using new technologies to perform their own tests could adversely affect our business.

From time to time, manufacturers discontinue or recall reagents, test kits or instruments used by us to perform laboratory testing. Such discontinuations or recalls could adversely affect our costs, testing volume and revenue.

The commercial laboratory industry is subject to changing technology and new product introductions. If we are unable to license new or improved technologies to expand its esoteric testing operations, its testing methods may become outdated when compared with our competition, and testing volume and revenue may be materially and adversely affected.

In addition, advances in technology may lead to the development of more cost-effective technologies such as point-of-care testing equipment that can be operated by physicians or other healthcare providers (including physician assistants, nurse practitioners and certified nurse midwives, generally referred to herein as physicians) in their offices or by patients themselves without requiring the services of freestanding clinical laboratories. Development of such technology and its use by our customers could reduce the demand for its laboratory testing services and the utilization of certain tests offered by us and negatively impact its revenues.

Currently, most commercial laboratory testing is categorized as high or moderate complexity, and thereby is subject to extensive and costly regulation under the Clinical Laboratory Improvement Act (CLIA). The cost of compliance with CLIA makes it impractical for most physicians to operate clinical laboratories in their offices, and other laws limit the ability of physicians to have ownership in a laboratory and to refer tests to such a laboratory. Manufacturers of laboratory equipment and test kits could seek to increase their sales by marketing point-of-care laboratory equipment to physicians and by selling test kits approved for home or physician office use to both physicians and patients. Diagnostic tests approved for home use are automatically deemed to be "waived" tests under CLIA and may be performed in physician office laboratories as well as by patients in their homes with minimal regulatory oversight. Other tests meeting certain FDA criteria also may be classified as "waived" for CLIA purposes. The FDA has regulatory responsibility over instruments, test kits, reagents and other devices used by clinical laboratories, and it has taken responsibility from the U.S. Centers for Disease Control and Prevention for classifying the complexity of tests for CLIA purposes. Increased approval of "waived" test kits could lead to increased testing by physicians in their offices or by patients at home, which could affect our market for laboratory testing services and negatively impact its revenues.

Changes or disruption in services supplies, or transportation provided by third parties have impacted and could continue to impact or adversely affect our business.

We depend on third parties to provide supplies and services critical to our laboratory services business. We are heavily reliant on third-party ground and air travel for transport of clinical trial and diagnostic testing supplies and specimens, research products, and people. A significant disruption to these travel systems, or our access to them, could have a material adverse effect on our business. We are also reliant on an extensive network of third-party suppliers and vendors of certain services and products, including for certain animal populations. Disruptions to the continued supply, or increases in costs, of these services, products, or animal populations may arise from export/import restrictions or embargoes, political or economic instability, pressure from animal rights activists, adverse weather, natural disasters, public health crises, transportation disruptions, cyber-attacks, or other causes, as well as from termination of relationships with suppliers or vendors for their failure to follow our performance standards and requirements. Disruption of supply and services has impacted and could continue to impact or have a material adverse effect on our business.

Continued and increased consolidation of pharmaceutical, biotechnology and medical device companies, health systems, physicians and other customers could adversely affect our business.

Many healthcare companies and providers, including pharmaceutical, biotechnology and medical device companies, health systems and physician practices are consolidating through mergers, acquisitions, joint ventures and other types of transactions and collaborations. In addition to these more traditional horizontal mergers that involve entities that previously competed against each other, the healthcare industry is experiencing an increase in vertical mergers, which involve entities that previously did not offer competing goods or services. As the healthcare industry consolidates, competition to provide goods and services may become more intense, and vertical mergers may give those combined companies greater control over more aspects of healthcare, including increased bargaining power. This competition and increased customer bargaining power may adversely affect the price and volume of our services.

In addition, as the broader healthcare industry trend of consolidation continues, including the acquisition of physician practices by health systems, relationships with hospital-based health systems and integrated delivery networks are becoming more important. Our laboratory services business' inability to retain its existing relationships with physicians if they become part of healthcare systems and networks and/or to create new relationships could impact its ability to successfully grow.

Changes, including changes in interpretation, in payer regulations, policies or approvals, or changes in laws, regulations or policies in the U.S. or globally, may adversely affect us.

U.S. and state government payers, such as Medicare and Medicaid, as well as insurers, including MCOs, have increased their efforts to control the cost, utilization and delivery of healthcare services. From time to time, Congress has considered and implemented changes in Medicare fee schedules in conjunction with budgetary legislation. The first phase of reductions pursuant to PAMA came into effect on January 1, 2018, and will continue annually subject to certain delays in implementation and phase-in limits through 2026, and without limitations for subsequent periods. Further reductions due to changes in policy regarding coverage of tests or other requirements for payment, such as prior authorization, diagnosis code and other claims edits, may be implemented from time to time. Reimbursement for pathology services performed by us is also subject to statutory and regulatory reduction. Reductions in the reimbursement rates and changes in payment policies of other third-party payers may occur as well. Such changes in the past have resulted in reduced payments as well as added costs and have decreased test utilization for the commercial laboratory industry by adding more complex new regulatory and administrative requirements. Further changes in third-party payer regulations, policies, or laboratory benefit or utilization management programs may have a material adverse effect on our business. Actions by federal and state agencies regulating insurance, including healthcare exchanges, or changes in other laws, regulations, or policies may also have a material adverse effect upon our business.

Our business could be harmed from the loss or suspension of a license or imposition of a fine or penalties under, or future changes in, or interpretations of, the law or regulations of CLIA, Medicare, Medicaid or other national, state or local agencies in the U.S. and other countries where we operate laboratories currently and in the future.

The commercial laboratory testing industry is subject to extensive U.S. regulation, and many of these statutes and regulations have not been interpreted by the courts. CLIA extends federal oversight to virtually all clinical laboratories operating in the U.S. by requiring that they be certified by the federal government or by a federally approved accreditation agency. The sanction for failure to comply with CLIA requirements may be suspension, revocation or limitation of a laboratory's CLIA certificate, which is necessary to conduct business, as well as significant fines and/or criminal penalties. In addition, we are subject to regulation under state law. State laws may require that laboratories and/or laboratory personnel meet certain qualifications, specify certain quality controls or require maintenance of certain records. In the future, we may also operate laboratories outside of the U.S. and become subject to laws governing its laboratory operations in the other countries where it operates.

Applicable statutes and regulations could be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that would adversely affect our business. Potential sanctions for violation of these statutes and regulations include significant fines and the suspension or loss of various licenses, certificates and authorizations, which could have a material adverse effect on our business. In addition, compliance with future legislation could impose additional requirements on us, which may be costly.

Failure of us or our third-party service providers to comply with privacy and security laws and regulations could result in fines, penalties and damage to our reputation with customers and have a material adverse effect upon our business.

If we and our third-party service providers do not comply with existing or new laws and regulations related to protecting the privacy and security of personal or health information, we could be subject to monetary fines, civil penalties or criminal sanctions.

In the U.S., HIPAA privacy and security regulations, including the expanded requirements under HITECH, establish comprehensive standards with respect to the use and disclosure of protected health information (PHI), by covered entities, in addition to setting standards to protect the confidentiality, integrity and security of PHI.

HIPAA restricts our ability to use or disclose PHI, without patient authorization, for purposes other than payment, treatment or healthcare operations (as defined by HIPAA), except for disclosures for various public policy purposes and other permitted purposes outlined in the privacy regulations. HIPAA and HITECH provide for significant fines and other penalties for wrongful use or disclosure of PHI in violation of the privacy and security regulations, including potential civil and criminal fines and penalties. The regulations establish a complex regulatory framework on a variety of subjects, including:

- the circumstances under which the use and disclosure of PHI are permitted or required without a specific authorization by the patient, including, but not limited to, treatment purposes, activities to obtain payments for our services, and its healthcare operations activities;
- a patient's rights to access, amend and receive an accounting of certain disclosures of PHI;
- the content of notices of privacy practices for PHI;
- administrative, technical and physical safeguards required of entities that use or receive PHI; and
- the protection of computing systems maintaining electronic PHI.

We have implemented policies and procedures designed to comply with the HIPAA privacy and security requirements as applicable. The privacy and security regulations establish a "floor" and do not supersede state laws that are more stringent. Therefore, we are required to comply with both additional federal privacy and security regulations and varying state privacy and security laws. In addition, federal and state laws that protect the privacy and security of patient information may be subject to enforcement and interpretations by various governmental authorities and courts, resulting in complex compliance issues. For example, we could incur damages under state laws, including pursuant to an action brought by a private party for the wrongful use or disclosure of health information or other personal information.

Failure to comply with U.S., state or local environmental, health and safety laws and regulations could result in fines, penalties and loss of licensure, and have a material adverse effect upon us.

We are subject to licensing and regulation under laws and regulations relating to the protection of the environment and human health and safety, including laws and regulations relating to the handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials, as well as regulations relating to the safety and health of laboratory employees. Failure to comply with these laws and regulations could subject us to denial of the right to conduct business, fines, criminal penalties and/or other enforcement actions that would have a material adverse effect on its business. In addition, compliance with future legislation could impose additional requirements on us that may be costly.

The U.S. healthcare system is evolving and medical laboratory testing market fundamentals are changing, and our business could be adversely impacted if we fail to adapt.

The U.S. healthcare system continues to evolve. Significant change is taking place in the healthcare system. For example, value-based reimbursement is increasing; CMS has set goals for value-based reimbursement to be achieved by 2030. Patients are encouraged to take increased interest in and responsibility for, and often are bearing increased responsibility for payment for, their healthcare. Healthcare industry participants are evolving and consolidating. Healthcare services increasingly are being provided by non-traditional providers (*e.g.*, physician assistants), in non-traditional venues (*e.g.*, retail medical clinics, urgent care centers) and using new technologies (*e.g.*, telemedicine, digital pathology). Utilization of the healthcare system is being influenced by several factors and may result in a decline in the demand for diagnostic information services.

In addition, we believe that clinical testing market fundamentals are changing. We believe that PAMA-driven reimbursement pressure remains a catalyst for structural change in the market. We also believe that health plans and consumers increasingly are focusing on driving better value in laboratory testing services. We expect that the evolution of the healthcare industry will continue, and that industry change is likely to be extensive.

Failure to establish and perform to appropriate quality standards, or to assure that the appropriate standard of quality is observed in the performance of our diagnostic information services, could adversely affect the results of our operations and adversely impact our reputation.

The provision of diagnostic information services involves certain inherent risks. The services that we provide are intended to provide information in providing patient care. Therefore, users of our services may have a greater sensitivity to errors than the users of services or products that are intended for other purposes.

Negligence in performing our services can lead to injury or other adverse events. We may be sued under physician liability or other liability law for acts or omissions by our pathologists, laboratory personnel and IDN employees who are under our supervision. We are subject to the attendant risk of substantial damages awards in excess of our insurance coverage and risk to our reputation.

We are subject to numerous legal and regulatory requirements governing our activities, and we may face substantial fines and penalties, and our business activities may be impacted, if we fail to comply.

Our business is subject to or impacted by extensive and frequently changing laws and regulations in the United States (including at both the federal and state levels) and the other jurisdictions in which we engage in business. While we seek to conduct our business in compliance with all applicable laws, many of the laws and regulations applicable to us are vague or indefinite and have not been extensively interpreted by the courts, including many of those relating to:

- billing and reimbursement of clinical testing;
- certification or licensure of clinical laboratories;
- the anti-self-referral and anti-kickback laws and regulations;
- the laws and regulations administered by the FDA;
- the corporate practice of medicine;

- operational, personnel and quality requirements intended to ensure that clinical testing services are accurate, reliable and timely;
- physician fee splitting;
- relationships with physicians and IDNs;
- marketing to consumers;
- privacy of patient data and other personal information;
- safety and health of laboratory employees; and
- handling, transportation and disposal of medical specimens, infectious and hazardous waste and radioactive materials.

These laws and regulations may be interpreted or applied by a prosecutorial, regulatory or judicial authority in a manner that could require us to make changes in our operations, including our pricing and/or billing practices. We may not be able to maintain, renew or secure required permits, licenses or any other regulatory approvals needed to operate our business or commercialize our services. If we fail to comply with applicable laws and regulations, or if we fail to maintain, renew or obtain necessary permits, licenses and approvals, we could suffer civil and criminal penalties, fines, exclusion from participation in governmental healthcare programs and the loss of various licenses, certificates and authorizations necessary to operate our business, as well as incur additional liabilities from third-party claims. If any of the foregoing were to occur, our reputation could be damaged and important business relationships with third parties could be adversely affected.

We also are subject from time to time to qui tam claims brought by former employees or other "whistleblowers." The federal and state governments continue aggressive enforcement efforts against perceived healthcare fraud. Legislative provisions relating to healthcare fraud and abuse provide government enforcement personnel substantial funding, powers, penalties and remedies to pursue suspected cases of fraud and abuse. In addition, the government has substantial leverage in negotiating settlements since the amount of potential damages far exceeds the rates at which we are reimbursed for our services, and the government has the remedy of excluding a non-compliant provider from participation in the Medicare and Medicaid programs. Regardless of merit or eventual outcome, these types of investigations and related litigation can result in:

- diversion of management time and attention;
- expenditure of large amounts of cash on legal fees, costs and payment of damages;
- increases to our administrative, billing or other operating costs;
- limitations on our ability to continue some of our operations;
- enforcement actions, fines and penalties or the assertion of private litigation claims and damages;
- decreases to the amount of reimbursement related to diagnostic information services performed;
- adverse affects to important business relationships with third parties;
- decreased demand for our services; and/or
- injury to our reputation.

Changes in applicable laws and regulations may result in existing practices becoming more restricted, or subject our existing or proposed services to additional costs, delay, modification or withdrawal. Such changes also could require us to modify our business objectives.

Failure to accurately bill for our services, or to comply with applicable laws relating to government healthcare programs, could have a material adverse effect on our business.

Billing for diagnostic information services is complex and subject to extensive and non-uniform rules and administrative requirements. Depending on the billing arrangement and applicable law, we bill various payers, such as patients, insurance companies, Medicare, Medicaid, clinicians, IDNs and employer groups. The majority of billing and related operations for our Company are being provided by a third party under our oversight. Failure to accurately bill for our services could have a material adverse effect on our business. In addition, failure to comply with applicable laws relating to billing government healthcare programs may result in various consequences, including: civil and criminal fines and penalties, exclusion from participation in governmental healthcare programs and the loss of various licenses, certificates and authorizations necessary to operate our business, as well as incur additional liabilities from third-party claims. Certain violations of these laws may also provide the basis for a civil remedy under the federal False Claims Act, including fines and damages of up to three times the amount claimed. The qui tam provisions of the federal False Claims Act and similar provisions in certain state false claims acts allow private individuals to bring lawsuits against healthcare companies on behalf of government payers, private payers and/or patients alleging inappropriate billing practices.

Although we believe that we are in compliance, in all material respects, with applicable laws and regulations, there can be no assurance that a regulatory agency or tribunal would not reach a different conclusion. The federal or state government may bring claims based on our current practices, which we believe are lawful. The federal and state governments have substantial leverage in negotiating settlements since the amount of potential damages and fines far exceeds the rates at which we are reimbursed, and the government has the remedy of excluding a non-compliant provider from participation in the Medicare and Medicaid programs. We believe that federal and state governments continue aggressive enforcement efforts against perceived healthcare fraud. Legislative provisions relating to healthcare fraud and abuse provide government enforcement personnel with substantial funding, powers, penalties and remedies to pursue suspected cases of fraud and abuse.

Inflationary pressures could adversely impact us because of increases in the costs of materials, supplies and services, and increased labor and people-related expenses.

Inflationary pressures have resulted in increases in the costs of the testing equipment, supplies and other goods and services that we purchase from manufacturers, suppliers and others. Inflationary pressures, along with the competition for labor, have also resulted in a rise of our labor costs, which include the costs of compensation, benefits, and recruiting and training new hires. Our ability to raise the prices and fees we charge for the services we provide is limited. Continuation of the current inflationary environment may adversely impact us.

Risk Factors Related to Clinical and Commercialization Activity

Our business faces significant government regulation, and there is no guarantee that our product candidates will receive regulatory approval.

Our research and development activities, pre-clinical studies, anticipated human clinical trials, and anticipated manufacturing and marketing of our potential products are subject to extensive regulation by the FDA and other regulatory authorities in the United States, as well as by regulatory authorities in other countries. In the United States, our product candidates are subject to regulation as biological products or as combination biological products/medical devices under the Federal Food, Drug and Cosmetic Act, the Public Health Service Act and other statutes, as outlined in the Code of Federal Regulations. Different regulatory requirements may apply to our products depending on how they are categorized by the FDA under these laws. These regulations can be subject to substantial and significant interpretation, addition, amendment or revision by the FDA and by the legislative process. The FDA may determine that we will need to undertake clinical trials beyond those currently planned. Furthermore, the FDA may determine that results of clinical trials do not support approval for the product. Similar determinations may be encountered in foreign countries. The FDA will continue to monitor products in the market after approval, if any, and may determine to withdraw its approval or otherwise seriously affect the marketing efforts for any such product. The same possibilities exist for trials to be conducted outside of the United States that are subject to regulations established by local authorities and local law. Any such determinations would delay or deny the introduction of our product candidates to the market and have a material adverse effect on our business, financial condition, and results of operations.

Cell based therapeutics are subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Agency, other federal agencies and corresponding state agencies to ensure strict compliance with good manufacturing practices, and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards, nor can we guarantee that we will maintain compliance with such regulations in regards to our own manufacturing processes. Other risks include:

- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication, or field alerts to physicians and pharmacies;
- regulatory authorities may withdraw their approval of the IND or the product or require us to take our approved products off the market;
- we may be required to change the way the product is manufactured or administered and we may be required to conduct additional clinical trials or change the labeling of our products;
- we may have limitations on how we promote our products; and
- we may be subject to litigation or product liability claims.

Even if our product candidates receive regulatory approval in the United States, we may never receive approval or commercialize our product candidates outside of the United States. In order to market and commercialize any product candidate outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding manufacturing, safety and efficacy. Approval procedures vary among countries and can involve additional product testing and additional administrative review periods. The time required to obtain approval in other countries might differ from that required to obtain FDA approval. The regulatory approval process in other countries may include all of the risks detailed above regarding FDA approval in the United States as well as other risks. Regulatory approval in one country does not ensure regulatory approval in another, but a failure or delay in obtaining regulatory approval in one country may have a negative effect on the regulatory approval process in others. Failure to obtain regulatory approval in other countries, or any delay or setback in obtaining such approval, could have the same adverse effects detailed above regarding FDA approval in the United States. Such effects include the risks that our product candidates may not be approved for all indications requested, which could limit the uses of our product candidates and have an adverse effect on product sales and potential royalties, and that such approval may be subject to limitations on the indicated uses for which the product may be marketed or require costly, post-marketing follow-up studies.

Even if our product candidates receive regulatory approval, we may still face future development and regulatory difficulties.

Even if U.S. regulatory approval is obtained, the FDA may still impose significant restrictions on a product's indicated uses or marketing, or impose ongoing requirements for potentially costly post-approval studies. If any of our products were granted accelerated approval, FDA could require post-marketing confirmatory trials to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. FDA may withdraw approval of a drug or indication approved under the accelerated approval pathway if a trial required to verify the predicted clinical benefit of the product fails to verify such benefit; other evidence demonstrates that the product is not shown to be safe or effective under the conditions of use; the applicant fails to conduct any required post-approval trial of the drug with due diligence; or the applicant disseminates false or misleading promotional materials relating to the product. In addition, the FDA currently requires as a condition for accelerated approval the pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

Given the number of recent high-profile adverse safety events with certain drug and cell related products, the FDA may require, as a condition of approval, costly risk management programs, which may include safety surveillance, restricted distribution and use, patient education, enhanced labeling, special packaging or labeling, expedited reporting of certain adverse events, pre-approval of promotional materials, and restrictions on direct-to-consumer advertising. Furthermore, heightened Congressional scrutiny on the adequacy of the FDA's drug approval process and the FDA's efforts to assure the safety of marketed cell based therapy has resulted in the proposal of new legislation addressing drug safety issues. If enacted, any new legislation could result in delays or increased costs during the period of product development, clinical trials, and regulatory review and approval, as well as increased costs to assure compliance with any new post-approval regulatory requirements. Any of these restrictions or requirements could force us to conduct costly studies or increase the time for us to become profitable. For example, any labeling approved for any of our product candidates may include a restriction on the term of its use, or it may not include one or more of our intended indications.

Our product candidates will also be subject to ongoing FDA requirements for the labeling, packaging, storage, advertising, promotion, record-keeping, and submission of safety and other post-market information on the cell based therapy. New issues may arise during a product lifecycle that did not exist, or were unknown, at the time of product approval, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured. Since approved products, manufacturers, and manufacturers' facilities are subject to continuous review and periodic inspections, these new issues post-approval may result in voluntary actions by us or may result in a regulatory agency imposing restrictions on that product or us, including requiring withdrawal of the product from the market or for use in a clinical study. If our product candidates fail to comply with applicable regulatory requirements, such as good manufacturing practices, a regulatory agency may:

- issue warning letters;
- require us to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions, and penalties for noncompliance;
- impose other civil or criminal penalties;
- suspend regulatory approval;
- suspend any ongoing clinical trials;
- refuse to approve pending applications or supplements to approved applications filed by us;
- impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products or require a product recall.

If we or current or future collaborators, manufacturers, or service providers fail to comply with healthcare laws and regulations, we or they could be subject to enforcement actions and substantial penalties, which could affect our ability to develop, market and sell our products and may harm our reputation.

Although we do not currently have any products on the market, once our therapeutic candidates or clinical trials are covered by federal health care programs, we will be subject to additional healthcare statutory and regulatory requirements and enforcement by the federal, state and foreign governments of the jurisdictions in which we conduct our business. Healthcare providers, physicians and third party payors play a primary role in the recommendation and prescription of any therapeutic candidates for which we obtain marketing approval. Our future arrangements with third party payors and customers may expose us to broadly applicable fraud and abuse, transparency, and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our therapeutic candidates for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include, but are not limited to, the following:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons from soliciting, receiving, offering or providing remuneration, directly or indirectly, to induce either the referral of an individual for a healthcare item or service, or the purchasing or ordering of an item or service, for which payment may be made, in whole or in part, under a federal healthcare program such as Medicare or Medicaid;

- federal civil and criminal false claims laws and civil monetary penalty laws, such as the U.S. federal FCA, which imposes criminal and civil penalties, including through civil whistleblower or qui tam actions, against, individuals or entities for knowingly presenting or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA;

- HIPAA includes a fraud and abuse provision referred to as the HIPAA All-Payor Fraud Law, which imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;

- HIPAA, as amended by HITECH, and its implementing regulations, which impose obligations on certain covered entity healthcare providers, health plans, and healthcare clearinghouses as well as their business associates that perform certain services involving the use or disclosure of individually identifiable health information, including mandatory contractual terms, with respect to safeguarding, the privacy, security, and transmission of individually identifiable health information, and require notification to affected individuals and regulatory authorities of certain breaches of security of individually identifiable health information;

- federal and state consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;

- the federal Physician Payment Sunshine Act and the implementing regulations, also referred to as "Open Payments," issued under the ACA, which require that manufacturers of pharmaceutical and biological drugs reimbursable under Medicare, Medicaid, and Children's Health Insurance Programs report to the Department of Health and Human Services all consulting fees, travel reimbursements, research grants, and other payments, transfers of value or gifts made to physicians and teaching hospitals with limited exceptions; and

- analogous state laws and regulations, such as, state anti-kickback and false claims laws potentially applicable to sales or marketing arrangements and claims involving healthcare items or services reimbursed by nongovernmental third party payors, including private insurers; and some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug and cell based therapy manufacturers to report information related to payments to physicians and other healthcare providers or marketing expenditures, and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

The scope and enforcement of each of these laws is uncertain and subject to rapid change in the current environment of healthcare reform, especially in light of the lack of applicable precedent and regulations. Federal and state enforcement bodies have recently increased their scrutiny of interactions between healthcare companies and healthcare providers, which has led to a number of investigations, prosecutions, convictions and settlements in the healthcare industry. Responding to investigations can be time-and resource-consuming and can divert management's attention from the business. Any such investigation or settlement could increase our costs or otherwise have an adverse effect on our business.

Ensuring that our business arrangements with third-parties comply with applicable healthcare laws and regulations could involve substantial costs. If our operations are found to be in violation of any such requirements, we may be subject to penalties, including civil or criminal penalties, monetary damages, the curtailment or restructuring of our operations, or exclusion from participation in government contracting, healthcare reimbursement or other government programs, including Medicare and Medicaid, any of which could adversely affect our financial results. Although effective compliance programs can mitigate the risk of investigation and prosecution for violations of these laws, these risks cannot be entirely eliminated. Any action against us for an alleged or suspected violation could cause us to incur significant legal expenses and could divert our management's attention from the operation of our business, even if our defense is successful. In addition, achieving and sustaining compliance with applicable laws and regulations may be costly to us in terms of money, time and resources.

Any cell based therapies we develop may become subject to unfavorable pricing regulations, third party coverage and reimbursement practices or healthcare reform initiatives, thereby harming our business.

The regulations that govern marketing approvals, pricing, coverage and reimbursement for new drugs and cell based therapies vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some foreign markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. Although we intend to monitor these regulations, our programs are currently in earlier stages of development and we will not be able to assess the impact of price regulations for a number of years. As a result, we might obtain regulatory approval for a product in a particular country, but then be subject to price regulations that delay our commercial launch of the product and negatively impact the revenues we are able to generate from the sale of the product in that country.

Our ability to commercialize any products successfully also will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. However, there may be significant delays in obtaining coverage for newly-approved cell based therapies. Moreover, eligibility for coverage does not necessarily signify that a cell based therapy will be reimbursed in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution costs. Also, interim payments for new cell based therapy if applicable, may be insufficient to cover our costs and may not be made permanent. Thus, even if we succeed in bringing one or more products to the market, these products may not be considered medically necessary or cost-effective, and the amount reimbursed for any products may be insufficient to allow us to sell our products on a competitive basis. Because our programs are in earlier stages of development, we are unable at this time to determine their cost effectiveness, or the likely level or method of reimbursement. In addition, obtaining coverage and reimbursement approval of a product from a government or other third-party payor is a time-consuming and costly process that could require us to provide to each payor supporting scientific, clinical and cost-effectiveness data for the use of our product on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. A payor's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Further, one payor's determination to provide coverage for a product does not assure that other payors will also provide coverage for the product. Adequate third-party reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development. If reimbursement is not available or is available only at limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

Increasingly, the third party payors who reimburse patients or healthcare providers, such as government and private insurance plans, are seeking greater upfront discounts, additional rebates and other concessions to reduce the prices for pharmaceutical products. If the price we are able to charge for any products we develop, or the reimbursement provided for such products, is inadequate in light of our development and other costs, our return on investment could be adversely affected.

We currently expect that certain drugs we develop may need to be administered under the supervision of a physician on an outpatient basis. Under currently applicable U.S. law, certain drugs that are not usually self-administered (including injectable cell based therapies) may be eligible for coverage under Medicare through Medicare Part B. Specifically, Medicare Part B coverage may be available for eligible beneficiaries when the following, among other requirements have been satisfied:

- the product is reasonable and necessary for the diagnosis or treatment of the illness or injury for which the product is administered according to accepted standards of medical practice;

- the product is typically furnished incident to a physician's services;

- the indication for which the product will be used is included or approved for inclusion in certain Medicare-designated pharmaceutical compendia (when used for an off-label use); and

- the product has been approved by the FDA.

Average prices for cell therapies may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs and cell based therapy from countries where they may be sold at lower prices than in the U.S. Reimbursement rates under Medicare Part B would depend in part on whether the newly approved product would be eligible for a unique billing code. Self-administered, outpatient drugs and cell based therapies are typically reimbursed under Medicare Part D, and cell based therapies that are administered in an inpatient hospital setting are typically reimbursed under Medicare Part A under a bundled payment. It is difficult for us to predict how Medicare coverage and reimbursement policies will be applied to our products in the future and coverage and reimbursement under different federal healthcare programs are not always consistent. Medicare reimbursement rates may also reflect budgetary constraints placed on the Medicare program.

Third party payors often rely upon Medicare coverage policies and payment limitations in setting their own reimbursement rates. These coverage policies and limitations may rely, in part, on compendia listings for approved therapeutics. Our inability to promptly obtain relevant compendia listings, coverage, and adequate reimbursement from both government-funded and private payors for new cell based therapies that we develop and for which we obtain regulatory approval could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our financial condition.

We expect that these and other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government-funded programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability or commercialize our cell based therapies, once marketing approval is obtained.

We believe that the efforts of governments and third party payors to contain or reduce the cost of healthcare and legislative and regulatory proposals to broaden the availability of healthcare will continue to affect the business and financial condition of pharmaceutical and biopharmaceutical companies. A number of legislative and regulatory changes in the healthcare system in the U.S. and other major healthcare markets have been proposed, and such efforts have expanded substantially in recent years. These developments could, directly or indirectly, affect our ability to sell our products, if approved, at a favorable price. For example, in the United States, in 2010, the U.S. Congress passed the ACA, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of health spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional policy reforms. Among the provisions of the ACA addressing coverage and reimbursement of pharmaceutical products, of importance to our potential therapeutic candidates are the following:

- increases to pharmaceutical manufacturer rebate liability under the Medicaid Drug Rebate Program due to an increase in the minimum basic Medicaid rebate on most branded prescription drugs and the application of Medicaid rebate liability to drugs used in risk-based Medicaid managed care plans;

- the expansion of the 340B Drug Pricing Program to require discounts for "covered outpatient drugs" sold to certain children's hospitals, critical access hospitals, freestanding cancer hospitals, rural referral centers, and sole community hospitals;

- requirements imposed on pharmaceutical companies are required to offer discounts on brand-name cell based therapy to patients who fall within the Medicare Part D coverage gap, commonly referred to as the "Donut Hole";

- requirements imposed on pharmaceutical companies to pay an annual non-tax-deductible fee to the federal government based on each company's market share of prior year total sales of branded drugs to certain federal healthcare programs, such as Medicare, Medicaid, Department of Veterans Affairs and Department of Defense; and

- for products classified as biologics, marketing approval for a follow-on biologic product may not become effective until 12 years after the date on which the reference innovator biologic product was first licensed by the FDA, with a possible six-month extension for pediatric products. After this exclusivity ends, it may be possible for biosimilar manufacturers to enter the market, which is likely to reduce the pricing for the innovator product and could affect our profitability if our products are classified as biologics.

Separately, pursuant to the health reform legislation and related initiatives, the Centers for Medicare and Medicaid Services, or CMS, is working with various healthcare providers to develop, refine, and implement Accountable Care Organizations, or ACOs, and other innovative models of care for Medicare and Medicaid beneficiaries, including the Bundled Payments for Care Improvement Initiative, the Comprehensive Primary Care Initiative, the Duals Demonstration, and other models. The continued development and expansion of ACOs and other innovative models of care will have an uncertain impact on any future reimbursement we may receive for approved therapeutics administered by these organizations.

The healthcare industry is heavily regulated in the U.S. at the federal, state, and local levels, and our failure to comply with applicable requirements may subject us to penalties and negatively affect our financial condition.

As a healthcare company, our operations, clinical trial activities and interactions with healthcare providers may be subject to extensive regulation in the U.S., particularly if we receive FDA approval for any of its products in the future. For example, if we receive FDA approval for a product for which reimbursement is available under a federal healthcare program (e.g., Medicare, Medicaid), it would be subject to a variety of federal laws and regulations, including those that prohibit the filing of false or improper claims for payment by federal healthcare programs (e.g. the federal False Claims Act), prohibit unlawful inducements for the referral of business reimbursable by federal healthcare programs (e.g. the federal Anti-Kickback Statute), and require disclosure of certain payments or other transfers of value made to U.S.-licensed physicians and teaching hospitals or Open Payments. We are not able to predict how third parties will interpret these laws and apply applicable governmental guidance and may challenge our practices and activities under one or more of these laws. If our past or present operations are found to be in violation of any of these laws, we could be subject to civil and criminal penalties, which could hurt our business, our operations and financial condition.

The federal Anti-Kickback Statute prohibits, among other things, any person or entity, from knowingly and willfully offering, paying, soliciting or receiving any remuneration, directly or indirectly, overtly or covertly, in cash or in kind, to induce or in return for purchasing, leasing, ordering or arranging for the purchase, lease or order of any item or service reimbursable under Medicare, Medicaid or other federal healthcare programs. The term remuneration has been interpreted broadly to include anything of value. The Anti-Kickback Statute has been interpreted to apply to arrangements between pharmaceutical manufacturers on one hand and prescribers, purchasers, and formulary managers on the other. There are a number of statutory exceptions and regulatory safe harbors protecting some common activities from prosecution. The exceptions and safe harbors are drawn narrowly and practices that involve remuneration that may be alleged to be intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. Failure to meet all of the requirements of a particular applicable statutory exception or regulatory safe harbor does not make the conduct per se illegal under the Anti-Kickback Statute. Instead, the legality of the arrangement will be evaluated on a case-by-case basis based on a cumulative review of all of its facts and circumstances. Our practices may not in all cases meet all of the criteria for protection under a statutory exception or regulatory safe harbor.

Additionally, the intent standard under the Anti-Kickback Statute was amended by the ACA, to a stricter standard such that a person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the ACA codified case law that a claim including items or services resulting from a violation of the federal Anti- Kickback Statute constitutes a false or fraudulent claim for purposes of the federal FCA.

The civil monetary penalties statute imposes penalties against any person or entity that, among other things, is determined to have presented or caused to be presented a claim to a federal healthcare program that the person knows or should know is for an item or service that was not provided as claimed or is false or fraudulent.

Federal false claims and false statement laws, including the federal FCA, prohibit, among other things, any person or entity from knowingly presenting, or causing to be presented, a false or fraudulent claim for payment to, or approval by, the federal healthcare programs, including Medicare and Medicaid, or knowingly making, using, or causing to be made or used a false record or statement material to a false or fraudulent claim to the federal government. A claim includes "any request or demand" for money or property presented to the U.S. government. For instance, historically, pharmaceutical and other healthcare companies have been prosecuted under these laws for allegedly providing free product to customers with the expectation that the customers would bill federal programs for the product. Other companies have been prosecuted for causing false claims to be submitted because of the companies' marketing of the product for unapproved, off-label, and thus generally non-reimbursable, uses.

HIPAA prohibits, among other offenses, knowingly and willfully executing a scheme to defraud any health care benefit program, including private payors, or falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for items or services under a health care benefit program. To the extent that we act as a business associate to a healthcare provider engaging in electronic transactions, we may also be subject to the privacy and security provisions of HIPAA, as amended by HITECH, which restricts the use and disclosure of patient-identifiable health information, mandates the adoption of standards relating to the privacy and security of patient-identifiable health information, and requires the reporting of certain security breaches to healthcare provider customers with respect to such information. Additionally, many states have enacted similar laws that may impose more stringent requirements on entities like ours. Failure to comply with applicable laws and regulations could result in substantial penalties and adversely affect our financial condition and results of operations.

Many states also have similar fraud and abuse statutes or regulations that apply to items and services reimbursed under Medicaid and other state programs, or, in several states, apply regardless of the payor. Additionally, to the extent that our product is sold in a foreign country, we may be subject to similar foreign laws.

Our products, once approved, may be eligible for coverage under Medicare and Medicaid, among other government healthcare programs. Accordingly, we may be subject to a number of obligations based on their participation in these programs, such as a requirement to calculate and report certain price reporting metrics to the government, such as average sales price (ASP) and best price. Penalties may apply in some cases when such metrics are not submitted accurately and timely. Further, these prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs and biological products from countries where they may be sold at lower prices than in the United States. It is difficult to predict how Medicare coverage and reimbursement policies will be applied to our products in the future and coverage and reimbursement under different federal healthcare programs are not always consistent. Medicare reimbursement rates may also reflect budgetary constraints placed on the Medicare program.

In order to distribute products commercially, we must comply with state laws that require the registration of manufacturers and wholesale distributors of drug and biological products in a state, including, in certain states, manufacturers and distributors who ship products into the state even if such manufacturers or distributors have no place of business within the state. Some states also impose requirements on manufacturers and distributors to establish the pedigree of product in the chain of distribution, including some states that require manufacturers and others to adopt new technology capable of tracking and tracing product as it moves through the distribution chain. Several states have enacted legislation requiring pharmaceutical and biotechnology companies to establish marketing compliance programs, file periodic reports with the state, make periodic public disclosures on sales, marketing, pricing, clinical trials and other activities, and/or register their sales representatives, as well as to prohibit pharmacies and other healthcare entities from providing certain physician prescribing data to pharmaceutical and biotechnology companies for use in sales and marketing, and to prohibit certain other sales and marketing practices. All of our activities are potentially subject to federal and state consumer protection and unfair competition laws.

If our operations are found to be in violation of any of the federal and state healthcare laws described above or any other governmental regulations that apply to us, we may be subject to penalties, including without limitation, civil, criminal and/or administrative penalties, damages, fines, disgorgement, exclusion from participation in government programs, such as Medicare and Medicaid, injunctions, private "qui tam" actions brought by individual whistleblowers in the name of the government, or refusal to allow us to enter into government contracts, contractual damages, reputational harm, administrative burdens, diminished profits and future earnings, and the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our results of operations.

Our ability to obtain reimbursement or funding from the federal government may be impacted by possible reductions in federal spending.

U.S. federal government agencies currently face potentially significant spending reductions. The Budget Control Act of 2011, or the BCA, established a Joint Select Committee on Deficit Reduction, which was tasked with achieving a reduction in the federal debt level of at least $1.2 trillion. That committee did not draft a proposal by the BCA's deadline. As a result, automatic cuts, referred to as sequestration, in various federal programs were scheduled to take place, beginning in January 2013, although the American Taxpayer Relief Act of 2012 delayed the BCA's automatic cuts until March 1, 2013. While the Medicare program's eligibility and scope of benefits are generally exempt from these cuts, Medicare payments to providers and Part D health plans are not exempt. The BCA did, however, provide that the Medicare cuts to providers and Part D health plans would not exceed two percent. President Obama issued the sequestration order on March 1, 2013, and cuts went into effect on April 1, 2013. Additionally, the Bipartisan Budget Act of 2015 extended sequestration for Medicare through fiscal year 2027.

The U.S. federal budget remains in flux, which could, among other things, cut Medicare payments to providers. The Medicare program is frequently mentioned as a target for spending cuts. The full impact on our business of any future cuts in Medicare or other programs is uncertain. In addition, we cannot predict any impact President Trump's administration and the U.S. Congress may have on the federal budget. If federal spending is reduced, anticipated budgetary shortfalls may also impact the ability of relevant agencies, such as the FDA or the National Institutes of Health, to continue to function at current levels. Amounts allocated to federal grants and contracts may be reduced or eliminated. These reductions may also impact the ability of relevant agencies to timely review and approve drug research and development, manufacturing, and marketing activities, which may delay our ability to develop, market and sell any products we may develop.

Risks Related to Our Securities

Our officers, directors and principal stockholders own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Our officers, directors and 5% stockholders and their affiliates beneficially own a significant percentage of our outstanding common stock. As a result, these stockholders have significant influence and may be able to determine all matters requiring stockholder approval. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transactions. This concentration of ownership could delay or prevent any acquisition of our company on terms that other stockholders may desire, and may adversely affect the market price of our common stock.

