

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, 2024

OR

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

Commission file number: 001-38728



AVALON  
GLOBOCARE CORP.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

47-1685128

(I.R.S. Employer  
Identification No.)

4400 Route 9 South, Suite 3100  
Freehold, New Jersey

(Address of principal executive offices)

07728

(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 28, 2024, 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 \$2,757,095.

The number of shares of our common stock, \$0.0001 par value per share, outstanding as of March 31, 2025, was 1,651,667.

Documents incorporated by reference: NONE

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### Cautionary Statement Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K for the year ended December 31, 2024 may constitute “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, included herein and public statements by our officers or representatives, that address activities, events or developments that our management expects or anticipates will or may occur in the future are forward-looking statements, including but not limited to such things as future business strategy, plans and goals, competitive strengths and expansion and growth of our business. The words “estimate,” “plan,” “anticipate,” “expect,” “intend,” “believe,” “target,” “budget,” “may,” “can,” “will,” “would,” “could,” “should,” “seeks,” or “scheduled to” and similar words or expressions, or negatives of these terms or other variations of these terms or comparable language or any discussion of strategy or intention identify forward-looking statements. Forward-looking statements address activities, events or developments that the Company expects or anticipates will or may occur in the future and are based on current expectations and assumptions.

These statements involve known and unknown risks, uncertainties, assumptions and other factors which may cause our actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. See our other reports filed with the Securities and Exchange Commission (the “SEC”) for more information about these and other risks. You are cautioned against attributing undue certainty to forward-looking statements. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Although these forward-looking statements were based on assumptions that the Company believes are reasonable when made, you are cautioned that forward-looking statements are not guarantees of future performance and that actual results, performance or achievements may differ materially from those made in or suggested by the forward-looking statements contained in this Annual Report on Form 10-K. In addition, even if our results, performance, or achievements are consistent with the forward-looking statements contained in this Annual Report on Form 10-K, those results, performance or achievements may not be indicative of results, performance or achievements in subsequent periods. Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements made in this Annual Report on Form 10-K speak only as of the date of those statements, and we undertake no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. For information identifying important factors that could cause actual results to differ materially from those anticipated in the forward-looking statements, see Item 1A. Risk Factors in this Annual Report on Form 10-K.

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.

On October 28, 2024, the Company effectuated a reverse stock split of the Company’s common stock at a ratio of 1-for-15 (the “Reverse Stock Split”). All amounts and values presented in this Annual Report on Form 10-K have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented, unless otherwise indicated.

## PART I

### ITEM 1. BUSINESS

We are a commercial-stage company dedicated to developing and delivering precision diagnostic consumer products. We are currently marketing the Keto Air breathalyzer device and plan to develop additional diagnostic uses of the breathalyzer technology. We also provided laboratory services in 2024 and 2023, 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. We completed an acquisition of a 40% membership interest in Laboratory Services MSO, LLC (“Lab Services MSO”), which closed in February 2023. During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, we and Lab Services MSO entered into a Redemption and Abandonment Agreement, whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by us. Accordingly, beginning in February 2025, we no longer offer laboratory services.

In 2024, we initiated sales of our first diagnostic consumer product, Keto Air, a device that tests ketosis levels.

We had the following areas of focus in 2024 and 2023:

#### *Laboratory Acquisitions*

We had embarked on a laboratory rollup strategy focused on forming joint ventures and acquiring laboratories that were accretive to our commercial strategy. As a first step, in February 2023, we acquired a 40% membership interest in Lab Services MSO. Among other things, Lab Services MSO provides toxicology and wellness testing services, a broad portfolio of diagnostic tests, and a broad array of test services. During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, we and Lab Services MSO entered into a Redemption and Abandonment Agreement, whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by us. Accordingly, beginning in February 2025, we no longer offer laboratory services.

#### *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, new research and development has been suspended.

#### *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. For our commercialization strategy, we intend to target the diabetes and obesity markets. We sell the product through the KetoAir website and social media. We believe the KetoAir device has some competitive advantages to other methods for measuring ketosis.

The KetoAir device 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 Food and Drug Administration 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. 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.

## 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 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
	Delaware		
Avalon Healthcare System, Inc. ("AHS")	May 18, 2015	100% held by Company	Holding company for payroll and other expenses
	New Jersey		
Avalon RT 9 Properties, LLC ("Avalon RT 9")	February 7, 2017	100% held by Company	Owns and operates an income-producing real property and holds and manages the corporate headquarters
	PRC		
Avalon (Shanghai) Healthcare Technology Co., Ltd. ("Avalon Shanghai")	April 29, 2016	100% held by AHS	Is not considered an operating entity
	Nevada		
Genexosome Technologies Inc. ("Genexosome")	July 31, 2017	60% held by Company	No current activities to report, dormant
	Nevada		
Avactis Biosciences Inc. ("Avactis")	July 18, 2018	60% held by Company	Dormant, is in process of being dissolved
	PRC		
Avactis Nanjing Biosciences Ltd. ("Avactis Nanjing")	May 8, 2020	100% held by Avactis	Dormant, is in process of being dissolved
	Delaware		
Avalon Laboratory Services, Inc. ("Avalon Lab")	October 14, 2022	100% held by Company	Laboratory holding company with a 40% membership interest in Lab Services MSO as of December 31, 2024 (1)
	Texas		
Q&A Distribution LLC ("Q&A Distribution")	May 1, 2024	100% held by Company	Distributes KetoAir device

(1) On February 26, 2025, we and Lab Services MSO entered into a Redemption and Abandonment Agreement, whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by us.

## **Sales and Marketing**

We launched sales of the KetoAir in the U.S. in 2024. We have retained a marketing expert to assist us to bring this product to market through social media, influencer promotion and our website. We launched this product at the 2024 “KetoCon” convention which took place May 31, 2024 in Austin Texas.

## **Markets**

### ***Laboratory Services***

During 2024 and 2023 and until February 2025, through our membership interest in Lab Services MSO, we were focused on delivering high quality services related to toxicology and wellness testing. The panels that we tested for were thyroid panel, comprehensive metabolic panel, kidney profile, liver function tests, and other individual tests.

We offered our laboratory services in California, Texas and Arizona. During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, we and Lab Services MSO entered into a Redemption and Abandonment Agreement, whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by us. Accordingly, beginning in February 2025, we no longer offer laboratory services.

### ***Breathalyzer System (KetoAir)***

Our current area of focus for the launch of the KetoAir is within the U.S. We are focused on the population within the U.S. that is using the Keto Diet approach to weight loss and diabetic management.

### ***Avalon RT 9 Properties, LLC***

We own 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**

In late 2024, we launched an initiative seeking transformational merger candidates. The Company determined that it had limited access to cash and it was in the best interest of shareholders to seek a strategic merger.

## **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

### *General*

Many of our existing and potential future competitors have significantly greater financial resources and expertise in operations, research and development, manufacturing, obtaining marketing approvals and marketing approved products than we do. Mergers and acquisitions 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, 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:

- 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*

We own 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. The property 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 31, 2025, we employed five employees, four of which are full time employees. None of our employees is 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 M&K CPAS PLLC (M&K"), based in Texas. M&K 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 M&K is located in the United States, the PCAOB has been able to conduct inspections of M&K. In addition, M&K 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.

### ***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.

#### **Recent Developments**

##### ***Mortgage and Security Agreement***

On March 27, 2024, the Company entered into a Mortgage and Security Agreement (the "Mast Hill Mortgage") with Mast Hill Fund L.P. ("Mast Hill") to secure the payment performance and obligation under certain follow-up financing agreements described below.

In March 2024, the Company entered into follow-up financing agreements with Mast Hill, which included the issuance of 13% senior secured promissory notes totaling \$700,000 convertible into common stock, as well as the issuance of up to 7,000 shares of common stock as a commitment fee, and warrants for the purchase of up to 8,750 shares of common stock at an initial price per share of \$30.00, and common share purchase warrants for the purchase of up to 8,077 shares of common stock at an initial price per share of \$19.50, with a total purchase price of \$665,000 (the "2024 Financing Agreements"). These agreements were made under the same terms and conditions of the prior rounds of convertible note financing in October 2023 and May 2023 (the "2023 Financing Agreements").

On March 27, 2024, the Company also entered into a Mortgage and Security Agreement (the "Firstfire Mortgage") with Firstfire Global Opportunities Fund, LLC ("Firstfire") to secure the payment performance and obligation under the 2023 Financing Agreements.

### ***Convertible Note Financing and Mortgage and Security Agreement***

On June 5, 2024, the Company entered into securities purchase agreements (the “Securities Purchase Agreements”) with Mast Hill for the issuance of 13% senior secured promissory notes in the aggregate principal amount of \$2,845,000 (collectively, the “Notes”) convertible into shares of the Company’s common stock, as well as the issuance of up to 26,800 shares of common stock as a commitment fee and warrants for the purchase of up to 146,667 shares of common stock (the “Convertible Note Financing”). The Company and its subsidiaries entered into those certain security agreements (the “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 Notes. The transaction closed on June 5, 2024.

Mast Hill acquired the Notes with principal amount of \$2,845,000 and paid the purchase price of \$2,702,750 after an original issue discount of \$142,250, with a conversion price of \$11.25, subject to adjustment as provided in Notes. Also on June 5, 2024, the Company issued (i) a warrant to purchase 66,667 shares of common stock with an exercise price of \$9.75 exercisable until June 5, 2029 (the “First Warrant”), (ii) a warrant to purchase 80,000 shares of common stock with an exercise price of \$7.50 exercisable until June 5, 2029, which warrant shall be cancelled and extinguished against payment of the Notes (the “Second Warrant” and collectively with the First Warrant, the “Warrants”), and (iii) 26,800 shares of common stock to Mast Hill as additional consideration for the purchase of the Note ( the “Commitment Shares”), which were earned in full as of June 5, 2024. On the closing date, the Company delivered such duly executed Notes, warrants and common stock to Mast Hill against delivery of such purchase price.

The Company used the proceeds from the Convertible Note Financing to pay off all previously issued convertible notes to Mast Hill and Firstfire.

On June 5, 2024, the Company also entered into a Mortgage and Security Agreement (the “Mortgage”) with Mast Hill to secure the payment, performance, and obligations under the above-mentioned Convertible Note Financing. As of June 5, 2024, the Company was indebted to Mast Hill in the combined principal sum of \$2,845,000.

On December 15, 2024, the Company and Mast Hill entered into that certain consent, acknowledgement, and waiver agreement, pursuant to which Mast Hill waived all amortization payments required to be made under the Note, the Company paid a waiver fee of \$150,000 to Mast Hill, and the Company issued to Mast Hill a common stock purchase warrant for the purchase of up to 150,000 shares of the Company’s common stock.

### ***At-the-Market Offering***

In June 2023, the Company entered into a sales agreement (the “Sales Agreement”) with Roth Capital Partners, LLC (“Roth”) under which the Company could offer and sell from time to time shares of its common stock having an aggregate offering price of up to \$3.5 million. From July 1, 2023 to August 16, 2024, we sold an aggregate of 312,285 shares of our common stock at an average price of \$11.19 per share to investors pursuant to the Sales Agreement, and received net cash proceeds of \$3,388,251, net of cash paid for Roth’s commissions and other fees of \$104,992.

### ***Reverse Stock Split & Decrease in Authorized Shares***

On October 23, 2024, the Company filed a certificate of amendment (the “Amendment”) to its Certificate of Incorporation with the Secretary of State of the State of Delaware to effectuate a reverse stock split of the Company’s common stock at a ratio of 1-for-15 (the “Reverse Stock Split”), as well as the decrease in the number of shares of common stock authorized for issuance from 490,000,000 to 100,000,000. The Amendment became effective at 5:00 p.m. ET on October 25, 2024.

### ***Series C Convertible Preferred Stock***

On December 13, 2024, the Company filed a certificate of designations of preferences, rights, and limitations of Series C Convertible Preferred Stock (the “Series C Certificate of Designations”) with the State of Delaware which provides for the designation of 10,000 shares of Series C preferred stock of the Company, par value \$0.0001 per share, upon the terms and conditions as set forth in the Series C Certificate of Designations. Each share of Series C Preferred Stock has a stated value of \$1,000 (the “Stated Value”).

The Series C Preferred Stock shall rank (i) senior to the Company’s common stock (the “Common Stock”) and any other class or series of capital stock of the Company created hereafter, the terms of which specifically provide that such class or series shall rank junior to the Series C Preferred Stock, (ii) *pari passu* with any class or series of capital stock of the Company created hereafter specifically ranking, by its terms, on par with the Series C Preferred Stock, (iii) *pari passu* with Series B Convertible Preferred Stock of the Company (the “Series B Preferred Stock”) with respect to its rights, preferences and restrictions, and (iv) subordinate to the Series A Convertible Preferred Stock of the Company (the “Series A Preferred Stock”).

Holders of the Series C Preferred Stock shall be entitled to receive, and the Company shall pay, dividends on shares of Series C Preferred Stock equal (on an as-if-converted-to-common-stock basis, disregarding for such purpose any conversion limitations hereunder) to and in the same form as dividends actually paid on shares of the common stock when, as and if such dividends are paid on shares of the common stock.

Holders of the Series C Preferred Stock have no voting power except as otherwise required by the Delaware General Corporation Law.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a “Liquidation”), the holders of the Series C Preferred Stock shall 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 C Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series C Preferred Stock and (iii) in preference and priority to the holders of the shares of common stock, an amount equal to 100% of the Stated Value of the Series C Preferred Stock, in proportion to the full and preferential amount that all shares of the Series C Preferred Stock are entitled to receive.

Each share of Series C Preferred Stock shall be convertible into common stock (the “Conversion Shares”) at a conversion per share equal to \$2.41, at the option of the holder, at any time after the later of (i) the date of the shareholder approval of the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market and (ii) the one year anniversary of the date of the first issuance of any shares of the Series C Preferred Stock. In addition, the holder shall not have the right to convert any portion of the Series C Preferred Stock if, after giving effect to the conversion, such holder (together with its affiliates) would beneficially own in excess of 19.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of the respective Conversion Shares.

### ***York Sun Securities Purchase Agreement***

On December 19, 2024, the Company entered into that certain securities purchase agreement (the “Securities Purchase Agreement”), with an accredited investor, York Sun Investment Holding Limited (the “Investor”), pursuant to which the Company agreed to issue and sell to the Investor, upon the terms and conditions set forth in the Securities Purchase Agreement, up to 7,000 shares of Series C Convertible Preferred Stock for up to an aggregate of \$7,000,000 (the “Purchase Price”), which is equal to \$1,000 per share. The first closing occurred on December 24, 2024, with respect to the Investor’s purchase of 3,500 shares of Series C Convertible Preferred Stock in exchange for \$3,500,000.

The Investor shall also have a right of first refusal during the period beginning on the date of the Securities Purchase Agreement and continuing until such shareholder approval is obtained, on all issuances of convertible preferred stock of the Company, excluding agreements that are in place prior to the date of the Securities Purchase Agreement and issuances of new classes of convertible preferred stock in exchange for existing classes of convertible preferred stock. Additionally, the Investor has the right, pursuant to the Securities Purchase Agreement to appoint one member to, or to replace one member of, the Company’s board of directors, subject to all applicable Nasdaq rules.

The Investor’s purchase of the remaining 3,500 shares of Series C Convertible Preferred Stock under the Securities Purchase Agreement in exchange for an additional \$3,500,000 is required to occur within 120 calendar days of the date of the Securities Purchase Agreement, subject to the satisfaction of customary closing conditions.

### ***Series D Convertible Preferred Stock***

On January 6, 2025, the Company filed a certificate of designations of preferences, rights, and limitations of Series D Convertible Preferred Stock (the “Series D Certificate of Designations”) with the Department of State, Division of Corporations, of the State of Delaware, which provides for the designation of 5,000 shares of Series D Preferred Stock of the Company, par value \$0.0001 per share, upon the terms and conditions as set forth in the Series D Certificate of Designations. Each share of Series D Preferred Stock has a stated value of \$1,000 (the “Stated Value”).

The Series D Preferred Stock shall rank (i) senior to the Company’s common stock and any other class or series of capital stock of the Company created hereafter, the terms of which specifically provide that such class or series shall rank junior to the Series D Preferred Stock, (ii) *pari passu* with any class or series of capital stock of the Company created hereafter specifically ranking, by its terms, on par with the Series D Preferred Stock, (iii) *pari passu* with the Series B Convertible Preferred Stock of the Company (the “Series B Preferred Stock”) with respect to its rights, preferences and restrictions, and (iv) *pari passu* with the Series C Convertible Preferred Stock of the Company (the “Series C Preferred Stock”).

Holders of the Series D Preferred Stock have no voting power except as otherwise required by the Delaware General Corporation Law.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a “Liquidation”), the holders of the Series D Preferred Stock shall 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 D Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series D Preferred Stock and (iii) in preference and priority to the holders of the shares of Common Stock, an amount equal to 100% of the Stated Value of the Series D Preferred Stock, in proportion to the full and preferential amount that all shares of the Series D Preferred Stock are entitled to receive.

Each share of Series D Preferred Stock shall be convertible into common stock (the “Conversion Shares”) at a conversion per share equal to \$2.41, at the option of the holder, at any time after the Company has obtained shareholder approval for the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market. In addition, the holder shall not have the right to convert any portion of the Series D Preferred Stock if, after giving effect to the conversion, such holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of the respective Conversion Shares.

### ***Wenzhao Lu Exchange Agreement***

On January 9, 2025, the Company entered into an exchange agreement with Wenzhao Lu, the Chairman of the Board of Directors of the Company, pursuant to which Mr. Lu exchanged 9,000 shares of Series A Preferred Stock of the Company for 5,000 shares of Series D Preferred Stock of the Company pursuant to an exemption from registration under Section 3(a)(9) of the Securities Act of 1933, as amended (the “Exchange”). Upon consummation of the Exchange, there were no shares of Series A Preferred Stock of the Company outstanding.

### ***Redemption Agreement***

During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, the Company, Avalon Lab, Laboratory Services MSO, and the other parties signatory thereto, entered into a Redemption and Abandonment Agreement (the “Redemption Agreement”), whereby Laboratory Services MSO redeemed the 40% equity interest in Laboratory Services MSO held by Avalon Lab for cash and the surrender of its Series B Convertible Preferred Stock having a carrying value of \$11,000,000 (the “Redemption”). The aggregate cash amount to Avalon Lab for the Redemption was \$1,745,000, to be paid as follows: one payment of \$95,000 at the closing of the Redemption and, beginning in March 2025, monthly payments of \$75,000 until December 2026. In addition, pursuant to the terms of the Redemption Agreement, all shares of Avalon’s Series B Convertible Preferred Stock previously issued to SCBC Holdings LLC as partial consideration for the equity interests of Laboratory Services MSO, were permanently surrendered and relinquished to Avalon for no additional consideration. As a result of the Redemption, beginning in February 2025, we no longer offer laboratory services.

### *Agreement and Plan of Merger*

On March 7, 2025, the Company, Nexus MergerSub Limited, a wholly owned subsidiary of the Company (“Merger Sub”), and YOOV Group Holding Limited (“YOOV”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which Merger Sub will merge with and into YOOV, with YOOV surviving the merger and becoming a direct, wholly owned subsidiary of the Company (the “Merger”). The Merger is expected to be completed in the third quarter of 2025, subject to customary closing conditions.

Subject to the terms and conditions of the Merger Agreement, immediately prior to the effective time of the Merger (the “Effective Time”), each then-outstanding share of YOOV preferred shares, par value \$0.10 per share, will either automatically be converted into shares of YOOV ordinary shares, par value \$0.10 per share (the “YOOV Ordinary Shares”) or canceled and cease to exist in accordance with their terms. At the Effective Time, each then-outstanding YOOV Ordinary Share (other than any shares held in treasury and Dissenting Shares (as defined in the Merger Agreement)) will be automatically converted into a number of shares of the Company’s common stock equal to the Exchange Ratio. The “Exchange Ratio” will be the ratio (rounded to four decimal places), determined as follows: if the closing price of the Company’s common stock on Nasdaq on the second trading day immediately preceding the Effective Time is (x) less than or equal to \$5.00, the Exchange Ratio shall be 60,000,000 divided by the Company Outstanding Shares (as defined in the Merger Agreement); or (y) greater than \$5.00, the Exchange Ratio shall be 54,000,000 divided by the Company Outstanding Shares.

Pursuant to the terms of the Merger Agreement, (i) each then-outstanding share of the Company’s common stock will remain issued and outstanding after the Effective Time and (ii) each then-outstanding option to purchase Company common stock, whether or not vested, will remain issued and outstanding after the Effective Time. The then-outstanding shares of Series C Convertible Preferred Stock and Series D Convertible Preferred Stock will remain outstanding in accordance with their terms. Additionally, at the Effective Time, the Company’s name will be changed to “YOOV, Inc.”

In connection with the Merger, the Company will seek approval of its stockholders to, among other things, (i) approve the issuance of the shares of the Company’s common stock to be issued to YOOV shareholders in connection with the Merger pursuant to the rules of Nasdaq and (ii) amend the Company’s certificate of incorporation to effect a reverse stock split of the Company’s common stock to the extent the Company and YOOV mutually agree implementing such reverse stock split is necessary to meet Nasdaq’s listing requirements (collectively, the “Avalon Stockholder Matters”).

Each of the Company and YOOV have made customary representations, warranties and covenants in the Merger Agreement, including, among other things, covenants relating to (i) obtaining the requisite approval of its respective stockholders, (ii) non-solicitation or facilitation of any Takeover Proposal or Superior Proposal (as each is defined in the Merger Agreement), (iii) the conduct of its respective business during the period between the signing of the Merger Agreement and the closing of the Merger, and (iv) the Company filing with the SEC and causing to become effective a registration statement on Form S-4 (the “Registration Statement”) to register the shares of the Company’s common stock to be issued in connection with the Merger.

Consummation of the Merger is subject to certain closing conditions, including, among other things, (i) approval of the Avalon Stockholder Matters by the requisite stockholders of the Company, (ii) adoption and approval of the Merger Agreement, and the transactions contemplated thereby, by the requisite YOOV shareholders, (iii) the effectiveness of the Registration Statement and (iv) the listing of the Company’s common stock issuable in connection with the Merger on Nasdaq. Each party’s obligation to consummate the Merger is also subject to other specified customary conditions, including regarding the accuracy of the representations and warranties of the other party, subject to the applicable materiality standard, and the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the Effective Time.

The Merger Agreement contains certain termination rights for both the Company and YOOV, including the right to terminate the Merger Agreement at any time before the Effective Time, whether before or after the Avalon Stockholder Matters have been approved, by mutual written consent of the parties. In addition, the Merger Agreement may be terminated at any time by either party if the Merger is not consummated on or before March 7, 2026 (the “End Date”), provided that the End Date may be extended by either party for up to 60 days in the event that the SEC has not declared effective the Registration Statement by the date which is 60 days prior to the End Date. Upon termination of the Merger Agreement under specified circumstances, the Company may be required to pay YOOV a termination fee of \$1.0 million; however, YOOV is not required to pay the Company a termination fee.

At the Effective Time, the Company’s board of directors (the “Avalon Board”) is expected to consist of seven members, five of whom will be designated by YOOV and two of whom will be designated by the Company, as provided in the Merger Agreement.

### *Voting and Support Agreements*

Concurrently with the execution of the Merger Agreement, (i) the officers, directors and certain shareholders of YOOV (solely in their respective capacities as YOOV shareholders) have entered into voting and support agreements with the Company and YOOV, pursuant to which such YOOV shareholders agree, among other things to, (a) not transfer their capital stock of YOOV, subject to certain limited exceptions and (b) vote all of their shares of capital stock of YOOV in favor of the adoption and approval of the Merger Agreement and the transactions contemplated thereby and against, among other things, any Takeover Proposals (the “YOOV Voting Agreement”) and (ii) the officers, directors and certain stockholders of the Company (solely in their respective capacities as the Company stockholders) have entered into voting and support agreements with the Company and YOOV, pursuant to which such Company stockholders agree, among other things to, (a) not transfer their capital stock of the Company, subject to certain limited exceptions and (b) vote all of their shares of Company capital stock in favor of, among other things, the Avalon Stockholder Matters and against, among other things, any Takeover Proposals (the “Avalon Voting Agreement”).

### *Lock-Up Agreements*

Concurrently with the execution of the Merger Agreement, certain directors, officers and stockholders of each of the Company and YOOV have entered into lock-up agreements (the “Lock-Up Agreement”), pursuant to which, subject to specified exceptions, they have agreed not to transfer their shares of the Company’s common stock during the 180-day period following the Effective Time.

### *Certificates of Elimination*

On March 7, 2025, the Company filed a Certificate of Elimination relating to each of the Series A Preferred Stock and the Series B Preferred Stock (the “Eliminations of Designation”) with the Secretary of State of the State of Delaware, thereby terminating the designations of the Series A Preferred Stock and the Series B Preferred Stock. The Eliminations of Designation were effective upon filing and eliminated from the Company’s Amended and Restated Certificate of Incorporation all matters set forth in the previously-filed Certificates of Designations with respect to the previously designated Series A Preferred Stock and Series B Preferred Stock.

### *Bylaws Amendment*

On March 7, 2025, the Board approved and adopted an amendment (the “Amendment”) to the Company’s Amended and Restated Bylaws (the “Bylaws”). The Amendment reduces the quorum at any meeting of stockholders, except as otherwise required by law or by the Company’s Amended and Restated Certificate of Incorporation or the Bylaws, to one-third of the voting power of the shares of capital stock outstanding and entitled to vote at the meeting, present in person, present by remote communication, if applicable, or represented by proxy.

### **Corporate and Available Information**

We were 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 Reports 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, and other reports and any amendments thereto filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we file such material electronically with, or furnish it to, the SEC. None of the information posted on our website is incorporated by reference into this Annual Report on Form 10-K. 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.



## 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:

#### Risks Related to the Potential Merger with YOOV

- The risk that the conditions to the closing of the transaction are not satisfied, including the failure to obtain stockholder approval for the transaction.
- The timing, receipt and terms and conditions of any required regulatory approvals of the Merger that could cause the parties to abandon the Merger.
- Our and YOOV's ability to meet expectations regarding the timing and completion of the Merger.
- Uncertainties as to the timing of the consummation of the transaction and the ability of each of us and YOOV to consummate the transaction.
- Risks related to our continued listing on The Nasdaq Capital Market until closing of the Merger.
- Risks that our stock price may decline significantly if the Merger is not completed.
- The outcome of any legal proceedings that may be instituted against us and others following the announcement of the Merger Agreement.
- Expectations regarding the strategies, prospects, plans, expectations and objectives of management of us or YOOV for future operations of the combined company following the closing of the Merger.
- The ability of the combined company to recognize the benefits that may be derived from the Merger, including the commercial or market opportunity of the product candidates of YOOV and the combined company.
- Risks related to our and YOOV's ability to correctly estimate their respective operating expenses and expenses associated with the transaction, uncertainties regarding the impact any delay in the closing would have on the anticipated cash resources of the combined company upon closing and other events and unanticipated spending and costs that could reduce the combined company's cash resources.
- The occurrence of any event, change or other circumstance or condition that could give rise to the termination of the Merger Agreement.
- The fact that under the terms of the Merger Agreement, we are restrained from soliciting other acquisition proposals during the pendency of the Merger, except in certain circumstances.
- The effect of the announcement or pendency of the Merger on our or YOOV's business relationships, operating results and business generally, including disruption of our and YOOV's management's attention from ongoing business operations due to the Merger and potential adverse reactions or changes to business relationships resulting from the announcement or completion of the transaction.
- The risk that the Merger Agreement may be terminated in circumstances that require us to pay a termination fee.

## 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.
- 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 Commercialization Activity**

- Some of our medical device products in the future may face significant government regulation, and there is no guarantee that our medical devices will receive regulatory approval.
- Even if our medical devices receive regulatory approval, we may still face future development and regulatory difficulties.
- If we or our 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.
- Any medical devices we develop may become subject to unfavorable pricing regulations, third party coverage and reimbursement practices or healthcare reform initiatives, thereby harming our business.
- 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.
- Our ability to obtain reimbursement or funding from the federal government may be impacted by possible reductions in federal spending.

### **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.

### **Risks Related to the Potential Merger with YOOV**

#### **Failure to complete the Merger could negatively impact the stock price and our future business and financial results.**

The parties' respective obligations to complete the Merger are subject to the satisfaction or waiver of a number of conditions set forth in the Merger Agreement. There can be no assurance that the conditions to completion of the Merger will be satisfied or waived or that the Merger will be completed. If the Merger is not completed for any reason, our ongoing businesses may be materially and adversely affected and, without realizing any of the benefits of having completed the Merger, We would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative impacts on the trading price of our common stock, which could affect our ability to secure sufficient financing in the future on attractive terms (or at all) as a standalone company, and from their respective customers, vendors, regulators and employees, and if we are unable to obtain additional capital, we may need to cease operations, dissolve or seek protection of bankruptcy courts;
- we may be required to pay YOOV a termination fee of \$1,000,000 if we fail to consummate the Merger under specified circumstances;

- we will be required to pay certain expenses incurred in connection with the Merger, whether or not the Merger is completed;
- the Merger Agreement places certain restrictions on the operation of our business prior to the closing of the Merger, and such restrictions, the waiver of which is subject to the consent of YOOV, may prevent us from making certain acquisitions, taking certain other specified actions or otherwise pursuing business opportunities during the pendency of the Merger that we would have made, taken or pursued if these restrictions were not in place; and
- matters relating to the Merger (including integration planning) will require substantial commitments of time and resources by our management and the expenditure of significant funds in the form of fees and expenses, which would otherwise have been devoted to day-to-day operations and other opportunities that may have been beneficial to us as an independent company.

In addition, we could be subject to litigation related to any failure to complete the Merger or related to any proceeding to specifically enforce our or YOOV's obligations under the Merger Agreement.

If any of these risks materialize, they may materially and adversely affect our business, financial condition, financial results and stock prices.

**We and YOOV will be subject to business uncertainties and contractual restrictions while the Merger is pending.**

Uncertainty about the effect of the Merger on employees, vendors and customers may have an adverse effect on our or YOOV and consequently on the combined company after the closing of the Merger. These uncertainties may impair our and YOOV's ability to retain and motivate key personnel and could cause customers and others that deal with us and YOOV, as applicable, to defer or decline entering into contracts with us or YOOV, as applicable, or making other decisions concerning us or YOOV, as applicable, or seek to change existing business relationships with us or YOOV, as applicable. In addition, if key employees depart because of uncertainty about their future roles and the potential complexities of the Merger, our and YOOV's businesses could be harmed. Furthermore, the Merger Agreement places certain restrictions on the operation of our and YOOV's businesses prior to the closing of the Merger, which may delay or prevent us and YOOV from undertaking certain actions or business opportunities that may arise prior to the consummation of the Merger.

**Third parties may terminate or alter existing contracts or relationships with us or YOOV.**

Each of us and YOOV has contracts with customers, vendors and other business partners which may require us or YOOV, as applicable, to obtain consents from these other parties in connection with the Merger. If these consents cannot be obtained, the counterparties to these contracts and other third parties with which us and/or YOOV currently have relationships may have the ability to terminate, reduce the scope of or otherwise materially adversely alter their relationships with either party in anticipation of the Merger, or with the combined company following the Merger. The pursuit of such rights may result in us and YOOV suffering a loss of potential future revenue, incurring liabilities in connection with a breach of such agreements or losing rights that are material to their businesses. Any such disruptions could limit the combined company's ability to achieve the anticipated benefits of the Merger. The adverse effect of such disruptions could also be exacerbated by a delay in the completion of the Merger or the termination of the Merger.

**The Merger is subject to a number of closing conditions and, if these conditions are not satisfied, the Merger Agreement may be terminated in accordance with its terms and the Merger may not be completed. In addition, the parties have the right to terminate the Merger Agreement under other specified circumstances, in which case the Merger would not be completed.**

The Merger is subject to a number of closing conditions and, if these conditions are not satisfied or waived (to the extent permitted by law), the Merger will not be completed.

These conditions include, among others: (i) the absence of certain legal impediments, (ii) effectiveness of the registration statement on Form S-4 relating to the Merger, (iv) obtaining approval from our stockholders to (i) approve the issuance of the shares of our common stock to be issued to YOOV shareholders in connection with the Merger pursuant to the rules of Nasdaq and (ii) amend our certificate of incorporation to effect a reverse stock split of our common stock to the extent we and YOOV mutually agree implementing such reverse stock split is necessary to meet Nasdaq's listing requirements, (v) the approval of the Merger Agreement and the Merger by YOOV shareholders and (vi) the approval of the Nasdaq listing application and the listing of the our shares on The Nasdaq Capital Market following the Merger. In addition, each party's obligation to complete the Merger is subject to the accuracy of the other parties' representations and warranties in the Merger Agreement, the other parties' compliance, in all material respects, with their respective covenants and agreements in the Merger Agreement.

The conditions to the closing of the Merger may not be fulfilled and, accordingly, the Merger may not be completed. In addition, if the Merger is not completed by March 7, 2026, any party may choose not to proceed with the Merger. Moreover, the parties can mutually decide to terminate the Merger Agreement at any time prior to the consummation of the Merger, before or after receipt of the requisite approvals by our stockholders and the YOOV shareholders, each party may elect to terminate the Merger Agreement in certain other circumstances, as set forth in the Merger Agreement. If the Merger Agreement is terminated, we may incur substantial fees and expenses in connection with termination of such Agreement and we will not realize the anticipated benefits of the Merger. In addition, if the Merger is not completed, we may not have sufficient capital to continue to operate our business in the long term and may become insolvent and be required to seek the protection of the bankruptcy courts and, without additional funding or a strategic transaction, we would likely be delisted from Nasdaq.

**We or YOOV may waive one or more of the closing conditions to the Merger without re-soliciting stockholder approval.**

Each of us and YOOV has the right to waive certain of the closing conditions to the Merger. Any such waiver may not require re-solicitation of stockholders, in which case stockholders of us and shareholders of YOOV will not have the chance to change their votes as a result of any such waiver and we and YOOV will have the ability to complete the Merger without seeking further stockholder approval. Any determination whether to waive any condition to the Merger, whether stockholder approval would be re-solicited as a result of any such waiver or whether this proxy statement/prospectus would be amended as a result of any waiver will be made us or YOOV, as applicable, at the time of such waiver based on the facts and circumstances as they exist at that time, and any such waiver could have an adverse effect on the combined company.