If we are unable to maintain listing of our securities on The Nasdaq Capital Market or another reputable stock exchange, it may be more difficult for our stockholders to sell their securities.

Nasdaq requires listing issuers to comply with certain standards in order to remain listed on its exchange. If, for any reason, Nasdaq should delist our securities from trading on its exchange and we are unable to obtain listing on another reputable national securities exchange, a reduction in some or all of the following may occur, each of which could materially adversely affect our stockholders. A delisting of our common stock is likely to reduce the liquidity of our common stock and may inhibit or preclude our ability to raise additional financing.

On November 3, 2023, we received notice from Nasdaq that the closing bid price for our common stock had been below $1.00 per share for the previous 30 consecutive business days, and that we were therefore not in compliance with the minimum bid price requirement for continued inclusion on The Nasdaq Capital Market under Nasdaq Listing Rule 5550(a)(2) (the "Rule"). Nasdaq's notice had no immediate effect on the listing or trading of our common stock on The Nasdaq Capital Market. The notice indicated that we will have 180 calendar days, until May 1, 2024, to regain compliance with the Rule. We could regain compliance with the $1.00 minimum bid listing requirement if the closing bid price of our common stock is at least $1.00 per share for a minimum of ten (10) consecutive business days during the 180-day compliance period. If we do not regain compliance during the initial compliance period, we may be eligible for additional time to regain compliance with the Rule. To qualify, we will be required to meet the continued listing requirement for market value of our publicly held shares and all other Nasdaq initial listing standards, except the bid price requirement, and provide written notice to Nasdaq of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary. If we are not eligible or it appeared to Nasdaq that we will not be able to cure the deficiency during the second compliance period, Nasdaq then provides written notice to us that our common stock will be subject to delisting. In the event of such notification, we may appeal Nasdaq's determination to delist our securities, but there can be no assurance that Nasdaq will grant our request for continued listing.

The price of our common stock may be volatile and fluctuate substantially, which could result in substantial losses for our stockholders.

Our common stock has been listed on the Nasdaq Capital Market under the symbol "ALBT" since November 10, 2022. Our common stock was listed on the Nasdaq Capital Market under the symbol "AVCO" since November 5, 2018 through the close of business on November 9, 2022. Our common shares were traded previously on the OTC Market Group Inc.'s Venture Market (the "OTCQB") since February 22, 2016, under the symbol "AVCO" since October 18, 2016 and "GTHC" prior to October 18, 2016.

The price of our common stock has been, and we expect it to continue to be, volatile. The stock market in general and the market for smaller healthcare companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. As a result of this volatility, you may not be able to sell your shares of common stock at or above the price you paid for your shares of common stock. The market price for our common stock may be influenced by many factors, including:

- the success of competitive products or technologies;
- developments related to our existing or any future collaborations;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the recruitment or departure of key personnel;
- actual or anticipated changes in estimates as to financial results or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in the structure of healthcare payment systems;
- market conditions in the healthcare, pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this "Risk Factors" section.

Future sales of our common stock or securities convertible or exchangeable for our common stock may cause our stock price to decline.

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market, the price of our common stock could decline. The perception in the market that these sales may occur could also cause the price of our common stock to decline.

In addition, as of December 31, 2023,

- 853,303 shares of our common stock were issuable upon exercise of outstanding stock options;
- 645,527 shares of our common stock were issuable upon exercise of outstanding stock warrants;
- 900,000 shares of our common stock were issuable upon the conversion of our outstanding Series A Convertible Preferred Stock (the "Series A Preferred Stock"), which will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, lock-up agreements and Rule 144 under the Securities Act of 1933, as amended (the "Securities Act");
- 2,910,053 shares of our common stock issuable upon conversion of our outstanding Series B Preferred Stock;
- 911,111 shares of our common stock issuable upon conversion of our outstanding convertible notes.

If the shares we may issue from time to time upon the exercise of outstanding options and warrants and the conversion of our outstanding Series A Preferred Stock and Series B Preferred Stock are sold and outstanding convertible notes are issues, or if it is perceived that they will be sold, by the award recipients in the public market, the price of our common stock could decline.

You may experience dilution of your ownership interests because of the future issuance of additional shares of our common or preferred stock or other securities that are convertible into or exercisable for our common or preferred stock.

As of the date of this filing, we have issued an aggregate of (i) 9,000 shares of our newly designated Series A Preferred Stock and (ii) 11,000 shares of our newly designated Series B Preferred Stock. In the future, we may issue our authorized but previously unissued equity securities, resulting in the dilution of the ownership interests of our stockholders. We are authorized to issue an aggregate of 490,000,000 shares of common stock and 10,000,000 shares of "blank check" preferred stock. We may issue additional shares of our common stock or other securities that are convertible into or exercisable for our common stock in connection with hiring or retaining employees, future acquisitions, future sales of our securities for capital raising purposes, or for other business purposes. The future issuance of any such additional shares of our common stock may create downward pressure on the trading price of our common stock. We expect we will need to raise additional capital in the near future to meet our working capital needs, and there can be no assurance that we will not be required to issue additional shares, warrants or other convertible securities in the future in conjunction with these capital raising efforts, including at a price (or exercise prices) below the price you paid for your stock.

The ability of our Board to issue additional stock may prevent or make more difficult certain transactions, including a sale or merger.

Our Board is authorized to issue up to 10,000,000 shares of preferred stock with powers, rights and preferences designated by it. Shares of voting or convertible preferred stock could be issued, or rights to purchase such shares could be issued, to create voting impediments or to frustrate persons seeking to effect a takeover or otherwise gain control of us. The rights of holders of our common stock are subject to the rights of the holders of our preferred stock, including our newly designated Series A Preferred Stock, Series B Preferred Stock, Series C Convertible Preferred Stock and any preferred stock that may be issued. The ability of the Board to issue such additional shares of preferred stock, with rights and preferences it deems advisable, could discourage an attempt by a party to acquire control of us by tender offer or other means. Such issuances could therefore deprive stockholders of benefits that could result from such an attempt, such as the realization of a premium over the market price for their shares in a tender offer or the temporary increase in market price that such an attempt could cause. Moreover, the issuance of such additional shares of preferred stock to persons friendly to the Board could make it more difficult to remove incumbent managers and directors from office even if such change were to be favorable to stockholders generally.

We are incorporated in Delaware. Certain anti-takeover provisions of Delaware law and our charter documents as currently in effect may make a change in control of us more difficult, even if a change in control would be beneficial to the stockholders. Delaware law also prohibits corporations from engaging in a business combination with any holders of 15% or more of their capital stock until the holder has held the stock for three years unless, among other possibilities, our Board approves the transaction. Our Board may use these provisions to prevent changes in the management and control of us. Also, under applicable Delaware law, our Board may adopt additional anti-takeover measures in the future.

If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not currently have and may never obtain research coverage by securities and industry analysts. If no or few securities or industry analysts commence coverage of us, the trading price for our stock would be negatively impacted. In the event we obtain securities or industry analyst coverage, if any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if our operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We do not anticipate paying dividends on our common stock, and investors may lose the entire amount of their investment.

We have never declared or paid cash dividends on our common stock, and we do not anticipate such a declaration or payment for the foreseeable future.

We expect to use future earnings, if any, to fund business growth. Therefore, stockholders will not receive any funds absent a sale of their shares of our common stock. We cannot assure stockholders of a positive return on their investment when they sell their shares, nor can we assure that stockholders will not lose the entire amount of their investment.

Applicable regulatory requirements, including those contained in and issued under the Sarbanes-Oxley Act of 2002, may make it difficult for us to retain or attract qualified officers and directors, which could adversely affect the management of our business and our ability to obtain or retain listing of our common stock on a national securities exchange.

We may be unable to attract and retain those qualified officers, directors and members of board committees required to provide for effective management because of the rules and regulations that govern publicly held companies, including, but not limited to, certifications by principal executive officers. The enactment of the Sarbanes-Oxley Act has resulted in the issuance of a series of related rules and regulations and the strengthening of existing rules and regulations by the SEC, as well as the adoption of new and more stringent rules by national securities exchanges. The perceived increased personal risk associated with these changes may deter qualified individuals from accepting roles as directors and executive officers.

Further, some of these changes heighten the requirements for board or committee membership, particularly with respect to an individual's independence from the corporation and level of experience in finance and accounting matters. We may have difficulty attracting and retaining directors with the requisite qualifications. If we are unable to attract and retain qualified officers and directors, the management of our business and our ability to obtain or retain listing of our shares of common stock on any national securities exchange could be adversely affected.

If we cannot satisfy, or continue to satisfy, the initial listing requirements and other rules of The Nasdaq Capital Market, our securities may be delisted, which could negatively impact the price of our securities and your ability to sell them.

Our common stock has been listed on The Nasdaq Capital Market under the symbol "ALBT" since November 10, 2022 and under the symbol "AVCO" since November 5, 2018 through the close of business on November 9, 2022. In order to maintain our listing on The Nasdaq Capital Market, we are required to comply with certain rules of the applicable trading market, including those regarding minimum stockholders' equity, minimum share price and certain corporate governance requirements. We may not be able to continue to satisfy the listing requirements and other applicable rules of The Nasdaq Capital Market. If we are unable to satisfy the criteria for maintaining our listing, our securities could be subject to delisting.

If our common stock is delisted from trading by the applicable trading market we could face significant consequences, including.

- a limited availability for market quotations for our securities;
- reduced liquidity with respect to our securities;
- a determination that our common stock is a "penny stock," which will require brokers trading in our common stock to adhere to more stringent rules and possibly result in a reduced level of trading activity in the secondary trading market for our common stock;
- limited amount of news and analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

We could be subject to securities class action litigation.

In the past, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because companies in our industry have experienced significant stock price volatility in recent years. If we face such litigation, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Cybersecurity Risk Management

We, like other companies in our industry, face several cybersecurity risks in connection with our business. Our business strategy, results of operations, and financial condition have not, to date, been affected by risks from cybersecurity threats. During the reporting period, we have not experienced any material cyber incidents, nor have we experienced a series of immaterial incidents, which would require disclosure.

In the ordinary course of our business, we use, store and process a bare minimum of data. To effectively prevent, detect, and respond to cybersecurity threats, we maintain a cyber risk management program, which is comprised of data segregation, penetration testing, and training. The cyber risk management program falls under the responsibility of a third party IT consultant, who has cross-functional expertise in IT management, cybersecurity, and engineering with more than 30 years of experience (the "IT Consultant"), who reports directly to our Chief Financial Officer. Under the guidance of the IT Consultant, we have minimized our data footprint to keep our cyber risk low.

We have implemented a cybersecurity risk management program that is designed to limit and mitigate risks from cybersecurity threats. Our cybersecurity risk management program incorporates several components, including employee training, periodic penetration tests, and multifactor authentications.

Governance

Under the ultimate direction of our CFO, with oversight from the Board, we maintain a security governance structure to evaluate and address cyber risk.

Our Board is responsible for the oversight of cybersecurity risk management. The Board delegates oversight of the cybersecurity risk management program to the Audit Committee. On a quarterly and as-needed basis, the CFO reports to the Audit Committee on our cybersecurity risk management program, including any critical cybersecurity risks, ongoing cybersecurity initiatives and strategies, and applicable regulatory requirements and industry standards. The CFO also provides updates to the Audit Committee of any cybersecurity incidents (suspected or actual) and provides updates on the incidents as well as cybersecurity risk mitigation activities as appropriate.

ITEM 2. PROPERTIES

Our principal offices are located at 4400 Route 9 South, Freehold, NJ 07728. The office building is owned by our subsidiary, Avalon RT 9 Properties, LLC, which is in business of owning and operating an income-producing real property. Our property is well maintained, adequately meets our needs, and is being utilized for its intended purpose.

We lease additional office space for operations. Office location is not crucial to our operations, and we anticipate no difficulty in extending these leases or obtaining comparable office space.

We are obligated under various lease agreements providing for office space that expire at various dates through the year 2025. Total rent expense under these lease agreements was approximately $129,000 and $141,000 for the years ended December 31, 2023 and 2022, respectively.

We believe that our current office space is adequate for our current and immediately foreseeable operating needs.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are subject to ordinary routine litigation incidental to our normal business operations. We are not currently a party to, and our property is not subject to, any material legal proceedings, except as set forth below.

On October 25, 2017, our subsidiary, Genexosome, entered into and closed a Stock Purchase Agreement with Beijing Jieteng (Genexosome) Biotech Co., Ltd., a corporation incorporated in the People's Republic of China on August 7, 2015 ("Beijing Genexosome") which was dissolved in June 2022, and Yu Zhou, MD, PhD, the sole shareholder of Beijing Genexosome, pursuant to which Genexosome acquired all of the issued and outstanding securities of Beijing Genexosome in consideration of a cash payment in the amount of $450,000, of which $100,000 is still owed. Further, on October 25, 2017, Genexosome entered into and closed an Asset Purchase Agreement with Dr. Zhou, pursuant to which the Company acquired all assets, including all intellectual property and exosome separation systems, held by Dr. Zhou pertaining to the business of researching, developing and commercializing exosome technologies. In consideration of the assets, Genexosome paid Dr. Zhou $876,087 in cash, transferred 500,000 shares of our common stock to Dr. Zhou and issued Dr. Zhou 400 shares of common stock of Genexosome. Further, the Company had not been able to realize the financial projections provided by Dr. Zhou at the time of the acquisition and has decided to impair the intangible asset associated with this acquisition to zero. Dr. Zhou was terminated as Co-CEO of Genexosome on August 14, 2019. Further, on October 28, 2019, Research Institute at Nationwide Children's Hospital ("Research Institute") filed a Complaint in the United States District Court for the Southern District of Ohio Eastern Division against Dr. Zhou, Li Chen, the Company and Genexosome with various claims against the Company and Genexosome including misappropriation of trade secrets in violation of the Defend Trade Secrets Act of 2016 and violation of Ohio Uniform Trade Secrets Act. Research Institute is seeking monetary damages, injunctive relief, exemplary damages, injunctive relief and other equitable relief. The Company intends to vigorously defend against this action and pursue all available legal remedies. The criminal proceedings against Dr. Zhou and Li Chen have been concluded. The Company, Genexosome and the Research Institute entered into a settlement agreement dated June 7, 2022 (the "Settlement Agreement"), whereby the Company agreed to pay the Research Institute $450,000 on each of the sixty-day, one year and two-year anniversaries of the Settlement Date. In addition, the Company agreed to pay the Research Institute 30% of the Company's initial pre-tax profit of $3,333,333, 20% of the Company's second pre-tax profit of $3,333,333 and 10% of the Company's third pre-tax profit of $3,333,333. The parties provided a mutual release as well.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

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

Market Information

Our common stock has been listed on The Nasdaq Capital Market under the symbol "ALBT" since November 10, 2022. Our common stock was listed on The Nasdaq Capital Market under the symbol "AVCO" from November 5, 2018 through the close of business on November 9, 2022.

Holders of Record

As of March 29, 2024, there were approximately 223 registered holders of record of our shares of common stock, based upon information received from our stock transfer agent. However, this number does not include beneficial owners whose shares were held of record by nominees or broker dealers.

ITEM 6. [RESERVED]

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

The following discussion and analysis of our financial condition and results of operations for the years ended December 31, 2023 and 2022 should be read in conjunction with our consolidated financial statements and related notes to those consolidated financial statements that are included elsewhere in this report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

Special Note Regarding Forward-looking Statements

All statements other than statements of historical fact included in this Annual Report Form 10-K including, without limitation, statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding our financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. When used in this Annual Report on Form 10-K, words such as "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to us or our management, identify forward-looking statements. Such forward-looking statements are based on the beliefs of management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of a number of factors, including those set forth under the risk factors and business sections in this Annual Report on Form 10-K.

Overview

We are a commercial stage company dedicated to developing and delivering innovative, transformative, precision diagnostics and clinical laboratory services. We are focused on establishing a leading role in the innovation of diagnostic testing, utilizing proprietary technology to deliver precise, genetics-driven results. As a first step into the laboratory market, we completed an acquisition of a 40% membership interest in Laboratory Services MSO, LLC ("Lab Services MSO"), which closed in February 2023.

We have the following areas of focus:

Laboratory Acquisitions

We have embarked on a laboratory rollup strategy focused on forming joint ventures and acquiring laboratories that are accretive to our commercial strategy. As a first step, in February of 2023, we acquired a 40% membership interest in Lab Services MSO.

- Lab Services MSO is focused on delivering high quality services related to toxicology and wellness testing and provides a broad portfolio of diagnostic tests, including drug testing, toxicology, and a broad array of test services, from general bloodwork to anatomic pathology, and urine toxicology. Specific capabilities include STAT blood testing, qualitative drug screening, genetic testing, urinary testing, and sexually transmitted disease testing. The panels that Lab Services MSO tests for are thyroid panel, comprehensive metabolic panel, kidney profile, liver function tests, and other individual tests. Through Lab Services MSO, we use fast, accurate, and efficient equipment to provide practitioners with the tools to quickly determine if a patient is following their designated treatment plan. In most instances, we are able to provide a practitioner with qualitative drug class results the same day the sample is received. Lab Services MSO provides a menu of extensive chemistry tests that physicians can use to obtain information to better treat their patients and maintain their overall wellness. Lab Services MSO has developed a premier reputation for customer service and fast turnaround times.

- Lab Services MSO is also focused on commercialization of genetic-based proprietary testing. The first area of focus in this area is confirmatory genetic testing during toxicology screening and genetic testing to screen for addictive propensity. Lab Services MSO laboratory plans to focus on diagnostic testing utilizing proprietary technology to deliver precise genetic driven results.

- In the third quarter of 2023, Lab Services MSO acquired Merlin Technologies, Inc. which is a medical equipment retail company.

Research and Development

We are focused on bringing forward intellectual property through joint patent filings with the Massachusetts Institute of Technology (MIT). We completed a sponsored research and co-development project with MIT led by Professor Shuguang Zhang as Principal Investigator. Using the unique QTY code protein design platform, six water-soluble variant cytokine receptors have been successfully designed and tested to show binding affinity to the respective cytokines. We currently are focused on bringing forward the intellectual property associated with this program through joint patent submissions.

Product Commercialization

We have begun the commercialization and development of a versatile breathalyzer system.

We were granted exclusive distributorship rights for the KetoAir from Qi Diagnostics for the following territories: North America, South America, the EU and the UK. We had a pilot launch and exhibition of the KetoAir in this year's KetoCon conference in Austin, Texas (April 21-23, 2023). For our commercialization strategy, we intend to target the diabetes and obesity markets. We are evaluating options for commercialization, including identifying distribution partners or distributing the KetoAir ourselves.

The KetoAir is a handheld device that allows the user to detect acetone levels in exhaled breath. The acetone level is in concentration units (ppm, part-per-million) such that the user will know his/her real-time ketosis status: inadequate ketosis (0-3.99 ppm), mild ketosis (4-9.99 ppm), optimal ketosis (10-40 ppm), or alarming level (> 40 ppm). The KetoAir is registered with the United States FDA as a Class I medical device. The device is also paired with an "AI Nutritionist" software program (via Bluetooth connection) which is downloadable from Google Play (for Android mobile phones, approved) and iPhone (the app is currently being reviewed by Apple iOS AppStore). It helps users monitor and manage their ketogenic diet and related programs. We believe the KetoAir can be an essential tool to help diabetic patients adhere to their therapeutic programs and optimize their ketogenic dietary management.

Other Areas

In order to preserve cash and focus on our core laboratory rollup strategy and product commercialization, we have currently suspended all research and development efforts related to cellular therapy in order to redirect our funding efforts to our core business strategies outlined above.

Going Concern

We are a commercial stage company dedicated to developing and delivering innovative, transformative, precision diagnostics and clinical laboratory services. We are focused on establishing a leading role in the innovation of diagnostic testing, utilizing proprietary technology to deliver precise, genetics-driven results. We also provide laboratory services, offering a broad portfolio of diagnostic tests, including drug testing, toxicology, and a broad array of test services, from general bloodwork to anatomic pathology, and urine toxicology.

In addition, we own commercial real estate that houses our headquarters in Freehold, New Jersey. We also have income from equity method investment through our forty percent (40%) interest in Lab Services MSO. These consolidated financial statements have been prepared assuming that we will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business.

As reflected in the accompanying consolidated financial statements, we had working capital deficit of approximately $5,912,000 at December 31, 2023 and had incurred recurring net losses and generated negative cash flow from operating activities of approximately $16,707,000 and $6,505,000 for the year ended December 31, 2023, respectively.

We have a limited operating history and our continued growth is dependent upon the continuation of generating rental revenue from its income-producing real estate property in New Jersey and income from equity method investment through its forty percent (40%) interest in Lab Services MSO and obtaining additional financing to fund future obligations and pay liabilities arising from ordinary course business operations. In addition, the current cash balance cannot be projected to cover the operating expenses for the next twelve months from the release date of this report. These matters raise substantial doubt about our ability to continue as a going concern. The ability of us to continue as a going concern is dependent on our ability to raise additional capital, implement our business plan, and generate sufficient revenues. There are no assurances that we will be successful in its efforts to generate sufficient revenues, maintain sufficient cash balance or report profitable operations or to continue as a going concern. We plan on raising capital through the sale of equity to implement its business plan. However, there is no assurance these plans will be realized and that any additional financings will be available to us on satisfactory terms and conditions, if any.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should we be unable to continue as a going concern.

Critical Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") 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. Changes in these estimates and assumptions may have a material impact on the consolidated financial statements and accompanying notes. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Significant estimates during the years ended December 31, 2023 and 2022 include the useful life of property and equipment, investment in real estate, and intangible assets, the assumptions used in assessing impairment of long-term assets, the valuation of deferred tax assets and the associated valuation allowances, the valuation of stock-based compensation, the assumptions used to determine fair value of warrants and embedded conversion features of convertible note payable, and the fair value of the consideration given and assets acquired in the purchase of our equity interest in Lab Services MSO.

Investment in Unconsolidated Companies

We use the equity method of accounting for its investments in, and earning or loss of, companies that it does not control but over which it does exert significant influence. We consider whether the fair values of our equity method investments have declined below their carrying values whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If we consider any decline to be other than temporary (based on various factors, including historical financial results and the overall health of the investee), then a write-down would be recorded to estimated fair value. Impairment of equity method investment amounted to $9,651,361 for the year ended December 31, 2023. See Note 7 for discussion of equity method investments.

Real Property Rental

We have determined that ASC 606 does not apply to rental contracts, which are within the scope of other revenue recognition accounting standards.

Rental income from operating leases is recognized on a straight-line basis under the guidance of ASC 842. Lease payments under tenant leases are recognized on a straight-line basis over the term of the related leases. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payments are included in rent receivable on the consolidated balance sheets.

We do not offer promotional payments, customer coupons, rebates or other cash redemption offers to its customers.

Income Taxes

We are governed by the income tax laws of China and the United States. Income taxes are accounted for pursuant to ASC 740 “Accounting for Income Taxes,” which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in our financial statements or tax returns. The charge for taxes is based on the results for the period as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of assessable tax profit. In principle, deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled. Deferred tax is charged or credited in the income statement, except when it is related to items credited or charged directly to equity, in which case the deferred tax is changed to equity. Deferred tax assets and liabilities are offset when they related to income taxes levied by the same taxation authority and we intend to settle its current tax assets and liabilities on a net basis.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the Years Ended December 31, 2023 and 2022

Real Property Rental Revenue

For the year ended December 31, 2023, we had real property rental revenue of $1,255,681, as compared to $1,202,169 for the year ended December 31, 2022, an increase of $53,512, or 4.5%. The increase was primarily attributable to the increase in the number of tenants occupying the building in the year ended December 31, 2023 as compared to the year ended December 31, 2022. We expect that our revenue from real property rent will remain at its current level with minimal increase in the near future.

Real Property Operating Expenses

Real property operating expenses consist of property management fees, property insurance, real estate taxes, depreciation, repairs and maintenance fees, utilities and other expenses related to our rental properties.

For the year ended December 31, 2023, our real property operating expenses amounted to $1,017,493, as compared to $929,441 for the year ended December 31, 2022, an increase of $88,052 or 9.5%. The increase was primarily due to an increase in property management fees of approximately $15,000, an increase in repairs and maintenance fee of approximately $64,000, and an increase in other miscellaneous items of approximately $9,000.

Real Property Operating Income

Our real property operating income for the year ended December 31, 2023 was $238,188, representing a decrease of $34,540 or 12.7%, as compared to $272,728 for the year ended December 31, 2022. The decrease was primarily attributable to the increase in real property operating expenses as described above. We expect our real property operating income will remain at its current level with minimal increase in the near future.

Loss from Equity Method Investment — Lab Services MSO

For the year ended December 31, 2023, we had loss from our investment in Lab Services MSO of $8,571,647, which consists of our share of Lab Services MSO's net income of $1,236,391 and amortization of identifiable intangible assets acquired from Lab Services MSO acquisition of $611,356 and impairment of goodwill acquired from Lab Services MSO acquisition of $9,196,682, which was primarily attributable to Lab Services MSO's lower revenues and net incomes than anticipated and the decline in our stock price and market capitalization. We purchased 40% of Lab Services MSO on February 9, 2023. In the third quarter of 2023, Lab Services MSO acquired Merlin Technologies, Inc. which is a medical equipment retail company. Lab Services MSO has also opened a new laboratory, Veritas Laboratories LLC ("Veritas"). Veritas is a CLIA-certified and COLA-accredited laboratory located in Scottsdale, Arizona that offers a wide range of high-quality testing, including drug testing, genetic testing, urinary testing and COVID-19 PCR testing. We expect to receive income from our investment in Lab Services MSO in the near future.

Other Operating Expenses

For the years ended December 31, 2023 and 2022, other operating expenses consisted of the following:

	Years Ended December 31,	
	2023	2022
Advertising and marketing expenses	$ 1,666,721	$ 1,325,313
Professional fees	3,076,477	2,909,652
Compensation and related benefits	1,768,449	1,863,188
Research and development	109,618	731,328
Litigation settlement	-	1,350,000
Directors and officers' liability insurance premium	349,745	414,757
Travel and entertainment	166,921	163,213
Rent and related utilities	64,149	77,352
Other general and administrative	218,144	230,820
	$ 7,420,224	$ 9,065,623

- For the year ended December 31, 2023, advertising and marketing expenses increased by $341,408 or 25.8% as compared to the year ended December 31, 2022. The increase was primarily due to increased advertising activities to enhance our visibility and marketability and to improve brand recognition and awareness. We expect that our advertising and marketing expenses will decrease in the near future as we conserve cash.

- Professional fees primarily consisted of accounting fees, audit fees, legal service fees, consulting fees, investor relations service charges and other fees. For the year ended December 31, 2023, professional fees increased by $166,825, or 5.7%, as compared to the year ended December 31, 2022, which was primarily attributable to an increase in consulting fees of approximately $331,000, mainly due to the increase in use of consulting service providers related to our acquisition of Lab Services MSO, an increase in audit fees of approximately $242,000, due to the increased audit services related to our acquisition of Lab Services MSO, and an increase in accounting fees of approximately $425,000 mainly due to the increased accounting services related to our acquisition of Lab Services MSO, offset by a decrease in investor relations service charges of approximately $242,000, resulting from the decrease in investor relations service providers, a decrease in legal service fees of approximately $568,000, mainly due to the decreased legal services related to our acquisition of Lab Services MSO, and a decrease in other miscellaneous items of approximately $21,000. We expect that our professional fees are likely to decrease in the near future.

- For the year ended December 31, 2023, compensation and related benefits decreased by $94,739, or 5.1%, as compared to the year ended December 31, 2022. The decrease was primarily attributable to the decreased compensation for our two officers as further described in Item 11 of this report. We expect that our compensation and related benefits will continue to decrease in the near future.

- For the year ended December 31, 2023, research and development expenses decreased by $621,710, or 85.0%, as compared to the year ended December 31, 2022. The decrease was mainly attributable to our decreased activity with respect to research and development projects in the year ended December 31, 2023. We expect that our research and development expenses will continue to decrease in the near future as we redirect our funding efforts to our core business strategies discussed above.

- For the year ended December 31, 2023, litigation settlement decreased by $1,350,000, or 100.0%, as compared to the year ended December 31, 2022. The decrease was due to a settlement signed in June 2022.

- For the year ended December 31, 2023, Directors and Officers Liability Insurance premium decreased by $65,012, or 15.7%, as compared to the year ended December 31, 2022. The decrease was mainly due to us switching to a different insurance provider, resulting in a lower premium.

- For the year ended December 31, 2023, travel and entertainment expense increased by $3,708, or 2.3%, as compared to the year ended December 31, 2022.

- For the year ended December 31, 2023, rent and related utilities expenses decreased by $13,203, or 17.1%, as compared to the year ended December 31, 2022. The decrease was attributable to decreased rental rate in the year ended December 31, 2023.

- Other general and administrative expenses mainly consisted of NASDAQ listing fee, office supplies, miscellaneous taxes, and other miscellaneous items. For the year ended December 31, 2023, other general and administrative expenses decreased by $12,676, or 5.5%, as compared to the year ended December 31, 2022, reflecting our efforts at stricter controls on corporate expenditures.

Loss from Operations

As a result of the foregoing, for the year ended December 31, 2023, loss from operations amounted to $15,753,683, as compared to $8,792,895 for the year ended December 31, 2022, an increase of $6,960,788 or 79.2%.

Other (Expense) Income

Other (expense) income mainly includes third party and related party interest expense, conversion inducement expense, loss from equity method investment - Epicon, change in fair value of derivative liability, impairment of equity method investment - Epicon, gain on debts extinguishment, and other miscellaneous (expense) income.

Other expense, net, totaled $953,327 for the year ended December 31, 2023, as compared to $3,137,952 for the year ended December 31, 2022, a decrease of $2,184,625, or 69.6%, which was primarily attributable to a decrease in third party interest expense of approximately $2,179,000, mainly driven by the decrease in amortization of debt discount and debt issuance cost of approximately $2,767,000 which was offset by the increased interest expense of approximately $588,000 from third party debts in the year ended December 31, 2023, a decrease in conversion inducement expense of approximately $344,000 resulted from the reduction in the conversion price which was incurred in the year ended December 31, 2022, and an increase in gain on debts extinguishment of approximately $683,000, offset by a decrease in gain from change in fair value of derivative liability of approximately $412,000, and an increase in impairment of equity method investment - Epicon of approximately $455,000 due to Epicon's series of operating losses and the joint venture partner unable to obtain funds to commence operations, and a decrease in other miscellaneous income of approximately $224,000.

Income Taxes

We did not have any income taxes expense for the years ended December 31, 2023 and 2022 since we incurred losses in these periods.

Net Loss

As a result of the factors described above, our net loss was $16,707,010 for the year ended December 31, 2023, as compared to $11,930,847 for the year ended December 31, 2022, an increase of $4,776,163 or 40.0%.

Net Loss Attributable to Avalon GloboCare Corp. Common Shareholders

The net loss attributable to our common shareholders was $16,707,010 or $1.59 per share (basic and diluted) for the year ended December 31, 2023, as compared to $11,930,847 or $1.28 per share (basic and diluted) for the year ended December 31, 2022, an increase of $4,776,163 or 40.0%.

Foreign Currency Translation Adjustment

Our reporting currency is the U.S. dollar. The functional currency of our parent company, AHS, Avalon RT 9, and Avalon Lab is the U.S. dollar and the functional currency of Avalon Shanghai is the Chinese Renminbi ("RMB"). The financial statement of our subsidiary whose functional currency is the RMB are translated to U.S. dollars using period end rate of exchange for assets and liabilities, average rate of exchange for revenues, costs, and expenses and cash flows, and at historical exchange rate for equity. Net gains and losses resulting from foreign exchange transactions are included in the results of operations. As a result of foreign currency translations, which are a non-cash adjustment, we reported a foreign currency translation loss of $18,590 and $47,871 for the years ended December 31, 2023 and 2022, respectively. This non-cash loss had the effect of increasing our reported comprehensive loss.

Comprehensive Loss

As a result of our foreign currency translation adjustment, we had comprehensive loss of $16,725,600 and $11,978,718 for the years ended December 31, 2023 and 2022, respectively.

Liquidity and Capital Resources

We have a limited operating history and our continued growth is dependent upon the continuation of generating rental revenue from our income-producing real estate property in New Jersey and income from equity method investment through our equity interest in Lab Services MSO, as well as obtaining additional financing to fund future obligations and pay liabilities arising from ordinary course business operations. In addition, the current cash balance cannot be projected to cover the operating expenses for the next twelve months from the release date of this report. These matters raise substantial doubt about our ability to continue as a going concern. The ability of us to continue as a going concern is dependent on our ability to raise additional capital, implement its business plan, and generate sufficient revenues. There are no assurances that we will be successful in its efforts to generate sufficient revenues, maintain sufficient cash balance or report profitable operations or to continue as a going concern. As described below, we have raised additional capital through the sale of equity and debt and our plans on raising additional capital in the future through the sale of equity or debt to implement its business plan. However, there is no assurance these plans will be realized and that any additional financings will be available to us on satisfactory terms and conditions, if at all.

Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations and otherwise operate on an ongoing basis. At December 31, 2023 and 2022, we had cash balance of approximately $285,000 and $1,991,000, respectively. These funds are kept in financial institutions located as follows:

Country:	December 31, 2023		December 31, 2022	
United States	$ 280,197	98.2%	$ 1,806,083	90.7%
China	5,203	1.8%	184,827	9.3%
Total cash	$ 285,400	100.0%	$ 1,990,910	100.0%

The following table sets forth a summary of changes in our working capital deficit from December 31, 2022 to December 31, 2023:

	December 31,		Changes in	
	2023	2022	Amount	Percentage
Working capital deficit:				
Total current assets	$ 850,867	$ 2,373,526	$ (1,522,659)	(64.2)%
Total current liabilities	6,762,686	3,579,805	3,182,881	88.9%
Working capital deficit	$ (5,911,819)	$ (1,206,279)	$ (4,705,540)	390.1%

Our working capital deficit increased by $4,705,540 to $5,911,819 at December 31, 2023 from $1,206,279 at December 31, 2022. The increase in working capital deficit was primarily attributable to a decrease in cash of approximately $1,706,000, an increase in accrued professional fees of approximately $131,000, an increase in accrued payroll liability and compensation of approximately $365,000, an increase in accrued liabilities and other payables – related parties of approximately $106,000, an increase in operating lease obligation of approximately $118,000, an increase in advance from sale of noncontrolling interest – related party of approximately $486,000 driven by advance received in connection with the membership interest purchase agreement signed in November 2023, an increase in equity method investment payable of $667,000 resulting from the purchase of 40% of Lab Services MSO incurred in February 2023, an increase in convertible note payable, net, of approximately $1,925,000 resulting from the issuance of May 2023 Convertible Note, July 2023 Convertible Note, and October 2023 Convertible Note, offset by an increase in prepaid expense and other current assets of approximately $120,000, and a decrease in accrued research and development fees of approximately $629,000 mainly due to the extinguishment of accrued liability.

Because the exchange rate conversion is different for the consolidated balance sheets and the consolidated statements of cash flows, the changes in assets and liabilities reflected on the consolidated statements of cash flows are not necessarily identical with the comparable changes reflected on the consolidated balance sheets.

Cash Flows for the Year Ended December 31, 2023 Compared to the Year Ended December 31, 2022

The following summarizes the key components of our cash flows for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	2023	2022
Net cash used in operating activities	$ (6,504,718)	$ (7,037,224)
Net cash used in investing activities	(22,159)	(9,053,470)
Net cash provided by financing activities	4,825,337	17,263,989
Effect of exchange rate on cash	(3,970)	10,077
Net (decrease) increase in cash	$ (1,705,510)	$ 1,183,372

Net cash flow used in operating activities for the year ended December 31, 2023 was $6,504,718, which primarily reflected our consolidated net loss of approximately $16,707,000, and the changes in operating assets and liabilities, primarily consisting of a decrease in operating lease obligation of approximately $113,000, and the non-cash items adjustment, consisting of change in fair market value of derivative liability of approximately $188,000, and gain on debts extinguishment of approximately $683,000, offset by depreciation of approximately $212,000, amortization of operating lease right-of-use asset of approximately $118,000, stock-based compensation and service expense of approximately $1,180,000, loss from equity method investments of approximately $8,590,000 mainly due to the impairment of goodwill acquired from Lab Services MSO acquisition resulting from Lab Services MSO's lower revenues and net incomes than anticipated and the decline in our stock price and market capitalization, impairment of equity method investment - Epicon of approximately $455,000 due to Epicon's series of operating losses and the joint venture partner unable to obtain funds to commence operations, and amortization of debt issuance costs and debt discount of approximately $544,000 resulting from our outstanding convertible note payable and note payable, and the changes in operating assets and liabilities, primarily consisting of an increase in accrued liabilities and other payables – related parties of approximately $106,000 driven by the increased accrued interest for related party.

Net cash flow used in operating activities for the year ended December 31, 2022 was $7,037,224, which primarily reflected our consolidated net loss of approximately $11,931,000, and the non-cash item adjustment consisting of change in fair market value of derivative liability of approximately $601,000, and the changes in operating assets and liabilities, primarily consisting of a decrease in operating lease obligation of approximately $142,000, offset by an increase in accrued liabilities and other payables of approximately $331,000, an increase in accrued liabilities and other payables – related parties of approximately $80,000, and the non-cash items adjustment primarily consisting of depreciation of approximately $331,000, amortization of operating lease right-of-use asset of approximately $136,000, stock-based compensation and service expense of approximately $1,107,000, amortization of debt issuance costs and debt discount of approximately $3,311,000 mainly resulting from the conversion of convertible debt in July 2022, and conversion inducement expense of approximately $344,000 resulted from the reduction in the conversion price.

We expect our cash used in operating activities to increase due to the following:

- the development and commercialization of new products;
- an increase in professional staff and services; and
- an increase in public relations and/or sales promotions for existing and/or new brands as we expand within existing markets or enter new markets.

Net cash flow used in investing activities was $22,159 for the year ended December 31, 2023 as compared to $9,053,470 for the year ended December 31, 2022. During the year ended December 31, 2023, we made payment for purchase of property and equipment of approximately $22,000. During the year ended December 31, 2022, we made payments for purchase of property and equipment of approximately $2,000 and made additional investment in Epicon equity method investment of approximately $52,000 and made payments for acquisition of 40% interest in Laboratory Services MSO, LLC of approximately $9,000,000.

Net cash flow provided by financing activities was $4,825,337 for the year ended December 31, 2023 as compared to $17,263,989 for the year ended December 31, 2022. During the year ended December 31, 2023, we received proceeds from related party borrowings of $850,000, and net proceeds from issuance of convertible debt and warrants of approximately $2,238,000 (net of original issue discount of $135,000 and cash paid for convertible note issuance costs of approximately $327,000), and net proceeds from issuance of balloon promissory note of approximately $936,000 (net of cash paid for promissory note issuance costs of approximately $64,000), and net proceeds from equity offering of approximately $616,000 (net of cash paid for commission and other offering costs of approximately $19,000), and advance from sale of noncontrolling interest in subsidiary of approximately $486,000, offset by repayments made for convertible debt of $300,000. During the year ended December 31, 2022, we received proceeds from related party borrowings of $100,000, and proceeds from issuance of convertible debt and warrants of approximately $3,719,000, and net proceeds from issuance of balloon promissory note of approximately $4,534,000 (net of cash paid for debt issuance costs of approximately $266,000), and net proceeds from equity offering of approximately $712,000 (net of cash paid for commission and other offering costs of approximately $24,000), and proceeds from issuance of Series A Preferred Stock of $9,000,000 to fund our working capital needs and equity interest purchase, offset by repayments made for note payable – related party of $390,000 and repayments made for loan payable – related party of $410,000.

The following trends are reasonably likely to result in a material decrease in our liquidity over the near to long term:

- an increase in working capital requirements to finance our current business;
- the use of capital for acquisitions and the development of business opportunities; and
- the cost of being a public company.

August 2019 Credit Facility

In the third quarter of 2019, we had secured a $20 million credit facility (Line of Credit) provided by our Chairman, Wenzhao Lu. The unsecured credit facility bears interest at a rate of 5% and provides for maturity on drawn loans 36 months after funding. As of December 31, 2023, we used approximately $6.8 million of the credit facility and have approximately $13.2 million remaining available under the Line Credit.

ATM

In June 2023, we entered into a sales agreement (the "Sales Agreement") with Roth Capital Partners, LLC ("Roth") under which we may offer and sell from time to time shares of our common stock having an aggregate offering price of up to $3.5 million. From July 1, 2023 to March 29, 2024, Roth has sold an aggregate of 456,627 shares of our common stock at an average price of $1.39 per share to investors. We received net cash proceeds of $616,259, net of cash paid for sales agent's commission and other fees of $19,132.

Balloon Mortgage Note

In May 2023, we, through Avalon RT 9, executed a balloon mortgage note in favor of a lender (the "Lender") in the original principal amount of $1,000,000 (the "Balloon Mortgage Note"). The Balloon Mortgage Note accrues interest at the annual rate of 13.0% and is paid in monthly installments of interest-only in the amount of $10,833 commencing in June 2023 and continuing through October 2025 (at which point any unpaid balance of principal, interest and other charges become due and payable). The Balloon Mortgage Note is secured by a second-lien mortgage on our real property in Monmouth County, New Jersey, In addition, we and Avalon RT 9 executed a guaranty related to the Balloon Mortgage Note.

May 2023 Convertible Note Financing

In May 2023, we entered into a securities purchase agreement with certain lenders (the "May 2023 Lenders") and closed on the issuance of a 13.0% senior secured convertible promissory note in the aggregate principal amount of $1,500,000 (the "May 2023 Note"), as well as the issuance of 75,000 shares of our common stock as a commitment fee and warrants for the purchase of up to 230,000 shares of our common stock. We and our subsidiaries also entered into a security agreement in connection with the May 2023 Note, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of our obligations under the May 2023 Note. The May 2023 Lenders acquired the May 2023 Note for $1,425,000 after an original issue discount of $75,000. The May 2023 Note matures on May 23, 2024 and accrues interest at a rate of 13.0% per annum. The May 2023 Note contains certain negative covenants. If the May 2023 Note is accelerated following the occurrence of an event of default as described in such note, we are required to pay 120% of the principal and interest outstanding under the May 2023 Note. The principal amount and interest under the May 2023 Note is convertible into shares of our common stock at a conversion price of $4.50 per share, unless we fail to make an amortization payment when due in accordance with the terms of the May 2023 Note, in which case the conversion price shall be the lower of (i) $4.50 or (ii) 85% of the lowest VWAP of our common stock on any trading day during the five (5) trading days prior to the respective conversion date, subject to a floor of $1.50 per share. The warrants are comprised of (i) a warrant to purchase 125,000 shares of our common stock at an exercise price of $4.50 and exercisable until May 23, 2028 and (ii) a warrant to purchase 105,500 shares of our common stock at an exercise price of $3.20 and exercisable until May 23, 2028 (which warrant shall be cancelled and extinguished upon the payment of the May 2023 Note). The conversion price of the May 2023 Note and the exercise price of the warrants issued thereunder contain certain price protection anti-dilution adjustments if an event of default occurs under the May 2023 Note.

July 2023 Convertible Note Financing

In July 2023, we entered into a securities purchase agreement with certain lenders (the "July 2023 Lenders") and closed on the issuance of a 13.0% senior secured convertible promissory note in the aggregate principal amount of $500,000 (the "July 2023 Note"), as well as the issuance of 25,000 shares of our common stock as a commitment fee and warrants for the purchase of up to 76,830 shares of our common stock. We and our subsidiaries also entered into a security agreement in connection with the July 2023 Note, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of our obligations under the July 2023 Note. The July 2023 Lenders acquired the July 2023 Note for $475,000 after an original issue discount of $25,000. The July 2023 Note matures on July 6, 2024 and accrues interest at a rate of 13.0% per annum. The July 2023 Note contains certain negative covenants. If the July 2023 Note is accelerated following the occurrence of an event of default as described in such note, we are required to pay 120% of the principal and interest outstanding under the July 2023 Note. The principal amount and interest under the July 2023 Note is convertible into shares of our common stock at a conversion price of $4.50 per share, unless we fail to make an amortization payment when due which commences in January 2024 in accordance with the terms of the July 2023 Note, in which case the conversion price shall be the lower of (i) $4.50 or (ii) 85% of the lowest VWAP of our common stock on any trading day during the five (5) trading days prior to the respective conversion date, subject to a floor of $1.50 per share. The warrants are comprised of (i) a warrant to purchase 41,665 shares of our common stock at an exercise price of $4.50 and exercisable until July 6, 2028 and (ii) a warrant to purchase 35,165 shares of our common stock at an exercise price of $3.20 and exercisable until July 6, 2028 (which warrant shall be cancelled and extinguished upon the payment of the July 2023 Notes). The conversion price of the July 2023 Note and the exercise price of the warrants issued thereunder contain certain price protection anti-dilution adjustments if an event of default occurs under the July 2023 Notes.

October 2023 Convertible Note Financing

In October 2023, we entered into securities purchase agreements with certain lenders (the "October 2023 Lenders") and closed on the issuance of 13.0% senior secured convertible promissory notes in the aggregate principal amount of $700,000 (the "October 2023 Note"), as well as the issuance of 70,000 shares of our common stock as a commitment fee and warrants for the purchase of up to 105,000 shares of our common stock. We and our subsidiaries also entered into security agreements in connection with the October 2023 Note, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of our obligations under the October 2023 Note. The October 2023 Lenders acquired the October 2023 Note for $665,000 after an original issue discount of $35,000. The October 2023 Note matures on October 9, 2024 and accrues interest at a rate of 13.0% per annum. The October 2023 Note contains certain negative covenants. If the October 2023 Note is accelerated following the occurrence of an event of default as described in such note, we are required to pay 120% of the principal and interest outstanding under the October 2023 Note. The principal amount and interest under the October 2023 Note is convertible into shares of our common stock at a conversion price of $1.50 per share, unless we fail to make an amortization payment when due which commences in April 2024 in accordance with the terms of the October 2023 Note, in which case the conversion price shall be the lower of (i) $1.50 or (ii) 85% of the lowest VWAP of our common stock on any trading day during the five (5) trading days prior to the respective conversion date. The warrants are comprised of (i) a warrant to purchase 105,000 shares of our common stock at an exercise price of $2.50 and exercisable until October 9, 2028 and (ii) a warrant to purchase 87,500 shares of our common stock at an exercise price of $1.80 and exercisable until October 9, 2028 and which warrant shall be cancelled and extinguished upon the payment of the October 2023 Note. The conversion price of the October 2023 Note and the exercise price of the warrants issued thereunder contain certain price protection anti-dilution adjustments if an event of default occurs under the October 2023 Note.

March 2024 Convertible Note Financing

In March 2024, we entered into security purchase agreement with a lender (the "March 2024 Lender") and closed on the issuance of 13.0% senior secured convertible promissory note in the principal amount of $700,000 (the "March 2024 Note"), as well as the issuance of 105,000 shares of common stock as a commitment fee and warrants for the purchase of up to 252,404 shares of our common stock. We and our subsidiaries also entered into security agreements in connection with the March 2024 Note, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of our obligations under the March 2024 Note.

We estimate that based on current plans and assumptions, that our available cash will be insufficient to satisfy our cash requirements under our present operating expectations through cash flow provided by operations, and cash available under our ATM and lending facilities and sales of equity. Other than funds received as described above and cash resource generating from our operations, we presently have no other significant alternative source of working capital. We have used these funds to fund our operating expenses, pay our obligations and grow our company. We will need to raise significant additional capital to fund our operations and to provide working capital for our ongoing operations and obligations. Therefore, our future operation is dependent on our ability to secure additional financing. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However, the trading price of our common stock and a downturn in the U.S. equity and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses or experience unexpected cash requirements that would force us to seek alternative financing. Furthermore, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. The inability to obtain additional capital may restrict our ability to grow and may reduce our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will be required to cease our operations. To date, we have not considered this alternative, nor do we view it as a likely occurrence.

Off-balance Sheet Arrangements

We presently do not have off-balance sheet arrangements.

Foreign Currency Exchange Rate Risk

In November of 2022, we decided to cease all operations in China with the exception of a small administrative office, Avalon Shanghai. We do not expect nor do we plan that there will be further revenue generated from PRC operations in the foreseeable future. Thus, exchange rate fluctuations between the RMB and the US dollar do not have a material effect on us. For the years ended December 31, 2023 and 2022, we had an unrealized foreign currency translation loss of approximately $19,000 and $48,000, respectively, because of changes in the exchange rate.

Inflation

The effect of inflation on our revenue and operating results was not significant.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, as defined in Rule 12b-2 of the Exchange Act, we are not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements begin on page F-1.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that material information required to be disclosed in our periodic reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC rules and forms and to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”) as appropriate, to allow timely decisions regarding required disclosure. We carried out an evaluation, under the supervision and with the participation of our management, including the principal executive officer and the principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) under the Exchange Act, as of the end of the period covered by this report. Our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. During evaluation of disclosure controls and procedures as of December 31, 2023, conducted as part of our annual audit and preparation of our annual financial statements, our management, including our CEO and CFO, conducted an evaluation of the effectiveness of the design and operations of our disclosure controls and procedures and concluded that our disclosure controls and procedures were not effective due to the reasons set forth below.

Management's Report on Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of the financial statements included in this report. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and reflect management's judgment and estimates concerning effects of events and transactions that are accounted for or disclosed.

Management is also responsible for establishing and maintaining adequate internal control over financial reporting. Our internal control over financial reporting includes those policies and procedures that pertain to our ability to record, process, summarize and report reliable data. Management recognizes that there are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement presentation. Further, because of changes in conditions, the effectiveness of internal control over financial reporting may vary over time.

Management regularly assesses our internal control over financial reporting and did so most recently for our financial reporting as of December 31, 2023. This assessment was based on criteria for effective internal control over financial reporting described in the Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management has concluded that our internal control over financial reporting was not effective as of December 31, 2023, due to the lack of segregation of duties resulting from our small size and inability to perform an effective test of the operating effectiveness of the controls, including the oversight of our financial statement close process. As a result of our Lab Services MSO transaction in February 2023, we retained additional accounting staff and hired a Controller that works part-time for Lab Services MSO and part-time for the Company. We hope to be able to utilize the Controller going forward to enhance the segregation of duties. In addition, the Company has transitioned all email servers to the United States to enhance this aspect of internal controls.

In light of the material weaknesses described above, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the year ended December 31, 2023 included in this Annual Report on Form 10-K were fairly stated in accordance with US GAAP. Accordingly, management believes that despite the material weakness identified in our internal control over financial reporting, our consolidated financial statements for the year ended December 31, 2023 are fairly stated, in all material respects, in accordance with US GAAP.

Changes in Internal Control over Financial Reporting

Other than those described above, there were no changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) under the Exchange Act, during the quarter ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting

Attestation Report of the Registered Public Accounting Firm

This Annual Report on Form 10-K does not include an attestation report by our independent registered public accounting firm, regarding internal control over financial reporting. As a smaller reporting company, our internal control over financial reporting was not subject to audit by our independent registered public accounting firm pursuant to rules of the SEC that permit us to provide only management's report.

ITEM 9B. OTHER INFORMATION

(a) We issued 105,000 shares of our common stock as a commitment fee and warrants for the purchase of up to 252,404 shares of our common stock in connection with the issuance of the March 2024 Note to the March 2024 Lender.

(b) During the quarter ended December 31, 2023, none of our directors or executive officers adopted or terminated a Rule 10b5-1 trading plan or a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Directors and Executive Officers

Below are the names of and certain information regarding our executive officers and directors as of the date hereof:

Name	Age	Position
Wenzhao Lu	66	Chairman of the Board of Directors
David Jin, MD, PhD	56	Chief Executive Officer, President and Director
Meng Li	46	Chief Operating Officer and Secretary
Luisa Ingargiola	56	Chief Financial Officer
Steven A. Sanders	78	Director
Lourdes Felix	56	Director
Wilbert J. Tauzin II	80	Director
William B. Stilley, III	56	Director
Tevi Troy	56	Director

Officers are elected annually by the Board (subject to the terms of any employment agreement), at our annual meeting, to hold such office until an officer's successor has been duly appointed and qualified, unless an officer sooner dies, resigns or is removed by the Board.

The principal occupation and business experience during at least the past five years for our executive officers and directors is as follows:

Wenzhao Lu, Chairman of the Board of Directors

Mr. Wenzhao Lu has served as our Chairman of the Board since October 10, 2016. He is a seasoned healthcare entrepreneur with extensive operational knowledge and experience in the US & Asia. He has served as Chairman of the board of directors of the Daopei Medical Group, or DPMG, since 2010 to December, 2021. Under his leadership, DPMG operates three top-ranked private hospitals (located in Beijing and Hebei), specialty hematology laboratories, and a hematology research institute, with more than 100 partnering and collaborating hospitals in China. DPMG was founded by Professor Daopei Lu, a renowned hematologist pioneering in hematopoietic stem cell transplant and a member of the Academy of Engineering in China. Mr. Lu received a Bachelor of Arts from Temple University Tyler School of Arts in 1988 and subsequently worked as senior Art Director at Ogilvy & Mather Advertising Company. Prior to joining DPMG, in 2009, Mr. Lu served as Chief Operating Officer of BioTime Asia Limited, a subsidiary of BioTime, Inc. (NYSE American: BTX). Mr. Lu is qualified to serve as a director because of his extensive operational knowledge of, and executive level management experience in, the healthcare industry.

David Jin, Chief Executive Officer, President and Director

Dr. David Jin, MD, PhD, has served as our Chief Executive Officer, President and as a member of our Board since September 14, 2016. From 2009 to 2017, Dr. Jin served as the Chief Medical Officer of BioTime, Inc. (NYSE American: BTX), a clinical stage regenerative medicine company with a focus on pluripotent stem cell technology. Dr. Jin also acts as a senior translational clinician-scientist at the Howard Hughes Medical Institute and the Ansary Stem Cell Center at Weill Cornell Medical College of Cornell University. Prior to his current endeavors, Dr. Jin was Chief Consultant/Advisor for various biotech/pharmaceutical companies regarding hematology, oncology, immunotherapy and stem cell-based technology development. Dr. Jin has been Principle Investigator in more than 15 pre-clinical and clinical trials, as well as an author/co-author of over 80 peer-reviewed scientific abstracts, articles, reviews, and book chapters. Dr. Jin studied medicine at SUNY Downstate College of Medicine in Brooklyn, New York. He received his clinical training and subsequent faculty tenure at the New York-Presbyterian Hospital (the teaching hospital for both Cornell and Columbia Universities) in the areas of internal medicine, hematology, and clinical oncology. Dr. Jin was honored as Top Chief Medical Officer by ExecRank in 2012, as well as recognized by Leading Physicians of the World in 2015. Dr. Jin is qualified to serve as a director because of his role with us, and his extensive operational knowledge of, and executive level management experience in, the healthcare industry.

Meng Li, Chief Operating Officer and Secretary

Ms. Meng Li has served as our Chief Operating Officer, Secretary since October 10, 2016 and served as a member of the Board from October 10, 2016 to July 9, 2018 and from April 5, 2019 through December 30, 2022. Ms. Li has over 15 years of executive experience in international marketing, branding, communications, and media investment consultancy. Ms. Li served as Managing Director at Maxus/GroupM (a WPP Group company) where she was responsible for business P&L and corporate management from 2006 to 2015. Prior to joining Maxus/Group M, Ms. Li worked for Zenith Media (a Publicis Group company) from 2000 to 2006 as Senior Manager. Ms. Li received a Bachelor of Arts in International Economic Law from Dalian Maritime University in China.

Luisa Ingargiola, Chief Financial Officer

Luisa Ingargiola has served as our Chief Financial Officer since February 21, 2017. Ms. Ingargiola has significant experience serving as Chief Financial Officer or Audit Chair for multiple Nasdaq and New York Stock Exchange companies. She currently serves as Director and Audit Chair for several public companies including ElectraMeccanica (NASDAQ:SOLO), Dragonfly Energy (DFLI) and Vision Marine (VMAR). From 2007 through 2016, Ms. Ingargiola served as the Chief Financial Officer and then a member of the board of directors at MagneGas Corporation (Nasdaq: MNGA). Prior to 2007, Ms. Ingargiola held various roles as Budget Director and Investment Analyst in several private companies. Ms. Ingargiola graduated in 1989 from Boston University with a Bachelor's degree in Business Administration and a concentration in Finance. In 1996, she received her MBA in Health Administration from the University of South Florida. Ms. Ingargiola is qualified to serve as a Chief Financial Officer because of her extensive knowledge corporate governance, regulatory requirements, executive leadership and knowledge of, and experience in, financing and M&A transactions.

Steven A. Sanders, Director

Steven A. Sanders has served as a member of the Board since July 30, 2018. Since January 2017, Mr. Sanders has been Of Counsel to the law firm of Ortoli Rosenstadt LLP. From July 2007 until January 2017, Mr. Sanders was a Senior Partner at Ortoli Rosenstadt LLP. From January 1, 2004 until June 30, 2007, he was Of Counsel to the law firm of Rubin, Bailin, Ortoli, LLP. From January 1, 2001 to December 31, 2003, he was Counsel at the law firm of Spitzer & Feldman PC. Mr. Sanders also serves as a member of the boards of directors of Helijet International, Inc. and Electrameccanica Vehicles Corp. (NASDAQ:SOLO). Additionally, since October 2013, he has been a member of the board of directors at the American Academy of Dramatic Arts, and, since February 2015, has been a member of the board of directors of the Bay Street Theater. Mr. Sanders received his JD from Cornell University and his BBA from The City College of New York. Mr. Sanders is qualified to serve as a director because of his corporate, securities and international law experience, including working with companies in the life sciences industry.

Lourdes Felix, Director

Lourdes Felix has served as a member of the Board since January 9, 2023. Ms. Felix is an entrepreneur and corporate finance executive with 30 years of combined experience in capital markets, public accounting and in the private sector. She presently serves as Chief Executive Officer, Chief Financial Officer, and a member of the board of directors of BioCorRx Inc, a company focused on addiction treatment solutions and related disorders. She has been with BioCorRx since October 2012. Ms. Felix is one of the founders and President of BioCorRx Pharmaceuticals Inc., a majority owned subsidiary of BioCorRx Inc. Prior to joining BioCorRx, her experience was in the private sector and public accounting. Ms. Felix has expertise in finance, accounting, company-wide operations, budgeting, and internal control principles including GAAP, SEC, and SOX Compliance. She has thorough knowledge of federal and state regulations and has successfully managed and produced SEC regulatory filings. She also has extensive experience in developing and managing financial operations. Ms. Felix holds a Bachelor of Science degree in Accounting from the University of Phoenix. She continued her education and is an MBA candidate at D'Amore-McKim School of Business, Northeastern University. Ms. Felix is qualified to serve as a director because of her extensive investment and executive level management experience.

Wilbert J. Tauzin II, Director

Wilbert J. Tauzin II has served as a member of the Board since November 1, 2017. From December 2010 until March 1, 2014, Congressman Tauzin served as a Special Legislative Counsel at Alston & Bird LLP. From December 2004 to June 2010, Congressman Tauzin was President and Chief Executive Officer of Pharmaceutical Research and Manufacturers of America, a trade group that serves as one of the pharmaceutical industry's top lobbying groups. He served 12.5 terms in the U.S. House of Representatives, representing Louisiana's 3rd Congressional District. From January 2001 through February 2004, Congressman Tauzin served as Chairman of the House Committee on Energy and Commerce. He also served as a senior member of the House Resources Committee and Deputy Majority Whip. Prior to serving as a member of Congress, Congressman Tauzin was a member of the Louisiana State Legislature, where he served as Chairman of the House Natural Resources Committee and Chief Administration Floor Leader. He served as Lead Independent Director of LHC Group, a publicly traded provider of quality home health care, from 2005 to 2021 and retains the role of Lead Independent Emeritus today. The Congressman also served on the board of directors of Entergy, a Fortune 500 company. In addition, the Congressman chartered a Louisiana State Savings and Loan Association and Chaired its first board of directors. He received a Bachelor of Arts Degree from Nicholls State University and a Juris Doctor degree from Louisiana State University. Congressman Tauzin is qualified to serve as a director because of his extensive knowledge of the pharmaceutical industry and his experience as a director of several publicly traded and privately held companies.

William B. Stilley, III, Director

William B. Stilley has served as a member of the Board since July 5, 2018. Mr. Stilley has been the Chief Executive Officer of Adovate, LLC since January 2023. Previously, he was Chief Executive Officer of Purnovate, Inc., a subsidiary of Adial Pharmaceuticals, Inc. (Adial) from January 2021 until May 2023, and was Chief Executive Officer of Adial from December 2010 until August 2022, and was a member of Adial's board of directors from December 2010 until September 2023. From August 2008 until December 2010, he was the Vice President, Business Development and Strategic Projects at Clinical Data, Inc. Mr. Stilley was the COO and CFO of Adenosine Therapeutics, LLC until the assets of Adenosine Therapeutics were acquired by Clinical Data, Inc. in August 2008. Mr. Stilley has advised both public and private companies on financing and M&A transactions, has been the interim CFO of a public company, the interim Chief Business Officer and then Advisor for Diffusion Pharmaceuticals from September 2015 through March 2018, the audit chair for public companies, and the COO and CFO of a number of private companies. Before entering the business community, Mr. Stilley served as Captain in the U.S. Marine Corps. Mr. Stilley has an MBA with honors from the Darden School of Business and a B.S. in Commerce/Marketing from the McIntire School of Commerce at the University of Virginia. He currently serves on the Advisory Board of Virginia BIO, the statewide biotechnology organization and has guest lectures as the University School of Engineering. Mr. Stilley is qualified to serve as a director because of his extensive knowledge of the biotechnology industry, significant executive leadership and operational experience, and knowledge of, and experience in, financing and M&A transactions.

Tevi Troy, Director

Tevi Troy has served as a member of the Board since June 4, 2018. Mr. Troy is a former Deputy Secretary of the U.S. Department of Health and Human Services. Dr. Troy is a Senior Fellow at the Bipartisan Policy Center in Washington. He was the founder and CEO of the American Health Policy Institute and a Senior Fellow at Hudson Institute. On August 3, 2007, Dr. Troy was unanimously confirmed by the U.S. Senate as the Deputy Secretary of HHS. As Deputy Secretary, Dr. Troy was the chief operating officer of the largest civilian department in the federal government, with a budget of $716 billion and over 67,000 employees. Dr. Troy has extensive White House experience, having served in several high-level positions over a five-year period, culminating in his service as Deputy Assistant and then Acting Assistant to the President for Domestic Policy. Dr. Troy has held high-level positions on Capitol Hill as well. From 1998 to 2000, Dr. Troy served as the Policy Director for Senator John Ashcroft. From 1996 to 1998, Dr. Troy was Senior Domestic Policy Adviser and later Domestic Policy Director for the House Policy Committee, chaired by Christopher Cox. In addition to his senior level government work and health care expertise, Dr. Troy is also a best-selling presidential historian and the author of five books, including, most recently, "Fight House: Rivalries in the White House from Truman to Trump," which the Wall Street Journal listed as one of the top political books of 2020. Dr. Troy's many other affiliations include: contributing editor for Washingtonian magazine; member of the publication committee of National Affairs; member of the Board of Fellows of the Jewish Policy Center; a Senior Fellow at the Potomac Institute; and a member of the Bipartisan Commission on Biodefense. Dr. Troy has a B.S. in Industrial and Labor Relations from Cornell University and an M.A and Ph.D. in American Civilization from the University of Texas at Austin. Dr. Troy is qualified to serve as a director because of his extensive knowledge of the healthcare industry and his significant leadership experience.

Board Composition

Our Board is currently composed of seven directors. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal.

We are subject to Nasdaq Board diversity rules and ensure our compliance with such rules. In addition, our priority in selection of board members is identification of members who will further the interests of our stockholders through his or her established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, knowledge of our business and understanding of the competitive landscape.

A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business. However, any action required or permitted to be taken by the Board may be taken without a meeting if all members of the Board individually or collectively consent in writing to the action.

Board Leadership Structure and Role in Risk Oversight

The positions of our Chairman of the Board and Chief Executive Officer are separated. Separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while allowing the Chairman of the Board to lead our Board in its fundamental role of providing advice to and independent oversight of management. Our Board recognizes the time, effort and energy that the Chief Executive Officer must devote to his position in the current business environment, as well as the commitment required to serve as our Chairman, particularly as our Board's oversight responsibilities continue to grow. Our Board also believes that this structure ensures a greater role for the independent directors in the oversight of our Company and active participation of the independent directors in setting agendas and establishing priorities and procedures for the work of our Board. Our Board believes its administration of its risk oversight function has not affected its leadership structure.

Although our bylaws do not require our Chairman and Chief Executive Officer positions to be separate, our Board believes that having separate positions is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including those described under the section entitled "*Risk Factors*" of this report. Our Board is actively involved in oversight of risks that could affect us. This oversight is conducted primarily by our full Board, which has responsibility for general oversight of risks.

Our Board satisfies this responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within our Company. Our Board believes that full and open communication between management and the Board is essential for effective risk management and oversight.

Board of Director Meetings

The primary responsibility of the Board is to provide oversight, strategic guidance, counseling, and direction to our management team. Our Board meets on a regular basis and additionally as required. Our Board met three times in 2023. Each of the directors attended at least 75% of the aggregate of (i) the total number of meetings of our Board (held during the period for which such directors served on the Board) and (ii) the total number of meetings of all committees of our Board on which the director served (during the periods for which the director served on such committee or committees). We do not have a formal policy requiring members of the Board to attend our annual meetings. Our last annual meeting of stockholders was held on October 12, 2023. One of our directors serving at the time attended last year's annual meeting.

Director Independence

Our common stock is listed on The Nasdaq Capital Market. Under the rules of The Nasdaq Capital Market, independent directors must comprise a majority of our Board. In addition, the rules of The Nasdaq Capital Market require that all the members of such committees be independent. Members of our Audit Committee, as defined below, must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act. Compensation committee members must also satisfy the independence criteria established by The Nasdaq Capital Market in accordance with Rule 10C-1 under the Exchange Act. Under the rules of The Nasdaq Capital Market, a director will only qualify as an "independent director" if, among other qualifications, in the opinion of that company's board of directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director.

The Board has reviewed its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his or her background, employment and affiliations, including family relationships, the Board has determined that Steven A. Sanders, Lourdes Felix, William B. Stilley, III and Tevi Troy do not, respectively, have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the Rules of The Nasdaq Capital Market and the SEC.

In making this determination, our Board considered the relationships that each non-employee director has with our Company and all other facts and circumstances our Board deemed relevant in determining their independence. We intend to comply with the other independence requirements for committees within the time periods specified above.

Family Relationships

There are no family relationships among our directors or executive officers.

Board Committees

The Board has established an audit committee, a compensation committee and a nominating and corporate governance committee. Our Board may establish other committees to facilitate the management of our business. The composition and functions of each committee named above are defined and described below. Members serve on these committees until their resignation or until otherwise determined by our Board.

Audit Committee. We have a separately designated standing audit committee of the Board (the "Audit Committee"), established in accordance with Section 3(a)(58)(A) of the Exchange Act. The Audit Committee consists of William Stilley, Steven Sanders and Tevi Troy, with Mr. Stilley serving as the Chair of the Audit Committee. The Board has determined that each director currently serving on our Audit Committee is an "independent director" as defined by Nasdaq applicable to members of an audit committee and Rule 10A-3(b)(i) under the Exchange Act. In addition, Mr. Stilley is an "audit committee financial expert" as defined in Item 407(d)(5) of Regulation S-K and demonstrates "financial sophistication" as defined by Nasdaq Rules. The Audit Committee is appointed by the Board to assist with monitoring (i) the integrity of our financial statements, (ii) our compliance with legal and regulatory requirements, and (iii) the independence and performance of our internal and external auditors.

The principal functions and responsibilities of the Audit Committee include:

- reviewing our annual audited financial statements with management and our independent auditors, including major issues regarding accounting and auditing principles and practices and financial reporting that could significantly affect our financial statements;
- reviewing our quarterly financial statements with management and our independent auditor prior to the filing of our Quarterly Reports on Form 10-Q, including the results of the independent auditors' reviews of the quarterly financial statements;
- recommending to the Board the appointment of, and continued evaluation of the performance of, our independent auditor;
- approving and conducting a review of all related party transactions for potential conflict of interest situations on an ongoing basis;
- approving the fees to be paid to our independent auditor for audit services and approving the retention of our independent auditor for non-audit services and all fees for such services;

- reviewing periodic reports from our independent auditor regarding our auditor's independence, including discussion of such reports with the auditor;
- reviewing the adequacy of our overall control environment, including internal financial controls and disclosure controls and procedures; and
- reviewing with our management and legal counsel legal matters that may have a material impact on our financial statements or our compliance policies and any material reports or inquiries received from regulators or governmental agencies.

During the fiscal year ended December 31, 2023, the Audit Committee met four times. The Audit Committee is governed by a written charter, as adopted by the Board. A copy of the Audit Committee Charter is posted under the "Investors" tab under "Corporate Governance" on our website, which is located at *www.avalon-globocare.com*.

Compensation Committee. The compensation committee of the Board (the "Compensation Committee") consists of Lourdes Felix, Steven Sanders and Tevi Troy, with Ms. Felix serving as the Chair of the Compensation Committee. The Board has determined that each member of the Compensation Committee is considered (i) an "independent director" as defined by Nasdaq Rules applicable to members of a compensation committee; (ii) a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act; and (iii) an "outside director" as that term is defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"). The Compensation Committee is responsible for establishing the compensation of our senior management, including salaries, bonuses, termination arrangements, and other executive officer benefits as well as director compensation. The Compensation Committee also administers our equity incentive plans. The Compensation Committee works with the Chairman of the Board and our Chief Executive Officer and reviews and approves compensation decisions regarding senior management, including compensation levels and equity incentive awards. The Compensation Committee also approves employment and compensation agreements with our key personnel and directors. The Compensation Committee has the power and authority to conduct or authorize studies, retain independent consultants, accountants or others, and obtain unrestricted access to management, our internal auditors, human resources and accounting employees and all information relevant to its responsibilities.

The principal functions and responsibilities of the Compensation Committee include:

- reviewing and approving the Company's compensation guidelines and structure;
- reviewing and approving, on an annual basis, the corporate goals and objectives with respect to compensation for the Chief Executive Officer;
- reviewing and approving, on an annual basis, the evaluation process and compensation structure for the Company's other officers, including salary, bonus, incentive and equity compensation;
- periodically reviewing and making recommendations to the Board regarding the compensation of non-management directors; and
- developing the executive compensation philosophy and reviewing and recommending to the Board for approval all compensation policies and compensation programs for the executive team.

During the fiscal year ended December 31, 2023, the Compensation Committee did not meet. The Compensation Committee is governed by a written charter, as adopted by our Board. A copy of the Compensation Committee Charter is posted under the "Investors" tab under "Corporate Governance" on our website, which is located at *www.avalon-globocare.com*.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee consists of Steven Sanders, William Stilley and Tevi Troy, with Mr. Sanders serving as the Chair of our Nominating and Corporate Governance Committee. Our Board has determined that each member of the Nominating and Governance Committee is an "independent director" as defined by Nasdaq Rules. The Nominating and Corporate Governance Committee is generally responsible for recommending to our full Board certain policies, procedures, and practices designed to ensure that our corporate governance policies, procedures, and practices continue to assist the Board and our management in effectively and efficiently promoting the best interests of our stockholders. The Nominating and Corporate Governance Committee is also responsible for selecting and recommending for approval by our Board and our stockholders a slate of director nominees for election at each of our annual meetings of stockholders, and otherwise for determining the board committee members and chairpersons, subject to ratification by our Board, as well as recommending to the Board director nominees to fill vacancies or new positions on the Board or its committees that may occur or be created from time to time, all in accordance with our bylaws and applicable law.

In identifying independent candidates, with significant senior-level professional experience, to be nominated as potential members of our Board, the Nominating and Corporate Governance Committee solicits candidates from the Board, senior management and others, and may engage a search firm in the process. The Nominating and Corporate Governance Committee reviews and narrows the list of candidates and interviews potential nominees. The final candidate is also introduced and interviewed by the Board and the lead director if one has been appointed. In general, in considering whether to recommend any particular candidate for inclusion in our Board's slate of recommended director nominees, the Nominating and Corporate Governance Committee will apply the criteria set forth in our corporate governance guidelines. These criteria include the candidate's integrity, business acumen, commitment to understanding our business and industry, experience, conflicts of interest and the ability to act in the interests of our stockholders. Further, specific consideration is given to, among other things, diversity of background and experience that a candidate would bring to our Board. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for each prospective nominee. We believe that the backgrounds and qualifications of our directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow our Board to fulfill its responsibilities. Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting the names, together with appropriate biographical information and background materials to our Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee considers recommendations from stockholders if submitted in a timely manner in accordance with the procedures set forth in our bylaws and will apply the same criteria to all persons being considered.

The principal functions and responsibilities of the Nominating and Corporate Governance Committee include:

- developing and maintaining our corporate governance policy guidelines;
- developing and maintaining our Code of Business Conduct and Ethics;
- overseeing the interpretation and enforcement of our Code of Business Conduct and Ethics for the Chief Executive Officer and Senior Financial and Accounting Officers;
- evaluating the performance of our Board, its committees, and committee chairpersons and our directors; and
- selecting and recommending a slate of director nominees for election at each of our annual meetings of the stockholders and recommending to the Board director nominees to fill vacancies or new positions on the Board or its committees that may occur from time to time.

During the fiscal year ended December 31, 2023, the Nominating and Corporate Governance Committee met one time. The Nominating and Corporate Governance Committee is governed by a written charter approved by our Board. A copy of the Nominating and Corporate Governance Committee Charter is posted under the "Investors" tab under "Corporate Governance" on our website, which is located at *www.avalon-globocare.com*.

Stockholder nominations for directorships

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names and background to the Secretary of the Company at the address set forth below under "Stockholder Communications" in accordance with the provisions set forth in our bylaws. All such recommendations will be forwarded to the Nominating and Corporate Governance Committee, which will review and only consider such recommendations if appropriate biographical and other information is provided, including, but not limited to, the items listed below, on a timely basis. All security holder recommendations for director candidates must be received by the Company in the timeframe(s) set forth under the heading "Stockholder Proposals" below.

- the name and address of record of the security holder;
- a representation that the security holder is a record holder of the Company's securities, or if the security holder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Exchange Act;

- the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed director candidate;

- a description of the qualifications and background of the proposed director candidate and a representation that the proposed director candidate meets applicable independence requirements;

- a description of any arrangements or understandings between the security holder and the proposed director candidate; and

- the consent of the proposed director candidate to be named in the proxy statement relating to the Company's annual meeting of stockholders and to serve as a director if elected at such annual meeting.

Assuming that appropriate information is provided for candidates recommended by stockholders, the Nominating and Corporate Governance Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by members of the Board or other persons, as described above and as set forth in its written charter.

Compensation Committee Interlocks and Insider Participation

None of our executive officers currently serves, or in the past year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers on our board of directors or compensation committee.

Code of Ethics

We have adopted a written Code of Business Conduct and Ethics that applies to our employees, officers and directors. A copy of the Code of Business Conduct and Ethics is posted under the "Investors" tab under "Corporate Governance" in our website, which is located at www.avalon-globocare.com. We intend to disclose future amendments to certain provisions of our Code of Business Conduct and Ethics, or waivers of such provisions applicable to any principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, and our directors, on our website identified above or in filings with the SEC.

Anti-Hedging Policy

Under the terms of our insider trading policy, we prohibit each officer, director and employee, and each of their family members and controlled entities, from engaging in certain forms of hedging or monetization transactions. Such transactions include those, such as zero-cost collars and forward sale contracts, that would allow them to lock in much of the value of their stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock, and to continue to own the covered securities but without the full risks and rewards of ownership.

Limitation of Directors Liability and Indemnification

The Delaware General Corporation Law authorizes corporations to limit or eliminate, subject to certain conditions, the personal liability of directors to corporations and their stockholders for monetary damages for breach of their fiduciary duties. Our Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") limits the liability of our directors to the fullest extent permitted by Delaware law. In addition, we have entered into indemnification agreements with each of our directors and officers whereby we have agreed to indemnify those directors and officers to the fullest extent permitted by law, including indemnification against expenses and liabilities incurred in legal proceedings to which the director or officer was, or is threatened to be made, a party by reason of the fact that such director or officer is or was a director, officer, employee or agent of the Company, provided that such director or officer acted in good faith and in a manner that the director or officer reasonably believed to be in, or not opposed to, the best interests of the Company.

We have director and officer liability insurance to cover liabilities our directors and officers may incur in connection with their services to us, including matters arising under the Securities Act. Our Certificate of Incorporation and bylaws also provide that we will indemnify our directors and officers who, by reason of the fact that he or she is one of our officers or directors, is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative related to their board role with us.

There is no pending litigation or proceeding involving any of our directors, officers, employees or agents in which indemnification will be required or permitted. We are not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors and executive, officers, and persons who are beneficial owners of more than 10% of a registered class of our equity securities, to file reports of ownership and changes in ownership with the SEC. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file.

Based solely upon our review of copies of Forms 3, 4 and 5 furnished to us, we believe that all of our directors, executive officers and any other applicable stockholders timely filed all reports required by Section 16(a) of the Exchange Act during the fiscal year ended December 31, 2023, except for the following: (i) we filed a Form 3 for Lourdes Felix on March 7, 2023, covering a transaction that required a Form 4 filing due on January 11, 2023; (ii) we filed a Form 4 for Tevi Troy on March 8, 2023, covering a transaction that required a Form 4 filing due on January 5, 2021; (iii) we filed a Form 4 for William Stilley on March 8, 2023, covering a transaction that required a Form 4 filing due on January 5, 2021; (iv) we filed a Form 4 for William B. Stilley, III on March 8, 2023, covering a transaction that required a Form 4 filing due on January 5, 2021; (v) we filed a Form 4 for Steven A. Sanders on March 9, 2023, covering a transaction that required a Form 4 filing due on January 5, 2021; and (vi) we filed a Form 4 for Wilbert J. Tauzin II on March 9, 2023, covering a transaction that required a Form 4 filing due on January 5, 2021.