**Our stockholders will have a reduced ownership and voting interest after the Merger and will exercise less influence over management.**

Our stockholders, as a group have significantly reduced ownership and voting power in the combined company compared to their current ownership and voting power in us. In particular, upon consummation of the Merger, our stockholders, as a group, will own less than 3% of the outstanding common stock of us. In addition, our stockholders, as a group, will be able to exercise less collective influence over the management and policies of the combined company than they currently exercise over the management and policies of us.

**The Merger Agreement limits our ability to pursue alternatives to the Merger.**

The Merger Agreement contains provisions that make it more difficult for us to enter into alternative transactions. The Merger Agreement contains certain provisions that restrict our ability to solicit or facilitate proposals from third parties with respect to transactions involving the financing or sale of us, or provide non-public information to, or otherwise participate or engage in discussions or negotiations with, third parties or take certain other actions that would reasonably be expected to lead to a third-party acquisition proposal. Further, there are only limited exceptions to our agreement that our board of directors will not change its recommendation in favor of the adoption of the Merger Agreement. However, at any time prior to the receipt of the requisite stockholder approval by our stockholders and the approval of the Merger Agreement and the Merger by YOOV shareholders, in response to an unsolicited superior proposal made by a third party, Our board of directors may make an adverse recommendation change, and terminate the Merger Agreement to enter into an alternative acquisition agreement, if it concludes in good faith, after consultation with outside financial advisors and outside legal counsel, that the failure to take such action would be inconsistent with the fiduciary duties of our board of directors under the circumstances and under applicable law.

As described above, we may be required to pay a termination fee of \$1,000,000 to YOOV if the Merger is not consummated under specified circumstances as set forth in the Merger Agreement. Upon obtaining the requisite approvals from our stockholders and YOOV shareholders, our right to terminate the Merger Agreement in response to a Superior Proposal (as defined in the Merger Agreement) will cease.

While we believe these provisions are reasonable, customary and not preclusive of other offers, the provisions might discourage a third party that has an interest in acquiring all or a significant part of us from considering or proposing such an acquisition, even if such party were prepared to pay consideration with a higher per-share value than the currently proposed merger consideration or if such party were prepared to enter into an agreement that may be more favorable to us or our stockholders.

**Our executive officers and directors may have interests in the Merger that are different from, or in addition to, the rights of their respective stockholders.**

Our executive officers negotiated the terms of the Merger Agreement and the board of directors approved the Merger Agreement and the Merger and recommend that each stockholder vote in favor of the proposals to be presented at the special meeting in connection with the Merger. These executive officers and directors may have interests in the Merger that are different from, or in addition to, our stockholders. These interests include the potential continued employment or retention as consultants of certain executive officers of us with the combined company following the Merger, the continued service of certain of our directors as directors of the combined company following the Merger and the indemnification of our executive officers and directors.

**We, YOOV and, subsequently, the combined company may have difficulty attracting, motivating and retaining executives and other key employees in light of the proposed Merger.**

The combined company's success after the Merger will depend in part on each of our and YOOV's ability to retain key executives and other employees. Uncertainty about the effect of the Merger on our and YOOV's employees may have an adverse effect on each company separately and consequently, the combined company. This uncertainty may impair the combined company's ability to attract, retain and motivate key personnel. Employee retention may be particularly challenging during the pendency of the Merger, as our and YOOV's employees may experience uncertainty about their future roles in the combined business. YOOV's common stock

Furthermore, if any of our or YOOV's key employees depart or are at risk of departing, including because of issues relating to the uncertainty and difficulty of integration, financial security or a desire not to become employees of the combined business, we or YOOV, as applicable, may have to incur significant costs in retaining such individuals or in identifying, hiring and retaining replacements for departing employees and may lose significant expertise and talent, and the combined company's ability to realize the anticipated benefits of the Merger may be materially and adversely affected. No assurance can be given that the combined company will be able to attract or retain key employees to the same extent that we or YOOV have been able to attract or retain employees in the past.

**We will incur significant transaction and Merger-related transition costs in connection with the Merger.**

We expect that we will incur significant, non-recurring costs in connection with consummating the Merger and integrating the operations of the two companies post-Closing. We will incur significant fees and expenses relating to financing arrangements and legal services (including any costs that would be incurred in defending against any potential class action lawsuits and derivative lawsuits in connection with the Merger if any such proceedings are brought), accounting and other fees and costs, associated with consummating the Merger. Some of these costs are payable regardless of whether the Merger is completed. In addition, we may be required to pay a termination fee of \$1,000,000 if the Merger Agreement is terminated under specified circumstances described in the Merger Agreement. Though we continue to assess the magnitude of these costs, additional unanticipated costs may be incurred in the Merger and the integration of the businesses of us and YOOV.

**We may be the target of securities class action and stockholder lawsuits which could result in substantial costs and may delay or prevent the Merger from being completed.**

Securities class action lawsuits and stockholder lawsuits are often brought against public companies that have entered into merger agreements. Even if the lawsuits are without merit, defending against these claims can result in substantial costs and divert management time and resources. An adverse judgment could result in monetary damages, which could have a negative impact on our liquidity and financial condition. Additionally, if a plaintiff is successful in obtaining an injunction prohibiting completion of the Merger, then that injunction may delay or prevent the Merger from being completed, which may adversely affect our or the combined company's business, financial position and results of operations. As of the date of this report, no such lawsuits have been filed in connection with the Merger and the parties cannot predict whether any will be filed.

**General Operating and Business Risks**

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

We have limited operating revenue. Because of the uncertainties related to our lack of significant revenue, 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 \$7.9 million and \$16.7 million for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, we had an accumulated deficit of approximately \$87.7 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, 2024 were prepared under the assumption that we will continue as a going concern. The independent registered public accounting firm that audited our 2024 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 2024 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, 2024, we had cash of approximately \$2.9 million. 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, 2024, we had approximately \$8.4 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; 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.

**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, 2024, we had an impairment of goodwill acquired from Lab Services MSO acquisition of approximately \$0.3 million. In the future, we could have additional impairment charges related to investments that we may make.

**Our strategic transactions involve risks, and we may not realize the expected benefits because of numerous uncertainties and risks.**

We regularly consider and may enter into strategic transactions, including mergers, acquisitions, joint ventures, investments and other growth, market and geographic expansion strategies, with the expectation that these transactions will result in increases in sales, cost savings, synergies, and other various benefits. Our ability to deliver the expected benefits from any strategic transaction is subject to numerous uncertainties and risks, including our ability to integrate personnel, labor models, financial, IT and other systems successfully; disruption of our ongoing business and distraction of management; hiring additional management and other critical personnel; and increasing the scope, geographic diversity, and complexity of our operations. Effective internal controls are necessary to provide reliable and accurate financial reports, and the integration of businesses may create complexity in our financial systems and internal controls and make them more difficult to manage. Integration of businesses into our internal control system could cause us to fail to meet our financial reporting obligations. Additionally, we may recognize material impairments in the future, including in connection with assets we have acquired or divested in a strategic transaction or charges to earnings associated with any strategic transaction, which may materially reduce our earnings. Our shareholders may react unfavorably to our strategic transactions and strategic transactions may also be subject to regulatory uncertainty due to the changing enforcement landscape. We may not realize the anticipated benefits from such transactions, we may be exposed to additional liabilities of any acquired business or joint venture, and we may be exposed to litigation in connection with the strategic transaction. Further, we may finance these strategic transactions by incurring additional debt, which could increase leverage or impact our ability to access capital in the future.

**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. Although we have halted all research and development, MIT has granted us options to non-exclusively or exclusively license MIT inventions arising under this research agreement and we continue to maintain our joint patent applications.

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.

**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 Keto Air business. We are heavily reliant on third-party ground and air travel for transport of diagnostic testing supplies. A significant disruption to these travel systems, or our access to them, could have a material adverse effect on our business. Disruptions to the continued supply, or increases in costs, of these products, 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 related to the sale of Keto Air.

**Risk Factors Related to Commercialization Activity**

**Some of our medical device products in the future may face significant government regulation, and there is no guarantee that our medical devices will receive regulatory approval.**

The manufacturing and marketing of our potential medical device products such as our breathalyzer system may be 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.

Certain medical devices 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 regard 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 medical devices 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 medical devices 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 medical devices, 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, 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 currently are only marketing Keto Air, once our medical devices 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 medical devices 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; and
- 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

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 medical devices 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 medical devices vary widely from country to country. Some countries require approval of the sale price of a device 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 medical devices. 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.

- 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 medical devices 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 medical devices 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. 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 products 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 products, 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:

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 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 medical devices 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 medical devices 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 medical devices 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 Trump Administration cost reduction initiatives may impact Medicare and Medicaid reimbursement levels. 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 medical devices 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 Nasdaq should delist our securities from trading on its exchange for any reason 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.

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

Our common stock is listed on the Nasdaq Capital Market under the symbol “ALBT.” 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, 2024:

- 52,479 shares of our common stock were issuable upon exercise of outstanding stock options;
- 182,996 shares of our common stock were issuable upon exercise of outstanding stock warrants;
- 60,000 shares of our common stock issuable upon conversion of our outstanding Series A Preferred Stock;
- 194,004 shares of our common stock were issuable upon the conversion of our outstanding Series B Convertible Preferred Stock (the “Series B 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;
- 1,452,282 shares of our common stock issuable upon conversion of our outstanding Series C Preferred Stock;
- 227,269 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 C Preferred Stock and Series D 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) 3,500 shares of our newly designated Series C Preferred Stock and (ii) 5,000 shares of our newly designated Series D 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 100,000,000 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 D Preferred Stock, Series D 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 the continued 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 is listed on The Nasdaq Capital Market under the symbol "ALBT." 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 December 31, 2025. Total rent expense under these lease agreements was approximately \$127,000 and \$129,000 for the years ended December 31, 2024 and 2023, 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 3,333 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 is listed on The Nasdaq Capital Market under the symbol "ALBT." On March 28, 2025, the closing price of our common stock on The Nasdaq Capital Market was \$5.27.

#### Holders of Record

As of March 31, 2025, there were approximately 237 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, 2024 and 2023 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 precision diagnostic consumer products. We are currently marketing the Keto Air breathalyzer device and plan to develop additional diagnostic uses of the breathalyzer technology. In addition, we own commercial real estate that houses our headquarters in Freehold, New Jersey.

We have the following areas of focus in 2024 and 2023:

#### *Laboratory Acquisitions*

We had embarked on a laboratory rollup strategy focused on forming joint ventures and acquiring laboratories that were accretive to our commercial strategy. As a first step, in February 2023, we acquired a 40% membership interest in Lab Services MSO. Among other things, Lab Services MSO provides toxicology and wellness testing services, a broad portfolio of diagnostic tests, and a broad array of test services. During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, we and Lab Services MSO entered into a Redemption and Abandonment Agreement, whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by us. Accordingly, beginning in February 2025, we no longer offer laboratory services.

#### *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. For our commercialization strategy, we intend to target the diabetes and obesity markets. We sell the product through the KetoAir website and social media. We believe the KetoAir device has some competitive advantages to other methods for measuring ketosis.

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 Food and Drug Administration 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 precision diagnostic consumer products. We are currently marketing the Keto Air breathalyzer device and plan to develop additional diagnostic uses of the breathalyzer technology.

In addition, we own commercial real estate that houses our headquarters in Freehold, New Jersey. 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 \$10,646,000 at December 31, 2024 and had incurred recurring net losses and generated negative cash flow from operating activities of approximately \$7,903,000 and \$4,969,000 for the year ended December 31, 2024, respectively.

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 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 our 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. Our ability 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 our 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 our 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, or at all.

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, 2024 and 2023 include the useful life of 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 our investment in, and earning or loss of, company that we do not control but over which we do exert significant influence. We apply the equity method by initially recording these investments at cost, as equity method investments, subsequently adjusted for equity in earnings and cash distributions.

We consider whether the fair value of our equity method investment has declined below its carrying value whenever adverse event or change in circumstance indicates that recorded value 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 \$259,579 and \$9,651,361 for the years ended December 31, 2024 and 2023, respectively.

We classify distributions received from equity method investments using the cumulative earnings approach. Distributions received are considered returns on the investment and classified as cash inflows from operating activities. If, however, the investor’s cumulative distributions received, less distributions received in prior periods determined to be returns of investment, exceeds cumulative equity in earnings recognized, the excess is considered a return of investment and is classified as cash inflows from investing activities.

### ***Real Property Rental***

We have determined that the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“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.

### ***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 charged 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.

#### ***Recent Accounting Standards***

For details of applicable new accounting standards, please, refer to Recent Accounting Standards in Note 3 of our consolidated financial statements accompanying this report.

### **RESULTS OF OPERATIONS**

#### **Comparison of Results of Operations for the Years Ended December 31, 2024 and 2023**

##### ***Real Property Rental Revenue***

For the year ended December 31, 2024, we had real property rental revenue of \$1,333,403, as compared to \$1,255,681 for the year ended December 31, 2023, an increase of \$77,722, or 6.2%. The increase was primarily attributable to the increase in the number of tenants occupying the building in the year ended December 31, 2024 as compared to the year ended December 31, 2023. 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, 2024, our real property operating expenses amounted to \$1,065,574, as compared to \$1,017,493 for the year ended December 31, 2023, an increase of \$48,081, or 4.7%. The increase was primarily attributable to an increase in electric fee of approximately \$40,000 and an increase in other miscellaneous items of approximately \$8,000.

##### ***Real Property Operating Income***

Our real property operating income for the year ended December 31, 2024 was \$267,829, representing an increase of \$29,641, or 12.4%, as compared to \$238,188 for the year ended December 31, 2023. The increase was primarily attributable to the increase in real property rental revenue 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, 2024, we had loss from our investment in Lab Services MSO of \$846,588, which consists of our share of Lab Services MSO's net income of \$79,923, and amortization of identifiable intangible assets acquired from Lab Services MSO acquisition of \$666,932, and impairment of goodwill acquired from Lab Services MSO acquisition of \$259,579, 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.

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.



### Other Operating Expenses

For the years ended December 31, 2024 and 2023, other operating expenses consisted of the following:

	Years Ended December 31,	
	2024	2023
Advertising and marketing expenses	\$ 237,671	\$ 1,666,721
Professional fees	1,822,105	3,076,477
Compensation and related benefits	1,431,328	1,768,449
Miscellaneous taxes	233,488	57,290
Research and development	-	109,618
Directors and officers' liability insurance premium	212,898	349,745
Travel and entertainment	109,244	166,921
Rent and related utilities	62,294	64,149
Impairment of laboratory equipment	111,033	-
Other general and administrative	128,912	160,854
	<u>\$ 4,348,973</u>	<u>\$ 7,420,224</u>

- For the year ended December 31, 2024, advertising and marketing expenses decreased by \$1,429,050, or 85.7%, as compared to the year ended December 31, 2023. The decrease was primarily due to decreased advertising activities in the year ended December 31, 2024. 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, valuation service fees and other fees. For the year ended December 31, 2024, professional fees decreased by \$1,254,372, or 40.8%, as compared to the year ended December 31, 2023, which was primarily attributable to a decrease in consulting fees of approximately \$352,000, mainly due to the decrease in use of consulting service providers related to our acquisition of Lab Services MSO, a decrease in audit fees of approximately \$174,000, due to the decreased audit services related to our acquisition of Lab Services MSO, a decrease in accounting fees of approximately \$431,000, mainly due to the decreased accounting services related to our acquisition of Lab Services MSO, a decrease in legal service fees of approximately \$385,000, mainly due to the decreased legal services related to our acquisition of Lab Services MSO, and a decrease in other miscellaneous items of approximately \$47,000, offset by an increase in valuation fee for our equity method investment on Lab Services MSO of \$135,000. We expect that our professional fees will likely remain at their current level with minimal increase in the near future.
- For the year ended December 31, 2024, compensation and related benefits decreased by \$337,121, or 19.1%, as compared to the year ended December 31, 2023. The decrease was primarily attributable to the decreased compensation for two of our executive officers, David Jin and Meng Li. We expect that our compensation and related benefits will remain relatively steady, with minimal increase, in the near future.
- For the year ended December 31, 2024, miscellaneous taxes increased by \$176,198, or 307.6%, as compared to the year ended December 31, 2023. The increase was primarily attributable to increased Delaware state franchise tax. We expect that our miscellaneous taxes will decrease in the near future.
- For the year ended December 31, 2024, research and development expenses decreased by \$109,618, or 100.0%, as compared to the year ended December 31, 2023. In the year ended December 31, 2024, we did not incur any activity with respect to research and development projects as we redirected our funding efforts to our core business strategies discussed above.

- For the year ended December 31, 2024, directors' and officers' liability insurance premium decreased by \$136,847, or 39.1%, as compared to the year ended December 31, 2023. The decrease was mainly due to our switching to a different insurance provider, resulting in a lower premium.
- For the year ended December 31, 2024, travel and entertainment expense decreased by \$57,677, or 34.6%, as compared to the year ended December 31, 2023. The decrease was mainly due to decreased business travel activities in the year ended December 31, 2024 as compared to the year ended December 31, 2023.
- For the year ended December 31, 2024, rent and related utilities expenses decreased by \$1,855, or 2.9%, as compared to the year ended December 31, 2023.
- In December 2024, we assessed our laboratory equipment for any impairment and concluded that there were indicators of impairment as of December 31, 2024 and we calculated that the estimated undiscounted cash flows were less than the carrying amount of the laboratory equipment. Based on our analysis, we recognized an impairment loss of \$111,033 for the year ended December 31, 2024, which reduced the value of laboratory equipment to zero. We did not record any impairment charge for the year ended December 31, 2023.
- Other general and administrative expenses mainly consisted of NASDAQ listing fee, office supplies, and other miscellaneous items. For the year ended December 31, 2024, other general and administrative expenses decreased by \$31,942, or 19.9%, as compared to the year ended December 31, 2023, which was mainly attributable to a decrease in office supplies of approximately \$12,000, and a decrease in other miscellaneous items of approximately \$20,000 due to our efforts at stricter controls on corporate expenditure.