ITEM 11. EXECUTIVE COMPENSATION

Executive Officers' Compensation

We are currently a "smaller reporting company" and as such, we have opted to comply with the scaled down disclosure rules applicable to a "smaller reporting company," as such term is defined in the rules promulgated under the Securities Act, which require compensation disclosure for (i) our principal executive officer, (ii) our two most highly compensated executive officers, other than the principal executive officer, whose total compensation for 2023 exceeded $100,000 and who were serving as executive officers as of December 31, 2023, and (iii) up to two additional individuals for whom disclosure would have been provided pursuant to the foregoing clause (ii) but for the fact that the individual was not serving as an executive officer as of December 31, 2023. We refer to these individuals as "named executive officers." Our named executive officers for the year ended December 31, 2023 were:

Summary Compensation Table

Name and principal position	Year	Salary ($)	Stock awards ($)	Option Awards ($)	Nonequity incentive plan compensation ($)	Nonqualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Dr. David Jin	2023	330,000	-	-	-	-	-	330,000
CEO	2022	360,000	-	-	-	-	-	360,000
Luisa Ingargiola	2023	350,000	-	-	-	-	-	350,000
CFO	2022	350,000	-	-	-	-	-	350,000
Meng Li	2023	280,244	-	-	-	-	-	280,244
COO	2022	340,000	-	-	-	-	-	340,000

Employment Agreements

David Jin

On December 1, 2016, the Company entered into an Executive Employment Agreement with David Jin, the Company's CEO and President. Pursuant to the agreement, Mr. Jin was employed as President and Chief Executive Officer of the Company, which agreement had a term initially through November 30, 2017 unless earlier terminated pursuant to the terms of the agreement. On February 20, 2020, the Company entered into a Letter Agreement with Dr. Jin pursuant to which the term of Dr. Jin's Executive Employment Agreement was extended an additional three years. During the term of the agreement, Dr. Jin is entitled to a base salary and will be eligible for a discretionary performance bonus, equity awards and to participate in employee benefits plans as the Company may institute from time to time at the discretion of the Board.

On January 3, 2019, the Company entered into a Letter Agreement with Dr. Jin, pursuant to which his annual base salary set forth in his employment agreement was increased to $360,000, effective January 1, 2019. Pursuant to the agreement, Mr. Jin may be terminated for "cause" as defined and Mr. Jin may resign for "good reason" as defined. In the event Mr. Jin is terminated without cause or resigns for good reason, the Company will be required to pay Mr. Jin all accrued salary and bonuses, reimbursement for all business expenses and Mr. Jin's salary for one year. In the event Mr. Jin is terminated with cause, resigns without good reason, dies or is disabled, the Company will be required to pay Mr. Jin all accrued salary and bonuses and reimbursement for all business expenses. Under the agreement Mr. Jin is subject to confidentiality, non-compete and non-solicitation restrictions. This agreement has not been extended, however Dr. Jin is continuing his employment with the Company at will and otherwise under the same terms and conditions, except that Dr. Jin agreed to a salary reduction as set forth in the table above for the year ended December 31, 2023 as part of the Company's cost reduction measures.

Luisa Ingargiola

On February 21, 2017, Ms. Ingargiola and the Company entered into an Executive Retention Agreement effective February 9, 2017, pursuant to which Ms. Ingargiola agreed to serve as Chief Financial Officer in consideration of an annual salary. On January 3, 2019, the Company entered into a Letter Agreement with Ms. Ingargiola, pursuant to which her annual base salary set forth in her employment agreement was increased to $350,000 effective January 1, 2019.

The employment of Ms. Ingargiola is at will and may be terminated at any time, with or without formal cause. Pursuant to the terms of Executive Retention Agreement with Ms. Ingargiola, the Company has agreed to provide specified severance and bonus amounts and to accelerate the vesting on her equity awards upon termination upon a change of control or an involuntary termination, as each term is defined in the agreements.

In the event of a termination upon a change of control, Ms. Ingargiola is entitled to receive an amount equal to 12 months of her base salary and the target bonus then in effect for the executive officer for the year in which such termination occurs, such bonus payment to be pro-rated to reflect the full number of months the executive remained in the Company's employ. In addition, the vesting on any stock option held by the executive officer will be accelerated in full. At the election of the executive officer, the Company will also continue to provide health related employee insurance coverage for twelve months, at the Company's expense.

In the event of an involuntary termination, Ms. Ingargiola is entitled to receive an amount equal to six months of her base salary and the target bonus then in effect for the executive officer for the six months in which such termination occurs, such bonus payment to be pro-rated to reflect the full number of months the executive remained in the Company's employ. Such payment will be increased to 12 months upon the one-year anniversary of the retention agreement. In addition, the vesting on any stock option held by the executive officer will be accelerated in full. At the election of the executive officer, the Company will also continue to provide health related employee insurance coverage for twelve months, at the Company's expense.

Meng Li

On January 11, 2017, Avalon Shanghai entered into an Executive Employment Agreement with Meng Li, the Company's COO and Secretary. Pursuant to the agreement, Ms. Li was employed as Chief Operating Officer and President of Avalon Shanghai initially through November 30, 2019, unless earlier terminated pursuant to the terms of the agreement. On February 20, 2020, the Company entered into a Letter Agreement with Meng Li pursuant to which the term of Ms. Li's Executive Employment Agreement entered between the Company's subsidiary and Ms. Li dated January 11, 2017 was extended an additional three years.

During the term of the agreement, Ms. Li is entitled to a base salary and will be eligible for a discretionary performance bonus, equity awards and to participate in employee benefits plans as the Avalon Shanghai may institute from time to time at the discretion of its Board of Directors. On January 3, 2019, the Company entered into a Letter Agreement with Ms. Li, pursuant to which her annual base salary set forth in her employment agreement was increased to $340,000 effective January 1, 2019, except that Ms. Li agreed to a salary reduction as set forth in the table above for the year ended December 31, 2023 as part of the Company's cost reduction measures. Pursuant to the agreement, Ms. Li may be terminated for "cause" as defined and Ms. Li may resign for "good reason" as defined. In the event Ms. Li is terminated without cause or resigns for good reason, Avalon Shanghai will be required to pay Ms. Li all accrued salary and bonuses, reimbursement for all business expenses and Ms. Li's salary for one year. In the event Ms. Li is terminated with cause, resigns without good reason, dies or is disabled, Avalon Shanghai will be required to pay Ms. Li all accrued salary and bonuses and reimbursement for all business expenses. Under the agreement Ms. Li is subject to confidentiality, non-compete and non-solicitation restrictions.

Option Exercises and Stock Vested

There were no options exercised by our executive officers or stock vested to our executive officers during the year ended December 31, 2023.

Outstanding Equity Awards at Fiscal Year End

The following table sets forth information with respect to the outstanding equity awards of our principal executive officers and principal financial officer during 2023, and each person who served as an executive officer of the Company as of December 31, 2023:

	Outstanding Equity Awards								
	Option Awards					Stock Awards			
Name and principal position	Number of securities underlying unexercised options Exercisable (#)	Number of securities underlying unexercised options Unexercisable (#)	Equity incentive plan awards: Number of securities underlying unexercised options (#)	Options exercise price ($)	Option expiration Date	Number of shares or units of stock that have not vested (#)	Market value of shares or units of stock that have not vested ($)	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
Luisa Ingargiola,	200,000	-	200,000	5.0	2/8/2027	-	-	-	-
CFO	40,000	-	40,000	15.2	2/18/2030	-	-	-	-
David Jin,	15,000	-	15,000	20.0	1/2/2024	-	-	-	-
CEO	40,000	-	40,000	15.2	2/18/2030	-	-	-	-
Meng Li,	15,000	-	15,000	20.0	1/2/2024	-	-	-	-
COO	30,000	-	30,000	15.2	2/18/2030	-	-	-	-

No Pension Benefits

The Company does not maintain any plan that provides for payments or other benefits to its executive officers at, following or in connection with retirement and including, without limitation, any tax-qualified defined benefit plans or supplemental executive retirement plans.

No Nonqualified Deferred Compensation

The Company does not maintain any defined contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

Director Compensation

The following table sets forth information concerning the compensation earned or paid to certain of our non-employee directors during the fiscal year ended December 31, 2023:

Name	Fees Earned or Paid in Cash $	Stock Awards $	Option Awards $	Non-equity Incentive Plan Compensation $	Change in Pension Value and Non-Qualified Deferred Compensation Earnings $	All Other Compensation $	Total $
Wilbert Tauzin [1]	-	-	38,052	-	-	-	38,052
Wenzhao Lu	100,000	-	-	-	-	-	100,000
David Jin	-	-	-	-	-	-	-
Lourdes Felix [2]	68,488	-	23,268	-	-	-	91,756
Steven Sanders [3]	70,000	-	33,665	-	-	-	103,665
Tevi Troy [4]	60,000	-	33,665	-	-	-	93,665

William Stilley [5]	70,000	-	33,665	-	-	-	103,665

(1) Mr. Tauzin's 2023 compensation consisted of 20,000 options vested and valued at $38,052.
(2) Ms. Felix's 2023 compensation consisted of cash of $68,488 and 7,803 stock options vested and valued at $23,268.
(3) Mr. Sanders's 2023 compensation consisted of cash of $70,000 and 8,000 options vested and valued at $33,665.
(4) Mr. Troy's 2023 compensation consisted of cash of $60,000 and 8,000 options vested and valued at $33,665.
(5) Mr. Stilley's 2023 compensation consisted of cash of $70,000 and 8,000 options vested and valued at $33,665.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Equity Compensation Plan Information

Amended and Restated 2020 Stock Incentive Plan

On August 29, 2023, the Board adopted the Avalon GloboCare Corp. Amended and Restated 2020 Stock Incentive Plan (the "Amended and Restated 2020 Plan"), subject to stockholder approval, which was received on December 19, 2023. The Amended and Restated 2020 Plan provides for the grant of incentive stock options that are intended to qualify under Section 422 of the Code ("ISOs"), nonstatutory stock options, stock appreciation rights, restricted stock awards, restricted stock unit awards, performance-based stock awards and performance-based cash awards. ISOs may be granted only to employees. All other awards may be granted to employees, including officers, and to the Company's non-employee directors, consultants and other advisors.

A total of 2,000,000 shares of our common stock were initially available under the Amended and Restated 2020 Plan. In addition, the number of shares of our common stock reserved for issuance under the Amended and Restated 2020 Plan automatically increases on January 1 of each year, beginning on January 1, 2024, by 1% of the total number of shares of our common stock outstanding on December 31 of the preceding calendar year, or a lesser number of shares determined by our Board. On January 1, 2024, the number of shares of our common stock reserved for issuance under the Amended and Restated 2020 Plan was increased by an aggregate of 109,995 shares. As of March 29, 2024, a total of 2,109,995 shares of our common stock are available for issuance under the Amended and Restated 2020 Plan, including shares that are the subject of outstanding awards as of such date.

Clawback/Recoupment. Awards granted under the Amended and Restated 2020 Plan will be subject to the requirement that the awards be forfeited or amounts repaid to the Company after they have been distributed to the participant (i) to the extent set forth in an award agreement or (ii) to the extent covered by any clawback or recapture policy adopted by the Company from time to time (including the Clawback Policy adopted by the Board on November 16, 2023), or any applicable laws that impose mandatory forfeiture or recoupment, under circumstances set forth in such applicable laws.

Amendment, Termination. Our Board may at any time amend, suspend or terminate the Amended and Restated 2020 Plan for the purpose of satisfying the requirements of the Code, or other applicable law or regulation or for any other legal purpose, provided that, without the consent of our stockholders, the Board may not (i) increase the number of shares of our common stock available under the Amended and Restated 2020 Plan, (ii) change the group of individuals eligible to receive awards, or (iii) extend the term of the Amended and Restated 2020 Plan.

2020 Incentive Stock Plan

On June 12, 2020, the Board adopted the Avalon GloboCare Corp. 2020 Incentive Stock Plan (the "2020 Plan"), subject to stockholder approval, which was received on August 4, 2020.

The general purpose of the 2020 Plan is to provide a means whereby eligible directors, officers, employees or consultants to the Company develop a sense of proprietorship and personal involvement in our development and financial success, and to encourage them to devote their best efforts to our business, thereby advancing our interests and the interests of our stockholders. We believe that the 2020 Plan advances the Company's interests by enhancing our ability to (i) attract, retain and reward employees, officers, directors and consultants who are in a position to make significant contributions to our success; (ii) encourage our employees, officers, directors and consultants to take into account our long-term interests through ownership of our shares of our common stock; and (iii) to provide incentives for such persons to exert maximum efforts for our success.

The Board has reserved 500,000 shares of our common stock for issuance under the 2020 Plan, subject to customary adjustments for stock splits, stock dividends or similar transactions. Under the 2020 Plan, awards may be made in the form of options to purchase shares of our common stock, as well as restricted shares of our common stock and restricted stock units payable in shares of our common stock. Options may be granted which are intended to qualify as ISOs under Section 422 of the Code or which are not intended to qualify as ISOs thereunder. However, ISOs may only be granted to employees. If any option granted under the 2020 Plan terminates without having been exercised in full or if any award is forfeited, or if shares otherwise issuable are withheld to satisfy tax withholding obligations, the number of shares of our common stock as to which such option or award was forfeited or withheld will be available for future grants under the 2020 Plan.

The 2020 Plan is not a qualified deferred compensation plan under Section 401(a) of the Code and is not subject to the provisions of the Employee Retirement Income Security Act of 1974.

2019 Incentive Stock Plan

On June 7, 2019, the Board adopted the Avalon GloboCare Corp. 2019 Incentive Stock Plan (the "2019 Plan"), subject to stockholder approval, which was received on August 6, 2019. There are 500,000 shares of our common stock reserved for issuance under the 2019 Plan, subject to customary adjustments for stock splits, stock dividends or similar transactions. As of March 29, 2024, 93,200 shares remained available for issuance under the 2019 Plan.

The following table provides information with respect to our 2019 Plan, 2020 Plan, and Amended and Restated 2020 Plan under which equity compensation was authorized as of December 31, 2023:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under the 2019 Plan and 2020 Plan (excluding securities reflected in column (a)) (c)
Equity compensation plan approved by security holders			
Amended and Restated 2020 Plan (4)	—	—	
2020 Plan	372,403(1)	$ 4.94(2)	127,597
2019 Plan	406,800(3)	$ 18.36(2)	93,200
Equity compensation plans not approved by security holders	—	—	—
Total	779,203	$ 12.36	220,797

(1) Includes 324,803 shares of our common stock issuable upon exercise of outstanding options and 47,600 shares of our common stock issuable pursuant to outstanding restricted stock units.
(2) The weighted average exercise price does not take into account the shares issuable pursuant to outstanding restricted stock units, which have no exercise price.
(3) Includes 402,000 shares of our common stock issuable upon exercise of outstanding options and 4,800 shares of our common stock issuable pursuant to outstanding restricted stock units.
(4) No issuances have been made as of December 31, 2023 under the Amended and Restated 2020 Plan.

Security Ownership of Certain Beneficial Owners and Management

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. In accordance with SEC rules, shares of our common stock which may be acquired upon exercise of stock options or warrants which are currently exercisable or which become exercisable within 60 days of the date of the applicable table below are deemed beneficially owned by the holders of such options and warrants and are deemed outstanding for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage of ownership of any other person. Subject to community property laws, where applicable, the persons or entities named in the tables below have sole voting and investment power with respect to all shares of our common stock indicated as beneficially owned by them.

The following table sets forth certain information, as of March 29, 2024 with respect to the beneficial ownership of the outstanding common stock by (i) any holder of more than five (5%) percent; (ii) each of our executive officers and directors; and (iii) our directors and executive officers as a group. The numbers below reflect a 1:10 reverse stock split implemented on January 5, 2023. Except as otherwise indicated, each of the stockholders listed below has sole voting and investment power over the shares beneficially owned.

Name of Beneficial Owner [1]	Common Stock Beneficially Owned	Percentage of Common Stock [2]
Wenzhao Lu* [3]	3,583,788	32.3%
David Jin, MD, PhD* [4]	1,585,000	14.2%
Meng Li* [5]	545,000	4.9%
Luisa Ingargiola* [6]	240,000	2.1%
Steven A. Sanders* [7]	34,000	**
Wilbert J. Tauzin II* [8]	65,000	**
William B. Stilley III* [9]	34,000	**
Tevi Troy* [10]	34,000	**
Lourdes Felix* [11]	9,803	**
All officers and directors as a group (9 persons)	**6,130,591**	**55.1%**
Shareholder owning 5% or more:		
FSUNSHINE TRADING PTE LTD [12]	697,610	6.2%

* Officer and/or director of our Company.

** Less than 1.0%.

(1) Except as otherwise indicated, the address of each beneficial owner is c/o Avalon GloboCare Corp., 4400 Route 9 South, Suite 3100, Freehold, New Jersey 07728.

(2) Applicable percentage ownership is based on 11,104,534 shares of our common stock outstanding as of March 29, 2024, together with securities exercisable or convertible into shares of our common stock within 60 days of March 29, 2024 for each stockholder. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of common stock that are currently exercisable or exercisable within 60 days of March 29, 2024 are deemed to be beneficially owned by the person holding such securities for the purpose of computing the percentage of ownership of such person, but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

(3) Wenzhao Lu holds 3,583,788 shares of our common stock.

(4) David Jin holds (i) 1,545,000 shares of our common stock and (ii) 40,000 vested options to acquire 40,000 shares of our common stock.

(5) Meng Li holds (i) 515,000 shares of our common stock and (ii) 30,000 vested options to acquire 30,000 shares of our common stock.

(6) Represents 240,000 vested options to acquire 240,000 shares of our common stock.

(7) Represents stock option to acquire 34,000 shares of our common stock, 32,000 of which have been vested and 2,000 of which will be vested within 60 days.

(8) Represents stock option to acquire 65,000 shares of our common stock, 64,000 of which have been vested and 1,000 of which will be vested within 60 days.

(9) Represents stock option to acquire 34,000 shares of our common stock, 32,000 of which have been vested and 2,000 of which will be vested within 60 days.

(10) Represents stock option to acquire 34,000 shares of our common stock, 32,000 of which have been vested and 2,000 of which will be vested within 60 days.

(11) Represents stock option to acquire 9,803 shares of our common stock, 7,803 of which have been vested and 2,000 of which will be vested within 60 days.

(12) FSUNSHINE TRADING PTE LTD holds (i) 573,646 shares of our common stock and (ii) 123,964 vested options to acquire 123,964 shares of our common stock.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Other than compensation arrangements for our named executive officers and directors, we describe below each transaction or series of similar transactions, since January 1, 2022 to which we were a party or will be a party, in which:

- the amounts involved exceeded or will exceed the lesser of (i) $120,000 or (ii) 1% of the average total assets of the Company at year end for the last two completed fiscal years; and

- any of our directors, executive officers, promoters or holders of more than 5% of our capital stock, or any member of the immediate family of the foregoing persons, had or will have a direct or indirect material interest.

Compensation arrangements for our named executive officers and directors are described in the section entitled “Executive Compensation.”

Rental Revenue from Related Party and Rent Receivable – Related Party

The Company leases part of its commercial real property located in New Jersey to D.P. Capital Investments LLC, a company controlled by Wenzhao Lu, the Company’s largest shareholder and chairman of the Board. The term of the related party lease agreement is five years commencing on May 1, 2021 and will expire on April 30, 2026.

For both the years ended December 31, 2023 and 2022, the related party rental revenue amounted to $50,400 and has been included in rental revenue on the accompanying consolidated statements of operations and comprehensive loss.

At December 31, 2023 and 2022, the related party rent receivable totaled $124,500 and $74,100, respectively, which has been included in rent receivable on the accompanying consolidated balance sheets, and no allowance for doubtful accounts was deemed to be required on the receivable.

Services Provided by Related Party

From time to time, Wilbert Tauzin, a director of the Company, and his son provide consulting services to the Company. As compensation for professional services provided, the Company recognized consulting expenses of $86,528 and $144,064 for the years ended December 31, 2023 and 2022, respectively, which have been included in professional fees on the accompanying consolidated statements of operations and comprehensive loss.

Accrued Liabilities and Other Payables – Related Parties

In 2017, the Company acquired Beijing Genexosome for a cash payment of $450,000. As of December 31, 2023 and 2022, the unpaid acquisition consideration of $100,000, was payable to Dr. Yu Zhou, a former director and former co-chief executive officer and 40% owner of Genexosome, and has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

During the period from June 2023 through December 2023, Lab Services MSO paid shared expense on behalf of the Company. As of December 31, 2023, the balance due to Lab Services MSO amounted to $72,746, which has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

As of December 31, 2023 and 2022, $33,712 and $0 of accrued and unpaid interest related to borrowings from Wenzhao Lu, the Company's largest shareholder and Chairman of the Board, respectively, have been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

Borrowings from Related Party

Line of Credit

On August 29, 2019, the Company entered into a Line of Credit Agreement (the "Line of Credit Agreement") providing the Company with a $20 million line of credit (the "Line of Credit") from Wenzhao Lu (the "Lender"), the largest shareholder and Chairman of the Board. The Line of Credit allows the Company to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matures on December 31, 2024. The loans are unsecured and are not convertible into equity of the Company. Loans drawn under the Line of Credit bear interest at an annual rate of 5% and each individual loan is payable three years from the date of issuance. The Company has a right to draw down on the Line of Credit and such right is not at the discretion of the related party Lender. The Company may, at its option, prepay any borrowings under the Line of Credit, in whole or in part at any time prior to maturity, without premium or penalty. The Line of Credit Agreement includes customary events of default. If any such event of default occurs, the Lender may declare all outstanding loans under the Line of Credit to be due and payable immediately.

In the years ended December 31, 2023 and 2022, activity recorded for the Line of Credit is summarized in the following table:

Outstanding principal under the Line of Credit at January 1, 2022	$	2,750,262
Draw down from Line of Credit		100,000
Repayment of Line of Credit		(410,000)
Settlement of Line of Credit in shares		(2,440,262)
Outstanding principal under the Line of Credit at December 31, 2022		-
Draw down from Line of Credit		850,000
Outstanding principal under the Line of Credit at December 31, 2023	$	850,000

For the years ended December 31, 2023 and 2022, the interest expense related to related party borrowings amounted to $33,712 and $79,898, respectively, and has been reflected as interest expense — related party on the accompanying consolidated statements of operations and comprehensive loss.

As of December 31, 2023 and 2022, the related accrued and unpaid interest for the Line of Credit was $33,712 and $0, respectively, and has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

As of December 31, 2023, the Company used approximately $6.8 million of the credit facility and has approximately $13.2 million remaining available under the Line of Credit.

Common Stock Sold to Related Party for Cash

On August 5, 2022, the Company sold 44,872 shares of its common stock at a purchase price of $7.8 per share, the fair market value on the transaction date, to Wenzhao Lu, the Chairman of the Board, pursuant to a subscription agreement. The Company received proceeds of $350,000 (See Note 14 – Common Shares Sold for Cash).

Series A Preferred Stock Sold to Related Party for Cash

On December 14, 2022, the Company entered into a Securities Purchase Agreement with Wenzhao Lu, the Company's Chairman of the Board, pursuant to which the Company sold to Mr. Lu 4,000 shares of its Series A Preferred Stock, stated value $1,000, for gross proceeds of $4,000,000 (See Note 14 – Series A Preferred Stock Sold for Cash).

Membership Interest Purchase Agreement

On November 17, 2023, the Company entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Wenzhao Lu (the "Purchaser"), the largest shareholder and Chairman of the Board, pursuant to which (i) the Purchaser will acquire from the Company 30% of the total outstanding membership interests of Avalon RT 9, a wholly owned subsidiary of the Company for a cash purchase price of $3,000,000 (the "Acquisition"), and (ii) for a period of twelve months following the closing of the Acquisition, the Purchaser shall have the option to purchase from the Company up to an additional 70% of the outstanding membership interests of Avalon RT 9 for a purchase price of up to $7,000,000 (the "Option"), subject to the terms and conditions of a membership interest purchase agreement to be negotiated and entered into between the Purchaser and the Company at such time that the Purchaser desires to exercise the Option. The Acquisition was not closed as of December 31, 2023. The Company received $485,714 from Wenzhao Lu as of December 31, 2023, which was recorded as advance from sale of noncontrolling interest – related party on the accompanying consolidated balance sheets.

Policies and Procedures for Related Party Transactions

Our Board has adopted a policy that our executive officers, directors, nominees for election as a director, beneficial owners of more than 5% of any class of our common stock, any members of the immediate family of any of the foregoing persons and any firms, corporations or other entities in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest, are not permitted to enter into a transaction with us without the prior consent of our Board acting through the Audit Committee or, in certain circumstances, the Chairman of the Audit Committee. Any request for us to enter into a transaction with a related party, in which the amount involved exceeds $100,000 and such related party would have a direct or indirect interest must first be presented to our Audit Committee, or in certain circumstances the Chairman of our Audit Committee, for review, consideration and approval. In approving or rejecting any such proposal, our Audit Committee, or the Chairman of our Audit Committee, is to consider the material facts of the transaction, including, but not limited to, whether the transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances, the extent of the benefits to us, the availability of other sources of comparable products or services and the extent of the related party's interest in the transaction.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Marcum LLP served as our independent auditors for the years ended December 31, 2023 and 2022.

Aggregate fees billed to the Company for professional services rendered by Marcum LLP during the last two years were as follows:

Fee Category	2023	2022
Audit Fees	$ 292,005	$ 196,473
Audit-Related Fees	$ 198,158	$ -
Tax Fees	$ -	$ -
All Other Fees	$ -	$ -
Total Fees	$ 490,163	$ 196,473

Audit Fees

Consists of fees billed for professional services rendered for the audit of our annual consolidated financial statements, review of our Annual Report on Form 10-K, and review of the interim consolidated financial statements included in our Quarterly Reports on Form 10-Q, and services that are normally provided by our independent auditors in connection with statutory and regulatory filings or engagements, including registration statements.

Audit-Related Fees

Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit and or review of our consolidated financial statements and are not reported under "Audit Fees", such as audits and reviews in connection with the acquisition of Lab Services MSO.

Tax Fees

Consists of fees billed for professional services for tax compliance, tax advice and tax planning.

All Other Fees

Consists of fees for products and services other than the services reported above. There were no management consulting services provided in 2023 or 2022.

Pre-Approval Policy and Procedures

The current policy of the directors, acting as the Audit Committee, is to approve the appointment of the principal auditing firm and any permissible audit-related services. The audit and audit related fees include fees for the annual audit of the financial statements and review of financial statements included in Quarterly Reports on Form 10-Q. Fees charged by the auditor were approved by the Board with engagement letters signed by the Audit Committee Chairman.

The Audit Committee is responsible for the pre-approval of audit and permitted non-audit services to be performed by the Company's independent auditor. The Audit Committee will, on an annual basis, consider and, if appropriate, approve the provision of audit and non-audit services by the auditor. Thereafter, the Audit Committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services by the auditor which are not encompassed by the Audit Committee's annual pre-approval and are not prohibited by law. The Audit Committee has delegated to the Chair of the Audit Committee the authority to pre-approve, on a case-by-case basis, non-audit services to be performed by the auditor. The Audit Committee has approved all audit and permitted non-audit services performed by the auditor for the year ended December 31, 2023.

PART IV

ITEM 15. EXHIBITS

Exhibit

Number	Description
1.1	Open Market Sale Agreement[SM], dated as of December 13, 2019, by and between Avalon GloboCare Corp. and Jefferies LLC. (incorporated by reference to Exhibit 1.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 13, 2019)
2.1	Membership Interest Purchase Agreement, dated November 7, 2022, by and among the Registrant, Laboratory Services MSO, LLC, SCBC Holdings LLC, Avalon Laboratory Services, Inc., The Zoe Family Trust, Bryan Cox and Sarah Cox (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on November 8, 2022).
2.2	Amended and Restated Membership Interest Purchase Agreement, dated February 9, 2023 by and among the Registrant, Laboratory Services MSO, LLC, SCBC Holdings LLC, Avalon Laboratory Services, Inc., the Zoe Family Trust, Bryan Cox and Sarah Cox (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K filed on February 13, 2023).
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 26, 2018)
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation, as amended, of Avalon GloboCare Corp. (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on January 4, 2023).
3.3	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 26, 2018)
3.4	Certificate of Designation of Preferences, Rights and Limitations of the Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed on November 8, 2022)
3.5	Certificate of Designation of Preferences, Rights and Limitations of the Series B Convertible Preferred Stock (incorporated by reference to Exhibit 3.2 of the Registrant's Current Report on Form 8-K filed on February 13, 2023)
4.1	Form of Subscription Agreement by and between Avalon GloboCare Corp. and the December 2016 Accredited Investors (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 21, 2016)
4.2 †	Stock Option issued to Luisa Ingargiola dated February 21, 2017 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2017)
4.3	Form of Subscription Agreement by and between Avalon GloboCare Corp. and the March 2017 Accredited Investor (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2017)
4.4	Share Subscription Agreement between Avalon GloboCare Corp., Avalon (Shanghai) Healthcare Technology Co., Ltd., Beijing DOING Biomedical Technology Co., Ltd. and Daron Liang (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2017)

4.5	Warranty Agreement by and between Lu Wenzhao and Beijing DOING Biomedical Technology Co., Ltd., dated February 27, 2017 (incorporated by reference to Exhibit 4.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 7, 2017)
4.6	Form of Subscription Agreement between Avalon GloboCare Corp. and the October 2017 Accredited Investors (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
4.7	Form of Warrant to Boustead Securities, LLC in connection with the private placements (incorporated by reference to Exhibit 4.8 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 27, 2018)
4.8	Form of Warrant (April 2019) (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 26, 2019)
4.9*	Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934
4.10	Form of Subscription Agreement by and between Avalon GloboCare Corp. and Wenzhao "Daniel" Lu dated August 5, 2022 (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2022).
4.11	Form of Subscription Agreement by and between Avalon GloboCare Corp. and Emma Li Xu Qingbo dated August 5, 2022 (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 8, 2022).
10.1	Share Exchange Agreement dated as of October 19, 2016 by and among Avalon Healthcare System, Inc., the shareholders of Avalon Healthcare System, Inc. and Avalon GloboCare Corp. (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 19, 2016)
10.2 †	Executive Employment Agreement, effective December 1, 2016, by and between Avalon GloboCare Corp. and David Jin (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 2, 2016)
10.3	Agreement of Sale by and between Freehold Craig Road Partnership and Avalon GloboCare Corp., dated December 22, 2016 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 23, 2016)
10.4 †	Executive Employment Agreement by and between Avalon (Shanghai) Healthcare Technology Ltd. and Meng Li, dated January 11, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 11, 2017)
10.5 †	Executive Retention Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola, dated February 21, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2017)
10.6 †	Indemnification Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola, dated February 21, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 21, 2017)

10.7 †	Director Agreement by and between Avalon GloboCare Corp. and Steven P. Sukel dated April 28, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2017)
10.8 †	Director Agreement by and between Avalon GloboCare Corp. and Yancen Lu dated April 28, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 28, 2017)
10.9	Consultation Service Contract between Daopei Investment Management (Shanghai) Co., Ltd. and Avalon HealthCare System Inc. dated April 1, 2016 (English translation) (incorporated by reference to Exhibit 10.8 of Amendment No. 1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 7, 2017)
10.10	Consultation Service Contract between Hebei Yanda Ludaopei Hospital Co., Ltd and Avalon HealthCare System Inc. dated April 1, 2016 (English translation) (incorporated by reference to Exhibit 10.9 of Amendment No. 1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 7, 2017)
10.11	Consultation Service Contract between Nanshan Memorial Stem Cell Biotechnology Co., Ltd. and Avalon HealthCare System Inc. dated April 1, 2016 (English translation) (incorporated by reference to Exhibit 10.10 of Amendment No. 1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on July 7, 2017)
10.12	Loan Agreement between Lotus Capital Overseas Limited and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated April 19, 2017 (English translation) (incorporated by reference to Exhibit 10.12 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 14, 2017)
10.13	Securities Purchase Agreement between Avalon GloboCare Corp. and Genexosome Technologies Inc. dated October 25, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.14	Asset Purchase Agreement between Genexosome Technologies Inc. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.15	Stock Purchase Agreement between Genexosome Technologies Inc., Beijing Jieteng (Genexosome) Biotech Co. Ltd. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.16 †	Executive Retention Agreement between Genexosome Technologies Inc. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.4 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.17	Invention Assignment, Confidentiality, Non-Compete and Non-Solicit Agreement between Genexosome Technologies Inc. and Yu Zhou dated October 25, 2017 (incorporated by reference to Exhibit 10.5 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 26, 2017)
10.18 †	Director Agreement by and between Avalon GloboCare Corp. and Wilbert J. Tauzin II dated November 1, 2017 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2017)
10.19	Agreement between Avalon GloboCare Corp. and Tauzin Consultants, LLC dated November 1, 2017 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on November 7, 2017)

10.20 †	Letter Agreement by and between Avalon GloboCare Corp. and David Jin dated April 3, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018)
10.21 †	Letter Agreement by and between Avalon GloboCare Corp. and Meng Li dated April 3, 2018 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 4, 2018)
10.22	Advisory Service Contract between Ludaopei Hematology Research Institute Co., Ltd. and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated April 1, 2018 (English translation) (incorporated by reference to that Form S-1 Registration Statement filed with the Securities and Exchange Commission on April 19, 2018)
10.23	Form of Subscription Agreement by and between Avalon GloboCare Corp. and the April 2018 Accredited Investors (incorporated by reference to Exhibit 4.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 18, 2018)
10.24	Supplementary Agreement Related to Share Subscription by and between Avalon GloboCare Corp., Avalon (Shanghai) Healthcare Technology Co., Ltd., Beijing DOING Biomedical Technology Co., Ltd. and Daron Liang dated April 23, 2018 (English translation) (incorporated by reference to Exhibit 4.2 of the Current Report on Form 8-K/A filed with the Securities and Exchange Commission on April 26, 2018)
10.25	Loan Extension Agreement between Lotus Capital Overseas Limited and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated May 3, 2018 (English translation) (incorporated by reference to Exhibit 10.18 of the Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 11, 2018)
10.26 †	Director Agreement by and between Avalon GloboCare Corp. and Tevi Troy dated June 4, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 6, 2018)
10.27	Joint Venture Agreement by and between Avalon (Shanghai) Healthcare Technology Co., Ltd. and Jiangsu Unicorn Biological Technology Co., Ltd. dated May 29, 2018 (English translation) (incorporated by reference to Exhibit 99.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on June 6, 2018)
10.28 †	Director Agreement by and between Avalon GloboCare Corp. and William Stilley, III dated July 5, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 10, 2018)
10.29 †	Director Agreement by and between Avalon GloboCare Corp. and Steven A. Sanders dated July 30, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2018)
10.30	Loan Extension Agreement between Lotus Capital Overseas Limited and Avalon (Shanghai) Healthcare Technology Co., Ltd. dated August 3, 2018 (English translation) (incorporated by reference to Exhibit 10.30 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on August 7, 2018)
10.31	Strategic Partnership Agreement between Avalon GloboCare Corp. and Weill Cornell Medical College of Cornell University dated August 6, 2018 (incorporated by reference to Exhibit 10.31 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on August 7, 2018)

10.32	Equity Joint Venture Agreement by and between Avactis Biosciences, Inc., a wholly-owned subsidiary of Avalon GloboCare Corp., and Arbele Limited for the establishment of AVAR (China) BioTherapeutics Ltd. dated October 23, 2018 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 29, 2018)
10.33	Letter Agreement by and between Avalon GloboCare Corp. and David Jin dated January 3, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019)
10.34	Letter Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola dated January 3, 2019 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019)
10.35	Letter Agreement by and between Avalon (Shanghai) Healthcare Technology Co. Ltd. and Meng Li dated January 3, 2019 (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on January 4, 2019)
10.36	Promissory Note issued to Daniel Lu dated Mach 18, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on March 22, 2019)
10.37†	Director Agreement by and between Avalon GloboCare Corp. and Meng Li dated April 5, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 8, 2019)
10.38†	Director Agreement by and between Avalon GloboCare Corp. and Yue “Charles” Li dated April 5, 2019 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 8, 2019)
10.39	Form of Securities Purchase Agreement dated April 25, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on April 26, 2019)
10.40	Revolving Line of Credit Agreement dated as of August 29, 2019 between Avalon GloboCare Corp. and Wenzhao “Daniel” Lu dated August 29, 2019 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on September 3, 2019)
10.41	Form of Warrant Redemption and Cancellation Agreement (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on October 21, 2019)
10.42	Letter Agreement by and between Avalon GloboCare Corp. and David Jin dated February 20, 2020 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2020)
10.43	Letter Agreement by and between Avalon GloboCare Corp. and Meng Li dated February 20, 2020 (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2020)
10.44	Letter Agreement by and between Avalon GloboCare Corp. and Luisa Ingargiola dated February 20, 2020 (incorporated by reference to Exhibit 10.3 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on February 24, 2020)
10.45	Debt Settlement Agreement and Release between Avalon GloboCare Corp. and Wenzhao “Daniel” Lu (incorporated by reference to Exhibit 10.2 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on December 22, 2021)

10.46	Corporate Research Agreement between Avalon GloboCare Corp. and the University of Pittsburgh of the Commonwealth System of Higher Education dated July 8, 2021 (incorporated by reference to Exhibit 10.1 of the Current Report on Form 8-K filed with the Securities and Exchange Commission on July 14, 2021)
10.47	Form of Securities Purchase Agreement dated March 28, 2022 (incorporated by reference to Exhibit 10.47 of the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2022)
10.48	Form of Convertible Note - March 2022 (incorporated by reference to Exhibit 10.48 of the Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 30, 2022)
10.49	Loan Extension and Modification Agreement between Avalon GloboCare Corp. and Wenzhao Lu dated March 28, 2022 (incorporated by reference to Exhibit 10.49 of the Form 10-K filed with the Securities and Exchange Commission on March 30, 2022)
10.50*	Consulting Agreement, dated February 9, 2023, by and between Laboratory Services MSO, LLC and Sarah Cox
10.51	Form of Warrant - March 2022 (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the Securities and Exchange Commission on April 29, 2022)
10.52	Amendment No. 1 to the Equity Joint Venture Agreement entered between Avalon GloboCare Corp., Avactis Biosciences Inc., Arbele Limited and Arbele Biotherapeutics Limited dated April 6, 2022 (incorporated by reference to Exhibit 10.53 of the Form 10-Q filed with the Securities and Exchange Commission on May 11, 2022)
10.53	Letter Agreement between Avalon GloboCare Corp. and Fsunshine Trading PTE. Ltd. dated June 8, 2022 (incorporated by reference to Exhibit 10.4 of the Form 8-K filed with the Securities and Exchange Commission on June 8, 2022)
10.54	Debt Settlement Agreement and Release between Avalon GloboCare Corp. and Wenzhao “Daniel” Lu dated July 25, 2022 (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the Securities and Exchange Commission on July 27, 2022)
10.55	Conversion Agreement between Avalon GloboCare Corp. and Fsunshine Trading PTE. Ltd. Dated July 25, 2022 (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the Securities and Exchange Commission on July 27, 2022)
10.56	Form of Balloon Promissory Note issued to S&P Principal LLC (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the Securities and Exchange Commission on September 8, 2022)
10.57	Form of Mortgage and Security Agreement (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the Securities and Exchange Commission on September 8, 2022)
10.58	Form of Guaranty (incorporated by reference to Exhibit 10.3 of the Form 8-K filed with the Securities and Exchange Commission on September 8, 2022)
10.59	Form of Securities Purchase Agreement for the purchase of Series A Convertible Preferred Stock (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the Securities and Exchange Commission on November 8, 2022)
10.60	Director Agreement by and Between Avalon GloboCare Corp. and Lourdes Felix dated January 9, 2023 (incorporated by reference to Exhibit 10.1 of the Registrants Current Report on Form 8-K filed with the SEC on January 11, 2023)

10.61	Second Amended and Restated Limited Company Agreement, dated February 9, 2023, by and among Laboratory Services MSO, LLC, SCBC Holdings LLC, the Zoe Family Trust, Bryan Cox, Sarah Cox and the members named therein (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed on February 13, 2023)
10.62	Securities Purchase Agreement, dated May 23, 2023, between Avalon GloboCare Corp. and Mast Hill Fund, L.P (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.63	Security Agreement, dated May 23, 2023, by and among Avalon GloboCare Corp., Avalon Healthcare System Inc., Avalon Laboratory Services, Inc., Avalon RT 9 Properties, LLC, Avactis Biosciences, Inc., Laboratory Services MSO, LLC, Genexosome Technologies Inc., International Exosome Association LLC and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.64	Senior Secured Promissory Note, dated May 23, 2023, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.65	First Warrant, dated May 23, 2023, by and between Avalon GloboCare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.66	Second Warrant, dated May 23, 2023, by and between Avalon GloboCare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.67	Form of Balloon Mortgage Note (incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.68	Form of Second Mortgage and Security Agreement (incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.69	Form of Guaranty (incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.70	Form of Hazardous Material Guaranty and Indemnification Agreement (incorporated by reference to Exhibit 10.9 of the Registrant's Current Report on Form 8-K filed with the SEC on May 26, 2023)
10.71	Sales Agreement, dated June 16, 2023, by and between Avalon GloboCare Corp. and Roth Capital Partners, LLC. (incorporated by reference to Exhibit 1.1 of the Registrant's Current Report on Form 8-K filed with the SEC on June 16, 2023)
10.72	Securities Purchase Agreement, dated July 6, 2023, by and between Avalon Globocare Corp. and Firstfire Global Opportunities, LLC. (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2023)
10.73	Security Agreement, dated July 6, 2023, by and among Avalon GloboCare Corp., Avalon Healthcare System Inc., Avalon Laboratory Services, Inc., Avalon RT 9 Properties, LLC, Avactis Biosciences, Inc., Laboratory Services MSO, LLC, Genexosome Technologies Inc., International Exosome Association LLC and Firstfire Global Opportunities, LLC. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2023)

10.74	Senior Secured Promissory Note, dated July 6, 2023, by and between Avalon GloboCare Corp. and Firstfire Global Opportunities, LLC. (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2023)
10.75	First Warrant dated July 6, 2023, by and between Avalon GloboCare Corp. and Firstfire Global Opportunities, LLC. (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2023)
10.76	Second Warrant, dated July 6, 2023, by and between Avalon Globocare Corp. and Firstfire Global Opportunities, LLC. (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed with the SEC on July 10, 2023)
10.77	Securities Purchase Agreement, dated October 9, 2023, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.78	Security Agreement, dated October 9, 2023, among Avalon Globocare Corp., Avalon Healthcare System Inc., Avalon Laboratory Services, Inc., Avalon RT 9 Properties, LLC, Avactis Biosciences, Inc., Laboratory Services MSO, LLC, Genexosome Technologies Inc., International Exosome Association LLC and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.79	Senior Secured Promissory Note, dated October 9, 2023, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.3 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.80	First Warrant, dated October 9, 2023, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.4 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.81	Second Warrant, dated October 9, 2023, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.5 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.82	Securities Purchase Agreement, dated October 9, 2023, between Avalon Globocare Corp. and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.6 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.83	Security Agreement, dated October 9, 2023, among Avalon Globocare Corp., Avalon Healthcare System Inc., Avalon Laboratory Services, Inc., Avalon RT 9 Properties, LLC, Avactis Biosciences, Inc., Laboratory Services MSO, LLC, Genexosome Technologies Inc., International Exosome Association LLC and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.7 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.84	Senior Secured Promissory Note, dated October 9, 2023, between Avalon Globocare Corp. and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.8 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.85	First Warrant, dated October 9, 2023, between Avalon Globocare Corp. and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.9 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.86	Second Warrant, dated October 9, 2023, between Avalon Globocare Corp. and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.10 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)

10.87	Mortgage and Security Agreement, dated October 9, 2023, between Avalon Globocare Corp., Mast Hill Fund, L.P and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.11 of the Registrant's Current Report on Form 8-K filed with the SEC on October 13, 2023)
10.88	Membership Interest Purchase Agreement, dated November 17, 2023, between Avalon Globocare Corp. and Wenzhao Lu (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on November 22, 2023)
10.89	Mortgage and Security Agreement, dated March 27, 2024, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the SEC on March 27, 2024)
10.90	Mortgage and Security Agreement, dated March 27, 2024, between Avalon Globocare Corp. and Firstfire Global Opportunities Fund, LLC (incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on March 27, 2024)
21.1	List of Subsidiaries (incorporated by reference to Exhibit 21.1 of the Registration Statement on Form S-1/A filed with the Securities and Exchange Commission on July 20, 2018)
23.1*	Consent of Independent Registered Accounting Firm
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1*	Avalon GloboCare Corp. Compensation Recovery Policy.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

** This certification will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent specifically incorporated by reference into such filing.

† Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

AVALON GLOBOCARE CORP.

Dated: April 15, 2024

By: /s/ David K. Jin
Name: David K. Jin
Title: Chief Executive Officer, President and Director

(Principal Executive Officer)

Dated: April 15, 2024

By: /s/ Luisa Ingargiola
Name: Luisa Ingargiola
Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on April 15, 2024, on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ David K. Jin David K. Jin	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Luisa Ingargiola Luisa Ingargiola	Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Wenzhao Lu Wenzhao Lu	Chairman of the Board of Directors
/s/ Meng Li Meng Li	Chief Operating Officer and Secretary
/s/ Steven A. Sanders Steven A. Sanders	Director
/s/ Lourdes Felix Lourdes Felix	Director
/s/ Wilbert J. Tauzin II Wilbert J. Tauzin II	Director
/s/ William B. Stilley III William B. Stilley III	Director
/s/ Tevi Troy Tevi Troy	Director

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2023 and 2022

CONTENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Avalon GloboCare Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Avalon GloboCare Corp. (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive loss, changes in equity and cash flows for each of the two years in the period ended December 31, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Critical Audit Matter

The critical audit matter communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

Critical Audit Matter Description

On February 9, 2023 (the “Acquisition Date”), the Company acquired 40% of the issued and outstanding equity interests of Laboratory Services MSO, LLC (the “Labs”) for a total consideration of approximately $21 million. The investment was recorded on the Acquisition Date at cost with the investment being accounted for under the equity method as the Company has significant influence over the Labs. As disclosed in Note 7 of the accompanying financial statements, the Company identified equity method goodwill and intangible assets, which included tradename and customer relationships, of approximately $9.5 million and $10 million, respectively, on the Acquisition Date.

As of December 31, 2023 (the “Reporting Date”), the Company concluded that approximately $9.2 million of the equity method goodwill was impaired.

We identified the initial allocation of purchase consideration and the subsequent impairment assessment on such goodwill as a critical audit matter because of the significant estimates and assumptions made by management, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to the selection of the valuation techniques and assumptions utilized, growth rates, and the future operating margins.

Under the income approach, the Company utilizes the discounted cash flow method to estimate the fair value of the Labs. Some of the significant assumptions inherent in estimating the fair values include the estimated future annual net cash flows for the Labs (including net sales, operating income margin, and working capital) and a discount rate that appropriately reflects the risks inherent in each future cash flow stream. The Company selects assumptions used in the financial forecasts using historical data, supplemented by current and anticipated market conditions, estimated growth rates, management's plans, and guideline companies.

Under the market approach, fair value is derived from metrics of publicly traded companies or historically completed transactions of comparable businesses. The selection of comparable businesses is based on the markets in which the reporting units operate giving consideration to risk profiles, size, geography, and diversity of products and services.

The estimates of fair value of the reporting units as of the Acquisition Date and Reporting Date are computed using a combination of both the income approach and market approach noted above.

How the Critical Audit Matter was Addressed in the Audit

Our audit procedures included the following: (1) We assessed the reasonableness of the forecasted revenue growth rates and operating margins over the cash flow forecast period by comparing them to the Labs' actual revenues and operating margins during the recent historical periods; (2) We evaluated the reasonableness of the (a) valuation methodologies; (b) revenue growth rate by comparing it to industry rates; (c) customer attrition rates by testing the mathematical accuracy of the rates used and comparing them to industry rates; and (d) discount rates, which included testing the source information underlying the determination of the discount rates, testing the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rates selected by management; (3) We evaluated the guideline companies used and operated in a similar industry as the subject reporting unit; (4) We sensitized the projections and compared them to the valuation reports for reasonableness; (5) We evaluated the disclosures in the Company's financial statements for proper reporting.

For the Company's impairment assessment as of the Reporting Date, in additions to the aforementioned audit procedures, we assessed the reasonableness of the Company's use of the appropriate modified capital asset pricing model and a weighted average cost of capital.

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2019.

New York, NY

April 15, 2024

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31, 2023	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash	$ 285,400	$ 1,990,910
Rent receivable	197,473	134,626
Prepaid expense and other current assets	367,994	247,990
Total Current Assets	850,867	2,373,526
NON-CURRENT ASSETS:		
Operating lease right-of-use assets, net	128,250	10,885
Property and equipment, net	38,083	138,294
Investment in real estate, net	7,191,404	7,360,087
Equity method investments, net	12,095,020	485,008
Advances for equity interest purchase	-	8,999,722
Other non-current assets	278,912	384,383
Total Non-current Assets	19,731,669	17,378,379
Total Assets	$ 20,582,536	$ 19,751,905
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accrued professional fees	$ 1,804,100	$ 1,673,411
Accrued research and development fees	208,772	838,001
Accrued payroll liability and compensation	588,722	223,722
Accrued litigation settlement	450,000	450,000
Accrued liabilities and other payables	272,915	283,234
Accrued liabilities and other payables - related parties	206,458	100,000
Operating lease obligation	129,396	11,437
Advance from sale of noncontrolling interest - related party	485,714	-
Equity method investment payable	666,667	-
Derivative liability	24,796	-
Convertible note payable, net	1,925,146	-
Total Current Liabilities	6,762,686	3,579,805
NON-CURRENT LIABILITIES:		
Operating lease obligation - noncurrent portion	4,855	-
Accrued litigation settlement - noncurrent portion	-	450,000
Note payable, net	5,596,219	4,563,152
Loan payable - related party	850,000	-
Total Non-current Liabilities	6,451,074	5,013,152
Total Liabilities	13,213,760	8,592,957
Commitments and Contingencies (Note 20)		
EQUITY:		
Preferred stock, $0.0001 par value; 10,000,000 shares authorized;		
Series A Convertible Preferred Stock, 9,000 shares issued and outstanding at December 31, 2023 and 2022 Liquidation preference $9 million at December 31, 2023	9,000,000	9,000,000
Series B Convertible Preferred Stock, 11,000 and 0 shares issued and outstanding at December 31, 2023 and 2022, respectively Liquidation preference $11 million at December 31, 2023	11,000,000	-
Common stock, $0.0001 par value; 490,000,000 shares authorized; 11,051,534 shares issued and 10,999,534 shares outstanding at December 31, 2023; 10,013,576 shares issued and 9,961,576 shares outstanding at December 31, 2022	1,105	1,005
Additional paid-in capital	67,885,051	65,949,723
Less: common stock held in treasury, at cost; 52,000 shares at December 31, 2023 and 2022	(522,500)	(522,500)
Accumulated deficit	(79,769,731)	(63,062,721)
Statutory reserve	6,578	6,578
Accumulated other comprehensive loss	(231,727)	(213,137)
Total Avalon GloboCare Corp. stockholders' equity	7,368,776	11,158,948
Noncontrolling interest	-	-
Total Equity	7,368,776	11,158,948

Total Liabilities and Equity	$ 20,582,536	$ 19,751,905

See accompanying notes to the consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

	For the Years Ended December 31,	
	2023	2022
RENTAL REVENUE	$ 1,255,681	$ 1,202,169
OPERATING EXPENSES	1,017,493	929,441
OPERATING INCOME	238,188	272,728
LOSS FROM EQUITY METHOD INVESTMENT - LAB SERVICES MSO	(8,571,647)	-
OTHER OPERATING EXPENSES:		
Advertising and marketing expenses	1,666,721	1,325,313
Professional fees	3,076,477	2,909,652
Compensation and related benefits	1,768,449	1,863,188
Research and development expenses	109,618	731,328
Litigation settlement	-	1,350,000
Other general and administrative expenses	798,959	886,142
Total Other Operating Expenses	7,420,224	9,065,623
LOSS FROM OPERATIONS	(15,753,683)	(8,792,895)
OTHER (EXPENSE) INCOME		
Interest expense - amortization of debt discount and debt issuance cost	(544,010)	(3,310,684)
Interest expense - other	(773,780)	(185,751)
Interest expense - related party	(33,712)	(79,898)
Conversion inducement expense	-	(344,264)
Loss from equity method investment - Epicon	(18,175)	(41,863)
Change in fair value of derivative liability	188,374	600,749
Impairment of equity method investment - Epicon	(454,679)	-
Gain on debts extinguishment	682,979	-
Other (expense) income	(324)	223,759
Total Other Expense, net	(953,327)	(3,137,952)
LOSS BEFORE INCOME TAXES	(16,707,010)	(11,930,847)
INCOME TAXES	-	-
NET LOSS	$ (16,707,010)	$ (11,930,847)
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-
NET LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS	$ (16,707,010)	$ (11,930,847)
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS:		
Basic and diluted	$ (1.59)	$ (1.28)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic and diluted	10,528,975	9,328,609
COMPREHENSIVE LOSS:		
NET LOSS	$ (16,707,010)	$ (11,930,847)
OTHER COMPREHENSIVE LOSS		
Unrealized foreign currency translation loss	(18,590)	(47,871)
COMPREHENSIVE LOSS	(16,725,600)	(11,978,718)
LESS: COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-
COMPREHENSIVE LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS	$ (16,725,600)	$ (11,978,718)

See accompanying notes to the consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022

	Avalon GloboCare Corp. Stockholders' Equity													
	Series A Preferred Stock		Series B Preferred Stock		Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Deficit	Statutory Reserve	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount		Number of Shares	Amount					
Balance, January 1, 2022	-	$ -	-	$ -	8,897,518	$ 890	$54,896,567	(52,000)	$ (522,500)	$ (51,131,874)	$ 6,578	$ (165,266)	$ -	$ 3,084,395
Sale of common stock, net	-	-	-	-	49,115	5	362,323	-	-	-	-	-	-	362,328
Warrants issued with convertible debt offering	-	-	-	-	-	-	498,509	-	-	-	-	-	-	498,509
Conversion of convertible note payable and accrued interest into common stock	-	-	-	-	573,645	57	4,072,901	-	-	-	-	-	-	4,072,958
Reclassification of derivative liability to equity	-	-	-	-	-	-	2,181,820	-	-	-	-	-	-	2,181,820
Issuance of common stock for settlement of loan payable and accrued interest - related party	-	-	-	-	444,399	44	2,888,549	-	-	-	-	-	-	2,888,593
Sale of common stock - related party	-	-	-	-	44,872	5	349,995	-	-	-	-	-	-	350,000
Sale of Series A Convertible Preferred Stock	9,000	9,000,000	-	-	-	-	-	-	-	-	-	-	-	9,000,000
Issuance of common stock for services	-	-	-	-	40,896	4	340,946	-	-	-	-	-	-	340,950
Stock-based compensation	-	-	-	-	-	-	358,113	-	-	-	-	-	-	358,113
Shares issued for adjustments for 1:10 reverse split	-	-	-	-	(36,869)	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(47,871)	-	(47,871)
Net loss for the year	-	-	-	-	-	-	-	-	-	(11,930,847)	-	-	-	(11,930,847)
Balance, December 31, 2022	9,000	9,000,000	-	-	10,013,576	1,005	65,949,723	(52,000)	(522,500)	(63,062,721)	6,578	(213,137)	-	11,158,948
To correct shares issued for adjustments for 1:10 reverse split	-	-	-	-	50,000	1	(1)	-	-	-	-	-	-	-
Issuance of Series B Convertible Preferred Stock for equity method investment	-	-	11,000	11,000,000	-	-	-	-	-	-	-	-	-	11,000,000
Issuance of common stock as convertible note payable commitment fee	-	-	-	-	170,000	17	236,383	-	-	-	-	-	-	236,400
Sale of common stock, net	-	-	-	-	456,627	46	414,350	-	-	-	-	-	-	414,396
Issuance of common stock for services	-	-	-	-	361,331	36	999,619	-	-	-	-	-	-	999,655
Stock-based compensation	-	-	-	-	-	-	284,977	-	-	-	-	-	-	284,977
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	(18,590)	-	(18,590)
Net loss for the year	-	-	-	-	-	-	-	-	-	(16,707,010)	-	-	-	(16,707,010)
Balance, December 31, 2023	9,000	$9,000,000	11,000	$11,000,000	11,051,534	$ 1,105	$67,885,051	(52,000)	$ (522,500)	$ (79,769,731)	$ 6,578	$ (231,727)	$ -	$ 7,368,776

See accompanying notes to the consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (16,707,010)	$ (11,930,847)
Adjustments to reconcile net loss to net cash used in operating activities:		
Credit loss provision	-	2,295
Depreciation	211,720	330,723
Change in straight-line rent receivable	10,496	(6,821)
Amortization of operating lease right-of-use asset	118,226	135,557
Stock-based compensation and service expense	1,179,761	1,106,634
Loss from equity method investments	8,589,822	41,863
Impairment of equipment held for sale	-	22,285
Impairment of equity method investment - Epicon	454,679	-
Amortization of debt issuance costs and debt discount	544,010	3,310,684
Conversion inducement expense	-	344,264
Change in fair market value of derivative liability	(188,374)	(600,749)
Gain on debts extinguishment	(682,979)	-
Changes in operating assets and liabilities:		
Rent receivable	(46,220)	(43,765)
Security deposit	396	(416)
Deferred leasing costs	33,402	27,298
Prepaid expense and other assets	411	(45,996)
Accrued liabilities and other payables	(16,601)	331,425
Accrued liabilities and other payables - related parties	106,458	79,898
Operating lease obligation	(112,915)	(141,556)
NET CASH USED IN OPERATING ACTIVITIES	(6,504,718)	(7,037,224)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(22,159)	(1,749)
Additional investment in equity method investment	-	(51,999)
Payments for equity interest purchase	-	(8,999,722)
NET CASH USED IN INVESTING ACTIVITIES	(22,159)	(9,053,470)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of note payable - related party	-	(390,000)
Proceeds from loan payable - related party	850,000	100,000
Repayments of loan payable - related party	-	(410,000)
Proceeds from issuance of convertible debt and warrants	2,565,000	3,718,943
Payments of convertible debt issuance costs	(327,200)	-
Repayments of convertible debt	(300,000)	-
Proceeds from issuance of balloon promissory note	1,000,000	4,800,000
Payments of balloon promissory note issuance costs	(64,436)	(266,454)
Proceeds from equity offering	635,391	735,567
Disbursements for equity offering costs	(19,132)	(24,067)
Advance from sale of noncontrolling interest in subsidiary	485,714	-
Proceeds from issuance of convertible preferred stock	-	9,000,000
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,825,337	17,263,989
EFFECT OF EXCHANGE RATE ON CASH	(3,970)	10,077
NET (DECREASE) INCREASE IN CASH	(1,705,510)	1,183,372
CASH - beginning of year	1,990,910	807,538
CASH - end of year	$ 285,400	$ 1,990,910
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for:		
Interest	$ 718,753	$ 176,000
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Common stock issued for accrued liabilities	$ 164,871	$ 30,000
Reclassification of advances for equity interest purchase to equity method investment	$ 9,000,000	$ -
Series B Convertible Preferred Stock issued related to equity method investment	$ 11,000,000	$ -

Accrued purchase price related to equity method investment	$ 666,667	$ -
Warrants issued as convertible note payable finder's fee	$ 16,977	$ -
Warrants issued with convertible note payable recorded as debt discount	$ 196,193	$ 498,509
Bifurcated embedded conversion feature recorded as derivative liability and debt discount	$ -	$ 2,782,569
Common stock issued as convertible note payable commitment fee	$ 236,400	$ -
Deferred financing costs in accrued liabilities	$ 202,892	$ -
Conversion of convertible note payable and accrued interest into common stock	$ -	$ 4,072,958
Reclassification of derivative liability to equity	$ -	$ 2,181,820
Related party loan and accrued interest settled in shares	$ -	$ 2,888,593

See accompanying notes to the consolidated financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS

Avalon GloboCare Corp. (the "Company" or "ALBT") is a Delaware corporation. The Company was incorporated under the laws of the State of Delaware on July 28, 2014. On October 19, 2016, the Company entered into and closed a Share Exchange Agreement with the shareholders of Avalon Healthcare System, Inc., a Delaware corporation ("AHS"), each of which were accredited investors ("AHS Shareholders"), pursuant to which the Company acquired 100% of the outstanding securities of AHS in exchange for 5,000,000 shares of the Company's common stock (the "AHS Acquisition"). AHS was incorporated on May 18, 2015 under the laws of the State of Delaware.

For accounting purposes, AHS was the surviving entity. The transaction was accounted for as a recapitalization of AHS, pursuant to which AHS was treated as the accounting acquirer, surviving and continuing entity although the Company was the legal acquirer. The Company did not recognize goodwill or any intangible assets in connection with this transaction. Accordingly, the Company's historical financial statements are those of AHS and its wholly owned subsidiary, Avalon (Shanghai) Healthcare Technology Co., Ltd. ("Avalon Shanghai") immediately following the consummation of this reverse merger transaction. AHS owns 100% of the capital stock of Avalon Shanghai, which is a wholly foreign-owned enterprise organized under the laws of the People's Republic of China ("PRC"). Avalon Shanghai was incorporated on April 29, 2016 and was engaged in medical related consulting services for customers. Due to the winding down of the medical related consulting services in 2022, the Company decided to cease all operations of Avalon Shanghai and no longer has any material revenues or expenses in Avalon Shanghai. As a result, Avalon Shanghai is no longer an operating entity.

The Company is a commercial stage company dedicated to developing and delivering innovative, transformative, precision diagnostics and clinical laboratory services. The Company is establishing a leading role in the innovation of diagnostic testing, utilizing proprietary technology to deliver precise, genetics-driven results. The Company also provides laboratory services, offering a broad portfolio of diagnostic tests, including drug testing, toxicology, and a broad array of test services, from general bloodwork to anatomic pathology, and urine toxicology.

On February 7, 2017, the Company formed Avalon RT 9 Properties, LLC ("Avalon RT 9"), a New Jersey limited liability company. On May 5, 2017, Avalon RT 9 purchased a real property located in Township of Freehold, County of Monmouth, State of New Jersey, having a street address of 4400 Route 9 South, Freehold, NJ 07728. This property was purchased to serve as the Company's world-wide headquarters for all corporate administration and operations. In addition, the property generates rental income. Avalon RT 9 owns this office building. Avalon RT 9's business consists of the ownership and operation of the income-producing real estate property in New Jersey. As of December 31, 2023, the occupancy rate of the building is 89.4%.

On July 18, 2018, the Company formed a wholly owned subsidiary, Avactis Biosciences Inc. ("Avactis"), a Nevada corporation, which is a patent holding company. Commencing on April 6, 2022, the Company owns 60% of Avactis and Arbele Biotherapeutics Limited ("Arbele Biotherapeutics") owns 40% of Avactis. Avactis owns 100% of the capital stock of Avactis Nanjing Biosciences Ltd., a company incorporated in the PRC on May 8, 2020 ("Avactis Nanjing"), which only owns a patent and is not considered an operating entity.

On October 14, 2022, the Company formed a wholly owned subsidiary, Avalon Laboratory Services, Inc. ("Avalon Lab"), a Delaware company. On February 9, 2023, Avalon Lab purchased forty percent (40%) of the issued and outstanding equity interests of Laboratory Services MSO, LLC, a private limited company formed under the laws of the State of Delaware on September 6, 2019 ("Lab Services MSO"), and its subsidiaries. Lab Services MSO, through its subsidiaries, is engaged in providing laboratory testing services.

NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS (continued)

Details of the Company's subsidiaries which are included in these consolidated financial statements as of December 31, 2023 are as follows:

Name of Subsidiary	Place and date of Incorporation	Percentage of Ownership	Principal Activities
Avalon Healthcare System, Inc. ("AHS")	Delaware May 18, 2015	100% held by ALBT	Holding company for payroll and other expenses
Avalon RT 9 Properties LLC ("Avalon RT 9")	New Jersey February 7, 2017	100% held by ALBT	Owns and operates an income-producing real property and holds and manages the corporate headquarters
Avalon (Shanghai) Healthcare Technology Co., Ltd. ("Avalon Shanghai")	PRC April 29, 2016	100% held by AHS	Is not considered an operating entity
Genexosome Technologies Inc. ("Genexosome")	Nevada July 31, 2017	60% held by ALBT	No current activities to report, dormant
Avactis Biosciences Inc. ("Avactis")	Nevada July 18, 2018	60% held by ALBT	Patent holding company
Avactis Nanjing Biosciences Ltd. ("Avactis Nanjing")	PRC May 8, 2020	100% held by Avactis	Owns a patent and is not considered an operating entity
Avalon Laboratory Services, Inc. ("Avalon Lab")	Delaware October 14, 2022	100% held by ALBT	Laboratory holding company with a 40% membership interest in Lab Services MSO

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN CONDITION

Basis of Presentation

The accompanying consolidated financial statements and related notes have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the rules and regulations of the U.S. Securities and Exchange Commission for financial information.

The Company's consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN CONDITION (continued)

Going Concern

The Company is a commercial stage company dedicated to developing and delivering innovative, transformative, precision diagnostics and clinical laboratory services. The Company is establishing a leading role in the innovation of diagnostic testing, utilizing proprietary technology to deliver precise, genetics-driven results. The Company also provides laboratory services through its 40% equity investment in Lab Services MSO, offering a broad portfolio of diagnostic tests, including drug testing, toxicology, and a broad array of test services, from general bloodwork to anatomic pathology, and urine toxicology. In addition, the Company owns commercial real estate that houses its headquarters in Freehold, New Jersey. These consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and the satisfaction of liabilities in the normal course of business.

As reflected in the accompanying consolidated financial statements, the Company had a working capital deficit of approximately $5,912,000 at December 31, 2023 and had incurred recurring net losses and generated negative cash flow from operating activities of approximately $16,707,000 and $6,505,000 for the year ended December 31, 2023, respectively.

The Company has a limited operating history and its continued growth is dependent upon the continuation of generating rental revenue from its income-producing real estate property in New Jersey and income from equity method investment through its forty percent (40%) interest in Lab Services MSO and obtaining additional financing to fund future obligations and pay liabilities arising from normal business operations. In addition, the current cash balance cannot be projected to cover the operating expenses for the next twelve months from the release date of this report. These matters raise substantial doubt about the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital, implement its business plan, and generate significant revenues. There are no assurances that the Company will be successful in its efforts to generate significant revenues, maintain sufficient cash balance or report profitable operations or to continue as a going concern. The Company plans on raising capital through the sale of equity to implement its business plan. However, there is no assurance these plans will be realized and that any additional financings will be available to the Company on satisfactory terms and conditions, if any.

The accompanying consolidated financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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. Changes in these estimates and assumptions may have a material impact on the consolidated financial statements and accompanying notes. Making estimates requires management to exercise significant judgment. It is at least reasonably possible that the estimate of the effect of a condition, situation or set of circumstances that existed at the date of the financial statements, which management considered in formulating its estimate, could change in the near term due to one or more future confirming events. Accordingly, the actual results could differ significantly from those estimates.

Significant estimates during the years ended December 31, 2023 and 2022 include the useful life of property and equipment, investment in real estate, and intangible assets, the assumptions used in assessing impairment of long-term assets, the valuation of deferred tax assets and the associated valuation allowances, the valuation of stock-based compensation, the assumptions used to determine fair value of warrants and embedded conversion features of convertible note payable, and the fair value of the consideration given and assets acquired in the purchase of 40% of Lab Services MSO.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments and Fair Value Measurements

The Company adopted the guidance of Accounting Standards Codification ("ASC") 820 for fair value measurements which clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

- Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.
- Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The fair value of the Company's assets and liabilities, which qualify as financial instruments under ASC Topic 820, "Fair Value Measurement," approximates the carrying amounts represented in the accompanying consolidated financial statements, primarily due to their short-term nature.

Assets and liabilities measured at fair value on a recurring basis. Certain assets and liabilities are measured at fair value on a recurring basis. These assets and liabilities are measured at fair value on an ongoing basis. These assets and liabilities include derivative liability.

Derivative liability. Derivative liability is carried at fair value and measured on an ongoing basis. The table below reflects the activity of derivative liability measured at fair value for the years ended December 31, 2023 and 2022:

	Significant Unobservable Inputs (Level 3)
Balance of derivative liability as of January 1, 2022	$ -
Initial fair value of derivative liability attributable to embedded conversion feature of convertible note payable	2,782,569
Gain from change in the fair value of derivative liability	(600,749)
Reclassification of derivative liability to equity	(2,181,820)
Balance of derivative liability as of December 31, 2022	-
Initial fair value of derivative liability attributable to warrants issuance with fund raise	213,170
Gain from change in the fair value of derivative liability	(188,374)
Balance of derivative liability as of December 31, 2023	$ 24,796

Assets and liabilities measured at fair value on a nonrecurring basis. Certain assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis, but are subject to fair value adjustments in certain circumstances. These assets and liabilities can include equipment held for sale and equity method investment that are written down to fair value when they are impaired.

Equipment held for sale. The Company conducted an impairment assessment on the equipment held for sale based on the guidelines established in Financial Accounting Standards Board ("FASB") ASC Topic 360 to determine the estimated fair market value of the equipment as of December 31, 2022. Upon completion of its 2022 impairment analysis, the Company determined that the carrying value exceeded the fair market value on equipment which was held for sale. The fair market value of equipment held for sale is a level 3 valuation. The Company recorded an impairment charge of $22,285 for the years ended December 31, 2022.

Equity method investment in Epicon Biotech Co., Ltd. The factors used to determine fair value are subject to management's judgment and expertise and include, but are not limited to, the investee's series of operating losses and the joint venture partner unable to obtain funds to commence operations. These assumptions represent Level 3 inputs. Impairment of equity method investment in Epicon Biotech Co., Ltd. for the year ended December 31, 2023 was $454,679.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments and Fair Value Measurements (continued)

Equity method investment in Laboratory Services MSO, LLC The factors used to determine fair value are subject to management's judgment and expertise. These assumptions represent Level 3 inputs. Impairment of equity method investment in Laboratory Services MSO, LLC for the year ended December 31, 2023 was $9,196,682.

ASC 825-10 "Financial Instruments", allows entities to voluntarily choose to measure certain financial assets and liabilities at fair value (fair value option). The fair value option may be elected on an instrument-by-instrument basis and is irrevocable, unless a new election date occurs. If the fair value option is elected for an instrument, unrealized gains and losses for that instrument should be reported in earnings at each subsequent reporting date. The Company did not elect to apply the fair value option to any outstanding instruments.

Cash and Cash Equivalents

At December 31, 2023 and 2022, the Company's cash balances by geographic area were as follows:

Country:	December 31, 2023		December 31, 2022	
United States	$ 280,197	98.2%	$ 1,806,083	90.7%
China	5,203	1.8%	184,827	9.3%
Total cash	$ 285,400	100.0%	$ 1,990,910	100.0%

For purposes of the consolidated statements of cash flows, the Company considers all highly liquid instruments with a maturity of three months or less when purchased and money market accounts to be cash equivalents. The Company had no cash equivalents at December 31, 2023 and 2022.

Credit Risk and Uncertainties

A portion of the Company's cash is maintained with state-owned banks within the PRC. Balances at state-owned banks within the PRC are covered by insurance up to RMB 500,000 (approximately $71,000) per bank. Any balance over RMB 500,000 per bank in PRC will not be covered. At December 31, 2023, cash balances held in the PRC are RMB 36,827 (approximately $5,000), which was covered by such insurance. The Company has not experienced any losses in such accounts and believes it is not exposed to any risks on its cash in bank accounts.

The Company maintains a portion of its cash on deposits with bank and financial institution within the U.S. that at times may exceed federally-insured limits of $250,000. The Company manages this credit risk by concentrating its cash balances in high quality financial institutions and by periodically evaluating the credit quality of the primary financial institutions holding such deposits. The Company has not experienced any losses in such bank accounts and believes it is not exposed to any risks on its cash in bank accounts. At December 31, 2023, there were no balances in excess of the federally-insured limits.

The Company's concentrations of credit risk with respect to its rent receivable is limited due to short-term payment terms. The Company also performs ongoing credit evaluations of its tenants to help further reduce credit risk.

Rent Receivable and Reserve for Credit Losses

Rent receivable is presented net of reserve for credit losses. Rent receivable balance consists of base rents, tenant reimbursements and receivables arising from straight-lining of rents represent amounts accrued and unpaid from tenants in accordance with the terms of the respective leases, subject to the Company's revenue recognition policy. A reverse for the uncollectible portion of rent receivable is determined based upon an analysis of the tenant's payment history, the financial condition of the tenant, business conditions in the industry in which the tenant operates and economic conditions in Freehold, New Jersey in which the property is located.

Management believes that the rent receivable is fully collectable. Therefore, no material reverse for credit losses is deemed to be required on its rent receivable at December 31, 2023 and 2022.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Offering Costs

Deferred offering costs consist of legal, accounting and other costs that are directly related to the Company's open market sale equity financing and will be charged to stockholders' equity upon the completion of the equity offering. As of December 31, 2023 and 2022, deferred offering costs amounted to $175,136 and $174,107, of which $175,136 and $34,821 were included in prepaid expense and other current assets and $0 and $139,286 were included in other non-current assets, respectively.

Deferred Leasing Costs

Costs incurred to obtain tenant leases are amortized using the straight-line method over the term of the related lease agreement. Such costs include lease incentives and leasing commissions. If the lease is terminated early, the remaining unamortized deferred leasing cost is written off.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation, and are depreciated on a straight-line basis over the estimated useful lives of the assets. The cost of repairs and maintenance is expensed as incurred; major replacements and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the period of disposition. The Company examines the possibility of decreases in the value of fixed assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable.

Investment In Real Estate and Depreciation

Investment in real estate is carried at cost less accumulated depreciation, and consists of building and improvement. The Company depreciates real estate building and improvement on a straight-line basis over estimated useful life. Expenditures for ordinary repair and maintenance costs are charged to expense as incurred. Expenditure for improvements, renovations, and replacements of real estate asset is capitalized and depreciated over its estimated useful life if the expenditure qualifies as betterment.

Impairment of Long-lived Assets

In accordance with ASC Topic 360, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable, or at least annually. The Company recognizes an impairment loss when the sum of expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of impairment is measured as the difference between the asset's estimated fair value and its book value.

For the year ended December 31, 2022, the Company incurred impairment charges in operations of $22,285 on the laboratory equipment. The valuations of the laboratory equipment, and the amounts of the impairment charge, were based on impairment assessments conducted on the equipment held for sale at December 31, 2022.

Investment in Unconsolidated Companies

The Company uses the equity method of accounting for its investments in, and earning or loss of, companies that it does not control but over which it does exert significant influence. The Company considers whether the fair values of its equity method investments have declined below their carrying values whenever adverse events or changes in circumstances indicate that recorded values may not be recoverable. If the Company considers any decline to be other than temporary (based on various factors, including historical financial results and the overall health of the investee), then a write-down would be recorded to estimated fair value. Impairment of equity method investment amounted to $9,651,361 and $0 for the years ended December 31, 2023 and 2022, respectively. See Note 7 for discussion of equity method investments.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Rental Income

Deferred rental income represents rental income collected but not earned as of the reporting date. The Company defers the revenue related to lease payments received from tenants in advance of their due dates. As of December 31, 2023 and 2022, deferred rental income totaled $11,429 and $27,685, respectively, which were included in accrued liabilities and other payables on the accompanying consolidated balance sheets.

Real Property Rental Revenue

The Company has determined that ASC 606 does not apply to rental contracts, which are within the scope of other revenue recognition accounting standards.

Rental income from operating leases is recognized on a straight-line basis under the guidance of ASC 842. Lease payments under tenant leases are recognized on a straight-line basis over the term of the related leases. The cumulative difference between lease revenue recognized under the straight-line method and contractual lease payments are included in account receivable on the consolidated balance sheets.

The Company does not offer promotional payments, customer coupons, rebates or other cash redemption offers to its customers.

Office Lease

When a lease contains “rent holidays”, the Company records rental expense on a straight-line basis over the term of the lease. The Company begins recording rent expense on the lease possession date.

Real Property Operating Expenses

Real property operating expenses consist of property management fees, property insurance, real estate taxes, depreciation, repairs and maintenance fees, utilities and other expenses related to the Company’s rental properties.

Research and Development

Expenditures for research and product development costs are expensed as incurred. The Company incurred research and development expense of $109,618 and $731,328 in the years ended December 31, 2023 and 2022, respectively.

Advertising and Marketing Costs

All costs related to advertising and marketing are expensed as incurred. For the years ended December 31, 2023 and 2022, advertising and marketing costs amounted to $1,666,721 and $1,325,313, respectively.

Stock-based Compensation

The Company accounts for its stock-based compensation awards in accordance with Accounting Standards Codification (“ASC”) Topic 718, Compensation—Stock Compensation (“ASC 718”). ASC 718 requires all stock-based payments to employees and non-employees including grants of stock options, to be recognized as expense in the statements of operations based on their grant date fair values. The Company estimates the grant date fair value of each option award using the Black-Scholes option-pricing model.

The Company periodically issues common stock and common stock options to consultants for various services. Costs of these transactions are measured at the fair value of the service received or the fair value of the equity instruments issued, whichever is more reliably measurable. The value of the common stock is measured at the earlier of (i) the date at which a firm commitment for performance by the counterparty to earn the equity instruments is reached or (ii) the date at which the counterparty’s performance is complete.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company is governed by the income tax laws of China and the United States. The Company accounts for income taxes using the asset/liability method prescribed by ASC 740, "Income Taxes." Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Company records a valuation allowance to offset deferred tax assets if, based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rates is recognized as income or loss in the period that includes the enactment date.

The Company follows the accounting guidance for uncertainty in income taxes using the provisions of ASC 740 "Income Taxes". Using that guidance, the benefit for tax positions taken can only be recognized in the financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. As of December 31, 2023 and 2022, the Company had no significant uncertain tax positions which would require either recognition of a liability or disclosure in the financial statements. For United States entities, tax year that remains subject to examination is the years ended December 31, 2023, 2022, 2021 and 2020. For China entities, income tax returns for the tax years ended December 31, 2019 through December 31, 2023 remain open for statutory examination by PRC tax authorities. The Company recognizes interest and penalties related to significant uncertain income tax positions in income tax expense. However, no such interest and penalties were recorded as of December 31, 2023 and 2022.

Foreign Currency Translation

The reporting currency of the Company is the U.S. dollar. The functional currency of the parent company, AHS, Avalon RT 9, and Avalon Lab is the U.S. dollar and the functional currency of Avalon Shanghai is the Chinese Renminbi ("RMB"). For Avalon Shanghai whose functional currency is the RMB, result of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. As a result, amounts relating to assets and liabilities reported on the statements of cash flows may not necessarily agree with the changes in the corresponding balances on the balance sheets. Translation adjustments resulting from the process of translating the local currency financial statements into U.S. dollars are included in determining comprehensive income/loss. Transactions denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date with any transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in the results of operations as incurred. All of the Company's revenue transactions are transacted in the functional currency of the operating subsidiaries. The Company does not enter into any material transaction in foreign currencies. Transaction gains or losses have not had, and are not expected to have, a material effect on the results of operations of the Company.

Asset and liability accounts at December 31, 2023 and 2022 were translated at 7.0786 RMB and 6.8979 RMB to $1.00, respectively, which were the exchange rates on the balance sheet dates. Equity accounts were stated at their historical rates. The average translation rates applied to the statements of operations for the years ended December 31, 2023 and 2022 were 7.0752 RMB and 6.7309 RMB to $1.00, respectively. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate.

Comprehensive Loss

Comprehensive loss is comprised of net loss and all changes to the statements of equity, except those due to investments by stockholders, changes in paid-in capital and distributions to stockholders. For the Company, comprehensive loss for the years ended December 31, 2023 and 2022 consisted of net loss and unrealized loss from foreign currency translation adjustment.

Commitments and Contingencies

In the normal course of business, the Company is subject to contingencies, such as legal proceedings and claims arising out of its business, that cover a wide range of matters. Liabilities for such contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Per Share Data

ASC Topic 260 "Earnings per Share," requires presentation of both basic and diluted earnings per share ("EPS") with a reconciliation of the numerator and denominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Basic EPS excludes dilution. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity.

Basic net loss per share is computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing net loss by the weighted average number of shares of common stock, common stock equivalents and potentially dilutive securities outstanding during each period. For the years ended December 31, 2023 and 2022, potentially dilutive common shares consist of the common shares issuable upon the conversion of convertible preferred stock and convertible note (using the if-converted method) and exercise of common stock options and warrants (using the treasury stock method). Common stock equivalents are not included in the calculation of diluted net loss per share if their effect would be anti-dilutive. In a period in which the Company has a net loss, all potentially dilutive securities are excluded from the computation of diluted shares outstanding as they would have had an anti-dilutive impact.

The following table summarizes the securities that were excluded from the diluted per share calculation because the effect of including these potential shares was antidilutive:

	Years Ended December 31,	
	2023	2022
Options to purchase common stock	853,303	858,500
Warrants to purchase common stock	645,527	123,964
Series A convertible preferred stock (*)	900,000	900,000
Series B convertible preferred stock (**)	2,910,053	-
Convertible notes (***)	911,111	572,145
Potentially dilutive securities	6,219,994	2,454,609

(*) Assumed the Series A convertible preferred stock was converted into shares of common stock of the Company at a conversion price of $10.00 per share.
(**) Assumed the Series B convertible preferred stock was converted into shares of common stock of the Company at a conversion price of $3.78 per share.
(***) Assumed the convertible notes were converted into shares of common stock of the Company at a conversion price of $4.50 and $1.50 per share for the year ended December 31, 2023. Assumed the convertible note was converted into shares of common stock of the Company at a conversion price of $6.50 per share for the year ended December 31, 2022.

Noncontrolling Interest

As of December 31, 2023, Dr. Yu Zhou, former director and former Co-Chief Executive Officer of Genexosome, who owns 40% of the equity interests of Genexosome, which is not under the Company's control. Since the fourth quarter of 2019, the non-controlling interest has remained inactive.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment Reporting

The Company uses "the management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker is the Chief Executive Officer ("CEO") and president of the Company, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company.

During the year ended December 31, 2022, the Company operated in two reportable business segments - (1) the real property operating segment, and (2) the medical related consulting services segment. These reportable segments offer different services and products, have different types of revenue, and are managed separately as each requires different operating strategies and management expertise. Due to the winding down of the medical related consulting services segment in 2022, the Company decided to cease all operations of this segment and no longer has any material revenues or expenses in this segment. As a result, commencing from the first quarter of 2023, the Company's chief operating decision maker no longer reviews medical related consulting services operating results.

On February 9, 2023, the Company purchased 40% of Lab Services MSO. Commencing from the purchase date, February 9, 2023, the Company is active in the management of Lab Services MSO. During the year ended December 31, 2023, the Company operated in two reportable business segments: (1) the real property operating segment, and (2) laboratory testing services segment (which commenced with the purchase date, February 9, 2023) since Lab Services MSO's operating results are regularly reviewed by the Company's chief operating decision maker to determine the resources to be allocated to the segment and assess its performance. The Company regularly reviews the operating results and performance of Lab Services MSO, for which the Company accounts for under the equity method.

Reclassification

Certain prior period amounts have been reclassified to conform to the current period presentation. These reclassifications have no effect on the previously reported financial position, results of operations and cash flows.

Fiscal Year End

The Company has adopted a fiscal year end of December 31st.

Reverse Stock Split

The Company effected a one-for-ten reverse stock split of its outstanding shares of common stock on January 5, 2023. The reverse split did not change the number of authorized shares of common stock or par value. All references in these consolidated financial statements to shares, share prices, exercise prices, and other per share information in all periods have been adjusted, on a retroactive basis, to reflect the reverse stock split.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Standards

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments - Credit Losses ("Topic 326"). The ASU introduces a new accounting model, the Current Expected Credit Losses model ("CECL"), which requires earlier recognition of credit losses and additional disclosures related to credit risk. The CECL model utilizes a lifetime expected credit loss measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. ASU 2016-13 is effective for annual period beginning after December 15, 2022, including interim reporting periods within those annual reporting periods. The adoption of this new guidance did not have any material impact on the Company's consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which amends the accounting related to contract assets and liabilities acquired in business combinations. ASU 2021-08 requires that entities recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with ASC Topic 606, Revenue from Contracts with Customers. ASU 2021-08 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, and should be applied prospectively to business combinations occurring on or after the effective date of the amendment. Early adoption is permitted, including adoption in an interim period. The adoption of this new guidance did not have any material impact on the Company's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This guidance is intended to enhance the transparency and decision-usefulness of income tax disclosures. The amendments in ASU 2023-09 address investor requests for enhanced income tax information primarily through changes to disclosure regarding rate reconciliation and income taxes paid both in the U.S. and in foreign jurisdictions. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024 on a prospective basis, with the option to apply the standard retrospectively. Early adoption is permitted. The company is currently evaluating this guidance to determine the impact it may have on its consolidated financial statements disclosures.

Other accounting standards that have been issued or proposed by FASB that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption. The Company does not discuss recent pronouncements that are not anticipated to have an impact on or are unrelated to its consolidated financial condition, results of operations, cash flows or disclosures.

NOTE 4 – PREPAID EXPENSE AND OTHER CURRENT ASSETS

At December 31, 2023 and 2022, prepaid expense and other current assets consisted of the following:

	December 31, 2023	December 31, 2022
Prepaid professional fees	$ 33,062	$ 93,817
Prepaid directors and officers liability insurance premium	27,192	29,301
Deferred offering costs	175,136	34,821
Deferred leasing costs	33,402	33,402
Security deposit	-	19,084
Due from broker	37,187	-
Others	62,015	37,565
Total	$ 367,994	$ 247,990

NOTE 5 – PROPERTY AND EQUIPMENT

At December 31, 2023 and 2022, property and equipment consisted of the following:

	Useful life	December 31, 2023	December 31, 2022
Laboratory equipment	5 Years	$ 100,548	$ 374,183
Office equipment and furniture	3 – 10 Years	54,797	35,145
		155,345	409,328
Less: accumulated depreciation		(117,262)	(271,034)
		$ 38,083	$ 138,294

For the years ended December 31, 2023 and 2022, depreciation expense of property and equipment amounted to $43,037 and $162,040, respectively, of which, $7,221 and $2,987 was included in real property operating expenses, $417 and $825 was included in other operating expenses, and $35,399 and $158,228 was included in research and development expense, respectively.

NOTE 6 – INVESTMENT IN REAL ESTATE

At December 31, 2023 and 2022, investment in real estate consisted of the following:

	Useful life	December 31, 2023	December 31, 2022
Commercial real property building	39 Years	$ 7,708,571	$ 7,708,571
Improvement	12 Years	529,372	529,372
		8,237,943	8,237,943
Less: accumulated depreciation		(1,046,539)	(877,856)
		$ 7,191,404	$ 7,360,087

For both the years ended December 31, 2023 and 2022, depreciation expense of this commercial real property amounted to $168,683, which was included in real property operating expenses.

NOTE 7 – EQUITY METHOD INVESTMENTS

Investment in Epicon Biotech Co., Ltd.

As of December 31, 2023 and 2022, the equity method investment in Epicon Biotech Co., Ltd. ("Epicon") amounted to $0 and $485,008, respectively. The investment represents the Company's subsidiary, Avalon Shanghai's interest in Epicon. Epicon was incorporated on August 14, 2018 in PRC. Avalon Shanghai and an unrelated company, Jiangsu Unicorn Biological Technology Co., Ltd. ("Unicorn"), have an ownership interest in Epicon of 40% and 60%, respectively. Epicon is focused on cell preparation, third party testing, biological sample repository for commercial and scientific research purposes and clinical transformation of scientific achievements. The Company is not involved in the management of Epicon. Therefore, it is a passive investment.

In June 2023, the Company assessed its equity method investment in Epicon for any impairment and concluded that there were indicators of impairment as of June 30, 2023. The impairment is due to the Company's conclusion that it will be unable to recover the carrying amount of the investment due to the investee's series of operating losses and the inability of Avalon Shanghai's joint venture partner (Unicorn) to obtain adequate funding to commence operations. The Company calculated that the estimated undiscounted cash flows were less than the carrying amount related to the equity method investment. The Company has recognized an impairment loss of $454,679 related to the equity method investment for the year ended December 31, 2023, which reduced the investment value to zero.

Under the equity method, if there is a commitment for the Company to fund the losses of its equity method investees, the Company would continue to record its share of losses resulting in a negative equity method investment, which would be presented as a liability on the consolidated balance sheets. Commitments may be explicit and may include formal guarantees, legal obligations, or arrangements by contract. Implicit commitments may arise from reputational expectations, intercompany relationships, statements by the Company of its intention to provide support, a history of providing financial support or other facts and circumstances. When the Company has no commitment to fund the losses of its equity method investees, the carrying value of its equity method investments will not be reduced below zero. The Company has no commitment to fund additional losses of its equity method investments.

Investment in Laboratory Services MSO, LLC

On February 9, 2023 (the "Closing Date"), the Company entered into and closed an Amended and Restated Membership Interest Purchase Agreement (the "Amended MIPA"), by and among Avalon Laboratory Services, Inc., a wholly owned subsidiary of the Company (the "Buyer"), SCBC Holdings LLC (the "Seller"), the Zoe Family Trust, Bryan Cox and Sarah Cox as individuals (each an "Owner" and collectively, the "Owners"), and Laboratory Services MSO, LLC.

Pursuant to the terms and conditions set forth in the Amended MIPA, the Buyer acquired from the Seller, forty percent (40%) of the issued and outstanding equity interests of Lab Services MSO (the "Purchased Interests"). The consideration paid by Buyer to Seller for the Purchased Interests consisted of $20,666,667, which was comprised of (i) $9,000,000 in cash, (ii) $11,000,000 pursuant to the issuance of 11,000 shares of the Company's Series B Convertible Preferred Stock (the "Series B Preferred Stock"), stated value $1,000 (the "Series B Stated Value"), which approximated the fair value, and (iii) a $666,667 cash payment on February 9, 2024. The Series B Preferred Stock is convertible into shares of the Company's common stock at a conversion price per share equal to $3.78, which approximated the market price at the date of closing, or an aggregate of 2,910,053 shares of the Company's common stock, which are subject to a lock-up period and restrictions on sale (See Note 14 — Series B Convertible Preferred Stock Issued for Equity Method Investment).

NOTE 7 – EQUITY METHOD INVESTMENTS (continued)

Investment in Laboratory Services MSO, LLC (continued)

Lab Services MSO, through its subsidiaries, is engaged in providing laboratory testing services. Avalon Lab and an unrelated company, have an ownership interest in Lab Services MSO of 40% and 60%, respectively.

In accordance with ASC 810, the Company determined that Lab Services MSO does not qualify as a Variable Interest Entity, nor does it have a controlling financial interest over the legal entity. However, the Company determined that it does have significant influence as a result of its board representation. Therefore, the Company treats the equity investment in the consolidated financial statements under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Company's share of the purchased-date fair values of the investee's identifiable net assets over the cost of the investment (if any). At February 9, 2023 (date of investment), the excess of the Company's share of the fair values of the investee's identifiable net assets over the cost of the investment was approximately $19,460,000 which was attributable to intangible assets and goodwill. Thereafter, the investment is adjusted for the post purchase change in the Company's share of the investee's net assets and any impairment loss relating to the investment.

Intangible assets consist of the valuation of identifiable intangible assets acquired, representing trade names and customers relationships, which are being amortized on a straight-line method over the estimated useful life of 15 years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

Goodwill represents the excess of the purchase price paid over the fair value of net assets acquired in the business acquisition of Lab Services MSO incurred on February 9, 2023. Goodwill is not amortized, but is tested for impairment at December 31, 2023.

In December 2023, the Company assessed its equity method investment in Laboratory Services MSO, LLC for any impairment and concluded that there were indicators of impairment as of December 31, 2023. The Company calculated that the estimated undiscounted cash flows of goodwill were less than the carrying amount of goodwill related to the equity method investment. The Company has recognized an impairment loss of $9,196,682 related to the equity method investment for the year ended December 31, 2023.

For the period from February 9, 2023 (date of investment) through December 31, 2023, the Company's share of Lab Services MSO's net income was $625,035, which was included in income from equity method investment — Lab Services MSO in the accompanying consolidated statements of operations and comprehensive loss.

In the year ended December 31, 2023, activity recorded for the Company's equity method investment in Lab Services MSO is summarized in the following table:

Equity investment carrying amount at January 1, 2023	$ -
Payment for equity method investment:	
The Company's interest in the fair value of Lab Services MSO's net assets at February 9, 2023	1,206,406
The Company's interest in the net excess of Lab Services MSO's fair value over net assets which was attributable to identifiable intangible assets at February 9, 2023	10,004,000
The Company's interest in the net excess of Lab Services MSO's fair value over net assets which was attributable to goodwill at February 9, 2023	9,456,261
	20,666,667
Loss from equity method investment – Lab Services MSO:	
Lab Services MSO's net income attributable to the Company	1,236,391
Intangible assets amortization amount	(611,356)
Impairment of goodwill	(9,196,682)
	(8,571,647)
Equity investment carrying amount at December 31, 2023	$ 12,095,020

As of December 31, 2023, the Company's carrying value of the identified intangible assets and goodwill which are included in the equity investment carrying amount was $9,392,644 and $259,579, respectively.

The tables below present the summarized financial information, as provided to the Company by the investee, for the unconsolidated company:

	December 31, 2023
Current assets	$ 4,930,254
Noncurrent assets	5,228,044
Current liabilities	828,713
Noncurrent liabilities	4,104,183
Equity	5,225,402

NOTE 7 – EQUITY METHOD INVESTMENTS (continued)

Investment in Laboratory Services MSO, LLC (continued)

	For the Period from February 9, 2023 (Date of Investment) through December 31, 2023
Net revenue	$ 12,699,683
Gross profit	4,744,277
Income from operation	2,393,830
Net income	3,090,977

NOTE 8 – ACCRUED LIABILITIES AND OTHER PAYABLES

At December 31, 2023 and 2022, accrued liabilities and other payables consisted of the following:

	December 31, 2023	December 31, 2022
Accrued tenants' improvement reimbursement	$ 43,500	$ 43,500
Tenants' security deposit	81,233	73,733
Accrued business expense reimbursement	25,061	52,437
Accrued utilities	15,166	15,631
Deferred rental income	11,429	27,685
Accrued real property cleaning service fee	7,570	23,564
Interest payable	55,027	-
Taxes payable	11,794	7,337
Others	22,135	39,347
Total	$ 272,915	$ 283,234

NOTE 9 – CONVERTIBLE NOTE PAYABLE

2022 Convertible Note

On March 28, 2022, the Company entered into Securities Purchase Agreement with an accredited investor, which was amended on June 8, 2022, providing for the sale by the Company to the investor of a Convertible Note in the amount of $3,718,943 ("2022 Convertible Note"). In addition to the 2022 Convertible Note, the investor also received a Stock Purchase Warrant ("2022 Warrant") to acquire an aggregate of 123,964 shares of common stock. The 2022 Warrant is exercisable for five years at an exercise price of $12.5. The financing closed with respect to:

- $2,669,522 of the financing on April 15, 2022,
- $659,581 of the financing on April 29, 2022,
- $199,840 of the financing on May 18, 2022, and
- $190,000 of the financing on May 25, 2022.

As a result of each of the closings, the Company issued the investor a 2022 Convertible Note in the principal amount of $2,669,522 and a 2022 Warrant to acquire 88,984 shares of common stock dated April 15, 2022, a 2022 Convertible Note in the principal amount of $659,581 and a 2022 Warrant to acquire 21,986 shares of common stock dated April 29, 2022, a 2022 Convertible Note in the principal amount of $199,840 and a 2022 Warrant to acquire 6,661 shares of common stock dated May 18, 2022, and a 2022 Convertible Note in the principal amount of $190,000 and a 2022 Warrant to acquire 6,333 shares of common stock dated May 25, 2022.

Interest accrued on the principal amount at 1.0% per annum. The investor may elect to convert all or part of the 2022 Convertible Note, plus accrued interest, at any time into shares of common stock of the Company at a conversion price equal to 95% of the average of the highest three trading prices for the common stock during the 20-trading day period ending one trading day prior to the conversion date but in no event will the conversion price be lower than $0.75 per share.

NOTE 9 – CONVERTIBLE NOTE PAYABLE (continued)

2022 Convertible Note (continued)

The investor agreed to restrict its ability to convert the 2022 Convertible Note and exercise the 2022 Warrant and receive shares of common stock such that the number of shares of common stock held by the investor after such conversion or exercise does not exceed 4.99% of the then issued and outstanding shares of common stock. Further, the investor agreed to not sell or transfer any or all of the shares of common stock underlying the 2022 Convertible Note or the 2022 Warrant for a period of 90 days beginning on the closing date (the "Lock-Up Period"). Following the expiration of the Lock-Up Period, the investor has agreed to limit its sale or transfer of such shares of common stock to a maximum monthly amount equal to 20% of the shares of common stock issuable upon conversion of the 2022 Convertible Note. The Company agreed to use its reasonable best efforts to file a registration statement on Form S-3 (or other appropriate form) providing for the resale by the investor of the shares of common stock underlying the 2022 Convertible Note and the 2022 Warrant.

Based upon the Company's analysis of the criteria contained in ASC Topic 815-40, "Derivatives and Hedging - Contracts in an Entity's Own Equity", the Company determined that all the warrants issued to the investor with this private placement were classified as equity in additional paid in-capital.

In accordance with ASC 470-20-25-2, proceeds from the sale of a debt instrument with stock purchase warrants are allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at time of issuance. The portion of the proceeds so allocated to the warrants are accounted for as additional paid-in capital. The remainder of the proceeds are allocated to the debt instrument portion of the transaction.

The fair values of the warrants issued to the investor with this private placement were computed using the Black-Scholes option-pricing model with the following assumptions: volatility of 111.94%, risk-free rate of 2.71% - 2.92%, annual dividend yield of 0% and expected life of 5 years.

In accordance with ASC 480-10-25-14, the Company determined that the conversion provisions contain an embedded derivative feature and the Company valued the derivative feature separately, and recorded debt discount and derivative liabilities in accordance with the provisions of the convertible debt (see Note 10). The Company calculated the fair value of conversion option at the commitment dates using the Black-Scholes valuation model with the following assumptions: volatility of 95.97%, risk-free rate of 2.75% - 2.89%, annual dividend yield of 0% and expected life of 10 years.

The warrants issued to the investor to purchase 123,964 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at $498,509 and had been amortized over the term of the 2022 Convertible Note. Additionally, the fair value of embedded conversion option at commitment dates, which was valued at $2,782,569, was recorded as a discount on the convertible note payable and had been amortized over the term of the 2022 Convertible Note. Hence, in connection with the issuance of the 2022 Convertible Note and 2022 Warrant, the Company recorded a total debt discount of $3,281,078, which had been amortized over the term of the convertible note payable.

On July 25, 2022, the Company and the investor entered into a Conversion Agreement ("Conversion Agreement") pursuant to which the investor converted all of its Convertible Notes in the principal amount of $3,718,943 and unpaid interest of $9,751 into 573,645 shares of common stock of the Company at a per share price of $6.5 (see Note 14 - Common Shares Issued for Debt Conversion). The Company recorded a conversion inducement charge of $344,264 as a result of the Conversion Agreement, representing the value of common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2022 Convertible Note.

For the year ended December 31, 2022, amortization of debt discount and interest expense related to the 2022 Convertible Note amounted to $3,281,078 and $9,751, which have been included in interest expense – amortization of debt discount and debt issuance cost and interest expense – other, respectively, on the accompanying consolidated statements of operations and comprehensive loss.

NOTE 9 – CONVERTIBLE NOTE PAYABLE (continued)

May 2023 Convertible Note

On May 23, 2023, the Company entered into securities purchase agreements with Mast Hill Fund, L.P. ("Mast Hill") for the issuance of 13.0% senior secured promissory notes in the aggregate principal amount of $1,500,000 (collectively, the "May 2023 Convertible Note") convertible into shares of common stock, par value $0.0001 per share, of the Company, as well as the issuance of 75,000 shares of common stock as a commitment fee and warrants for the purchase of 230,500 shares of common stock of the Company. The Company and its subsidiaries have also entered into a security agreement, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the May 2023 Convertible Note. Principal amount and interest under the May 2023 Convertible Note are convertible into shares of common stock of the Company at a conversion price of $4.50 per share unless the Company fails to make an amortization payment when due, in which case the conversion price shall be the lower of $4.50 or the trading price of the shares, subject to a floor of $1.50.

Mast Hill acquired the May 2023 Convertible Note with principal amount of $1,500,000 and paid the purchase price of $1,425,000 after an original issue discount of $75,000. On May 23, 2023, the Company issued (i) a warrant to purchase 125,000 shares of common stock with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023, (ii) a warrant to purchase 105,500 shares of common stock with an exercise price of $3.20 exercisable until the five-year anniversary of May 23, 2023, which warrant shall be cancelled and extinguished against payment of the May 2023 Convertible Note, and (iii) 75,000 shares of common stock as a commitment fee for the purchase of the May 2023 Convertible Note, which were earned in full as of May 23, 2023. On May 23, 2023, the Company delivered such duly executed May 2023 Convertible Note, warrants and common stock to Mast Hill against delivery of such purchase price.

The Company is obligated to make amortization payments in cash to Mast Hill towards the repayment of the May 2023 Convertible Note, as provided in the following table:

Payment Date:	Payment Amount:
November 23, 2023	$150,000 plus accrued interest through November 23, 2023
December 23, 2023	$150,000 plus accrued interest through December 23, 2023
January 23, 2024	$200,000 plus accrued interest through January 23, 2024
February 23, 2024	$250,000 plus accrued interest through February 23, 2024
March 23, 2024	$250,000 plus accrued interest through March 23, 2024
April 23, 2024	$300,000 plus accrued interest through April 23, 2024
May 23, 2024	The entire remaining outstanding balance of the May 2023 Convertible Note

In connection with the issuance of the May 2023 Convertible Note, the Company incurred debt issuance costs of $175,162 (including the issuance of 10,000 warrants as a finder's fee) which is capitalized and will be amortized into interest expense over the term of the May 2023 Convertible Note.

Based upon the Company's analysis of the criteria contained in ASC 815, the Company determined that all the warrants issued to Mast Hill and a third party as a finder's fee met the definition of a derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 105,500 warrants with an exercise price of $3.20 exercisable until the five-year anniversary of May 23, 2023, which warrant shall be cancelled and extinguished against payment of the May 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 was classified as derivative liability on May 23, 2023. The fair values of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 issued on May 23, 2023 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $1.96, volatility of 88.80%, risk-free rate of 3.76%, annual dividend yield of 0% and expected life of 5 years.

In accordance with ASC 470-20-25-2, proceeds from the sale of a debt instrument with stock purchase warrants are allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at time of issuance. The portion of the proceeds allocated to the warrants are accounted for as derivative liability. The remainder of the proceeds are allocated to the debt instrument portion of the transaction.

NOTE 9 – CONVERTIBLE NOTE PAYABLE (continued)

May 2023 Convertible Note (continued)

In accordance with ASC 480-10-25-14, the Company determined that the conversion provisions contain an embedded derivative feature and the Company valued the derivative feature separately, recording debt discount and derivative liability in accordance with the provisions of the convertible debt (see Note 10). However, management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the embedded conversion feature has been estimated to be zero.

The Company recorded a total debt discount of $349,654 related to the original issue discount, common shares issued and warrants issued to Mast Hill, which will be amortized over the term of the May 2023 Convertible Note.

For the year ended December 31, 2023, amortization of debt discount and debt issuance costs and interest expense related to the May 2023 Convertible Note amounted to $307,123 and $115,450, respectively, which have been included in interest expense — amortization of debt discount and debt issuance cost and interest expense — other on the accompanying consolidated statements of operations and comprehensive loss.

July *2023 Convertible Note*

On July 6, 2023, the Company entered into securities purchase agreements with Firstfire Global Opportunities Fund, LLC ("Firstfire") for the issuance of 13.0% senior secured promissory notes in the aggregate principal amount of $500,000 (collectively, the "July 2023 Convertible Note") convertible into shares of common stock, par value $0.0001 per share, of the Company, as well as the issuance of 25,000 shares of common stock as a commitment fee and warrants for the purchase of 76,830 shares of common stock of the Company. The Company and its subsidiaries have also entered into a security agreement, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the July 2023 Convertible Note. Principal amount and interest under the July 2023 Convertible Note are convertible into shares of common stock of the Company at a conversion price of $4.50 per share unless the Company fails to make an amortization payment when due, in which case the conversion price shall be the lower of $4.50 or the trading price of the shares, subject to a floor of $1.50.

Firstfire acquired the July 2023 Convertible Note with principal amount of $500,000 and paid the purchase price of $475,000 after an original issue discount of $25,000. On July 6, 2023, the Company issued (i) a warrant to purchase 41,665 shares of common stock with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023, (ii) a warrant to purchase 35,165 shares of common stock with an exercise price of $3.20 exercisable until the five-year anniversary of July 6, 2023, which warrant shall be cancelled and extinguished against payment of the July 2023 Convertible Note, and (iii) 25,000 shares of common stock as a commitment fee for the purchase of the July 2023 Convertible Note, which were earned in full as of July 6, 2023. On July 6, 2023, the Company delivered such duly executed July 2023 Convertible Note, warrants and common stock to Firstfire against delivery of such purchase price.

The Company is obligated to make amortization payments in cash to Firstfire towards the repayment of the July 2023 Convertible Note, as provided in the following table:

Payment Date:	Payment Amount:
January 6, 2024	$50,000 plus accrued interest through January 6, 2024
February 6, 2024	$50,000 plus accrued interest through February 6, 2024
March 6, 2024	$66,000 plus accrued interest through March 6, 2024
April 6, 2024	$83,000 plus accrued interest through April 6, 2024
May 6, 2024	$83,000 plus accrued interest through May 6, 2024
June 6, 2024	$100,000 plus accrued interest through June 6, 2024
July 6, 2024	The entire remaining outstanding balance of the July 2023 Convertible Note

In connection with the issuance of the July 2023 Convertible Note, the Company incurred debt issuance costs of $74,204 (including the issuance of 3,333 warrants as a finder's fee), which is capitalized and will be amortized into interest expense over the term of the July 2023 Convertible Note.

NOTE 9 – CONVERTIBLE NOTE PAYABLE (continued)

July *2023 Convertible Note (continued)*

Based upon the Company's analysis of the criteria contained in ASC 815, the Company determined that all the warrants issued to Firstfire and a third party as a finder's fee meet the definition of a derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 35,165 warrants with an exercise price of $3.20 exercisable until the five-year anniversary of July 6, 2023, which warrant shall be cancelled and extinguished against payment of the July 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 was classified as a derivative liability on July 6, 2023. The fair values of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 issued on July 6, 2023 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $1.42, volatility of 88.52%, risk-free rate of 4.37%, annual dividend yield of 0% and expected life of 5 years.

In accordance with ASC 470-20-25-2, proceeds from the sale of a debt instrument with stock purchase warrants are allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at time of issuance. The portion of the proceeds allocated to the warrants are accounted for as derivative liability. The remainder of the proceeds are allocated to the debt instrument portion of the transaction.

In accordance with ASC 480-10-25-14, the Company determined that the conversion provisions contain an embedded derivative feature and the Company valued the derivative feature separately, recording debt discount and derivative liability in accordance with the provisions of the convertible debt (see Note 10). However, management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the embedded conversion feature has been estimated to be zero.

The Company recorded a total debt discount of $89,191 related to the original issue discount, common shares issued and warrants issued to Firstfire, which will be amortized over the term of the July 2023 Convertible Note.

For the year ended December 31, 2023, amortization of debt discount and debt issuance costs and interest expense related to the July 2023 Convertible Note amounted to $78,974 and $31,164, respectively, which have been included in interest expense — amortization of debt discount and debt issuance cost and interest expense — other on the accompanying consolidated statements of operations and comprehensive loss.

October 2023 Convertible Note

On October 9, 2023, the Company entered into securities purchase agreements with Mast Hill and Firstfire for the issuance of 13.0% senior secured promissory notes in the aggregate principal amount of $700,000 (collectively, the "October 2023 Convertible Note") convertible into shares of common stock, par value $0.0001 per share, of the Company, as well as the issuance of 70,000 shares of common stock as a commitment fee and warrants for the purchase of 192,500 shares of common stock of the Company. The Company and its subsidiaries have entered into that certain security agreements, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the October 2023 Convertible Note. Principal amount and interest under the October 2023 Convertible Note are convertible into shares of common stock of the Company at a conversion price of $1.50 per share unless the Company fails to make an amortization payment when due, in which case the conversion price shall be the lower of $1.50 or the market price (as defined in the October 2023 Convertible Note) of the shares.

Mast Hill acquired the October 2023 Convertible Note with principal amount of $350,000 and paid the purchase price of $332,500 after an original issue discount of $17,500. On October 9, 2023, the Company issued (i) a warrant to purchase 52,500 shares of common stock with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023, (ii) a warrant to purchase 43,750 shares of common stock with an exercise price of $1.80 exercisable until the five-year anniversary of October 9, 2023, which warrant shall be cancelled and extinguished against payment of the October 2023 Convertible Note, and (iii) 35,000 shares of common stock as a commitment fee for the purchase of the October 2023 Convertible Note, which were earned in full as of October 9, 2023. On October 9, 2023, the Company delivered such duly executed October 2023 Convertible Note, warrants and common stock to Mast Hill against delivery of such purchase price.

NOTE 9 – CONVERTIBLE NOTE PAYABLE (continued)

October 2023 Convertible Note (continued)

The Company is obligated to make amortization payments in cash to Mast Hill towards the repayment of the October 2023 Convertible Note, as provided in the following table:

Payment Date:	Payment Amount:
April 9, 2024	$35,000 plus accrued interest through April 9, 2024
May 9, 2024	$35,000 plus accrued interest through May 9, 2024
June 9, 2024	$46,667 plus accrued interest through June 9, 2024
July 9, 2024	$58,333 plus accrued interest through July 9, 2024
August 9, 2024	$58,333 plus accrued interest through August 9, 2024
September 9, 2024	$70,000 plus accrued interest through September 9, 2024
October 9, 2024	The entire remaining outstanding balance of the October 2023 Convertible Note

Firstfire acquired the October 2023 Convertible Note with principal amount of $350,000 and paid the purchase price of $332,500 after an original issue discount of $17,500. On October 9, 2023, the Company issued (i) a warrant to purchase 52,500 shares of common stock with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023, (ii) a warrant to purchase 43,750 shares of common stock with an exercise price of $1.80 exercisable until the five-year anniversary of October 9, 2023, which warrant shall be cancelled and extinguished against payment of the October 2023 Convertible Note, and (iii) 35,000 shares of common stock as a commitment fee for the purchase of the October 2023 Convertible Note, which were earned in full as of October 9, 2023. On October 9, 2023, the Company delivered such duly executed October 2023 Convertible Note, warrants and common stock to Firstfire against delivery of such purchase price.

The Company is obligated to make amortization payments in cash to Firstfire towards the repayment of the October 2023 Convertible Note, as provided in the following table:

Payment Date:	Payment Amount:
April 9, 2024	$35,000 plus accrued interest through April 9, 2024
May 9, 2024	$35,000 plus accrued interest through May 9, 2024
June 9, 2024	$46,667 plus accrued interest through June 9, 2024
July 9, 2024	$58,333 plus accrued interest through July 9, 2024
August 9, 2024	$58,333 plus accrued interest through August 9, 2024
September 9, 2024	$70,000 plus accrued interest through September 9, 2024
October 9, 2024	The entire remaining outstanding balance of the October 2023 Convertible Note

In connection with the issuance of the October 2023 Convertible Note, the Company incurred debt issuance costs of $95,349 (including the issuance of 8,400 warrants as a finder's fee), which is capitalized and will be amortized into interest expense over the term of the October 2023 Convertible Note.

Based upon the Company's analysis of the criteria contained in ASC 815, the Company determined that all the warrants issued to Mast Hill and Firstfire and a third party as a finder's fee meet the definition of a derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 87,500 warrants with an exercise price of $1.80 exercisable until the five-year anniversary of October 9, 2023, which warrant shall be cancelled and extinguished against payment of the October 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 was classified as a derivative liability on October 9, 2023. The fair values of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 issued on October 9, 2023 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $0.77, volatility of 89.70%, risk-free rate of 4.75%, annual dividend yield of 0% and expected life of 5 years.

NOTE 9 – CONVERTIBLE NOTE PAYABLE (continued)

October 2023 Convertible Note (continued)

In accordance with ASC 470-20-25-2, proceeds from the sale of a debt instrument with stock purchase warrants are allocated to the two elements based on the relative fair values of the debt instrument without the warrants and of the warrants themselves at time of issuance. The portion of the proceeds allocated to the warrants are accounted for as derivative liability. The remainder of the proceeds are allocated to the debt instrument portion of the transaction.

In accordance with ASC 480-10-25-14, the Company determined that the conversion provisions contain an embedded derivative feature and the Company valued the derivative feature separately, recording debt discount and derivative liability in accordance with the provisions of the convertible debt (see Note 10). However, management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the embedded conversion feature has been estimated to be zero.

The Company recorded a total debt discount of $128,748 related to the original issue discount, common shares issued and warrants issued to Mast Hill and Firstfire, which will be amortized over the term of the October 2023 Convertible Note.

For the year ended December 31, 2023, amortization of debt discount and debt issuance costs and interest expense related to the October 2023 Convertible Note amounted to $51,356 and $20,444, respectively, which have been included in interest expense — amortization of debt discount and debt issuance cost and interest expense — other on the accompanying consolidated statements of operations and comprehensive loss.

NOTE 10 – DERIVATIVE LIABILITY

As stated in Note 9, 2022 Convertible Note, the Company determined that the convertible note payable contained an embedded derivative feature in the form of a conversion provision which was adjustable based on future prices of the Company's common stock. In accordance with ASC 815-10-25, each derivative feature was initially recorded at its fair value using the Black-Scholes option valuation method and then re-valued at each reporting date, with changes in the fair value reported in the statements of operations.

The estimated fair value of the derivative feature of convertible debt was $2,782,569 at commitment dates, which was calculated using the following assumptions: volatility of 95.97%, risk-free rate of 2.75% - 2.89%, annual dividend yield of 0% and expected life of 10 years. On July 25, 2022, the Company and the 2022 Convertible Note holder entered into a Conversion Agreement pursuant to which the investor converted all of its Convertible Notes into shares of common stock of the Company. The estimated fair value of the derivative feature of convertible debt was $2,181,820 on July 25, 2022, which was computed using the following assumptions: volatility of 95.53%, risk-free rate of 2.81%, annual dividend yield of 0% and expected life of 9.7 – 9.8 years.

Increases or decreases in fair value of the derivative liability is included as a component of total other (expenses) income in the accompanying consolidated statements of operations and comprehensive loss. The change to the derivative liability for the embedded conversion option resulted in a decrease of $600,749 in the derivative liability and the corresponding increase in other income as a gain for the year ended December 31, 2022.

As stated in Note 9, May 2023 Convertible Note, July 2023 Convertible Note, and October 2023 Convertible Note, the Company determined that the convertible note payable contains an embedded derivative feature in the form of a conversion provision which is adjustable based on future prices of the Company's common stock. In accordance with ASC 815-10-25, each derivative feature is initially recorded at its fair value using the Black-Scholes option valuation method and then re-value at each reporting date, with changes in the fair value reported in the statements of operations. However, on May 23, 2023, July 6, 2023, October 9, 2023, and December 31, 2023, management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the embedded conversion feature has been estimated to be zero.

On May 23, 2023, the Company issued 240,500 warrants to Mast Hill and a third party as a finder's fee (see Note 9). Upon evaluation, the warrants meet the definition of a derivative liability under FASB ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 105,500 warrants with an exercise price of $3.20 exercisable until the five-year anniversary of May 23, 2023, which warrant shall be cancelled and extinguished against payment of the May 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 was classified as a derivative liability on May 23, 2023.

NOTE 10 – DERIVATIVE LIABILITY (continued)

On May 23, 2023, the estimated fair value of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 issued were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $1.96, volatility of 88.80%, risk-free rate of 3.76%, annual dividend yield of 0% and expected life of 5 years.

On December 31, 2023, the estimated fair value of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 as derivative liability was $14,805. The estimated fair value of the warrants was computed as of December 31, 2023 using Black-Scholes option-pricing model, with the following assumptions: stock price of $0.48, volatility of 83.96%, risk-free rate of 3.84%, annual dividend yield of 0% and expected life of 4.4 years.

On July 6, 2023, the Company issued 80,163 warrants to Firstfire and a third party as a finder's fee (see Note 9). Upon evaluation, the warrants meet the definition of a derivative liability under FASB ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 35,165 warrants with an exercise price of $3.20 exercisable until the five-year anniversary of July 6, 2023, which warrant shall be cancelled and extinguished against payment of the July 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 was classified as a derivative liability on July 6, 2023.

On July 6, 2023, the estimated fair values of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 issued were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $1.42, volatility of 88.52%, risk-free rate of 4.37%, annual dividend yield of 0% and expected life of 5 years.

On December 31, 2023, the estimated fair value of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 as derivative liability was $5,098. The estimated fair value of the warrants was computed as of December 31, 2023 using Black-Scholes option-pricing model, with the following assumptions: stock price of $0.48, volatility of 83.66%, risk-free rate of 3.84%, annual dividend yield of 0% and expected life of 4.5 years.