#### ***Loss from Operations***

As a result of the foregoing, for the year ended December 31, 2024, loss from operations amounted to \$4,927,732, as compared to \$15,753,683 for the year ended December 31, 2023, representing a decrease of \$10,825,951, or 68.7%.

#### ***Other (Expense) Income***

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

Other expense, net, totaled \$2,975,662 for the year ended December 31, 2024, as compared to \$953,327 for the year ended December 31, 2023, an increase of \$2,022,335, or 212.1%, which was primarily attributable to an increase in third party interest expense of approximately \$1,077,000, mainly driven by the increase in amortization of debt discount and debt issuance costs of approximately \$867,000 and the increased interest expense of approximately \$210,000 from third party debts, an increase in interest expense – related party of approximately \$9,000, an increase in debt modification charge of approximately \$839,000, a decrease in gain on debts extinguishment of approximately \$683,000, and an increase in other expense of approximately \$56,000, offset by an increase in gain from change in fair value of derivative liability of approximately \$186,000, a decrease in impairment of equity method investment on Epicon of approximately \$455,000.

#### ***Income Taxes***

We did not have any income taxes expense for the years ended December 31, 2024 and 2023 since we incurred losses in these periods.

#### ***Net Loss***

As a result of the factors described above, our net loss was \$7,903,394 for the year ended December 31, 2024, as compared to \$16,707,010 for the year ended December 31, 2023, a decrease of \$8,803,616, or 52.7%.

### **Net Loss Attributable to Avalon GloboCare Corp. Common Shareholders**

The net loss attributable to our common shareholders was \$7,903,394, or \$8.44 per share (basic and diluted), for the year ended December 31, 2024, as compared to \$16,707,010, or \$23.80 per share (basic and diluted), for the year ended December 31, 2023, a decrease of \$8,803,616, or 52.7%.

### **Foreign Currency Translation Adjustment**

Our reporting currency is the U.S. dollar. The functional currency of our parent company, AHS, Avalon RT 9, Avalon Lab, and Q&A Distribution is the U.S. dollar and the functional currency of Avalon Shanghai is the Chinese Renminbi (“RMB”). The financial statements 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 \$273 and \$18,590 for the years ended December 31, 2024 and 2023, respectively. This non-cash loss had the effect of increasing our reported comprehensive loss in each respective period.

### **Comprehensive Loss**

As a result of our foreign currency translation adjustment, we had comprehensive loss of \$7,903,667 and \$16,725,600 for the years ended December 31, 2024 and 2023, 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, 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 our 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. Our ability 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 our 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 we plan to raise additional capital in the future through the sale of equity or debt to implement our 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 as they come due and otherwise operate on an ongoing basis. At December 31, 2024 and 2023, we had a cash balance of approximately \$2,856,000 and \$285,000, respectively. These funds are kept in financial institutions located as follows:

Country:	December 31, 2024		December 31, 2023	
United States	\$ 2,844,522	99.6%	\$ 280,197	98.2%
China	11,787	0.4%	5,203	1.8%
Total cash	\$ 2,856,309	100.0%	\$ 285,400	100.0%

The following table sets forth a summary of changes in our working capital deficit from December 31, 2023 to December 31, 2024:

	December 31,		Changes in	
	2024	2023	Amount	Percentage
<b>Working capital deficit:</b>				
Total current assets	\$ 3,236,498	\$ 850,867	\$ 2,385,631	280.4%
Total current liabilities	13,882,555	6,762,686	7,119,869	105.3%
Working capital deficit	<u>\$ (10,646,057)</u>	<u>\$ (5,911,819)</u>	<u>\$ (4,734,238)</u>	<u>80.1%</u>

Our working capital deficit increased by \$4,734,238 to \$10,646,057 at December 31, 2024 from \$5,911,819 at December 31, 2023. The increase in working capital deficit was primarily attributable to a decrease in rent receivable of approximately \$117,000 driven by collection efforts in the year ended December 31, 2024, an increase in accrued liabilities and other payables of \$161,000 mainly due to the increase in accrued Delaware state franchise tax in the year ended December 31, 2024, an increase in accrued liabilities and other payables – related parties of approximately \$526,000 mainly due to our equity method investment payable paid by a related party on our behalf, a significant increase in advance from pending sale of noncontrolling interest – related party of approximately \$2,622,000 resulting from advance received in connection with the membership interest purchase agreement entered into in November 2023 in the year ended December 31, 2024, an increase in derivative liability of approximately \$103,000, an increase in note payable, net, of approximately \$5,715,000, which was attributable to the reclassification of note payable from non-current to current, and an increase in convertible note payable, net, of approximately \$189,000, offset by an increase in cash of approximately \$2,571,000, a decrease in accrued professional fees of approximately \$1,193,000 resulting from payments made to our professional service providers in the year ended December 31, 2024, a decrease in operating lease obligation of approximately \$119,000, and a decrease in equity method investment payable of approximately \$667,000 resulting from payment of \$100,000 made to investee and payment of approximately \$567,000 made by a related party on our behalf in the year ended December 31, 2024.

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, 2024 Compared to the Year Ended December 31, 2023

The following table summarizes the key components of our cash flows for the years ended December 31, 2024 and 2023:

	Years Ended December 31,	
	2024	2023
Net cash used in operating activities	\$ (4,969,205)	\$ (6,504,718)
Net cash used in investing activities	(100,000)	(22,159)
Net cash provided by financing activities	7,638,667	4,825,337
Effect of exchange rate on cash	1,447	(3,970)
Net increase (decrease) in cash	<u>\$ 2,570,909</u>	<u>\$ (1,705,510)</u>

Net cash flow used in operating activities for the year ended December 31, 2024 was \$4,969,205, which primarily reflected our consolidated net loss of approximately \$7,903,000, and the non-cash item adjustment, consisting of change in fair market value of derivative liability of approximately \$374,000, and the changes in operating assets and liabilities, primarily consisting of a decrease in accrued liabilities and other payables of approximately \$1,165,000 resulting from payments made to our vendors in the year ended December 31, 2024, and a decrease in operating lease obligation of approximately \$123,000, offset by a decrease in rent receivable of approximately \$131,000 driven by our collection efforts, and the non-cash items adjustment, primarily consisting of depreciation of approximately \$178,000, amortization of operating lease right-of-use asset of approximately \$123,000, stock-based compensation and service expense of approximately \$522,000, loss from equity method investments of approximately \$847,000 which was mainly attributable to the amortization of identifiable intangible assets acquired from Lab Services MSO acquisition of approximately \$667,000 and the impairment of goodwill acquired from Lab Services MSO acquisition of approximately \$260,000, resulting from Lab Services MSO's lower revenues and net incomes than anticipated and the decline in our stock price and market capitalization, distribution of earnings from equity method investment of approximately \$612,000, amortization of debt issuance costs and debt discount of approximately \$1,411,000, impairment of laboratory equipment of approximately \$111,000, and debt modification charge of approximately \$689,000.

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 debt 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.

We expect our cash used in operating activities to increase in the next 12 months due to the following:

- the development and commercialization of new products; 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 \$100,000 for the year ended December 31, 2024, as compared to \$22,159 for the year ended December 31, 2023. During the year ended December 31, 2024, we paid \$100,000 for the acquisition of a 40% interest in Lab Services MSO. During the year ended December 31, 2023, we made payment for purchase of property and equipment of approximately \$22,000.

Net cash flow provided by financing activities was \$7,638,667 for the year ended December 31, 2024, as compared to \$4,825,337 for the year ended December 31, 2023. During the year ended December 31, 2024, we received net proceeds from the issuance of convertible debts and warrants of approximately \$3,085,000 (net of original issue discount of approximately \$177,000 and cash paid for convertible note issuance costs of approximately \$283,000), an advance from the pending sale of a noncontrolling interest in a subsidiary of approximately \$2,122,000, net proceeds from equity offering of approximately \$2,719,000 (net of cash paid for commission and other offering costs of approximately \$138,000), and proceeds from issuance of convertible preferred stock of \$3,500,000, offset by repayments made for loan payable – related party of \$400,000, and made for convertible debts of approximately \$3,388,000. 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 pending sale of noncontrolling interest in subsidiary of approximately \$486,000, offset by repayments made for convertible debt of \$300,000.

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 entered into a \$20 million credit facility (the “Line of Credit”) provided by our Chairman of the Board and a significant (and our largest) stockholder, Wenzhao Lu. The Line of Credit allowed us to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matured on December 31, 2024.

#### *At-the-Market Offering*

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 August 16, 2024, we sold an aggregate of 312,285 shares of our common stock at an average price of \$11.19 per share to investors pursuant to the Sales Agreement, and received net cash proceeds of \$3,388,251, net of cash paid for Roth’s commissions and other fees of \$104,992.

#### *March 2024 Convertible Note Financing*

In March 2024, we entered into a security purchase agreement with a lender (the “March 2024 Lender”) and closed on the issuance of a 13.0% senior secured convertible promissory note in the principal amount of \$700,000 (the “March 2024 Convertible Note”), as well as the issuance of 7,000 shares of common stock as a commitment fee and warrants for the purchase of up to 16,827 shares of our common stock.

#### *June 2024 Convertible Note Financing*

In June 2024, we entered into a security purchase agreement with a lender (the “June 2024 Lender”) and closed on the issuance of a 13.0% senior secured convertible promissory note in the principal amount of \$2,845,000 (the “June 2024 Convertible Note”), as well as the issuance of 26,800 shares of common stock as a commitment fee and warrants for the purchase of up to 146,667 shares of our common stock. We and our subsidiaries also entered into security agreements in connection with issuance of the June 2024 Convertible 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 June 2024 Convertible Note.

#### *Series C Convertible Preferred Stock Sold Pursuant to Securities Purchase Agreement*

On December 19, 2024, the Company entered into that certain securities purchase agreement (the “Securities Purchase Agreement”), with an accredited investor, York Sun Investment Holding Limited, a British Virgin Islands company (the “Investor”), pursuant to which the Company agreed to issue and sell to the Investor, upon the terms and conditions set forth in the Securities Purchase Agreement, up to 7,000 shares of Series C Convertible Preferred Stock for up to an aggregate of \$7,000,000 (the “Purchase Price”), which is equal to \$1,000 per share. The first closing occurred on December 24, 2024, with respect to the Investor’s purchase of 3,500 shares of Series C Convertible Preferred Stock in exchange for \$3,500,000.

Each share of Series C Convertible Preferred Stock is convertible into common stock of the Company (the “Conversion Shares”) at a conversion per share equal to \$2.41, at the option of the holder, at any time after the later of (i) the date of the shareholder approval of the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market (the “Shareholder Approval”) and (ii) the one year anniversary of the date of the first issuance of any shares of the Series C Convertible Preferred Stock. The Company shall not be required to issue any Conversion Shares until the Shareholder Approval is obtained by the Company. The Investor shall also have a right of first refusal during the period beginning on the date of the Securities Purchase Agreement and continuing until such shareholder approval is obtained, on all issuances of convertible preferred stock of the Company, excluding agreements that are in place prior to the date of the Securities Purchase Agreement and issuances of new classes of convertible preferred stock in exchange for existing classes of convertible preferred stock. Additionally, the Investor has the right, pursuant to the Securities Purchase Agreement to appoint one member to, or to replace one member of, the Company’s board of directors, subject to all applicable Nasdaq rules.

The Investor's purchase of the remaining 3,500 shares of Series C Convertible Preferred Stock under the Securities Purchase Agreement in exchange for an additional \$3,500,000 is required to occur within 120 calendar days of the date of the Securities Purchase Agreement, subject to the satisfaction of customary closing conditions.

We estimate that, based on current plans and assumptions, our available cash will be insufficient to satisfy our cash requirements under our present operating expectations through cash flow provided by operations and sales of equity. Other than funds received as described above and cash resources generated 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.

#### ***Foreign Currency Exchange Rate Risk***

We ceased all operations in China in 2022, with the exception of a small administrative office. We did not during the year ended December 31, 2024, and do not expect in the foreseeable future, to generate any additional revenue from PRC operations. Thus, exchange rate fluctuations between the RMB and the U.S. dollar do not, and are not expected to, have a material effect on us. For the years ended December 31, 2024 and 2023, we had an unrealized foreign currency translation loss of approximately \$300 and \$18,600, respectively, because of changes in the exchange rate.

#### ***Inflation***

The effect of inflation on our revenues and operating results was not significant for the years ended December 31, 2024 and 2023.

#### **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 CEO and the CFO, 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, 2024, 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 as of December 31, 2024 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 U.S. GAAP 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, 2024. 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 (2013). Based on this assessment, management has concluded that our internal control over financial reporting was not effective as of December 31, 2024, 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 worked part-time for Lab Services MSO and part-time for the Company. 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, 2024 included in this Annual Report on Form 10-K were fairly stated in accordance with U.S. 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, 2024 are fairly stated, in all material respects, in accordance with U.S. 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, 2024 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) None.

(b) During the quarter ended December 31, 2024, 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.

Name	Age	Position
Wenzhao Lu	67	Chairman of the Board of Directors
David Jin, MD, PhD	57	Chief Executive Officer, President and Director
Meng Li	47	Chief Operating Officer and Secretary
Luisa Ingargiola	57	Chief Financial Officer
Steven A. Sanders	79	Director
Lourdes Felix	57	Director
Wilbert J. Tausin II	81	Director
William B. Stilley, III	57	Director
Tevi Troy	57	Director

Directors are elected annually, to hold such office until a successor has been duly appointed and qualified, unless a director sooner dies, resigns or is removed. Officers serve at the discretion of the Board, subject to the terms of any employment agreement.

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 U.S. and Asia. He served as Chairman of the board of directors of the Daopei Medical Group (“DPMG”), from 2010 to December 2021. Under his leadership, DPMG operated 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 and 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 Ortolini Rosenstadt LLP. From July 2007 until January 2017, Mr. Sanders was a Senior Partner at Ortolini Rosenstadt LLP. From January 1, 2004 until June 30, 2007, he was Of Counsel to the law firm of Rubin, Bailin, Ortolini, 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 board of directors of Helijet International, Inc. and served as a member of the board of directors of 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 Inc. 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 Inc., 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 U.S. 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 lectured at the Darden School of Business and 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 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 five times in 2024. 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 of stockholders. Three of our directors 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, 2024, 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](http://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, 2024, the Compensation Committee met two times. 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](http://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, 2024, 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](http://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.

- 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.

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. Assuming that appropriate information is timely 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](http://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.



### **Insider trading arrangements and policies.**

We have adopted an insider trading policy that governs the purchase, sale, and/or other transactions of our securities by our directors, officers and employees. A copy of our insider trading policy is filed as Exhibit 19.1 to this Annual Report on Form 10-K for the fiscal year ended December 31, 2024. In addition, with regard to us trading in our own securities, it is our policy to comply with the federal securities laws and the applicable exchange listing requirements in all respects.

### **Limitation of Director 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 10% stockholders timely filed all reports required by Section 16(a) of the Exchange Act during the fiscal year ended December 31, 2024.

## **ITEM 11. EXECUTIVE COMPENSATION**

### **Executive Officer Compensation**

We are currently a “smaller reporting company,” as such term is defined in the rules promulgated under the Securities Act. We have opted to comply with the scaled down disclosure rules applicable to smaller reporting companies which require certain 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 2024 exceeded \$100,000 and who were serving as executive officers as of December 31, 2024, 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, 2024. We refer to these individuals as “named executive officers.” Our named executive officers for the year ended December 31, 2024 were Dr. David Jin, Luisa Ingargiola and Meng Li. Certain information regarding their 2024 compensation is included below.

**2024 Summary Compensation Table**

Name and principal position	Year	Salary	Stock awards	Option Awards	Nonqualified			Total
					incentive plan compensation	deferred earnings	All other compensation	
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Dr. David Jin	2024	180,000	-	-	-	-	-	180,000
CEO	2023	330,000	-	-	-	-	-	330,000
Luisa Ingargiola	2024	350,000	-	-	-	-	-	350,000
CFO	2023	350,000	-	-	-	-	-	350,000
Meng Li	2024	205,471	-	-	-	-	-	205,471
COO	2023	280,244	-	-	-	-	-	280,244

**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 years ended December 31, 2024 and 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 years ended December 31, 2024 and 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, 2024.