On October 9, 2023, the Company issued 200,900 warrants to Mast Hill and Firstfire and a third party as a finder's fee (see Note 9). Upon evaluation, the warrants meet the definition of a derivative liability under FASB ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 87,500 warrants with an exercise price of $1.80 exercisable until the five-year anniversary of October 9, 2023, which warrant shall be cancelled and extinguished against payment of the October 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 was classified as a derivative liability on October 9, 2023.

On October 9, 2023, the estimated fair values of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 issued were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $0.77, volatility of 89.70%, risk-free rate of 4.75%, annual dividend yield of 0% and expected life of 5 years.

On December 31, 2023, the estimated fair value of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 as derivative liability was $20,920. The estimated fair value of the warrants was computed as of December 31, 2023 using Black-Scholes option-pricing model, with the following assumptions: stock price of $0.48, volatility of 86.33%, risk-free rate of 3.84%, annual dividend yield of 0% and expected life of 4.8 years.

Increases or decreases in fair value of the derivative liability is included as a component of total other (expenses) income in the accompanying consolidated statements of operations and comprehensive loss. The changes to the derivative liability resulted in a decrease of $188,374 in the derivative liability and the corresponding increase in other income as a gain for the year ended December 31, 2023.

NOTE 11 – NOTE PAYABLE, NET

On September 1, 2022, the Company issued a balloon promissory note in the form of a mortgage on its headquarters to a third party company in the principal amount of $4,800,000, which carries interest of 11.0% per annum. Interest is due in monthly payments of $44,000 beginning November 1, 2022 and payable monthly thereafter until September 1, 2025 when the principal outstanding and all remaining interest is due. The principal of $4,800,000 can be extended for an additional 36 months, provided that the Company has not defaulted. The Company may not prepay the principal of $4,800,00 for a period of 12 months. The principal of $4,800,000 is secured by a first mortgage on the Company's real property located in Township of Freehold, County of Monmouth, State of New Jersey, having a street address of 4400 Route 9 South, Freehold, NJ 07728.

NOTE 11 – NOTE PAYABLE, NET (continued)

In May 2023, the Company borrowed $1,000,000 from the same lender. The principal of $1,000,000 accrues interest at an annual rate of 13.0% and is payable in monthly installments of interest-only in the amount of $10,833, commencing in June 2023 and continuing through October 2025 (at which point any unpaid balance of principal, interest and other charges are due and payable). The loan is secured by a second-lien mortgage on certain real property and improvements located at 4400 Route 9, Freehold, Monmouth County, New Jersey.

The note payable as of December 31, 2023 and 2022 is as follows:

	December 31, 2023	December 31, 2022
Principal amount	$ 5,800,000	$ 4,800,000
Less: unamortized debt issuance costs	(203,781)	(236,848)
Note payable, net	$ 5,596,219	$ 4,563,152

For the year ended December 31, 2023 and 2022, amortization of debt issuance costs related to note payable amounted to $106,557 and $29,606, respectively, which have been included in interest expense — amortization of debt discount and debt issuance cost on the accompanying consolidated statements of operations and comprehensive loss. For the year ended December 31, 2023 and 2022, interest expense related to note payable amounted to $606,722 and $176,000, respectively, which have been included in interest expense - other on the accompanying consolidated statements of operations and comprehensive loss.

NOTE 12 – RELATED PARTY TRANSACTIONS

Rental Revenue from Related Party and Rent Receivable – Related Party

The Company leases space of its commercial real property located in New Jersey to a company, D.P. Capital Investments LLC, which is controlled by Wenzhao Lu, the Company's largest shareholder and chairman of the Board of Directors. The term of the related party lease agreement is five years commencing on May 1, 2021 and will expire on April 30, 2026.

For both the years ended December 31, 2023 and 2022, the related party rental revenue amounted to $50,400 and has been included in rental revenue on the accompanying consolidated statements of operations and comprehensive loss.

At December 31, 2023 and 2022, the related party rent receivable totaled $124,500 and $74,100, respectively, which has been included in rent receivable on the accompanying consolidated balance sheets, and no allowance for doubtful accounts was deemed to be required on the receivable.

Services Provided by Related Party

From time to time, Wilbert Tauzin, a director of the Company, and his son provide consulting services to the Company. As compensation for professional services provided, the Company recognized consulting expenses of $86,528 and $144,064 for the years ended December 31, 2023 and 2022, respectively, which have been included in professional fees on the accompanying consolidated statements of operations and comprehensive loss.

Accrued Liabilities and Other Payables – Related Parties

In 2017, the Company acquired Beijing Genexosome for a cash payment of $450,000. As of December 31, 2023 and 2022, the unpaid acquisition consideration of $100,000, was payable to Dr. Yu Zhou, former director and former co-chief executive officer and 40% owner of Genexosome, and has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

During the period from June 2023 through December 2023, Lab Services MSO paid shared expense on behalf of the Company. As of December 31, 2023, the balance due to Lab Services MSO amounted to $72,746, which has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

As of December 31, 2023 and 2022, $33,712 and $0 of accrued and unpaid interest related to borrowings from Wenzhao Lu, the Company's largest shareholder and chairman of the Board of Directors, respectively, have been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

Borrowings from Related Party

Line of Credit

On August 29, 2019, the Company entered into a Line of Credit Agreement (the "Line of Credit Agreement") providing the Company with a $20 million line of credit (the "Line of Credit") from Wenzhao Lu (the "Lender"), the largest shareholder and Chairman of the Board of Directors of the Company. The Line of Credit allows the Company to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matures on December 31, 2024. The loans are unsecured and are not convertible into equity of the Company. Loans drawn under the Line of Credit bear interest at an annual rate of 5% and each individual loan is payable three years from the date of issuance. The Company has a right to draw down on the line of credit and not at the discretion of the related party Lender. The Company may, at its option, prepay any borrowings under the Line of Credit, in whole or in part at any time prior to maturity, without premium or penalty. The Line of Credit Agreement includes customary events of default. If any such event of default occurs, the Lender may declare all outstanding loans under the Line of Credit to be due and payable immediately.

In the years ended December 31, 2023 and 2022, activity recorded for the Line of Credit is summarized in the following table:

Outstanding principal under the Line of Credit at January 1, 2022	$ 2,750,262
Draw down from Line of Credit	100,000
Repayment of Line of Credit	(410,000)
Settlement of Line of Credit in shares	(2,440,262)
Outstanding principal under the Line of Credit at December 31, 2022	-
Draw down from Line of Credit	850,000
Outstanding principal under the Line of Credit at December 31, 2023	$ 850,000

For the years ended December 31, 2023 and 2022, the interest expense related to related party borrowings amounted to $33,712 and $79,898, respectively, and has been reflected as interest expense — related party on the accompanying consolidated statements of operations and comprehensive loss.

As of December 31, 2023 and 2022, the related accrued and unpaid interest for Line of Credit was $33,712 and $0, respectively, and has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

As of December 31, 2023, the Company used approximately $6.8 million of the credit facility and has approximately $13.2 million remaining available under the Line of Credit.

Common Shares Sold to Related Party for Cash

On August 5, 2022, the Company sold 44,872 shares of its common stock at a purchase price of $7.8 per share, the fair market value on transaction date, to Wenzhao Lu pursuant to a subscription agreement. The Company received proceeds of $350,000 (See Note 14 – Common Shares Sold for Cash).

Series A Convertible Preferred Stock Sold to Related Party for Cash

On December 14, 2022, the Company entered into a Securities Purchase Agreement with Wenzhao Lu, the Company's Chairman of the Board, pursuant to which the Company sold to Mr. Lu 4,000 shares of its Series A Preferred Stock, stated value $1,000, for the gross proceeds of $4,000,000 (See Note 14 – Series A Convertible Preferred Stock Sold for Cash).

NOTE 12 – RELATED PARTY TRANSACTIONS (continued)

Membership Interest Purchase Agreement

On November 17, 2023, the Company entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Wenzhao Lu (the "Purchaser"), the largest shareholder and Chairman of the Board of Directors of the Company, pursuant to which (i) the Purchaser will acquire from the Company 30% of the total outstanding membership interests of Avalon RT 9, a wholly owned subsidiary of the Company for a cash purchase price of $3,000,000 (the "Acquisition"), and (ii) for a period of twelve months following the closing of the Acquisition, the Purchaser shall have the option to purchase from the Company up to an additional 70% of the outstanding membership interests of Avalon RT 9 for a purchase price of up to $7,000,000 (the "Option"), subject to the terms and conditions of a membership interest purchase agreement to be negotiated and entered into between the Purchaser and the Company at such time that the Purchaser desires to exercise the Option The Acquisition was not closed as of December 31, 2023. The Company received $485,714 from Wenzhao Lu as of December 31, 2023 which was recorded as advance from sale of noncontrolling interest – related party on the accompanying consolidated balance sheets.

NOTE 13 – INCOME TAXES

The Company is governed by the Income Tax Law of the PRC and the U.S. Internal Revenue Code of 1986, as amended. Under the Income Tax Laws of PRC, Chinese companies are generally subject to an income tax at an effective rate of 25% on income reported in the statutory financial statements after appropriate tax adjustments. The Company has a cumulative deficit from its foreign subsidiary of $3,135,027 as of December 31, 2023, which is included in the consolidated accumulated deficit.

The Company's loss before income taxes includes the following components:

	Years Ended December 31,	
	2023	2022
United States loss before income taxes	$ (15,928,780)	$ (11,567,154)
China loss before income taxes	(778,230)	(363,693)
Total loss before income taxes	$ (16,707,010)	$ (11,930,847)

Components of income taxes expense (benefit) consisted of the following:

	Years Ended December 31,	
	2023	2022
Current:		
U.S. federal	$ -	$ -
U.S. state and local	-	-
China	-	-
Total current income taxes expense	$ -	$ -
Deferred:		
U.S. federal	$ (3,256,007)	$ (1,729,700)
U.S. state and local	(1,102,392)	(585,627)
China	(183,443)	209,806
Total deferred income taxes (benefit)	$ (4,541,842)	$ (2,105,521)
Change in valuation allowance	4,541,842	2,105,521
Total income taxes expense	$ -	$ -

NOTE 13 – INCOME TAXES (continued)

The table below summarizes the differences between the U.S. statutory rate and the Company's effective tax rate for the years ended December 31, 2023 and 2022:

	Years Ended December 31,	
	2023	2022
U.S. federal rate	21.0%	21.0%
U.S. state rate	6.7%	5.6%
Permanent difference	(0.1)%	(3.8)%
Non-US rate differential	0.2%	0.1%
True ups	(0.6)%	(5.3)%
U.S. valuation allowance	(27.2)%	(17.6)%
Total provision for income taxes	0.0%	0.0%

For the years ended December 31, 2023 and 2022, the Company did not incur any income taxes expense since it did not generate any taxable income in those periods. The Company's foreign entity did not pay any income taxes during the years ended December 31, 2023 and 2022. The Company's components of deferred taxes as of December 31, 2023 and 2022 were as follows:

	December 31, 2023	December 31, 2022
Deferred tax assets		
Stock-based compensation	$ 3,501,507	$ 3,499,969
Disallowed business interest deduction	9,476	-
Research and development expense	130,823	137,864
Accrued directors' compensation	165,490	47,787
Accrued settlement	126,945	126,495
Partnership Investment	2,422,744	-
Lease liability	20,935	1,687
Capital Loss Limitation	149,394	-
Net operating loss carryforward	15,493,570	13,634,920
Total deferred tax assets, gross	22,020,434	17,448,722
Valuation allowance	(21,871,551)	(17,329,708)
Total deferred tax assets, net	$ 148,884	$ 119,014
Deferred tax liabilities		
Fixed assets and intangible assets book/tax basis difference	(129,636)	(119,014)
Right-of-use assets	(19,248)	-
Total deferred tax liabilities	$ (148,884)	$ (119,014)
Net deferred tax assets	$ -	$ -

As of December 31, 2023 and 2022, the Company's both federal and state net operating loss carryforwards amounted to $52,929,248 and $46,969,776, respectively. As of December 31, 2023, the Company has $48,003,744 of U.S. federal net operating loss carryovers that have no expiration date, and $2,487,555 of the federal net operating loss and state net operating loss carry-forwards begin to expire in 2034.

As of December 31, 2023, the Company had net operating loss carryforwards in China of $2,460,636 that begin to expire in 2024.

Additionally, as of December 31, 2023, $61,847 of the future utilization of the net operating loss carryforward to offset future taxable income is subject to special tax rules which may limit their usage under IRS Section 382 (Change of Ownership) and possibly the Separate Return Limitation Year ("SRLY") rules.

A full valuation allowance has been provided against the Company's deferred tax assets at December 31, 2023 as the Company believes it is more likely than not that sufficient taxable income will not be generated to realize these temporary differences.

NOTE 13 – INCOME TAXES (continued)

The Company has been notified and assessed an IRS Section 6038 penalty of $10,000 for failure to file a foreign entity tax disclosure. The Company has appealed the penalty and awaits the Internal Revenue Service's review of the appeal. There is no assurance such appeal will be successful.

The Company has not been audited by any jurisdiction since its inception. The Company is open for audit by the U.S. Internal Revenue Service and U.S. state tax jurisdictions from 2020 to 2023, and open for audit by the Chinese Ministry of Finance from 2019 to 2023.

There were no material uncertain tax positions as of December 31, 2023 and 2022. The Company recognizes interest and penalties related to unrecognized tax benefits as income tax expense, if any. The Company does not have any significant uncertain tax positions or events leading to uncertainty in a tax position.

NOTE 14 – EQUITY

The Company is authorized to issue an aggregate of 490,000,000 shares of common stock and 10,000,000 shares of "blank check" preferred stock.

Series A Convertible Preferred Stock

The Company designated up to 15,000 shares of its previously undesignated preferred stock as Series A Preferred Stock. Each share of Series A Preferred Stock has a par value of $0.0001 per share and a stated value equal to $1,000.

During the year ended December 31, 2022, the Company sold an aggregate of 9,000 shares of Series A Preferred stock and received proceeds of $9,000,000. Each share of Series A Preferred Stock shall be convertible, at any time and from time to time from and after the later of (i) the date of the stockholder approval, in accordance with the Nasdaq Stock Market Listing Rules, and (ii) the nine (9) month anniversary of the Closing (the "Initial Conversion Date"), at the option of the Series A Holder, into that number of shares of common stock (subject to the limitations set forth in Series A Certificate of Designations, determined by dividing the Stated Value of such share of Series A Preferred Stock by the Conversion Price). The Series A Holders may convert such shares into shares of the Company's common stock at a conversion price per share equal to the greater of (i) ten dollars ($10.0) and (ii) ninety percent (90%) of the closing price of the Company's common stock on Nasdaq on the day prior to receipt of a conversion notice (collectively, the "Conversion Price"), subject to adjustment for stock splits and similar matters.

The Company evaluated the features of the Series A Convertible Preferred Stock under ASC 480, and classified them as permanent equity because the Series A Convertible Preferred Stock is not mandatorily or contingently redeemable at the stockholder's option and the liquidation preference that exists does not fall within the guidance of SEC Accounting Series Release No. 268 – Presentation in Financial Statements of "Redeemable Preferred Stocks" ("ASR 268").

As of December 31, 2023 and 2022, 9,000 shares of Series A Preferred Stock were issued and outstanding.

Series B Convertible Preferred Stock

The Company designated up to 15,000 shares of its previously undesignated preferred stock as Series B Preferred Stock. Each share of Series B Preferred Stock has a par value of $0.0001 per share and a stated value equal to $1,000.

On February 9, 2023, the Company issued 11,000 shares of its Series B Convertible Preferred Stock as a part of consideration for the purchase of 40% of equity interest of Lab Services MSO. The Series B Preferred Stock is convertible into shares of the Company's common stock at a conversion price per share equal to $3.78 or an aggregate of 2,910,053 shares of the Company's common stock and are subject to a lock-up period and restrictions on sale (See Note — 7 - Investment in Laboratory Services MSO, LLC).

As of December 31, 2023, 11,000 shares of Series B Preferred Stock were issued and outstanding.

NOTE 14 – EQUITY (continued)

Common Shares Sold for Cash

On December 13, 2019, the Company entered into an Open Market Sale Agreement℠ (the "Sales Agreement") with Jefferies LLC, as sales agent ("Jefferies"), pursuant to which the Company may offer and sell, from time to time, through Jefferies, shares of its common stock. During the year ended December 31, 2022, Jefferies sold an aggregate of 17,064 shares of common stock at an average price of $7.9 per share to investors and the Company recorded net proceeds of $112,328, net of commission and other offering costs of $23,239. The Open Market Sale Agreement℠ was terminated in 2023.

On August 5, 2022, the Company sold 32,051 shares of its common stock at a purchase price of $7.8 per share to an investor pursuant to a subscription agreement. The Company received proceeds of $250,000.

On August 5, 2022, the Company sold 44,872 shares of its common stock at a purchase price of $7.8 per share, the fair market value on transaction date, to Wenzhao Lu pursuant to a subscription agreement. The Company received proceeds of $350,000 (see Note 12 - Common Shares Sold to Related Party for Cash).

In June 2023, the Company entered into a sales agreement (the "Sales Agreement") with Roth Capital Partners, LLC ("Roth") under which the Company may offer and sell from time to time shares of its common stock having an aggregate offering price of up to $3.5 million. During the year ended December 31, 2023, Roth sold an aggregate of 456,627 shares of common stock at an average price of $1.39 per share to investors and the Company recorded net proceeds of $414,396, net of commission and other offering costs of $220,995.

Common Shares Issued for Services

During the year ended December 31, 2022, the Company issued a total of 40,896 shares of its common stock for services rendered. These shares were valued at $340,950, the fair market values on the grant dates using the reported closing share prices on the dates of grant, and the Company recorded stock-based compensation expense of $310,950 for the year ended December 31, 2022 and reduced accrued liabilities of $30,000.

During the year ended December 31, 2023, the Company issued a total of 361,331 shares of its common stock for services rendered. These shares were valued at $999,655, the fair market values on the grant dates using the reported closing share prices on the dates of grant, and the Company recorded stock-based compensation expense of $834,784 for the year ended December 31, 2023 and reduced accrued liabilities of $164,871.

Common Shares Issued as Convertible Note Payable Commitment Fee

During the year ended December 31, 2023, the Company issued a total of 170,000 shares of its common stock as commitment fee for the purchases of convertible note. These shares were valued at $236,400, the fair market values on the grant dates using the reported closing share prices on the dates of grant, and the Company recorded it as debt discount.

Common Shares Issued for Debt Conversion

On July 25, 2022, the Company and 2022 Convertible Note holder entered into a Conversion Agreement pursuant to which the investor converted its Convertible Notes in the principal amount of $3,718,943 and unpaid interest of $9,751 into 573,645 shares of common stock of the Company at a per share price of $6.5 (see Note 9). The Company recorded a conversion inducement charge of $344,264 as a result of the Conversion Agreement, representing the value of common stock issued upon conversion in excess of the common stock issuable under the original terms of the 2022 Convertible Note.

Common Shares Issued Pursuant to Related Party Debt Settlement Agreement and Release

On July 25, 2022, the Company and Mr. Lu entered into and closed a Debt Settlement Agreement and Release pursuant to which the Company settled $2,440,262 debt owed under the Line of Credit and unpaid interest of $448,331 by issuance of 444,399 shares of common stock of the Company (see Note 12 - Borrowings from Related Party – *Line of Credit*). The total amount of the debt settled of $2,888,593 exceeded the fair market value of the shares issued by $888,353 which was treated as a capital transaction due to Mr. Lu's relationship with the Company.

NOTE 14 – EQUITY (continued)

Options

The following table summarizes the shares of the Company's common stock issuable upon exercise of options outstanding at December 31, 2023:

Options Outstanding				Options Exercisable	
Range of Exercise Price	Number Outstanding at December 31, 2023	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2023	Weighted Average Exercise Price
$ 0.59 – 2.08	149,000	4.01	$ 1.72	69,333	$ 1.88
3.25 – 8.20	307,803	3.04	5.26	307,803	5.26
10.20 – 20.00	396,500	2.04	16.65	396,500	16.65
$ 0.59 – 20.00	853,303	2.75	$ 9.94	773,636	$ 10.80

Stock option activity for the years ended December 31, 2023 and 2022 were as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2022	772,500	$ 14.48
Granted	86,000	6.59
Expired	(58,000)	(22.79)
Outstanding at December 31, 2022	800,500	13.03
Granted	186,803	2.35
Expired	(134,000)	(17.86)
Outstanding at December 31, 2023	853,303	$ 9.94
Options exercisable at December 31, 2023	773,636	$ 10.80
Options expected to vest	79,667	$ 1.57

The aggregate intrinsic value of both stock options outstanding and stock options exercisable at December 31, 2023 was $0.

The fair values of options granted during the year ended December 31, 2023 were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: volatility of 79.76% - 96.37%, risk-free rate of 3.58% - 4.76%, annual dividend yield of 0%, and expected life of 3.00 - 5.00 years. The aggregate fair value of the options granted during the year ended December 31, 2023 was $319,380.

The fair values of options granted during the year ended December 31, 2022 were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: volatility of 74.8% - 117.46%, risk-free rate of 1.37% - 4.48%, annual dividend yield of 0%, and expected life of 3.00 - 5.00 years. The aggregate fair value of the options granted during the year ended December 31, 2022 was $421,428.

For the year ended December 31, 2023 and 2022, stock-based compensation expense associated with stock options granted amounted to $284,977 and $358,113, of which, $172,943 and $234,856 was recorded as compensation and related benefits, $106,565 and $84,064 was recorded as professional fees, and $5,469 and $39,193 was recorded as research and development expenses, respectively.

NOTE 14 – EQUITY (continued)

Options (continued)

A summary of the status of the Company's nonvested stock options granted as of December 31, 2023 and changes during the years ended December 31, 2023 and 2022 is presented below:

	Number of Options	Weighted Average Exercise Price
Nonvested at January 1, 2022	20,583	$ 10.39
Granted	86,000	6.59
Vested	(86,583)	(8.03)
Nonvested at December 31, 2022	20,000	4.29
Granted	186,803	2.35
Vested	(127,136)	(3.14)
Nonvested at December 31, 2023	79,667	$ 1.57

Warrants

The following table summarizes the shares of the Company's common stock issuable upon exercise of warrants outstanding at December 31, 2023:

	Warrants Outstanding			Warrants Exercisable	
Exercise Price	Number Outstanding at December 31, 2023	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2023	Weighted Average Exercise Price
$ 1.80 – 2.50	200,900	4.78	$ 2.20	113,400	$ 2.50
3.20 – 4.50	320,663	4.43	3.93	179,998	4.50
12.50	123,964	3.31	12.50	123,964	12.50
$ 1.80 – 12.50	645,527	4.32	$ 5.04	417,362	$ 6.33

Stock warrant activity for the years ended December 31, 2023 and 2022 were as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2022	-	$ -
Issued	123,964	12.50
Outstanding at December 31, 2022	123,964	12.50
Issued	521,563	3.26
Outstanding at December 31, 2023	645,527	$ 5.04
Warrants exercisable at December 31, 2023	417,362	$ 6.33
Warrants expected to vest	228,165	$ 2.66

The aggregate intrinsic value of both stock warrants outstanding and stock warrants exercisable at December 31, 2023 was $0.

NOTE 14 – EQUITY (continued)

Warrants (continued)

Warrants Issued in 2022

On March 28, 2022, the Company entered into Securities Purchase Agreement with an accredited investor, which was amended on June 8, 2022, providing for the sale by the Company to the investor of a Convertible Note in the amount of $3,718,943 ("2022 Convertible Note"). In addition to the 2022 Convertible Note, the investor also received a Stock Purchase Warrant ("2022 Warrant") to acquire an aggregate of 123,964 shares of common stock. The 2022 Warrant is exercisable for five years at an exercise price of $12.5. The fair values of the warrants issued to the investor with this private placement were computed using the Black-Scholes option-pricing model with the following assumptions: volatility of 111.94%, risk-free rate of 2.71% - 2.92%, annual dividend yield of 0% and expected life of 5 years. The warrants issued to the investor to purchase 123,964 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at $498,509 and had been amortized over the term of the 2022 Convertible Note.

Warrants Issued in May 2023

In connection with the issuance of May 2023 Convertible Note (See Note 9), the Company issued (i) a warrant to purchase 125,000 shares of common stock with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023, and (ii) a warrant to purchase 105,500 shares of common stock with an exercise price of $3.20 exercisable until the five-year anniversary of May 23, 2023, which warrant shall be cancelled and extinguished against payment of the May 2023 Convertible Note, to Mast Hill; and issued a warrant to purchase 10,000 shares of common stock with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 to a third party as a finder's fee.

Based upon the Company's analysis of the criteria contained in ASC 815, the Company determined that all the warrants issued to Mast Hill and a third party as a finder's fee meet the definition of derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 105,500 warrants with an exercise price of $3.20 exercisable until the five-year anniversary of May 23, 2023, which warrant shall be cancelled and extinguished against payment of the May 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 was classified as derivative liability on May 23, 2023. The fair values of the 135,000 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 issued on May 23, 2023 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $1.96, volatility of 88.80%, risk-free rate of 3.76%, annual dividend yield of 0% and expected life of 5 years.

The warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 issued to Mast Hill to purchase 125,000 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at $127,654 and will be amortized over the term of the May 2023 Convertible Note.

The warrants with an exercise price of $4.50 exercisable until the five-year anniversary of May 23, 2023 issued to a third party as a finder's fee to purchase 10,000 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at $11,162 and will be amortized over the term of the May 2023 Convertible Note.

Warrants Issued in July 2023

In connection with the issuance of July 2023 Convertible Note (See Note 9), the Company issued (i) a warrant to purchase 41,665 shares of common stock with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023, and (ii) a warrant to purchase 35,165 shares of common stock with an exercise price of $3.20 exercisable until the five-year anniversary of July 6, 2023, which warrant shall be cancelled and extinguished against payment of the July 2023 Convertible Note, to Firstfire; and issued a warrant to purchase 3,333 shares of common stock with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 to a third party as a finder's fee.

NOTE 14 – EQUITY (continued)

Warrants (continued)

Warrants Issued in July 2023 (continued)

Based upon the Company's analysis of the criteria contained in ASC 815, the Company determined that all the warrants issued to Firstfire and a third party as a finder's fee meet the definition of derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 35,165 warrants with an exercise price of $3.20 exercisable until the five-year anniversary of July 6, 2023, which warrant shall be cancelled and extinguished against payment of the July 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 was classified as derivative liability on July 6, 2023. The fair values of the 44,998 warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 issued on July 6, 2023 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $1.42, volatility of 88.52%, risk-free rate of 4.37%, annual dividend yield of 0% and expected life of 5 years.

The warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 issued to Firstfire to purchase 41,665 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at $28,691 and will be amortized over the term of the July 2023 Convertible Note.

The warrants with an exercise price of $4.50 exercisable until the five-year anniversary of July 6, 2023 issued to a third party as a finder's fee to purchase 3,333 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at $2,435 and will be amortized over the term of the July 2023 Convertible Note.

Warrants Issued in October 2023

In connection with the issuance of October 2023 Convertible Note (See Note 9), the Company issued (i) a warrant to purchase 105,000 shares of common stock with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023, (ii) a warrant to purchase 87,500 shares of common stock with an exercise price of $1.80 exercisable until the five-year anniversary of October 9, 2023, which warrant shall be cancelled and extinguished against payment of the October 2023 Convertible Note, to Mast Hill and Firstfire; and issued a warrant to purchase 8,400 shares of common stock with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 to a third party as a finder's fee.

Based upon the Company's analysis of the criteria contained in ASC 815, the Company determined that all the warrants issued to Mast Hill and Firstfire and a third party as a finder's fee meet the definition of a derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. Management determined the probability of failing to make an amortization payment when due to be remote and as such the fair value of the 87,500 warrants with an exercise price of $1.80 exercisable until the five-year anniversary of October 9, 2023, which warrant shall be cancelled and extinguished against payment of the October 2023 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 was classified as a derivative liability on October 9, 2023. The fair values of the 113,400 warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 issued on October 9, 2023 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of $0.77, volatility of 89.70%, risk-free rate of 4.75%, annual dividend yield of 0% and expected life of 5 years.

The warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 issued to Mast Hill and Firstfire to purchase 105,000 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at $39,848 and will be amortized over the term of the October 2023 Convertible Note.

The warrants with an exercise price of $2.50 exercisable until the five-year anniversary of October 9, 2023 issued to a third party as a finder's fee to purchase 8,400 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at $3,380 and will be amortized over the term of the October 2023 Convertible Note.

NOTE 14 – EQUITY (continued)

Warrants (continued)

Warrants Issued in October 2023 (continued)

A summary of the status of the Company's nonvested stock warrants issued as of December 31, 2023 and changes during the years ended December 31, 2023 and 2022 is presented below:

	Number of Warrants	Weighted Average Exercise Price
Nonvested at January 1, 2022	-	-
Issued	123,964	12.50
Vested	(123,964)	(12.50)
Nonvested at December 31, 2022	-	$ -
Issued	521,563	3.26
Vested	(293,398)	(3.73)
Nonvested at December 31, 2023	228,165	$ 2.66

NOTE 15 – STATUTORY RESERVE AND RESTRICTED NET ASSETS

The Company's PRC subsidiary, Avalon Shanghai, is restricted in its ability to transfer a portion of its net asset to the Company. The payment of dividends by entities organized in China is subject to limitations, procedures and formalities. Regulations in the PRC currently permit payment of dividends only out of accumulated profits as determined in accordance with accounting standards and regulations in China.

The Company is required to make appropriations to certain reserve funds, comprising the statutory surplus reserve and the discretionary surplus reserve, based on after-tax net income determined in accordance with generally accepted accounting principles of the PRC ("PRC GAAP"). Appropriations to the statutory surplus reserve are required to be at least 10% of the after-tax net income determined in accordance with PRC GAAP until the reserve is equal to 50% of the entity's registered capital. Appropriations to the discretionary surplus reserve are made at the discretion of the Board of Directors. The statutory reserve may be applied against prior year losses, if any, and may be used for general business expansion and production or increase in registered capital, but are not distributable as cash dividends. The Company did not make any appropriation to statutory reserve for Avalon Shanghai during the years ended December 31, 2023 and 2022 as it incurred net loss in the periods. As of December 31, 2023 and 2022, the restricted amount as determined pursuant to PRC statutory laws totaled $6,578.

Relevant PRC laws and regulations restrict the Company's PRC subsidiary, Avalon Shanghai, from transferring a portion of its net assets, equivalent to its statutory reserve and its share capital, to the Company's shareholders in the form of loans, advances or cash dividends. Only PRC entity's accumulated profit may be distributed as dividend to the Company's shareholders without the consent of a third party. As of December 31, 2023 and 2022, total restricted net assets amounted to $1,106,578 and $1,006,578, respectively.

NOTE 16 – NONCONTROLLING INTEREST

As of December 31, 2023, Dr. Yu Zhou, former director and former co-chief executive officer of Genexosome, who owns 40% of the equity interests of Genexosome, which is not under the Company's control. During the years ended December 31, 2023 and 2022, the Company did not allocate any net loss and foreign currency translation adjustment to the noncontrolling interest holder due to its inability to satisfy these deficits.

NOTE 17 – CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

Pursuant to the requirements of Rule 12-04(a), 5-04(c) and 4-08(e)(3) of Regulation S-X, the condensed financial information of the parent company shall be filed when the restricted net assets of consolidated subsidiary exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. For purposes of this test, restricted net assets of consolidated subsidiary shall mean that amount of the Company's proportionate share of net assets of consolidated subsidiary (after intercompany eliminations) which as of the end of the most recent fiscal year may not be transferred to the parent company by subsidiary in the form of loans, advances or cash dividends without the consent of a third party.

The Company performed a test on the restricted net assets of consolidated subsidiary in accordance with such requirement and concluded that it was not applicable to the Company as the restricted net assets of the Company's PRC subsidiary did not exceed 25% of the consolidated net assets of the Company, therefore, the condensed financial statements for the parent company have not been required.

NOTE 18 – CONCENTRATIONS

Customers

The following table sets forth information as to each customer that accounted for 10% or more of the Company's revenue for the years ended December 31, 2023 and 2022.

	Years Ended December 31,	
Customer	2023	2022
A	30%	31%
B	18%	19%
C	12%	13%

Two customers, of which, one is a related party and the other is a third party, whose outstanding receivable accounted for 10% or more of the Company's total outstanding rent receivable at December 31, 2023, accounted for 80.6% of the Company's total outstanding rent receivable at December 31, 2023.

Two customers, of which, one is a related party and the other is a third party, whose outstanding receivable accounted for 10% or more of the Company's total outstanding rent receivable at December 31, 2022, accounted for 81.4% of the Company's total outstanding rent receivable at December 31, 2022.

Suppliers

No supplier accounted for 10% or more of the Company's purchase during the years ended December 31, 2023 and 2022.

NOTE 19 – SEGMENT INFORMATION

For the year ended December 31, 2022, the Company operated in two reportable business segments - (1) the real property operating segment, and (2) the medical related consulting services segment. The Company's reportable segments are strategic business units that offer different services and products. They are managed separately based on the fundamental differences in their operations.

Due to the winding down of the medical related consulting services segment in 2022, the Company decided to cease all operations of this segment and no longer has any material revenues or expenses in this segment. As a result, commencing from the first quarter of 2023, the Company's chief operating decision maker no longer reviews medical related consulting services operating results.

On February 9, 2023, the Company purchased 40% of Lab Services MSO. Commencing from the purchase date, February 9, 2023, the Company is active in the management of Lab Services MSO. During the year ended December 31, 2023, the Company operated in two reportable business segments: (1) the real property operating segment, and (2) laboratory testing services segment (which commenced with the purchase date, February 9, 2023) since Lab Services MSO's operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. The Company regularly reviews the operating results and performance of Lab Services MSO, which is the Company's an equity method investee.

NOTE 19 – SEGMENT INFORMATION (continued)

Information with respect to these reportable business segments for the years ended December 31, 2023 and 2022 was as follows:

	Year Ended December 31, 2023			
	Real Property Operations	Lab Services MSO	Corporate / Other	Total
Real property rental revenue	$ 1,255,681	$ -	$ -	$ 1,255,681
Real property operating expenses	(1,017,493)	-	-	(1,017,493)
Real property operating income	238,188	-	-	238,188
Loss from equity method investment - Lab Services MSO	-	(8,571,647)	-	(8,571,647)
Other operating expenses	(347,356)	-	(7,072,868)	(7,420,224)
Other (expense) income:				
Interest expense	(918,885)	-	(432,617)	(1,351,502)
Other income	15	-	398,160	398,175
Net loss	$ (1,028,038)	$ (8,571,647)	$ (7,107,325)	$ (16,707,010)

	Year Ended December 31, 2022			
	Real Property Operations	Medical Related Consulting Services	Corporate / Other	Total
Real property rental revenue	$ 1,202,169	$ -	$ -	$ 1,202,169
Real property operating expenses	(929,441)	-	-	(929,441)
Real property operating income	272,728	-	-	272,728
Other operating expenses	(352,032)	(404,121)	(8,309,470)	(9,065,623)
Other (expense) income:				
Interest expense	-	-	(3,576,333)	(3,576,333)
Other income	15	178,546	259,820	438,381
Net loss	$ (79,289)	$ (225,575)	$ (11,625,983)	$ (11,930,847)

Identifiable long-lived tangible assets at December 31, 2023 and 2022	December 31, 2023	December 31, 2022
Real property operations	$ 7,211,641	$ 7,367,360
Medical related consulting services	-	408
Corporate/Other	17,846	130,613
Total	$ 7,229,487	$ 7,498,381

Identifiable long-lived tangible assets at December 31, 2023 and 2022	December 31, 2023	December 31, 2022
United States	$ 7,227,533	$ 7,393,307
China	1,954	105,074
Total	$ 7,229,487	$ 7,498,381

NOTE 20 – COMMITMENTS AND CONTINCENGIES

Operating Leases Commitment

The Company is a party to leases for office space. These lease agreements will expire through February 2025. Rent expense under all operating leases amounted to approximately $129,000 and $141,000 for the years ended December 31, 2023 and 2022, respectively.

Supplemental cash flow information related to leases for the years ended December 31, 2023 and 2022 is as follows:

	Years Ended December 31,	
	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating lease	$ 125,929	$ 150,577
Right-of-use assets obtained in exchange for lease obligation:		
Operating lease	$ 235,893	$ -

The following table summarizes the lease term and discount rate for the Company's operating lease as of December 31, 2023:

	Operating Lease
Weighted average remaining lease term (in years)	1.08
Weighted average discount rate	11.0%

The following table summarizes the maturity of lease liabilities under operating lease as of December 31, 2023:

For the Year Ending December 31:	Operating Lease
2024	$ 136,803
2025	4,900
Total lease payments	141,703
Amount of lease payments representing interest	(7,452)
Total present value of operating lease liabilities	$ 134,251
Current portion	$ 129,396
Long-term portion	4,855
Total	$ 134,251

Joint Venture – Avactis Biosciences Inc.

On July 18, 2018, the Company formed a wholly owned subsidiary, Avactis Biosciences Inc. ("Avactis"), a Nevada corporation, which focuses on accelerating commercial activities related to cellular therapies as well as cellular immunotherapy including CAR-T, CAR-NK, TCR-T and others. When formed, Avactis was designed to integrate and optimize the Company's global scientific and clinical resources to further advance the use of cellular therapies to treat certain cancers, however the Company is no longer pursuing any commercial activities with respect to cellular immunotherapy and CAR-T, in particular. As of April 6, 2022, the Company owns 60% of Avactis and Arbele Biotherapeutics Limited ("Arbele Biotherapeutics") owns 40% of Avactis. Avactis owns 100% of the capital stock of Avactis Nanjing Biosciences Ltd., a company incorporated in the PRC on May 8, 2020 ("Avactis Nanjing"), which only owns a patent and is not considered an operating entity.

NOTE 20 – COMMITMENTS AND CONTINCENGIES (continued)

Joint Venture – Avactis Biosciences Inc. (continued)

The Company is required to contribute $10 million (or equivalent in RMB) in cash and/or services, which shall be contributed in tranches based on milestones to be determined jointly by Avactis and the Company in writing subject to the Company's cash reserves. Within 30 days, Arbele Biotherapeutics shall make contribution of $6.66 million in the form of entering into a License Agreement with Avactis granting Avactis an exclusive right and license in China to its technology and intellectual property pertaining to CAR-T/CAR-NK/TCR-T/universal cellular immunotherapy technology and any additional technology developed in the future with terms and conditions to be mutually agreed upon the Company and Avactis and services. As of the date hereof, the License Agreement has not been finalized by the parties.

In addition, the Company is responsible for contributing registered capital of RMB 5,000,000 (approximately $0.7 million) for working capital purposes as required by local regulation, which is not required to be contributed immediately and will be contributed subject to the Company's discretion. As of the date hereof, Avactis' activities have been limited to that of a patent holding company and there is no other activity or planned contributions in 2024.

NOTE 21 – SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were issued. Based upon this review, other than as described below, the Company did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

March 2024 Convertible Note Financing

In March 2024, the Company entered into security purchase agreement with a lender (the "March 2024 Lender") and closed on the issuance of 13.0% senior secured convertible promissory note in the principal amount of $700,000 (the "March 2024 Note"), as well as the issuance of 105,000 shares of common stock as a commitment fee and warrants for the purchase of up to 252,404 shares of the Company's common stock. The Company and its subsidiaries have also entered into security agreements, creating a security interest in certain property of the Company and its subsidiaries to secure the prompt payment, performance and discharge in full of all of the Company's obligations under the March 2024 Note.