### **Outstanding Equity Awards at 2024 Fiscal Year End**

The following table sets forth information with respect to the outstanding equity awards of our named executive officers at December 31, 2024:

	Outstanding Equity Awards									
	Option Awards					Stock Awards				
										Equity incentive plan awards: Market or payout value of Number of unearned shares, shares, units or units or other rights that have not vested
Name	(#) (Exercisable)	(#) (Unexercisable)	(#)	(#)	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: Market or payout value of Number of unearned shares, shares, units or units or other rights that have not vested	Equity incentive plan awards: Market or payout value of Number of unearned shares, shares, units or units or other rights that have not vested
David Jin	2,667	-	2,667	228	2/18/2030	-	-	-	-	-
Luisa	13,333	-	13,333	75	2/8/2027	-	-	-	-	-
Ingargiola	2,667	-	2,667	228	2/18/2030	-	-	-	-	-
Meng Li	2,000	-	2,000	228	2/18/2030	-	-	-	-	-

## Policies and Practices Related to the Grant of Certain Equity Awards Close in Time to the Release of Material Nonpublic Information

We do not have any formal policy that requires us to grant, or avoid granting, stock options at particular times. Consistent with its annual compensation cycle, if options are to be granted, the Compensation Committee generally seeks to grant annual stock option awards after its Annual Report on Form 10-K has been filed. The timing of any stock option grants in connection with new hires, promotions, or other non-routine grants is tied to the event giving rise to the award (such as an employee's commencement of employment or promotion effective date). As a result, in all cases, the timing of grants of stock options occurs independent of the release of any material nonpublic information, and we do not time the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.

No stock options were issued to executive officers in 2024 during any period beginning four business days before the filing of a periodic report or current report disclosing material non-public information and ending one business day after the filing or furnishing of such report with the SEC.

### No Pension Benefits

We do 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

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

### 2024 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, 2024:

Name	Fees		Change in Pension Value and Non-Qualified Deferred Compensation				Total
	Earned or Paid in Cash	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Deferred Compensation Earnings	All Other Compensation	
	\$	\$	\$	\$	\$	\$	\$
Wenzhao Lu	100,000	-	-	-	-	-	100,000
Lourdes Felix (1)	70,000	-	2,697	-	-	-	72,697
Steven A. Sanders (2)	70,000	-	2,697	-	-	-	72,697
William B. Stilley, III (3)	70,000	-	2,697	-	-	-	72,697
Wilbert J. Tauzin II (4)	25,000	-	4,697	-	-	-	29,697
Tevi Troy (5)	60,000	-	2,697	-	-	-	62,697

(1) Ms. Felix's 2024 compensation consisted of cash of \$70,000 and 533 stock options vested and valued at \$2,697.

(2) Mr. Sanders's 2024 compensation consisted of cash of \$70,000 and 533 options vested and valued at \$2,697.

(3) Mr. Stilley's 2024 compensation consisted of cash of \$70,000 and 533 options vested and valued at \$2,697.

(4) Mr. Tauzin's 2024 compensation consisted of cash of \$25,000 and 1,333 options vested and valued at \$4,697.

(5) Mr. Troy's 2024 compensation consisted of cash of \$60,000 and 533 options vested and valued at \$2,697.

## 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 133,333 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 and 2025, the number of shares of our common stock reserved for issuance under the Amended and Restated 2020 Plan was increased by 7,333 and 14,425 shares, respectively. As of March 31, 2025, a total of 142,424 shares of our common stock were 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 are 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 33,333 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 33,333 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 31, 2025, 6,213 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, 2024:

Plan category	Number of securities issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan category	(a)	(b)	(c)
Equity compensation plan approved by security holders			
Amended and Restated 2020 Plan	12,667(1)	\$ 3.46(2)	142,424
2020 Plan	33,221(3)	\$ 54.53(2)	112
2019 Plan	27,120(4)	\$ 275.44(2)	6,213
Equity compensation plans not approved by security holders	-	\$ -	-
<b>Total</b>	<b>73,008</b>	<b>\$ 153.74</b>	<b>148,749</b>

(1) Includes 1,867 shares of our common stock issuable upon exercise of outstanding options and 10,800 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 30,047 shares of our common stock issuable upon exercise of outstanding options and 3,174 shares of our common stock issuable pursuant to outstanding restricted stock units.

(4) Includes 26,800 shares of our common stock issuable upon exercise of outstanding options and 320 shares of our common stock issuable pursuant to outstanding restricted stock units.

### 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 31, 2025 with respect to the beneficial ownership of the outstanding common stock by:

- Each of our named executive officers and directors;
- Our directors and executive officers as a group; and
- Holders of more than 5% of our common stock

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 <sup>(1)</sup>	Common Stock Beneficially Owned	Percentage of Common Stock <sup>(2)</sup>
Wenzhao Lu* <sup>(3)</sup>	238,928	14.5%
David Jin, MD, PhD* <sup>(4)</sup>	205,667	11.7%
Meng Li* <sup>(5)</sup>	436,334	21.2%
Luisa Ingargiola* <sup>(6)</sup>	416,000	20.1%
Steven A. Sanders* <sup>(7)</sup>	102,665	5.9%
Wilbert J. Tauzin II* <sup>(8)</sup>	105,570	6.0%
William B. Stille III* <sup>(9)</sup>	102,665	5.9%
Tevi Troy* <sup>(10)</sup>	102,665	5.9%
Lourdes Felix* <sup>(11)</sup>	101,053	5.8%
<b>All officers and directors as a group (9 persons)</b>	<b>1,811,547</b>	<b>58.7%</b>
<b>Shareholder owning 5% or more:</b>		
Vision Capital NY Inc. <sup>(12)</sup>	100,000	6.1%

\* Officer and/or director of our company

- (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 1,651,667 shares of our common stock outstanding as of March 31, 2025, together with securities exercisable or convertible into shares of our common stock within 60 days of March 31, 2025 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 31, 2025 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 238,928 shares of our common stock.
- (4) David Jin holds (i) 103,000 shares of our common stock and (ii) 102,667 vested options to acquire 102,667 shares of our common stock.
- (5) Meng Li holds (i) 34,334 shares of our common stock and (ii) 402,000 vested options to acquire 402,000 shares of our common stock.
- (6) Represents 416,000 vested options to acquire 416,000 shares of our common stock.
- (7) Represents 102,665 vested options to acquire 102,665 shares of our common stock.
- (8) Wilbert J. Tauzin II holds (i) 1,037 shares of our common stock and (ii) 104,533 vested options to acquire 104,533 shares of our common stock.
- (9) Represents 102,665 vested options to acquire 102,665 shares of our common stock.
- (10) Represents 102,665 vested options to acquire 102,665 shares of our common stock.
- (11) Represents 101,053 vested options to acquire 101,053 shares of our common stock.
- (12) Vision Capital NY Inc. holds 100,000 shares of our common stock. Vision Capital NY Inc.'s address is 600 Pine Hollow Road #16-5B, East Norwich, NY 11732.



### 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, 2023 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 space of its commercial real property located in New Jersey to D.P. Capital Investments LLC, which is controlled by Wenzhao Lu, the Company’s 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, 2024 and 2023, the related party rental revenue amounted to \$50,400 and has been included in real property rental revenue on the accompanying consolidated statements of operations and comprehensive loss. At December 31, 2024 and 2023, the related party rent receivable totaled \$0 and \$124,500, respectively, which has been included in rent receivable on the accompanying consolidated balance sheets.

#### **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 \$63,644 and \$86,528 for the years ended December 31, 2024 and 2023, respectively, which have been included in professional fees on the accompanying consolidated statements of operations and comprehensive loss. As of both December 31, 2024 and 2023, the accrued and unpaid services charge related to this director’s son amounted to \$15,000, which have been included in accrued professional fees on the accompanying consolidated balance sheets.

#### **Accrued Liabilities and Other Payables – Related Parties**

In 2017, the Company acquired Beijing Genexosome for a cash payment of \$450,000. As of both December 31, 2024 and 2023, 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.

From time to time, Lab Services MSO paid shared expense on behalf of the Company. In addition, Lab Services MSO made a payment of \$566,667 for equity method investment payable on behalf of the Company in the year ended December 31, 2024. As of December 31, 2024 and 2023, the balance due to Lab Services MSO amounted to \$632,916 and \$72,746, respectively, which has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

As of December 31, 2024 and 2023, \$0 and \$33,712 of accrued and unpaid interest related to borrowings from Wenzhao Lu, the Company’s chairman of the Board of Directors, 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 Mr. Lu, the Company’s chairman of the Board of Directors. The Line of Credit allowed the Company to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matured 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 Mr. Lu, 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, Mr. Lu may declare all outstanding loans under the Line of Credit to be due and payable immediately.

In the years ended December 31, 2024 and 2023, activity recorded for the Line of Credit is summarized in the following table:

Outstanding principal under the Line of Credit at January 1, 2023	\$ -
Draw down from Line of Credit	850,000
Outstanding principal under the Line of Credit at December 31, 2023	<u>850,000</u>
Repayment of Line of Credit	(400,000)
Reclassification of Line of Credit to advance from related party	(450,000)
Outstanding principal under the Line of Credit at December 31, 2024	<u><u>\$ -</u></u>

For the years ended December 31, 2024 and 2023, the interest expense related to related party borrowing amounted to \$42,445 and \$33,712, respectively, and has been reflected as interest expense — related party on the accompanying consolidated statements of operations and comprehensive loss.

As of December 31, 2024 and 2023, the related accrued and unpaid interest for Line of Credit was \$0 and \$33,712, respectively, and has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

### Membership Interest Purchase Agreement

On November 17, 2023, the Company entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Mr. Lu, the Company’s chairman of the Board of Directors, pursuant to which (i) Mr. Lu 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, Mr. Lu 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 Company received \$3,108,106 and \$485,714 from Wenzhao Lu as of December 31, 2024 and 2023, respectively, which was recorded as advance from pending sale of noncontrolling interest – related party on the accompanying consolidated balance sheets. The Acquisition is expected to be closed in the fourth quarter of 2025.

## 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

M&K CPAS PLLC served as our independent auditors for the year ended December 31, 2024. Marcum LLP ("Marcum") served as our independent auditors for the year ended December 31, 2023.

Aggregate fees billed to the Company for professional services rendered by M&K CPAS PLLC and Marcum LLP during the last two years were as follows:

Fee Category	2024	2023
<b>Audit Fees <sup>(1)</sup></b>		
Marcum	\$ 287,244	\$ 292,005
M&K	137,000	-
<b>Audit Related Fees <sup>(2)</sup></b>		
Marcum	-	198,158
M&K	-	-
<b>Tax Fees <sup>(3)</sup></b>		
Marcum	-	-
M&K	-	-
<b>All Other Fees <sup>(4)</sup></b>		
Marcum	-	-
M&K	-	-
<b>Totals</b>		
Marcum	287,244	490,163
M&K	\$ 137,000	\$ -

(1) 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.

(2) 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.

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

(4) Consists of fees for products and services other than the services reported above.

## 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, 2024.

PART IV

ITEM 15. EXHIBITS

Exhibit	
Number	Description
1.1	<a href="#"><u>Open Market Sale Agreement<sup>SM</sup>, 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).</u></a>
2.1	<a href="#"><u>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).</u></a>
2.2	<a href="#"><u>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).</u></a>
2.3	<a href="#"><u>Agreement and Plan of Merger, dated March 7, 2025, by and among Avalon GloboCare Corp., Nexus MergerSub Limited and YOOV Group Holding Limited (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on March 10, 2025).</u></a>
3.1	<a href="#"><u>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).</u></a>
3.2	<a href="#"><u>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).</u></a>
3.3	<a href="#"><u>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).</u></a>
3.4	<a href="#"><u>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).</u></a>
3.5	<a href="#"><u>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).</u></a>
3.6	<a href="#"><u>Certificate of amendment dated October 23, 2024 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the SEC on October 29, 2024).</u></a>
3.7	<a href="#"><u>Certificate of Designations of Preferences and Rights of Series C Convertible Preferred Stock of the Company, as filed on December 13, 2024, with the Department of State, Division of Corporations, of the State of Delaware (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on December 19, 2024).</u></a>
3.8	<a href="#"><u>Certificate of Designations of Preferences and Rights of Series D Convertible Preferred Stock of the Company, as filed on January 6, 2025, with the Department of State, Division of Corporations, of the State of Delaware (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on January 10, 2025).</u></a>
3.9	<a href="#"><u>Certificate of Elimination relating to the Series A Preferred Stock, filed with the Secretary of State of Delaware on March 7, 2025 (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 10, 2025).</u></a>
3.10	<a href="#"><u>Certificate of Elimination relating to the Series B Preferred Stock, filed with the Secretary of State of Delaware on March 7, 2025 (incorporated by reference to Exhibit 3.2 to the registrant's Current Report on Form 8-K filed with the SEC on March 10, 2025).</u></a>

- 3.11 [Amendment No. 1 to the Avalon Bylaws, as adopted and approved by the Avalon Board on March 7, 2025 \(incorporated by reference to Exhibit 3.3 to the registrant's Current Report on Form 8-K filed with the SEC on March 10, 2025\).](#)
- 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 †	<a href="#"><u>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).</u></a>
10.27	<a href="#"><u>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).</u></a>
10.28 †	<a href="#"><u>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).</u></a>
10.29 †	<a href="#"><u>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).</u></a>
10.30	<a href="#"><u>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).</u></a>
10.31	<a href="#"><u>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).</u></a>
10.32	<a href="#"><u>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).</u></a>
10.33	<a href="#"><u>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).</u></a>
10.34	<a href="#"><u>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).</u></a>
10.35	<a href="#"><u>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).</u></a>
10.36	<a href="#"><u>Promissory Note issued to Daniel Lu dated March 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).</u></a>
10.37 †	<a href="#"><u>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).</u></a>



10.38†	<a href="#"><u>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).</u></a>
10.39	<a href="#"><u>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).</u></a>
10.40	<a href="#"><u>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).</u></a>
10.41	<a href="#"><u>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).</u></a>
10.42	<a href="#"><u>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).</u></a>
10.43	<a href="#"><u>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).</u></a>
10.44	<a href="#"><u>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).</u></a>
10.45	<a href="#"><u>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).</u></a>
10.46	<a href="#"><u>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).</u></a>
10.47	<a href="#"><u>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).</u></a>
10.48	<a href="#"><u>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).</u></a>
10.49	<a href="#"><u>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).</u></a>
10.50	<a href="#"><u>Consulting Agreement, dated February 9, 2023, by and between Laboratory Services MSO, LLC and Sarah Cox (incorporated by reference to Exhibit 10.50 to the registrant’s Annual Report on Form 10-K filed on April 15, 2024).</u></a>
10.51	<a href="#"><u>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).</u></a>

- 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	<a href="#"><u>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).</u></a>
10.66	<a href="#"><u>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).</u></a>
10.67	<a href="#"><u>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).</u></a>
10.68	<a href="#"><u>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).</u></a>
10.69	<a href="#"><u>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).</u></a>
10.70	<a href="#"><u>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).</u></a>
10.71	<a href="#"><u>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).</u></a>
10.72	<a href="#"><u>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).</u></a>
10.73	<a href="#"><u>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).</u></a>
10.74	<a href="#"><u>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).</u></a>
10.75	<a href="#"><u>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).</u></a>
10.76	<a href="#"><u>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).</u></a>
10.77	<a href="#"><u>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).</u></a>

- 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 \(incorporated by reference to Exhibit 10.2 of the Registrant's Current Report on Form 8-K filed with the SEC on March 27, 2024\).](#)

10.91	<a href="#"><u>Senior Secured Convertible Promissory Note, dated March 7, 2024, between Avalon GloboCare Corp. and Mast Hill Fund, LP (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 31, 2024).</u></a>
10.92	<a href="#"><u>Security Agreement, dated March 7, 2024, between Avalon GloboCare Corp. and Mast Hill Fund, LP* (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 31, 2024).</u></a>
10.93	<a href="#"><u>Warrant, dated March 7, 2024, between Avalon GloboCare Corp. and Mast Hill Fund, LP* (incorporated by reference to Exhibit 10.6 of the Registrant's Quarterly Report on Form 10-Q filed with the SEC on May 31, 2024).</u></a>
10.94	<a href="#"><u>Securities Purchase Agreement, dated June 5, 2024, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2024).</u></a>
10.95	<a href="#"><u>Security Agreement, dated June 5, 2024, among Avalon Globocare Corp., Avalon Healthcare System Inc., Avalon Laboratory Services, Inc., Avalon RT 9 Properties, LLC, Avactis Biosciences, Inc., Genexosome Technologies Inc., International Exosome Association LLC and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2024).</u></a>
10.96	<a href="#"><u>Senior Secured Promissory Note, dated June 5, 2024, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2024).</u></a>
10.97	<a href="#"><u>First Warrant, dated June 5, 2024, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2024).</u></a>
10.98	<a href="#"><u>Second Warrant, dated June 5, 2024, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2024).</u></a>
10.99	<a href="#"><u>Mortgage and Security Agreement, dated June 5, 2024, between Avalon Globocare Corp. and Mast Hill Fund, L.P. (incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed with the SEC on June 5, 2024).</u></a>
10.100	<a href="#"><u>Consent, Acknowledgement, and Waiver Agreement, between the Company and Holder, dated as of December 15, 2024 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on December 19, 2024).</u></a>
10.101	<a href="#"><u>Common Stock Purchase Warrant, between the Company and Holder, dated as of December 15, 2024 (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on December 19, 2024).</u></a>
10.102	<a href="#"><u>Securities Purchase Agreement, between the Company and Holder, dated as of December 19, 2024 (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on December 26, 2024).</u></a>
10.103	<a href="#"><u>Redemption and Abandonment Agreement, dated February 26, 2025, by and among Avalon GloboCare Corp., Avalon Laboratory Services, Inc., Laboratory Services MSO, LLC, SCBC Holdings LLC, the Zoe Family Trust, Bryan Cox and Sarah Cox (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on February 27, 2025).</u></a>
10.104	<a href="#"><u>Form of Avalon Voting and Support Agreement (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on March 10, 2025).</u></a>
10.105	<a href="#"><u>Form of YOOV Voting and Support Agreement (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on March 10, 2025).</u></a>
10.106	<a href="#"><u>Form of Lock-Up Agreement (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on March 10, 2025).</u></a>

19.1*	<a href="#">Insider Trading Policy.</a>
21.1	<a href="#">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).</a>
23.1*	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>
23.2*	<a href="#">Consent of Independent Registered Public Accounting Firm.</a>
31.1*	<a href="#">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.</a>
31.2*	<a href="#">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.</a>
32.1**	<a href="#">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.</a>
97.1	<a href="#">Avalon GloboCare Corp. Compensation Recovery Policy.(incorporated by reference to Exhibit 97.1 to the registrant's Annual Report on Form 10-K filed with the SEC on April 15, 2024).</a>
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

\*\* Furnished herewith.