Exhibit 4.9

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following summary, which includes applicable provisions of the Delaware General Corporation Law (the "DGCL"), describes material provisions of the capital stock of Avalon GloboCare Corp ("we", "us" or the "Company") and is intended as a summary only and therefore is not a complete description of our capital stock. The description of our capital stock and provisions of our amended and restated certificate of incorporation, as amended (the "Certificate of Incorporation") and our amended and restated bylaws, (the "Bylaws"), are summaries and are qualified entirely by reference to the Certificate of Incorporation and Bylaws, which are included as exhibits to our Annual Report on Form 10-K, of which this Exhibit 4.9 is a part. You should review these documents for a description of the rights, restrictions and obligations relating to our capital stock.

General

We have one class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which is our common stock, par value $0.0001 per share.

Our Certificate of Incorporation authorizes us to issue up to five hundred million (500,000,000) shares of capital stock, par value $0.0001 per share, of which (i) four hundred ninety million (490,000,000) shares are designated as common stock, par value $0.0001 per share, and (ii) five million (5,000,000) shares are designated as preferred stock, which includes (x) 15,000 shares that have been designated as Series A Convertible Preferred Stock, at a stated value equal to $1,000 per share, and (y) 15,000 shares that have been designated as Series B Convertible Preferred stock, at a stated value equal to $1,000 per share, the terms of which are to be determined, from time to time, by our board of directors.

Common Stock

Dividends.

The holders of our common stock are entitled to receive, ratably, out of the funds legally available, any dividends only if, and as declared by our board of directors, or a duly authorized committee of our board of directors, subject to any preferential dividend or other rights of the then outstanding preferred stock.

Voting Rights.

Each share of common stock entitles the holders of our common stock to one vote per share on all matters submitted to a vote by our stockholders, including the election of directors; provided, that, unless otherwise required by law, holders of our common stock are not entitled to vote on any amendment to our Certificate of Incorporation (or on any amendment to a certificate of designations of any series of undesignated preferred stock) that relates solely to the terms of one or more outstanding series of our preferred stock, if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon pursuant to our Certificate of Incorporation. Holders of our common stock do not have cumulative voting rights.

Rights Upon Liquidation and Dissolution.

In the event of a liquidation, dissolution or winding up of the Company, the holders of our common stock are entitled to receive, ratably, the net assets of the Company available for distribution to our stockholders after the payment of all debts and other liabilities and subject to any preferential or other rights of any then outstanding preferred stock.

Other Rights.

Holders of our common stock have no preemptive, subscription, redemption or conversion rights. The rights, preferences and privileges of holders of common stock are subject to and may be adversely affected by the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

Preferred Stock

In accordance with our Certificate of Incorporation, our board of directors is authorized to direct us to issue shares of undesignated preferred stock in one or more series without stockholder approval. Our board of directors has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, repurchase rights, redemption privileges and liquidation preferences, of each series of preferred stock.

The purpose of authorizing our board of directors to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third-party to acquire, or could discourage a third-party from seeking to acquire, a majority of our outstanding voting stock.

Series A Convertible Preferred Stock.

Dividends.

The holders of our Series A Convertible Preferred Stock are entitled to receive, and the Company shall pay, dividends on shares of Series A Convertible Preferred Stock equal (on an as-if-converted-to-common-stock basis, disregarding for such purpose any conversion limitations set forth in the Certificate of Designation of our Series A Convertible Preferred Stock (the "Series A Certificate of Designation") to and in the same form as dividends actually paid on shares of the Company's common stock when, as and if such dividends are paid on shares of the common stock. No other dividends shall be paid on shares of Series A Convertible Preferred Stock. The Company will not pay any dividends on its common stock unless the Company simultaneously complies with the terms set forth in the Series A Certificate of Designation.

Voting Rights.

The holders of our Series A Convertible Preferred Stock will have no voting rights, except as otherwise required by the DGCL. Notwithstanding the foregoing, as long as any shares of Series A Convertible Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of Series A Convertible Preferred Stock, voting as a separate class, (a) alter or change adversely the powers, preferences or rights given to the Series A Convertible Preferred Stock in the Series A Certificate of Designation, (b) increase the number of authorized shares of Series A Convertible Preferred Stock, (c) authorize or issue an additional class or series of capital stock that ranks senior to the Series A Convertible Preferred Stock with respect to the distribution of assets on liquidation or (d) enter into any agreement with respect to any of the foregoing.

Rights Upon Liquidation and Dissolution.

In the event of a liquidation, dissolution or winding up of the Company, the holders of our Series A Convertible Preferred Stock will be entitled to receive out of the assets available for distribution to the stockholders, (i) after and subject to the payment in full of all amounts required to be distributed to the holders of another class or series of stock of the Company ranking on liquidation prior and in preference to the Series A Convertible Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series A Convertible Preferred Stock and (iii) in preference and priority to the holders of the shares of the Company's common stock, an amount equal to one hundred percent (100%) of the stated value of the Series A Convertible Preferred Stock, and no more, in proportion to the full and preferential amount that all shares of the Series A Convertible Preferred Stock are entitled to receive. The Company shall mail written notice of any liquidation not less than twenty (20) days prior to the payment date stated therein, to each holder of the Series A Convertible Preferred Stock.

Conversion.

Each share of our Series A Convertible Preferred Stock shall be convertible in accordance with the Series A Certificate of Designation and the Nasdaq Stock Market Listing Rules, at the option of the holder, into that number of shares of common stock (subject to the limitations set forth in Series A Certificate of Designations, determined by dividing the stated value of such share of Series A Convertible Preferred Stock by the conversion price set forth in the Series A Certificate of Designation. The holders of our Series A Convertible Preferred Stock may effect conversions by providing us with the form of conversion notice attached as Annex A to the Series A Certificate of Designation. The holders may convert such shares into shares of the Company's common stock at a conversion price per share equal to the greater of (i) one dollar ($10.00) and (ii) ninety percent (90%) of the closing price of the Company's common stock on Nasdaq on the day prior to receipt of a conversion notice, subject to adjustment for stock splits and similar matters. In addition, following the initial conversion date, the holder agrees that it will not be entitled to in any calendar month, sell a number of conversion shares into the open market in an amount exceeding more than ten percent (10%) of the number of conversion share issuable upon conversion of the Series A Convertible Preferred Stock then held by such holder.

Series B Convertible Preferred Stock.

Dividends.

The holders of our Series B Convertible Preferred Stock are entitled to receive, and the Company must pay, dividends on the shares of our Series B Convertible Preferred Stock equal (on an as-if-converted-to-common-stock basis, disregarding for such purpose any conversion limitations set forth in the Series B Certificate of Designation, as defined below) to and in the same form as dividends actually paid on shares of the Company's common stock when, as and if such dividends are paid on shares of the common stock. No other dividends will be paid on shares of Series B Convertible Preferred Stock. We will not pay any dividends on our common stock unless the Company simultaneously complies with the terms set forth in the Certificate of Designation of our Series B Convertible Preferred Stock (the "Series B Certificate of Designation").

Voting Rights.

The holders of our Series B Convertible Preferred Stock will have no voting rights, except as otherwise required by the DGCL. Notwithstanding the foregoing, in addition, as long as any shares of our Series B Convertible Preferred Stock are outstanding, the Company shall not, without the affirmative vote of the holders of a majority of the then outstanding shares of the Series B Convertible Preferred Stock, voting as a separate class, (a) alter or change adversely the powers, preferences or rights given to the Series B Convertible Preferred Stock in the Series B Certificate of Designation, (b) increase the number of authorized shares of Series B Convertible Preferred Stock, (c) except with respect to the Series A Convertible Preferred Stock, authorize or issue an additional class or series of capital stock that ranks senior to the Series B Convertible Preferred Stock with respect to the distribution of assets on liquidation or (d) enter into any agreement with respect to any of the foregoing.

Rights Upon Liquidation and Dissolution.

In the event of a liquidation, the holders of our Series B Convertible Preferred Stock will be entitled to receive out of the assets available for distribution to stockholders, (i) after and subject to the payment in full of all amounts required to be distributed to the holders of another class or series of stock of the Company ranking on liquidation prior and in preference to the Series B Convertible Preferred Stock, including the Series A Convertible Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series B Convertible Preferred Stock and (iii) in preference and priority to the holders of the shares of common stock, an amount equal to one hundred percent (100%) of the stated value and no more, in proportion to the full and preferential amount that all shares of the Series B Convertible Preferred Stock are entitled to receive. The Company shall mail written notice of any such liquidation not less than twenty (20) days prior to the payment date stated therein, to each holder of our Series B Convertible Preferred Stock.

Conversion.

Each share of our Series B Convertible Preferred Stock shall be convertible in accordance with the Series B Certificate of Designation and the Nasdaq Stock Market Listing Rules, at the option of the holder, into that number of shares of common stock (subject to the limitations set forth in Series B Certificate of Designation determined by dividing the stated value of such share of Series B Convertible Preferred Stock by the conversion price of the Series B Convertible Preferred Stock). Holders of our Series B Convertible Preferred Stock may effect conversions by providing the Company with the form of conversion notice attached as Annex A to the Series B Certificate of Designation. The Series B Convertible Preferred Stock will be convertible into shares of the Company's common stock at a conversion price per share equal to $3.78, subject to the adjustments set forth in the Series B Certificate of Designation. Notwithstanding the foregoing, the holders of our Series B Convertible Preferred Stock shall not, directly or indirectly, sell, transfer or otherwise dispose of any Series B Convertible Preferred Stock issued upon conversion of the conversion shares or pursuant to the Equity Earnout Payment (the "Restricted Securities") without Company's prior written consent; provided, however, that, the holders of the Series B Convertible Preferred Stock may sell, transfer or otherwise dispose of Restricted Securities to an Affiliate, as defined in the Amended MIPA, of a holder of Series B Convertible Preferred Stock without Company's prior written consent; provided, further, that such holder provide us with prompt written notice of such transfer, including the name and contact information of the Affiliate transferee, and such Affiliate transferee agrees in writing to be bound by the terms of the transaction documents contemplated by the Amended MIPA to which the holder of the Series B Convertible Preferred Stock is a party (which agreement shall also be provided to Company with such notice). After the expiration of that certain Lock-Up period, the holder of the Series B Convertible Preferred Stock agrees that it and any of its Affiliate transferees shall not be entitled to in any calendar month, sell a number of shares of Company common stock into the open market in an amount exceeding more than ten percent (10%) of the total number of shares of our common stock issuable upon conversion of the Company common stock then held by SCBC Holdings LLC and its affiliates.

Effects of Authorized but Unissued Stock

Our authorized but unissued shares of common stock and preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the listing requirements of the Nasdaq Stock Market. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make it more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise. In addition, if we issue preferred stock in the future, the issuance could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation.

Anti-Takeover Provisions

The DGCL, our Certificate of Incorporation and our Bylaws contain provisions that could have the effect of delaying, deferring or discouraging another party from acquiring control of us. The purpose of these provisions, which are summarized below, is to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of the Company to first negotiate with our board of directors.

Special Meetings. Except as otherwise required by statute and subject to the rights, if any, of the holders of any series of our undesignated preferred stock, special meetings of our stockholders may be called only by the board of directors acting pursuant to a resolution approved by the affirmative vote of a majority of the Directors then in office. The order of business and all other matters of procedure at any meeting of the stockholders will be determined by a presiding officer designated by our board of directors.

Removal of Directors. Our Certificate of Incorporation provides that our directors may be removed only by the affirmative vote of a majority of the voting power of the outstanding shares of capital stock then entitled to vote at an election of directors. In addition, at least forty-five (45) days prior to any annual or special meeting of stockholders at which it is proposed that a director be removed from office, written notice of such proposed removal and the alleged grounds thereof must be sent to the director whose removal will be considered at the meeting.

Stockholder Action by Written Consent. Any action that is permitted to be taken by our stockholders by written consent without a meeting must first satisfy the requirements and procedures set forth in our Certificate of Incorporation and our Bylaws.

Advance Notice Requirements for Stockholder Proposals. Our Bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of stockholders, including proposed nominations of persons for election to our board of directors. Stockholders at an annual meeting are only able to consider proposals or nominations specified in the notice of meeting or brought before the meeting by or at the direction of our board of directors or by a stockholder of record on the record date for the meeting who is entitled to vote at the meeting and who has delivered timely written notice in proper form to our secretary of the stockholder's intention to bring such business before the meeting. These provisions could have the effect of delaying until the next stockholder meeting stockholder actions that are favored by the holders of a majority of our outstanding shares entitled to vote.

Delaware Business Combination Statute. We are subject to Section 203 of the DGCL. Subject to certain exceptions, Section 203 of the DGCL prevents a publicly held Delaware corporation from engaging in a "business combination" with any "interested stockholder" for three (3) years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A "business combination" includes, among other things, a merger or consolidation involving us and the "interested stockholder" and the sale of more than ten percent (10%) of our assets. In general, an "interested stockholder" is any entity or person beneficially owning fifteen percent (15%) or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person.

Amendment of Certificate of Incorporation and Bylaws. The DGCL provides generally that the affirmative vote of a majority of the shares entitled to vote on any matter is required to amend a corporation's certificate of incorporation or by-laws, unless a corporation's certificate of incorporation or by-laws, as the case may be, requires a greater percentage. Our Bylaws may be amended or repealed by the affirmative vote of a majority vote of our board of directors then in office or the affirmative vote of the holders of at least seventy five percent (75%) of the voting power of the outstanding shares entitled to vote on such amendment or repeal, voting as a single class; provided, however, that if our board of directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal will only require the affirmative vote of the majority of the voting power of the outstanding shares entitled to vote on such amendment or repeal, voting together as a single class. In addition, the Company reserves the right to amend or repeal the Certificate of Incorporation in the manner now or hereafter prescribed by statute and by the Certificate of Incorporation, and any rights conferred upon the stockholders in the Certificate of Incorporation are granted subject to this reservation. Whenever any vote of the holders of our capital stock is required to amend or repeal any provision of the Certificate of Incorporation, and in addition to any other vote of holders of capital stock that is required by the Certificate of Incorporation or by law, such amendment or repeal will require the affirmative vote of the majority of the voting power of the outstanding shares of capital stock entitled to vote on such amendment or repeal, and the affirmative vote of the majority of the voting power of the outstanding shares of each class entitled to vote thereon as a class, at a duly constituted meeting of stockholders called expressly for such purpose.

Exclusive Forum Selection. Our Bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Company, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer, stockholder or other employee of the Company to the Company or the Company's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the DGCL or the Certificate of Incorporation or the Bylaws, or (iv) any action asserting a claim against the Company governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company shall be deemed to have notice of and consented to the provisions of our exclusive forum selection as set forth in our Bylaws under "*Exclusive Jurisdiction of Delaware Courts*." Although our Bylaws contain the choice of forum provision described above, it is possible that a court could rule that such a provision is inapplicable for a particular claim or action or that such provision is unenforceable.

Transfer Agent and Registrar

Vstock Transfer LLC is presently the transfer agent and registrar for our common stock.

Listing

Our common stock has been listed on the Nasdaq Capital Market under the symbol "ALBT" since November 10, 2022. Our common stock was listed on the Nasdaq Capital Market under the symbol "AVCO" from November 5, 2018 through the close of business on November 9, 2022.

Exhibit 10.50

CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") dated February 9, 2023 (the "Effective Date"), is made by and between Laboratory Services MSO, LLC (the "Company") with an address at 4400 Route 9 South, Suite 3100, Freehold, New Jersey 07728 and Sarah Cox, with an address at 2549 Eastbluff Drive, #750, Newport Beach, California 92660 ("Consultant").

1. **Services.** The Company hereby engages Consultant and Consultant hereby agrees to render certain services set forth on Schedule A (the "Services") during the Term upon the terms and conditions hereinafter. The Company and Consultant understand and agree that this Agreement is not assignable without the other party's prior written consent. Consultant shall not engage in any specific Services on Company's behalf without prior written direction and approval.

2. **Term of Agreement**. The term of this Agreement shall commence on the Effective Date, and shall continue unless either party terminates this Agreement upon thirty (30) days prior written notice to the other party (the "Term"). If Consultant's service is terminated for any reason, the Company shall have no further obligation to make any payments to Consultant hereunder except for payments that had accrued and earned under the terms of Section 3(a) but had not been paid prior to the date of termination; provided that no amounts shall be payable under Section 3(b).

3. **Consulting Fees**. During the Term, Consultant:

a. Shall be paid a consulting fee at the rate of $30,000 per month, payable by the Company on a bi-weekly basis;

b. Shall receive reimbursement for reasonable out-of-pocket business expenses incurred in connection with the Services, provided that Consultant provides reasonable documentation therefor to Company. Consultant must obtain written pre-approval from Luisa Ingargiola or her successor/designee for any out-of-pocket expenses in excess of $5,000 per month.

4. **Duties**. Consultant shall render the Services conscientiously and devote her best efforts and abilities thereto, and shall perform the Services at such times and locations as are reasonably convenient to Consultant and the Company. Consultant shall observe all applicable policies and directives promulgated from time to time by the Company for independent contractors.

5. **Independent Contractor.** It is expressly agreed that Consultant is acting solely as an independent contractor in providing the Services hereunder. Neither party to this Agreement has any authority to bind or commit the other without that party's prior written consent nor will either party's acts or omissions be deemed the acts of the other. The Company shall carry no workers' compensation insurance or any health or accident insurance to cover Consultant. The Company shall not pay any contributions to Social Security, unemployment insurance, international, federal, state, or local withholding taxes, or provide any other contributions or benefits that might be expected in an employer-employee relationship and Consultant expressly waives any right to such participation or coverage. The Company will prepare and file IRS Form 1099 with regard to payments made to Consultant under this Agreement. Consultant will be solely responsible for any federal, state and local income taxes.

6. **Company Property**. It is expressly understood that all files, customer data, lists of names, contracts, digital assets, samples, price books, supplies, undelivered merchandise, all invoices (whether or not due and payable), and all other information and items which have come into Consultant's possession (including those provided to Consultant by the Company or any of its subsidiaries or any of their respective customers, prospective customers, suppliers and vendors) or been created by Consultant in connection with the performance of the Services ("Company Property"), shall be immediately delivered to the Company by Consultant upon expiration of the Term or earlier termination of this Agreement, regardless of the reason, and the Consultant also agrees not to retain any memoranda or copy of Company Property. All Company Property, including items developed or generated by Consultant, belongs exclusively to the Company. All Company Property that is developed or generated by Consultant in connection with the performance of the Services will be deemed "work for hire" and belong solely to the Company from conception. To the extent such Company Property is found not to be a work for hire, Consultant irrevocably assigns to the Company all of her right, title and interest to that Company Property.

7. **Representations and Warranties of Consultant**. Consultant hereby represents and warrants that: (a) Consultant has the requisite power and authority to execute and perform this Agreement; (b) this Agreement constitutes the valid and binding obligation of Consultant enforceable against Consultant according to its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and as limited by general principles of equity that restrict the availability of equitable remedies; (c) Consultant's execution, delivery and performance of this Agreement do not and will not violate the terms of any existing agreement or understanding to which Consultant is or becomes a party or by which Consultant is or becomes bound or any judgment, order or decree to which Consultant is subject; (d) Consultant is not, and will not become, subject to any restrictions that would otherwise prohibit Consultant from performing the Services or which would enable another person or entity to claim any rights in or to data or information developed by Consultant, if any, (whether developed alone or with others) pursuant to this Agreement; and (e) Consultant will comply with all applicable laws in performing Consultant's obligations hereunder.

8. **Confidentiality**. While performing the Services, Consultant may develop or acquire knowledge of confidential information relating to the Company, its business, potential business or that of its clients (hereafter "Confidential Company Information"). "Confidential Company Information" includes all trade secrets, technical, operating, financial, and other business information, whether or not reduced to writing or other medium and whether or not marked or labeled confidential, proprietary or the like, specifically including, but not limited to, information regarding actual or prospective client and investor lists, costs, plans, materials, enhancements, research, specifications, works of authorship, techniques, documentation, models and systems, sales and pricing techniques, designs, inventions, discoveries, products, improvements, modifications, methodology, processes, concepts, records, files, memoranda, reports, plans, proposals, price lists, customer, client, and supplier lists and information, product development and project procedures. Confidential Company Information does not include (a) general skills, experience, or information that is generally available to the public, other than information that has become generally available as a result of Consultant's direct or indirect act or omission, or (b) information that is required to be disclosed pursuant to any applicable law, regulation, judicial or administrative order or decree, or request by any other regulatory organization having authority pursuant to law; provided, however, that Consultant shall have first given prompt written notice to the Company to afford it a reasonable opportunity to obtain a protective order requiring that the Confidential Company Information not be disclosed and, in the event such protective order is not obtained, Consultant shall disclose only that portion of the Confidential Company Information that Consultant is legally obligated to disclose. With respect to Confidential Company Information:

a. Consultant will use Confidential Company Information only in the performance of the Services for the Company. Consultant will not use Confidential Company Information at any time for its own personal benefit, for the benefit of any other individual or entity, or in any manner adverse to the interests of the Company or its clients;

b. Consultant will not disclose Confidential Company Information at any time (during or after Consultant's engagement by the Company) except to authorized Company personnel, unless the Company consents in advance in writing or unless the Confidential Company Information indisputably becomes of public knowledge or enters the public domain (other than through Consultant's direct or indirect act or omission);

c. Consultant will safeguard the Confidential Company Information by all reasonable steps and abide by all policies and procedures of the Company in effect from time to time regarding storage, copying, destruction, and handling of documents;

d. Consultant acknowledges that the Company may be required to sign non-disclosure or confidentiality agreements with clients, prospective clients, and other third parties in which the Company agrees that its employees and agents will not disclose Confidential Company Information of such clients, prospective clients, or other third parties. By executing this Agreement, Consultant acknowledges and agrees that the Company may rely, and will rely, on this Agreement for purposes of entering into such other agreements. Further, Consultant will execute and abide by all confidentiality agreements reasonably requested by the Company's clients, prospective clients, and other third parties;

e. Consultant will return all materials containing and/or relating to Confidential Company Information, together with all other property of the Company and its clients to the Company when Consultant's consulting relationship with the Company terminates or otherwise on demand and, at that time Consultant will certify to the Company, in writing, that Consultant has complied with this Agreement. Consultant will not retain any copies or reproductions of correspondence, memoranda, reports, notebooks, drawings, photographs, databases, diskettes, or other documents or electronically stored information of any kind relating in any way to the business, potential business or affairs of the Company and its clients; and

f. Consultant acknowledges that it will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret if it (a) makes such disclosure in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and such disclosure is made solely for the purpose of reporting or investigating a suspected violation of law; or (b) such disclosure was made in a complaint or other document filed in a lawsuit or other proceeding if such filing is made under seal. Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

9. **Intellectual Property Rights**. To the fullest extent permissible under applicable law, all material, documentation, deliverables, and other tangible expressions of information including but not limited to, software programs and software documentation, designs, technical data, formulae, and processes, whether in final production or draft, which result from any work performed by Consultant, providing the Services under this Agreement, or any extension or renewal thereof, shall be deemed to belong to the Company, and all rights, title, and interest, including any copyright, patent rights, and all other intellectual property rights, shall belong exclusively to the Company (the "Work Product"). Without limiting the foregoing, the Company shall have all right, title, and interest in the Work Product, including the exclusive right to obtain and hold in its own name copyrights, registrations, and other appropriate statutory protections and Consultant shall not have or receive any rights of any kind therein. Consultant agrees to cooperate with the Company (at the Company's expense) to obtain any further assignments, copyrights, patents, and such other statutory protections as may be available under law. Notwithstanding anything herein to the contrary, Consultant shall not be deemed to have assigned her rights in an invention to the Company if the invention was developed by Consultant entirely on her own time without using any equipment, supplies, facilities, or trade secret information of the Company or any of its Affiliates except for those inventions that either (a) relate at the time of conception or reduction to practice of the invention to the Company's business, or actual or demonstrably anticipated research or development of the Company; or (b) result from any work performed by Consultant for the Company.

10. **Obligations to Others**. Consultant represents and warrants that Consultant does not have any agreement with, or duty to, any previous employer or other person or entity that would prevent, limit, or inhibit Consultant from performing the Services under this Agreement. Consultant agrees not to use any proprietary or confidential information belonging to any other person or entity in performing the Services or disclose any proprietary or confidential information belonging to any other person or entity to the Company or its clients.

11. **Time Commitment; Service to Other Clients**. Nothing herein shall restrict Consultant from performing services to other clients and it is acknowledged and agreed that in Consultant's capacity as an independent contractor, Consultant has other clients for whom Consultant will work.

12. **Non-Disparagement.** Consultant agrees that during the Term and all times thereafter, Consultant shall not disparage the reputation of the Company, its products or services, or any of its officers, directors, employees, or representatives.

13. **Waiver.** The failure of either of the parties to at any time enforce any of the provisions of this Agreement shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Agreement or any provision hereof or the right of either of the parties to thereafter enforce each and every provision of this Agreement. No waiver of any breach of any of the provisions of this Agreement shall be effective unless set forth in a written instrument executed by the party against whom or which enforcement of such waiver is sought; and no waiver of any such breach shall be construed or deemed to be a waiver of any other or subsequent breach.

14. **Capacity of Parties.** Each party hereby represents and warrants to the other party that: (a) it has full power, authority and capacity to execute and deliver this Agreement, and to perform its obligations hereunder, (b) such execution, delivery and performance will not (and with the giving of notice or lapse of time or both would not) result in the breach of any agreements or other obligations to which it is a party or otherwise bound and (c) this Agreement is valid and binding obligation, enforceable against it in accordance with its terms.

15. **Indemnification**. Each party ("Indemnifying Party") shall indemnify, defend, and hold harmless the other party against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys' fees and costs, relating to any claim of a third party arising out of or occurring in connection with: (a) bodily injury, death of any person or damage to real or tangible, personal property resulting from Indemnifying Party's willful, fraudulent or negligent acts or omissions; or (b) Indemnifying Party's negligence, willful misconduct, or material breach of this Agreement.

16. **Assignment**. Consultant shall not voluntarily or by operation of law assign her obligations under this Agreement without the prior written consent of the Company. Any attempted assignment or transfer by Consultant of his/her/its obligations without such consent shall be wholly void.

17. **Notice**. Any notice required or permitted to be given hereunder shall be sufficient only if in writing sent to the address for such party as is set forth in the caption of this Agreement.

18. **Governing Law; Jurisdiction**. The Parties acknowledge and agree that this Agreement has been expressly negotiated and that the Consultant has received the advice of counsel as required under California Labor Code Section 925 in agreeing to the forum and choice of law of a state other than California. Any and all actions or controversies arising out of this Agreement, including, without limitation, tort and contract claims, shall be construed and enforced in accordance with the internal laws of the State of Delaware, without regard to the choice of law principles thereof. The parties agree to the exclusive forum of the state and federal courts located in Delaware with regard to any dispute regarding this Agreement, Consultant's performance or failure to perform the Services hereunder, or any other matter. The parties hereby knowingly, voluntarily and irrevocably waive any right to trial by jury of any issue, claim or dispute arising from or in any way relating to this Agreement and the relationship and dealings of the parties with respect to this Agreement.

19. **Survivorship**. The respective rights and obligations of the parties under this Agreement shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations.

20. **Entire Agreement**. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all agreements and understandings (whether oral or written) between the parties concerning the subject matter hereof. This Agreement may be modified by the parties hereto only by a written supplemental agreement executed by both parties.

21. **Binding Agreement**. This Agreement shall inure to the benefit of the Company and its successors and assigns (including, without limitation, the purchaser of all or substantially all of its assets) and shall be binding upon the Company and its successors and assigns.

22. **Severability**. If any term or provision of this Agreement shall be found to be illegal or otherwise unenforceable, the same shall not invalidate the whole of this Agreement, but such term or provision shall be deemed modified to the extent necessary by the adjudication to render such term or provision enforceable, and the rights and obligations of the parties shall be construed and enforced accordingly, preserving to the fullest extent permissible the intent and agreements of the parties set forth in this Agreement.

23. **Counterparts**. This Agreement may be signed in counterparts, by facsimile and electronic signatures, and by signatures delivered electronically, each of which will be deemed an original and all of which together will constitute one instrument.

(Signature page follows)

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

LABORATORY SERVICES MSO, LLC

By: /s/ Luisa Ingargiola
Name: Luisa Ingargiola
Title: Manager

[Signature Page to Consulting Agreement]

CONSULTANT:

By: /s/ Sarah Cox
Sarah Cox

[Signature Page to Consulting Agreement]

Schedule A

Services:

1. General overview, supervision and advice regarding the business, sales, compliance and operations of the MSO and/or its affiliates and/or subsidiaries.

2. Research, analysis, advice and recommendations regarding the strategic direction, business development and growth of the MSO and/or its affiliates and/or subsidiaries;

3. Other projects and topics as may be mutually agreed upon with senior management from time to time.

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in this Registration Statement of Avalon GloboCare Corp. on Form S-8 (File No. 333-272736) of our report dated April 15, 2024, which included an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of Avalon GloboCare Corp. as of December 31, 2023 and 2022 and for the two years in the period ended December 31, 2023 appearing in the Annual Report on Form 10-K of Avalon GloboCare Corp. for the year ended December 31, 2023**.**

/s/ Marcum LLP

Marcum LLP
New York, NY
April 15, 2024

Exhibit 31.1

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David K. Jin, hereby certify that:

1. I have reviewed this Annual Report on Form 10-K of Avalon GloboCare Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 15, 2024

/s/ David K. Jin

David K. Jin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECURITIES EXCHANGE ACT RULES 13A-14(A) AND 15D-14(A),
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Luisa Ingargiola, hereby certify that:

1. I have reviewed this Annual Report on Form 10-K of Avalon GloboCare Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weakness in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 15, 2024

/s/ Luisa Ingargiola
Luisa Ingargiola
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Avalon GloboCare Corp. (the "Company") on Form 10-K for the period ended December 31, 2023, as filed with the Securities and Exchange Commission (the "Report"), David K. Jin, as Chief Executive Officer of the Company, and Luisa Ingargiola, Chief Financial Officer of the Company, each hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 15th day of April, 2024.

/s/ David K. Jin	/s/ Luisa Ingargiola
David K. Jin *Chief Executive Officer* *(Principal Executive Officer)*	Luisa Ingargiola *Chief Financial Officer* *(Principal Financial and Accounting Officer)*

This certification accompanies the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

Exhibit 97.1

AVALON GLOBOCARE CORP.

COMPENSATION RECOVERY POLICY

(Adopted and approved on November 16, 2023)

1. Purpose

Avalon GloboCare Corp. (collectively with its subsidiaries, the "**Company**") is committed to promoting high standards of honest and ethical business conduct and compliance with applicable laws, rules and regulations. As part of this commitment, the Company has adopted this Compensation Recovery Policy (this "**Policy**"). This Policy is designed to comply with the requirements of Section 10D of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), Rule 10D-1 promulgated thereunder and the rules of the national securities exchange on which the Company's securities are traded and explains when the Company will pursue recovery of Incentive Compensation awarded or paid to a Covered Person. Please refer to Exhibit A attached hereto (the "**Definitions Exhibit**") for the definitions of capitalized terms used throughout this Policy.

2. Recovery of Recoverable Incentive Compensation

In the event of a Restatement, the Company will pursue, reasonably promptly, recovery of all Recoverable Incentive Compensation from a Covered Person without regard to such Covered Person's individual knowledge or responsibility related to the Restatement. Notwithstanding the foregoing, if the Company is otherwise required by this Policy to undertake a Restatement, the Company will not be required to recover the Recoverable Incentive Compensation if the Compensation Committee determines, after exercising a normal due process review of all the relevant facts and circumstances, that (a) a Recovery Exception exists and (b) it would be impracticable to seek such recovery under such facts and circumstances.

If such Recoverable Incentive Compensation was not awarded or paid on a formulaic basis, the Company will pursue recovery of the amount that the Compensation Committee determines in good faith should be recovered.

3. Other Actions

The Compensation Committee may, subject to applicable law, pursue recovery of Recoverable Incentive Compensation in the manner it chooses, including by pursuing reimbursement from the Covered Person of all or part of the compensation awarded or paid, by electing to withhold unpaid compensation, by set-off, or by rescinding or canceling unvested stock or option awards.

In the reasonable exercise of its business judgment under this Policy, the Compensation Committee may in its sole discretion determine whether and to what extent additional action is appropriate to address the circumstances surrounding a Restatement to minimize the likelihood of any recurrence and to impose such other discipline as it deems appropriate.

4. No Indemnification or Reimbursement

As required by applicable law, notwithstanding the terms of any other policy, program, agreement or arrangement, in no event will the Company or any of its affiliates indemnify or reimburse a Covered Person for any loss of Recoverable Incentive Compensation under this Policy and, to the extent prohibited by law, neither the Company nor any of its affiliates will pay premiums on any insurance policy that would cover a Covered Person's potential obligations with respect to Recoverable Incentive Compensation under this Policy.

5. Administration of Policy

The Compensation Committee will have full authority to administer this Policy. The Compensation Committee will, subject to the provisions of this Policy and Rule 10D-1 of the Exchange Act, and the Company's applicable exchange listing standards, make such determinations and interpretations and take such actions in connection with this Policy as it deems necessary, appropriate or advisable. It is intended that this Policy be interpreted in a manner that is consistent with the requirements of Section 10D of the Exchange Act, Rule 10D-1 thereunder and any applicable rules or standards adopted by the Securities and Exchange Commission or any national securities exchange on which the Company's securities are listed. All determinations and interpretations made by the Compensation Committee will be final, binding and conclusive.

6. Other Claims and Rights

The requirements of this Policy are in addition to, and not in lieu of, any legal and equitable claims the Company or any of its affiliates may have or any actions that may be imposed by law enforcement agencies, regulators, administrative bodies, or other authorities. Further, the exercise by the Compensation Committee of any rights pursuant to this Policy will not impact any other rights that the Company or any of its affiliates may have with respect to any Covered Person subject to this Policy.

7. Acknowledgement by Covered Persons; Condition to Eligibility for Incentive Compensation

The Company will provide notice and seek acknowledgement of this Policy from each Covered Person, provided that the failure to provide such notice or obtain such acknowledgement will have no impact on the applicability or enforceability of this Policy. After the Effective Date (and also with respect to any Incentive Compensation Received on or after October 2, 2023 pursuant to a preexisting contract or arrangement), any grant of Incentive Compensation to a Covered Person will be deemed to have been made subject to the terms of this Policy, whether or not such Policy is specifically referenced in the documentation relating to such grant and this Policy shall be deemed to constitute an integral part of the terms of any such grant. All Incentive Compensation subject to this Policy will remain subject to this policy, even if already paid, until the Policy ceases to apply to such Incentive Compensation and any other vesting conditions applicable to such Incentive Compensation are satisfied.

8. Amendment; Termination

The Board or the Compensation Committee may amend or terminate this Policy at any time. In the event that Section 10D of the Exchange Act, Rule 10D-1 thereunder or the rules of the national securities exchange on which the Company's securities are traded are modified or supplemented, whether by law, regulation or legal interpretation, such modification or supplement shall be deemed to modify or supplement this Policy to the maximum extent permitted by applicable law.

9. Effectiveness

Except as otherwise determined in writing by the Compensation Committee, this Policy will apply to any Incentive Compensation that is Received by a Covered Person on or after the Effective Date. This Policy will survive and continue notwithstanding any termination of a Covered Person's employment with the Company and its affiliates.

10. Successors

This Policy shall be binding and enforceable against all Covered Persons and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.

Exhibit A

AVALON GLOBOCARE CORP.

COMPENSATION RECOVERY POLICY

DEFINITIONS EXHIBIT

"**Applicable Period**" means the three completed fiscal years of the Company immediately preceding the earlier of (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes (or reasonably should have concluded) that a Restatement is required or (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare a Restatement. The "Applicable Period" also includes any transition period (that results from a change in the Company's fiscal year) within or immediately following the three completed fiscal years identified in the preceding sentence.

"**Board**" means the Board of Directors of the Company.

"**Compensation Committee**" means the Company's committee of independent directors responsible for executive compensation decisions, or in the absence of such a committee, a majority of the independent directors serving on the Board.

"**Covered Person**" means any person who is, or was at any time, during the Applicable Period, an Executive Officer of the Company. For the avoidance of doubt, a Covered Person may include a former Executive Officer that left the Company, retired, or transitioned to an employee role (including after serving as an Executive Officer in an interim capacity) during the Applicable Period.

"**Effective Date**" means December 1, 2023.

"**Executive Officer**" means the Company's president, principal executive officer, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person (including an officer of the Company's parent(s) or subsidiaries) who performs similar policy-making functions for the Company.

"**Financial Reporting Measure**" means a measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure (including but not limited to, "non-GAAP" financial measures, such as those appearing in the Company's earnings releases or Management Discussion and Analysis). Stock price and total shareholder return (and any measures derived wholly or in part therefrom) shall be considered Financial Reporting Measures.

"**Recovery Exception:**" A recovery of Recoverable Incentive Compensation shall be subject to a "Recovery Exception" if the Compensation Committee determines in good faith that: (i) pursuing such recovery would violate home country law of the jurisdiction of incorporation of the Company where that law was adopted prior to November 28, 2022 and the Company provides an opinion of home country counsel to that effect acceptable to the Company's applicable listing exchange; (ii) the direct expense paid to a third party to assist in enforcing this Policy would exceed the Recoverable Incentive Compensation and the Company has (A) made a reasonable attempt to recover such amounts and (B) provided documentation of such attempts to recover to the Company's applicable listing exchange; or (iii) recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Internal Revenue Code of 1986, as amended, and regulations thereunder.

"**Incentive Compensation**" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive Compensation does not include any base salaries (except with respect to any salary increases earned wholly or in part based on the attainment of a Financial Reporting Measure performance goal); bonuses paid solely at the discretion of the Compensation Committee or Board that are not paid from a "bonus pool" that is determined by satisfying a Financial Reporting Measure performance goal; bonuses paid solely upon satisfying one or more subjective standards and/or completion of a specified employment period; non-equity incentive plan awards earned solely upon satisfying one or more strategic measures or operational measures; and equity awards that vest solely based on the passage of time and/or attaining one or more non-Financial Reporting Measures. Incentive Compensation includes any Incentive Compensation Received on or after October 2, 2023 pursuant to a preexisting contract or arrangement.

"**Received:**" Incentive Compensation is deemed "Received" in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive Compensation award is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period.

"**Recoverable Incentive Compensation**" means the amount of any Incentive Compensation (calculated on a pre-tax basis) Received by a Covered Person during the Applicable Period that is in excess of the amount that otherwise would have been Received if the calculation were based on the Restatement. For Incentive Compensation based on (or derived from) stock price or total shareholder return where the amount of Recoverable Incentive Compensation is not subject to mathematical recalculation directly from the information in the applicable Restatement, the amount will be determined by the Compensation Committee based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was Received (in which case, the Company will maintain documentation of such determination of that reasonable estimate and provide such documentation to the Company's applicable listing exchange).

"**Restatement**" means an accounting restatement of any of the Company's financial statements filed with the Securities and Exchange Commission under the Exchange Act, or the Securities Act of 1933, as amended, due to the Company's material noncompliance with any financial reporting requirement under U.S. securities laws, regardless of whether the Company or Covered Person misconduct was the cause for such restatement. "Restatement" includes any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as "Big R" restatements), or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as "little r" restatements).