† 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: March 31, 2025

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

(Principal Executive Officer)

Dated: March 31, 2025

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

(Principal Financial and Accounting Officer)

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each individual whose signature appears below constitutes and appoints David K. Jin and Luisa Ingargiola, and each of them individually, his or her true and lawful attorney-in-fact, with full power of substitution and re-substitution for him or her and in his or her name, place and stead, in any and all capacities to sign any and all amendments to the Annual Report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact or his substitute may lawfully do or cause to be done by virtue thereof.

In accordance with the Exchange Act, this report has been signed below by the following persons on March 31, 2025, on behalf of the registrant and in the capacities indicated.

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

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2024 and 2023

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders 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, 2024, and the related consolidated statements of operations and comprehensive loss, changes in equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the financial statements). We have audited the reverse stock split presentation for year-end December 31, 2023. We have audited note 20 in regards to the presentation of segment information for the year-ended December 31, 2023. In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America. The financial statements of Avalon GloboCare Corp., as of December 31, 2023, were audited by other auditors whose report dated April 15, 2024, expressed an unqualified opinion on those financial statements.

### **Going Concern**

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has yet to achieve profitable operations, has negative cash flows from operating activities, and is dependent upon future issuances of equity or other financings to fund ongoing operations all of which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding 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 audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

### **Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates 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 matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which it relates.

### **Investments**

As discussed in the notes to the financial statements, the Company has an equity method investment in an unconsolidated subsidiary.

Auditing management's valuation of the carrying value of the investment involves significant judgements and estimates to determine the proper value.

To evaluate the appropriateness of the valuation of the investment, we evaluated management's significant judgments and estimates to determine that the investment is properly valued.

/s/ M&K CPAS, PLLC

We have served as the Company's auditor since 2024.  
The Woodlands, TX  
March 31, 2025

## 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, before the effects of the adjustments to retrospectively apply the reverse stock split described in Note 3, and before the effects of the retrospective adjustment for the adoption of ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”) discussed in Note 3 and Note 20 to the consolidated financial statements, the accompanying consolidated balance sheet of Avalon GloboCare Corp. (the “Company”) as of December 31, 2023, and the related consolidated statements of operations and comprehensive loss, changes in equity and cash flows the year ended December 31, 2023, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements, before the effects of the adjustments to retrospectively apply the reverse stock split described in Note 3, and before the effects of the retrospective adjustment for the adoption of ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”) discussed in Note 3 and Note 20 to the consolidated financial statements, present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the retrospective reverse stock split described in Note 3, or retrospective adjustment for the adoption of ASU 2023-07 discussed in Note 3 and Note 20 to the consolidated financial statements, and accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

### 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 audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Marcum LLP

Marcum LLP

We have served as the Company’s auditor from 2019 to 2024.

New York, NY

April 15, 2024

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS	December 31,	
	2024	2023
<b>CURRENT ASSETS:</b>		
Cash	\$ 2,856,309	\$ 285,400
Rent receivable	80,829	197,473
Prepaid expense and other current assets	299,360	367,994
<b>Total Current Assets</b>	<b>3,236,498</b>	<b>850,867</b>
<b>NON-CURRENT ASSETS:</b>		
Operating lease right-of-use assets, net	4,709	128,250
Property and equipment, net	12,912	38,083
Investment in real estate, net	7,022,721	7,191,404
Equity method investments, net	10,636,544	12,095,020
Other non-current assets	71,794	278,912
<b>Total Non-current Assets</b>	<b>17,748,680</b>	<b>19,731,669</b>
<b>Total Assets</b>	<b>\$ 20,985,178</b>	<b>\$ 20,582,536</b>
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accrued professional fees	\$ 611,462	\$ 1,804,100
Accrued research and development fees	153,772	208,772
Accrued payroll liability and compensation	501,258	588,722
Accrued litigation settlement	373,450	450,000
Accrued liabilities and other payables	434,117	272,915
Accrued liabilities and other payables - related parties	732,916	206,458
Operating lease obligation	10,709	129,396
Advance from pending sale of noncontrolling interest - related party	3,108,106	485,714
Equity method investment payable	-	666,667
Derivative liability	127,545	24,796
Note payable, net	5,715,447	-
Convertible note payable, net	2,113,773	1,925,146
<b>Total Current Liabilities</b>	<b>13,882,555</b>	<b>6,762,686</b>
<b>NON-CURRENT LIABILITIES:</b>		
Operating lease obligation - noncurrent portion	-	4,855
Note payable, net - noncurrent portion	-	5,596,219
Loan payable - related party	-	850,000
<b>Total Non-current Liabilities</b>	<b>-</b>	<b>6,451,074</b>
<b>Total Liabilities</b>	<b>13,882,555</b>	<b>13,213,760</b>
Commitments and Contingencies (Note 21)		
<b>EQUITY:</b>		
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, 2024 and 2023 Liquidation preference \$9 million at December 31, 2024	9,000,000	9,000,000
Series B Convertible Preferred Stock, 11,000 shares issued and outstanding at December 31, 2024 and 2023 Liquidation preference \$11 million at December 31, 2024	11,000,000	11,000,000
Series C Convertible Preferred Stock, 3,500 shares issued and outstanding at December 31, 2024 Liquidation preference \$3.5 million at December 31, 2024	3,500,000	-
Common stock, \$0.0001 par value; 100,000,000 shares authorized; 1,445,979 shares issued and 1,442,512 shares outstanding at December 31, 2024; 736,769 shares issued and 733,302 shares outstanding at December 31, 2023	145	74
Additional paid-in capital	72,023,525	67,886,082
Less: common stock held in treasury, at cost; 3,467 shares at December 31, 2024 and 2023	(522,500)	(522,500)
Accumulated deficit	(87,673,125)	(79,769,731)
Statutory reserve	6,578	6,578
Accumulated other comprehensive loss	(232,000)	(231,727)
<b>Total Avalon GloboCare Corp. stockholders' equity</b>	<b>7,102,623</b>	<b>7,368,776</b>
Noncontrolling interest	-	-
<b>Total Equity</b>	<b>7,102,623</b>	<b>7,368,776</b>

Total Liabilities and Equity

\$ 20,985,178

\$ 20,582,536

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,	
	2024	2023
REAL PROPERTY RENTAL REVENUE	\$ 1,333,403	\$ 1,255,681
REAL PROPERTY OPERATING EXPENSES	1,065,574	1,017,493
REAL PROPERTY OPERATING INCOME	267,829	238,188
LOSS FROM EQUITY METHOD INVESTMENT - LAB SERVICES MSO	(846,588)	(8,571,647)
OTHER OPERATING EXPENSES:		
Advertising and marketing expenses	237,671	1,666,721
Professional fees	1,822,105	3,076,477
Compensation and related benefits	1,431,328	1,768,449
Other general and administrative expenses	857,869	908,577
Total Other Operating Expenses	4,348,973	7,420,224
LOSS FROM OPERATIONS	(4,927,732)	(15,753,683)
OTHER (EXPENSE) INCOME		
Interest expense - amortization of debt discount and debt issuance costs	(1,411,042)	(544,010)
Interest expense - other	(983,486)	(773,780)
Interest expense - related party	(42,445)	(33,712)
Debt modification charge	(838,794)	-
Change in fair value of derivative liability	374,365	188,374
Impairment of equity method investment - Epicon	-	(454,679)
Gain on debts extinguishment	-	682,979
Other expense	(74,260)	(18,499)
Total Other Expense, net	(2,975,662)	(953,327)
LOSS BEFORE INCOME TAXES	(7,903,394)	(16,707,010)
INCOME TAXES	-	-
NET LOSS	\$ (7,903,394)	\$ (16,707,010)
LESS: NET LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-
NET LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS	\$ (7,903,394)	\$ (16,707,010)
NET LOSS PER COMMON SHARE ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS:		
Basic and diluted	\$ (8.44)	\$ (23.80)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic and diluted	936,614	701,932
COMPREHENSIVE LOSS:		
NET LOSS	\$ (7,903,394)	\$ (16,707,010)
OTHER COMPREHENSIVE LOSS		
Unrealized foreign currency translation loss	(273)	(18,590)
COMPREHENSIVE LOSS	(7,903,667)	(16,725,600)
LESS: COMPREHENSIVE LOSS ATTRIBUTABLE TO NONCONTROLLING INTEREST	-	-
COMPREHENSIVE LOSS ATTRIBUTABLE TO AVALON GLOBOCARE CORP. COMMON SHAREHOLDERS	\$ (7,903,667)	\$ (16,725,600)

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, 2024 and 2023

	Avalon GloboCare Corp. Stockholders' Equity															
	Series A		Series B		Series C		Common Stock			Treasury Stock		Accumulated Deficit	Statutory Reserve	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total Equity
	Preferred Stock		Preferred Stock		Preferred Stock		Number of Shares		Additional Paid-in Capital		Number of Shares					
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount				
Balance, January 1, 2023	9,000	\$9,000,000	-	\$-	-	\$-	667,572	\$ 67	\$65,950,661	(3,467)	\$(522,500)	\$(63,062,721)	\$ 6,578	\$(213,137)	\$-	\$ 11,158,948
To correct shares issued for adjustments for 1:10 reverse split	-	-	-	-	-	-	3,333	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	11,333	1	236,399	-	-	-	-	-	-	236,400
Sale of common stock, net	-	-	-	-	-	-	30,442	3	414,393	-	-	-	-	-	-	414,396
Issuance of common stock for services	-	-	-	-	-	-	24,089	3	999,652	-	-	-	-	-	-	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	-	-	736,769	74	67,886,082	(3,467)	(522,500)	(79,769,731)	6,578	(231,727)	-	7,368,776
Issuance of common stock as convertible note payable commitment fee	-	-	-	-	-	-	33,800	3	320,543	-	-	-	-	-	-	320,546
Sale of common stock, net	-	-	-	-	-	-	281,843	28	2,544,283	-	-	-	-	-	-	2,544,311
Issuance of common stock upon cashless exercise of stock warrants	-	-	-	-	-	-	42,381	4	(4)	-	-	-	-	-	-	-
Issuance of common stock for services	-	-	-	-	-	-	145,153	15	530,335	-	-	-	-	-	-	530,350
Reclassification of derivative liability to equity	-	-	-	-	-	-	-	-	2,354	-	-	-	-	-	-	2,354
Sale of Series C Convertible Preferred Stock	-	-	-	-	3,500	3,500,000	-	-	-	-	-	-	-	-	-	3,500,000
Issuance of pre-funded warrants	-	-	-	-	-	-	-	-	688,794	-	-	-	-	-	-	688,794
Stock-based compensation	-	-	-	-	-	-	-	-	51,159	-	-	-	-	-	-	51,159
Shares issued for adjustments for 1:15 reverse split	-	-	-	-	-	-	206,033	21	(21)	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	(273)	-	(273)
Net loss for the year	-	-	-	-	-	-	-	-	-	-	-	(7,903,394)	-	-	-	(7,903,394)
Balance, December 31, 2024	9,000	\$9,000,000	11,000	\$11,000,000	3,500	\$3,500,000	1,445,979	\$ 145	\$72,023,525	(3,467)	\$(522,500)	\$(87,673,125)	\$ 6,578	\$(232,000)	\$-	\$ 7,102,623

See accompanying notes to the consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss	\$ (7,903,394)	\$ (16,707,010)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	177,917	211,720
Change in straight-line rent receivable	46,607	10,496
Amortization of operating lease right-of-use asset	122,553	118,226
Stock-based compensation and service expense	521,509	1,179,761
Loss from equity method investments	846,588	8,589,822
Distribution of earnings from equity method investment	611,888	-
Impairment of equity method investment - Epicon	-	454,679
Amortization of debt issuance costs and debt discount	1,411,042	544,010
Change in fair market value of derivative liability	(374,365)	(188,374)
Impairment of laboratory equipment	111,033	-
Debt modification charge	688,794	-
Gain on debts extinguishment	-	(682,979)
Changes in operating assets and liabilities:		
Rent receivable	130,739	(46,220)
Security deposit	-	396
Deferred leasing costs	33,402	33,402
Prepaid expense and other assets	(91,496)	411
Accrued liabilities and other payables	(1,165,418)	(16,601)
Accrued liabilities and other payables - related parties	(14,051)	106,458
Operating lease obligation	(122,553)	(112,915)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(4,969,205)</b>	<b>(6,504,718)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	-	(22,159)
Payment for equity interest purchase	(100,000)	-
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(100,000)</b>	<b>(22,159)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan payable - related party	-	850,000
Repayments of loan payable - related party	(400,000)	-
Proceeds from issuance of convertible debts and warrants	3,367,750	2,565,000
Payments of convertible debts issuance costs	(282,700)	(327,200)
Repayments of convertible debts	(3,388,222)	(300,000)
Proceeds from issuance of balloon promissory note	-	1,000,000
Payments of balloon promissory note issuance costs	-	(64,436)
Advance from pending sale of noncontrolling interest in subsidiary	2,122,392	485,714
Proceeds from equity offering	2,857,852	635,391
Disbursements for equity offering costs	(138,405)	(19,132)
Proceeds from issuance of convertible preferred stock	3,500,000	-
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>	<b>7,638,667</b>	<b>4,825,337</b>
<b>EFFECT OF EXCHANGE RATE ON CASH</b>	<b>1,447</b>	<b>(3,970)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>2,570,909</b>	<b>(1,705,510)</b>
CASH - beginning of year	285,400	1,990,910
CASH - end of year	<b>\$ 2,856,309</b>	<b>\$ 285,400</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash paid for:		
Interest	\$ 1,088,512	\$ 718,753
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES:</b>		
Common stock issued for accrued liabilities	\$ 60,000	\$ 164,871
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 notes payable finder's fee	\$ 40,900	\$ 16,977
Warrants issued with convertible notes payable recorded as debt discount	\$ 438,568	\$ 196,193
Common stock issued as convertible notes payable commitment fee	\$ 320,546	\$ 236,400
Deferred financing costs in accrued liabilities	\$ -	\$ 202,892
Equity method investment payable paid by a related party	\$ 566,667	\$ -
Reclassification of deferred offering costs	\$ 175,136	\$ -
Settlement of derivative liability	\$ 2,354	\$ -
Reclassification of related party loan payable and accrued expenses to advance from related party	\$ 500,000	\$ -
Issuance of common stock upon cashless exercise of stock warrants	\$ 4	\$ -
Shares issued for adjustments for 1:15 reverse split	\$ 21	\$ -

See accompanying notes to the consolidated financial statements.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 – ORGANIZATION AND NATURE OF OPERATIONS**

Avalon GloboCare Corp. (the “Company” or “ALBT”) was incorporated under the laws of the State of Delaware on July 28, 2014.

The Company is a commercial-stage company dedicated to developing and delivering precision diagnostic consumer products. The Company is currently marketing the Keto Air breathalyzer device and plans to develop additional diagnostic uses of the breathalyzer technology. The Company also provided laboratory services in 2024 and 2023, 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 May 18, 2015, Avalon Healthcare System, Inc. (“AHS”) was incorporated under the laws of the State of Delaware. AHS owns 100% of the capital stock of Avalon (Shanghai) Healthcare Technology Co., Ltd. (“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.

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, 2024, the occupancy rate of the building is 98.5%.

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. Currently, Avactis and Avactis Nanjing are dormant and are in process of being dissolved.

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 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. During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by Avalon Lab. See Note 22 – Subsequent Events - Redemption Agreement.

On May 1, 2024, the Company formed a wholly owned subsidiary, Q&A Distribution LLC (“Q&A Distribution”), a Texas company. Q&A Distribution is engaged in distribution of KetoAir device.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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, 2024 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	Dormant, is in process of being dissolved
Avactis Nanjing Biosciences Ltd. (“Avactis Nanjing”)	PRC May 8, 2020	100% held by Avactis	Dormant, is in process of being dissolved
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 (1)
Q&A Distribution LLC (“Q&A Distribution”)	Texas May 1, 2024	100% held by ALBT	Distributes KetoAir device

(1) On February 26, 2025, the Company and Lab Services MSO entered into a Redemption and Abandonment Agreement, whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by the Company.

**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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

**Going Concern**

The Company is a commercial-stage company dedicated to developing and delivering precision diagnostic consumer products. The Company is currently marketing the Keto Air breathalyzer device and plans to develop additional diagnostic uses of the breathalyzer technology. 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 \$10,646,000 at December 31, 2024 and had incurred recurring net losses and generated negative cash flow from operating activities of approximately \$7,903,000 and \$4,969,000 for the year ended December 31, 2024, 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 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 revenue. There are no assurances that the Company will be successful in its efforts to generate significant revenue, 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, 2024 and 2023 include the useful life of 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, 2024 and 2023:

	Significant Unobservable Inputs  (Level 3)
Balance of derivative liability as of January 1, 2023	\$ -
Initial fair value of derivative liability attributable to warrants issuance with May, July, and October 2023 fund raises	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
Initial fair value of derivative liability attributable to warrants issuance with March and June 2024 fund raises	479,468
Reclassification of additional paid-in capital upon conversion	(2,354)
Gain from change in the fair value of derivative liability	(374,365)
Balance of derivative liability as of December 31, 2024	\$ 127,545

**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.

**Laboratory equipment.** The Company conducted an impairment assessment on its laboratory equipment based on the guidelines established in Financial Accounting Standards Board (“FASB”) ASC Topic 360 to determine the estimated fair market value of its laboratory equipment as of December 31, 2024. Upon completion of its 2024 impairment analysis, the Company determined that the carrying value exceeded the fair market value of laboratory equipment. The fair market value of laboratory equipment is a level 3 valuation. The Company recorded an impairment charge of \$111,033 for the year ended December 31, 2024, which was included in other general and administrative expenses on the accompanying consolidated statements of operations and comprehensive loss.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

*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. There is no comparative impairment for the year ended December 31, 2024 since the investment was fully impaired at December 31, 2023.

*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 years ended December 31, 2024 and 2023 was \$259,579 and \$9,196,682, respectively, which have been included in loss from equity method investment – Lab Services MSO on the accompanying consolidated statements of operations and comprehensive loss.

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, 2024 and 2023, the Company’s cash balances by geographic area were as follows:

Country:	December 31, 2024		December 31, 2023	
United States	\$ 2,844,522	99.6%	\$ 280,197	98.2%
China	11,787	0.4%	5,203	1.8%
Total cash	\$ 2,856,309	100.0%	\$ 285,400	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, 2024 and 2023.

**Credit Risk and Uncertainties**

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, 2024, the Company’s cash balances in United States bank accounts had approximately \$2,413,000 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, 2024 and 2023.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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 completion of the equity offering. As of December 31, 2024 and 2023, deferred offering costs amounted to \$0 and \$175,136, respectively, which were included in prepaid expense and other current assets.

**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, 2024, the Company incurred impairment charges in operations of \$111,033 on its laboratory equipment. The valuation of the laboratory equipment, and the amount of the impairment charge, were based on impairment assessment conducted on the equipment at December 31, 2024.

**Investment in Unconsolidated Companies**

The Company uses the equity method of accounting for its investment in, and earning or loss of, investees that it does not control but over which it does exert significant influence. The Company applies the equity method by initially recording these investments at cost, as equity method investments, subsequently adjusted for equity in earnings and cash distributions.

The Company considers whether the fair value of its equity method investment has declined below its carrying value whenever adverse events or changes in circumstances indicate that recorded value 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 \$259,579 and \$9,651,361 for the years ended December 31, 2024 and 2023, respectively. See Note 8 for discussion of equity method investments.

The Company classifies distributions received from equity method investments using the cumulative earnings approach. Distributions received are considered returns on the investment and classified as cash inflows from operating activities. If, however, the investor's cumulative distributions received, less distributions received in prior periods determined to be returns of investment, exceeds cumulative equity in earnings recognized, the excess is considered a return of investment and is classified as cash inflows from investing activities.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**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, 2024 and 2023, deferred rental income totaled \$38,346 and \$11,429, 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 rent receivable on the consolidated balance sheets.

**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 \$0 and \$109,618 in the years ended December 31, 2024 and 2023, respectively.

**Advertising and Marketing Costs**

All costs related to advertising and marketing are expensed as incurred. For the years ended December 31, 2024 and 2023, advertising and marketing costs amounted to \$237,671 and \$1,666,721, 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)****Debt Modifications and Extinguishments**

When the Company modifies or extinguishes debt, it first evaluates whether the modification qualifies as a troubled debt restructuring (TDR) under ASC Topic 470-60, which requires debt modifications to be evaluated to determine if (1) the borrower is experiencing financial difficulty, and (2) the lender grants the borrower a concession. If a TDR is determined not to have occurred, the Company evaluates the modification in accordance with ASC Topic 470-50-40, which requires modification to debt instruments to be evaluated to assess whether debt modification or debt extinguishment accounting is applicable. This evaluation includes analyzing whether there are significant and consequential changes to the economic substance of the note. If the change is deemed insignificant then the change is considered a debt modification, whereas if the change is substantial the change is reflected as a debt extinguishment.

If debt extinguishment guidance applies, the previous debt principal amount is removed, the previously capitalized debt issuance costs are expensed, the value of instruments exchanged are recorded, including cash, new debt, warrants and common stock, and a gain or loss on extinguishment of debt is recorded. If debt modification guidance applies, no gain or loss is recorded and the effective interest rate of the debt is updated based on the carrying value of the debt and the revised future cash flows. Any previously capitalized debt issuance costs in a debt modification are amortized as interest expense over the term of the new debt instrument.

**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, 2024 and 2023, 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, 2024, 2023, 2022 and 2021. For China entities, income tax returns for the tax years ended December 31, 2020 through December 31, 2024 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, 2024 and 2023.

**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, Avalon Lab, and Q&A Distribution 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, 2024 and 2023 were translated at 7.2980 RMB and 7.0786 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, 2024 and 2023 were 7.1889 RMB and 7.0752 RMB to \$1.00, respectively. Cash flows from the Company's operations are calculated based upon the local currencies using the average translation rate.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2024 and 2023 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.

**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, 2024 and 2023, potentially dilutive common shares consist of the common shares issuable upon the conversion of convertible preferred stock and convertible notes (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 calculation of basic and diluted net loss per common share attributable to the Company common shareholders includes 150,000 of the pre-funded warrants that remain outstanding as of December 31, 2024.

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,	
	2024	2023
Options to purchase common stock	52,479	56,880
Warrants to purchase common stock	182,996	43,035
Series A convertible preferred stock (*)	60,000	60,000
Series B convertible preferred stock (**)	194,004	194,004
Series C convertible preferred stock (***)	1,452,282	-
Convertible notes (****)	227,269	60,740
Potentially dilutive securities	2,169,030	414,659

(\*) Assumed the Series A convertible preferred stock was converted into shares of common stock of the Company at a conversion price of \$150.00 per share.

(\*\*) Assumed the Series B convertible preferred stock was converted into shares of common stock of the Company at a conversion price of \$56.70 per share.

(\*\*\*) Assumed the Series C convertible preferred stock was converted into shares of common stock of the Company at a conversion price of \$2.41 per share.

(\*\*\*\*) Assumed the convertible notes were converted into shares of common stock of the Company at a conversion price of \$11.25 per share for the year ended December 31, 2024. Assumed the convertible notes were converted into shares of common stock of the Company at a conversion price of \$67.50 and \$22.50 per share for the year ended December 31, 2023.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Noncontrolling Interest**

As of December 31, 2024, 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.

**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.

**Segment Reporting**

The segment reporting structure uses the Company's management reporting structure as its foundation to reflect how the Company manages the businesses internally and is mainly organized by services. The Company is organized into two services-oriented strategic business units: real property rental services and laboratory testing services — which are led by our strategic business unit managers. Operating segments are defined as components of an enterprise for which separate financial information is available and evaluated regularly by the chief operating decision maker ("CODM") in deciding how to make operating decisions, allocate resources and assess performance.

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 years ended December 31, 2024 and 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.

The Company's President and Chief Executive Officer is its CODM. The Company reports operational data to its CODM at the segment level, which he uses to evaluate performance and allocate resources based on real property operating income and loss from equity method investment – Lab Services MSO.

**Fiscal Year End**

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

**Reverse Stock Split**

The Company effectuated a 1-for-15 reverse stock split of its outstanding shares of common stock on October 28, 2024. The reverse split did not change the par value of common stock. 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.

**Recent Accounting Standards**

In August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40), to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The adoption of ASU 2020-06 did not have a material effect on the Company's consolidated financial statements and related disclosures.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Recent Accounting Standards (continued)**

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280). The amendments in this update improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 became effective for the Company’s annual period beginning on January 1, 2024 and interim periods beginning after January 1, 2025. The Company adopted this guidance in the fourth quarter of 2024. Refer to Note 20 - Segment Information. The Company’s results of operations, cash flows, and financial condition were not impacted by the adoption of this ASU.

In December 2023, the FASB 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 adoption of ASU 2023-09 did not have a material effect on the Company’s consolidated financial statements and related 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, 2024 and 2023, prepaid expense and other current assets consisted of the following:

	December 31, 2024	December 31, 2023
Prepaid professional fees	\$ 33,665	\$ 33,062
Prepaid directors and officers’ liability insurance premium	9,741	27,192
Deferred offering costs	-	175,136
Deferred leasing costs	31,587	33,402
Security deposit	17,654	-
Due from broker	32,885	37,187
Finished goods	92,230	-
Recoverable VAT	9,245	6,218
Others	72,353	55,797
Total	<u>\$ 299,360</u>	<u>\$ 367,994</u>

**NOTE 5 – PROPERTY AND EQUIPMENT**

At December 31, 2024 and 2023, property and equipment consisted of the following:

	Useful Life	December 31, 2024	December 31, 2023
Laboratory equipment	5 Years	\$ -	\$ 100,548
Office equipment and furniture	3 – 10 Years	54,499	54,797
		54,499	155,345
Less: accumulated depreciation		(41,587)	(117,262)
		<u>\$ 12,912</u>	<u>\$ 38,083</u>

For the years ended December 31, 2024 and 2023, depreciation expense of property and equipment amounted to \$9,234 and \$43,037, respectively, of which, \$8,623 and \$7,221 was included in real property operating expenses, \$611 and \$417 was included in other operating expenses, and \$0 and \$35,399 was included in research and development expense, respectively.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 6 – EQUIPMENT HELD FOR SALE**

The Company measures long-lived assets to be disposed of by sale at the lower of carrying amount or fair value, less associated costs to sell these assets. The assets held for sale is no longer subject to depreciation as they are not used in operations. As of December 31, 2024, the Company committed to a plan to sell certain laboratory equipment that was used to research and development as equipment held for sale, which was included in “Other non-current assets” on the accompanying consolidated balance sheets. The Company evaluated equipment for impairment at December 31, 2024. The Company compared the estimated fair value of the equipment to its carrying value with impairment indicators and recorded an impairment charge for the excess of carrying value over fair value. For the year ended December 31, 2024, the Company incurred an impairment charge in operations of \$111,033 on laboratory equipment. Although the Company is actively seeking and negotiating with potential buyers, the Company can give no assurances that the sale process will be successful and, if it were successful, there are no assurances as to the amount or timing of any potential proceeds.

**NOTE 7 – INVESTMENT IN REAL ESTATE**

At December 31, 2024 and 2023, investment in real estate consisted of the following:

	Useful Life	December 31, 2024	December 31, 2023
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		(1,215,222)	(1,046,539)
		<u>\$ 7,022,721</u>	<u>\$ 7,191,404</u>

For both the years ended December 31, 2024 and 2023, depreciation expense of this commercial real property amounted to \$168,683, which was included in real property operating expenses.

**NOTE 8 – EQUITY METHOD INVESTMENTS**

*Investment in Epicon Biotech Co., Ltd.*

As of December 31, 2023, the equity method investment in Epicon Biotech Co., Ltd. (“Epicon”) amounted to \$0. 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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 8 – EQUITY METHOD INVESTMENTS (continued)**

*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 Lab, SCBC Holdings LLC (the “Seller”), the Zoe Family Trust, Bryan Cox and Sarah Cox as individuals (each an “Owner” and collectively, the “Owners”), and Lab Services MSO.

Pursuant to the terms and conditions set forth in the Amended MIPA, Avalon Lab acquired from the Seller, 40% of the issued and outstanding equity interests of Lab Services MSO (the “Purchased Interests”). The consideration paid by Avalon Lab 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 \$56.70, which approximated the market price at the date of closing, or an aggregate of 194,004 shares of the Company’s common stock, which are subject to a lock-up period and restrictions on sale.

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. For the year ended December 31, 2024 and for the period from February 9, 2023 (date of investment) through December 31, 2023, amortization expense of these intangible assets amounted to \$666,932 and \$611,356, respectively, which was included in loss from equity method investment — Lab Services MSO in the accompanying consolidated statements of operations and comprehensive loss.

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 least once annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired.

In September 2024 and 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 September 30, 2024 and December 31, 2023, respectively. 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 impairment loss of \$259,579 and \$9,196,682 related to the equity method investment for the year ended December 31, 2024 and for the period from February 9, 2023 (date of investment) through December 31, 2023, respectively, which was included in loss from equity method investment — Lab Services MSO in the accompanying consolidated statements of operations and comprehensive loss.

For the year ended December 31, 2024 and 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 \$79,923 and \$1,236,391, respectively, which was included in loss from equity method investment — Lab Services MSO in the accompanying consolidated statements of operations and comprehensive loss.

The Company classifies distributions received from its investment on Lab Services MSO using the cumulative earnings approach. Distributions received are considered returns on the investment and classified as cash inflows from operating activities. For the year ended December 31, 2024 and for the period from February 9, 2023 (date of investment) through December 31, 2023, distribution of earnings from the Company’s investment on Lab Services MSO amounted to \$611,888 and \$0, respectively.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 8 – EQUITY METHOD INVESTMENTS (continued)**

*Investment in Laboratory Services MSO, LLC (continued)*

In the years ended December 31, 2024 and 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
Total payment for equity method investment	20,666,667
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)
Equity investment carrying amount at December 31, 2023	12,095,020
Lab Services MSO’s net income attributable to the Company	79,923
Intangible assets amortization amount	(666,932)
Distribution of earnings from equity investment	(611,888)
Impairment of goodwill	(259,579)
Equity investment carrying amount at December 31, 2024	\$ 10,636,544

As of December 31, 2024, the Company’s carrying value of the identified intangible assets and goodwill which are included in the equity investment carrying amount was \$8,725,712 and \$0, respectively. 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, 2024	December 31, 2023
Current assets	\$ 2,917,880	\$ 4,930,254
Noncurrent assets	4,509,185	5,228,044
Current liabilities	611,391	828,713
Noncurrent liabilities	4,346,725	4,104,183
Equity	2,468,949	5,225,402
		For the Period from
		February 9,
		2023 (Date of Investment)
	For the year Ended December 31, 2024	through December 31, 2023
Net revenue	\$ 13,558,711	\$ 12,699,683
Gross profit	3,534,503	4,744,277
(Loss) income from operation	(265,754)	2,393,830
Net loss income	199,808	3,090,977

During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, the Company and Lab Services MSO entered into a Redemption and Abandonment Agreement (the “Redemption Agreement”), whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by the Company. See Note 22 – Subsequent Events - Redemption Agreement.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 9 – ACCRUED LIABILITIES AND OTHER PAYABLES**

At December 31, 2024 and 2023, accrued liabilities and other payables consisted of the following:

	December 31, 2024	December 31, 2023
Accrued tenants' improvement reimbursement	\$ 43,500	\$ 43,500
Tenants' security deposit	81,233	81,233
Accrued business expense reimbursement	34,781	25,061
Accrued utilities	26,075	15,166
Deferred rental income	38,346	11,429
Accrued real property cleaning service fee	9,200	7,570
Interest payable	-	55,027
Taxes payable	177,724	11,794
Others	23,258	22,135
Total	<u>\$ 434,117</u>	<u>\$ 272,915</u>

**NOTE 10 – CONVERTIBLE NOTE PAYABLE**

*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 the Company's common stock, as well as the issuance of 5,000 shares of common stock as a commitment fee and warrants for the purchase of 15,366 shares of common stock of the Company. The Company and its subsidiaries 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 were convertible into shares of common stock of the Company at a conversion price of \$67.50 per share unless the Company failed to make an amortization payment when due, in which case the conversion price would be the lower of \$67.50 or the trading price of the shares, subject to a floor of \$22.50.

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 8,333 shares of common stock with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023 ("First Warrant"), (ii) a warrant to purchase 7,033 shares of common stock with an exercise price of \$48.00 exercisable until the five-year anniversary of May 23, 2023 ("Second Warrant"). The Second Warrant was never fair valued and was cancelled and extinguished against payment of the May 2023 Convertible Note, and (iii) 5,000 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 was obligated to make amortization payments in cash to Mast Hill toward the repayment of the May 2023 Convertible Note, as described in the May 2023 Convertible Note. As of December 31, 2024, the May 2023 Convertible Note was repaid in full.

In connection with the issuance of the May 2023 Convertible Note, the Company incurred debt issuance costs of \$175,162 (including the issuance of 667 warrants as a finder's fee) which was capitalized and was 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. Accordingly, the fair value of the 9,000 warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023 was classified as derivative liability on May 23, 2023. The fair values of the 9,000 warrants with an exercise price of \$67.50 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 \$29.40, volatility of 88.80%, risk-free rate of 3.76%, annual dividend yield of 0% and expected life of 5 years.



AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – CONVERTIBLE NOTE PAYABLE (continued)**

*May 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.

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 was amortized over the term of the May 2023 Convertible Note.

*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 the Company’s common stock, as well as the issuance of 1,667 shares of common stock as a commitment fee and warrants for the purchase of 5,122 shares of common stock of the Company. The Company and its subsidiaries 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 were convertible into shares of common stock of the Company at a conversion price of \$67.50 per share unless the Company failed to make an amortization payment when due, in which case the conversion price would be the lower of \$67.50 or the trading price of the shares, subject to a floor of \$22.50.

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 2,778 shares of common stock with an exercise price of \$67.50 exercisable until the five-year anniversary of July 6, 2023 (“First Warrant”), (ii) a warrant to purchase 2,344 shares of common stock with an exercise price of \$48.00 exercisable until the five-year anniversary of July 6, 2023 (“Second Warrant”). The Second Warrant was never fair valued and was cancelled and extinguished against payment of the July 2023 Convertible Note, and (iii) 1,667 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 was obligated to make amortization payments in cash to FirstFire toward the repayment of the July 2023 Convertible Note, as described in the July 2023 Convertible Note. As of December 31, 2024, the July 2023 Convertible Note was repaid in full.

In connection with the issuance of the July 2023 Convertible Note, the Company incurred debt issuance costs of \$74,204 (including the issuance of 222 warrants as a finder’s fee), which was capitalized and was amortized into interest expense over the term of the July 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 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. Accordingly, the fair value of the 3,000 warrants with an exercise price of \$67.50 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 3,000 warrants with an exercise price of \$67.50 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 \$21.30, 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.

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 was amortized over the term of the July 2023 Convertible Note.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – CONVERTIBLE NOTE PAYABLE (continued)**

*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 the Company’s common stock, as well as the issuance of 4,666 shares of common stock as a commitment fee and warrants for the purchase of 12,834 shares of common stock of the Company. The Company and its subsidiaries also 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 were convertible into shares of common stock of the Company at a conversion price of \$22.50 per share unless the Company failed to make an amortization payment when due, in which case the conversion price would be the lower of \$22.50 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 3,500 shares of common stock with an exercise price of \$37.50 exercisable until the five-year anniversary of October 9, 2023 (“First Warrant”), (ii) a warrant to purchase 2,917 shares of common stock with an exercise price of \$27.00 exercisable until the five-year anniversary of October 9, 2023 (“Second Warrant”). The Second Warrant was never fair valued and was cancelled and extinguished against payment of the October 2023 Convertible Note, and (iii) 2,333 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.

The Company was obligated to make amortization payments in cash to Mast Hill toward the repayment of the October 2023 Convertible Note, as described in the October 2023 Convertible Note. As of December 31, 2024, the October 2023 Convertible Note was repaid in full.

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 3,500 shares of common stock with an exercise price of \$37.50 exercisable until the five-year anniversary of October 9, 2023 (“First Warrant”), (ii) a warrant to purchase 2,917 shares of common stock with an exercise price of \$27.00 exercisable until the five-year anniversary of October 9, 2023 (“Second Warrant”). The Second Warrant was never fair valued and was cancelled and extinguished against payment of the October 2023 Convertible Note, and (iii) 2,333 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 was obligated to make amortization payments in cash to FirstFire toward the repayment of the October 2023 Convertible Note, as described in the October 2023 Convertible Note. As of December 31, 2024, the October 2023 Convertible Note was repaid in full.

In connection with the issuance of the October 2023 Convertible Note, the Company incurred debt issuance costs of \$95,349 (including the issuance of 560 warrants as a finder’s fee), which was capitalized and was 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. Accordingly, the fair value of the 7,560 warrants with an exercise price of \$37.50 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 7,560 warrants with an exercise price of \$37.50 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 \$11.55, volatility of 89.70%, risk-free rate of 4.75%, 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.

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 was amortized over the term of the October 2023 Convertible Note.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – CONVERTIBLE NOTE PAYABLE (continued)**

*March 2024 Convertible Note*

On March 7, 2024, the Company entered into securities purchase agreements with Mast Hill for the issuance of 13.0% senior secured promissory notes in the aggregate principal amount of \$700,000 (collectively, the “March 2024 Convertible Note”) convertible into shares of the Company’s common stock, as well as the issuance of 7,000 shares of common stock as a commitment fee and warrants for the purchase of 16,827 shares of common stock of the Company. The Company and its subsidiaries 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 March 2024 Convertible Note. Principal amount and interest under the March 2024 Convertible Note were convertible into shares of common stock of the Company at a conversion price of \$15.00 per share unless the Company failed to make an amortization payment when due, in which case the conversion price would be the lower of \$15.00 or the market price (as defined in the March 2024 Convertible Note) of the shares.

Mast Hill acquired the March 2024 Convertible Note with principal amount of \$700,000 and paid the purchase price of \$665,000 after an original issue discount of \$35,000. On March 7, 2024, the Company issued (i) a warrant to purchase 8,750 shares of common stock with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 (“First Warrant”), (ii) a warrant to purchase 8,077 shares of common stock with an exercise price of \$19.50 exercisable until the five-year anniversary of March 7, 2024 (“Second Warrant”). The Second Warrant was never fair valued and was cancelled and extinguished against payment of the March 2024 Convertible Note, and (iii) 7,000 shares of common stock as a commitment fee for the purchase of the March 2024 Convertible Note, which were earned in full as of March 7, 2024. On March 7, 2024, the Company delivered such duly executed March 2024 Convertible Note, warrants and common stock to Mast Hill against delivery of such purchase price.

The Company was obligated to make amortization payments in cash to Mast Hill toward the repayment of the March 2024 Convertible Note, as described in the March 2024 Convertible Note. As of December 31, 2024, the March 2024 Convertible Note was repaid in full.

In connection with the issuance of the March 2024 Convertible Note, the Company incurred debt issuance costs of \$74,379 (including the issuance of 700 warrants as a finder’s fee) which was capitalized and was amortized into interest expense over the term of the March 2024 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. Accordingly, the fair value of the 9,450 warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 was classified as derivative liability on March 7, 2024. The fair values of the 9,450 warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 issued on March 7, 2024 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of \$6.00, volatility of 85.24%, risk-free rate of 4.07%, 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.

The Company recorded a total debt discount of \$97,374 related to the original issue discount, common shares issued and warrants issued to Mast Hill, which was amortized over the term of the March 2024 Convertible Note.

*June 2024 Convertible Note*

On June 5, 2024, the Company entered into securities purchase agreements with Mast Hill for the issuance of 13.0% senior secured promissory notes in the aggregate principal amount of \$2,845,000 (collectively, the “June 2024 Convertible Note”) convertible into shares of the Company’s common stock, as well as the issuance of 26,800 shares of common stock as a commitment fee and warrants for the purchase of 146,667 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 June 2024 Convertible Note. Principal amount and interest under the June 2024 Convertible Note are convertible into shares of common stock of the Company at a conversion price of \$11.25 per share unless the Company fails to make an amortization payment when due, in which case the conversion price shall be the lesser of \$11.25 or the market price (as defined in the June 2024 Convertible Note).

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – CONVERTIBLE NOTE PAYABLE (continued)**

*June 2024 Convertible Note (continued)*

Mast Hill acquired the June 2024 Convertible Note with principal amount of \$2,845,000 and paid the purchase price of \$2,702,750 after an original issue discount of \$142,250. On June 5, 2024, the Company issued (i) a warrant to purchase 66,667 shares of common stock with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 (“First Warrant”), (ii) a warrant to purchase 80,000 shares of common stock with an exercise price of \$7.50 exercisable until the five-year anniversary of June 5, 2024 (“Second Warrant”). The Second Warrant will not be fair valued and shall be cancelled and extinguished against payment of the June 2024 Convertible Note, and (iii) 26,800 shares of common stock as a commitment fee for the purchase of the June 2024 Convertible Note, which were earned in full as of June 5, 2024. On June 5, 2024, the Company delivered such duly executed June 2024 Convertible Note, warrants and common stock to Mast Hill against delivery of such purchase price.

The Company received net cash amount of \$881,210 from the June 2024 Convertible Note financing after using the proceeds to pay off all previously issued convertible notes to Mast Hill of \$1,206,867 and FirstFire of \$454,673, respectively, and to pay finder’s fee of \$120,000 and lender’s costs of \$40,000 related to this financing.

The Company is obligated to make amortization payments in cash to Mast Hill toward the repayment of the June 2024 Convertible Note, as provided in the following table:

Payment Date:	Payment Amount:
December 5, 2024	\$284,500 plus accrued interest through December 5, 2024
January 5, 2025	\$284,500 plus accrued interest through January 5, 2025
February 5, 2025	\$379,336 plus accrued interest through February 5, 2025
March 5, 2025	\$474,167 plus accrued interest through March 5, 2025
April 5, 2025	\$474,167 plus accrued interest through April 5, 2025
May 5, 2025	\$569,000 plus accrued interest through May 5, 2025
June 5, 2025	The entire remaining outstanding balance of the June 2024 Convertible Note

In connection with the issuance of the June 2024 Convertible Note, the Company incurred debt issuance costs of \$224,221 (including the issuance of 5,333 warrants as a finder’s fee) which is capitalized and will be amortized into interest expense over the term of the June 2024 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 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 80,000 warrants with an exercise price of \$7.50 exercisable until the five-year anniversary of June 5, 2024, which warrant shall be cancelled and extinguished against payment of the June 2024 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 72,000 warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 was classified as derivative liability on June 5, 2024. The fair values of the 72,000 warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 issued on June 5, 2024 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of \$10.39, volatility of 85.72%, risk-free rate of 4.31%, 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 11). 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 \$838,990 related to the original issue discount, common shares issued and warrants issued to Mast Hill, which will be amortized over the term of the June 2024 Convertible Note.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 10 – CONVERTIBLE NOTE PAYABLE (continued)**

*June 2024 Convertible Note (continued)*

On December 15, 2024, the Company and Mast Hill entered into that certain consent, acknowledgement, and waiver agreement (“Agreement”), pursuant to which Mast Hill waived all amortization payments required to be made under the June 2024 Convertible Note, the Company paid a waiver fee of \$150,000 to Mast Hill, and the Company issued to Mast Hill a common stock purchase warrant for the purchase of up to 150,000 shares of the Company’s common stock (“Pre-Funded Warrants”). The Pre-Funded Warrants are immediately exercisable at issuance and until the Pre-Funded Warrants are exercised in full and have an exercise price of \$0.01 per share. The Pre-Funded Warrants were classified as a component of permanent equity on the accompanying consolidated balance sheets as they are freestanding financial instrument that is immediately exercisable, does not embody an obligation for the Company to repurchase its own shares and permit the holder to receive a fixed number of shares of common stock upon exercise. All of the shares underlying the Pre-Funded Warrants have been included in the weighted-average number of shares of common stock used to calculate net loss per share, basic and diluted, attributable to the Company’s common stockholders because the shares may be issued for little or no consideration, are fully vested and are exercisable after the original issuance date of the Pre-Funded Warrants. Based on the Company’s assess, this arrangement was accounted for as a modification of debt and, as such, \$838,794 related to the waiver fee and Pre-Fund Warrants issued to Mast Hill were expensed.

The convertible note payable as of December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
Principal amount	\$ 2,556,777	\$ 2,400,000
Less: unamortized debt issuance costs	(93,425)	(183,840)
Less: unamortized debt discount	(349,579)	(291,014)
Convertible note payable, net	\$ 2,113,773	\$ 1,925,146

For the years ended December 31, 2024 and 2023, amortization of debt discount and debt issuance costs related to convertible note payable amounted to \$1,291,814 and \$437,453, respectively, which have been included in interest expense — amortization of debt discount and debt issuance costs on the accompanying consolidated statements of operations and comprehensive loss.

For the years ended December 31, 2024 and 2023, interest expense related to convertible note payable amounted to \$325,486 and \$167,058, respectively, which have been included in interest expense — other on the accompanying consolidated statements of operations and comprehensive loss.

**NOTE 11 – DERIVATIVE LIABILITY**

As stated in Note 10, June 2024 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 June 5, 2024 and December 31, 2024, management determined the probability of failing to make an amortization payment and repayment, respectively, 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 9,000 warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023 to Mast Hill and a third party as a finder’s fee. 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. Accordingly, the fair value of the 9,000 warrants was classified as a derivative liability on May 23, 2023. On December 31, 2023, the estimated fair value of the 9,000 warrants 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 \$7.24, volatility of 83.96%, risk-free rate of 3.84%, annual dividend yield of 0% and expected life of 4.4 years. On December 31, 2024, the estimated fair value of the 9,000 warrants was \$3,714. The estimated fair value of the warrants was computed as of December 31, 2024 using Black-Scholes option-pricing model, with the following assumptions: stock price of \$3.26, volatility of 97.00%, risk-free rate of 4.27%, annual dividend yield of 0% and expected life of 3.4 years.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 11 – DERIVATIVE LIABILITY (continued)**

On July 6, 2023, the Company issued 3,000 warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of July 6, 2023 to FirstFire and a third party as a finder's fee. Upon evaluation, the warrants meet the definition of a derivative liability under ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. Accordingly, the fair value of the 3,000 warrants was classified as a derivative liability on July 6, 2023. On December 31, 2023, the estimated fair value of the 3,000 warrants 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 \$7.24, volatility of 83.66%, risk-free rate of 3.84%, annual dividend yield of 0% and expected life of 4.5 years. On November 18, 2024, 2,778 warrants held by FirstFire were cashless exercised. On December 31, 2024, the estimated fair value of the rest of 222 warrants was \$94. The estimated fair value of the warrants was computed as of December 31, 2024 using Black-Scholes option-pricing model, with the following assumptions: stock price of \$3.26, volatility of 95.85%, risk-free rate of 4.27%, annual dividend yield of 0% and expected life of 3.5 years.

On October 9, 2023, the Company issued 7,560 warrants with an exercise price of \$37.50 exercisable until the five-year anniversary of October 9, 2023 to Mast Hill and FirstFire and a third party as a finder's fee. Upon evaluation, the warrants meet the definition of a derivative liability under ASC 815, as the Company cannot avoid a net cash settlement under certain circumstances. Accordingly, the fair value of the 7,560 warrants was classified as a derivative liability on October 9, 2023. On December 31, 2023, the estimated fair value of the 7,560 warrants 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 \$7.24, volatility of 86.33%, risk-free rate of 3.84%, annual dividend yield of 0% and expected life of 4.8 years. On November 18, 2024, 3,500 warrants held by FirstFire were cashless exercised. On December 31, 2024, the estimated fair value of the rest of 4,060 warrants was \$2,880. The estimated fair value of the warrants was computed as of December 31, 2024 using Black-Scholes option-pricing model, with the following assumptions: stock price of \$3.26, volatility of 93.90%, risk-free rate of 4.27%, annual dividend yield of 0% and expected life of 3.8 years.

On March 7, 2024, the Company issued 9,450 warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 to Mast Hill and a third party as a finder's fee. 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. Accordingly, the fair value of the 9,450 warrants was classified as a derivative liability on March 7, 2024. On December 31, 2024, the estimated fair value of the 9,450 warrants was \$8,191. The estimated fair value of the warrants was computed as of December 31, 2024 using Black-Scholes option-pricing model, with the following assumptions: stock price of \$3.26, volatility of 90.43%, risk-free rate of 4.38%, annual dividend yield of 0% and expected life of 4.2 years.

On June 5, 2024, the Company issued 152,000 warrants to Mast Hill and a third party as a finder's fee (see Note 10). Upon evaluation, the warrants meet the definition of a derivative liability under 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 80,000 warrants with an exercise price of \$7.50 exercisable until the five-year anniversary of June 5, 2024, which warrant shall be cancelled and extinguished against payment of the June 2024 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 72,000 warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 was classified as a derivative liability on June 5, 2024. On December 31, 2024, the estimated fair value of the 72,000 warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 as derivative liability was \$112,666. The estimated fair value of the warrants was computed as of December 31, 2024 using Black-Scholes option-pricing model, with the following assumptions: stock price of \$3.26, volatility of 88.64%, risk-free rate of 4.38%, annual dividend yield of 0% and expected life of 4.4 years.

Increases or decreases in fair value of the derivative liability are 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 \$374,365 and \$188,374 in the derivative liability and the corresponding increase in other income as a gain for the years ended December 31, 2024 and 2023, respectively.

**NOTE 12 – 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 \$4,800,000 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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 12 – 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, 2024 and 2023 was as follows:

	December 31, 2024	December 31, 2023
Principal amount	\$ 5,800,000	\$ 5,800,000
Less: unamortized debt issuance costs	(84,553)	(203,781)
<b>Note payable, net</b>	<b>\$ 5,715,447</b>	<b>\$ 5,596,219</b>
Current portion	\$ 5,715,447	\$ -
Noncurrent portion	\$ -	\$ 5,596,219

For the years ended December 31, 2024 and 2023, amortization of debt issuance costs related to note payable amounted to \$119,228 and \$106,557, respectively, which have been included in interest expense — amortization of debt discount and debt issuance costs on the accompanying consolidated statements of operations and comprehensive loss.

For the years ended December 31, 2024 and 2023, interest expense related to note payable amounted to \$658,000 and \$606,722, respectively, which have been included in interest expense - other on the accompanying consolidated statements of operations and comprehensive loss.

**NOTE 13 – 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 D.P. Capital Investments LLC, which is controlled by Wenzhao Lu, the Company's 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, 2024 and 2023, the related party rental revenue amounted to \$50,400 and has been included in real property rental revenue on the accompanying consolidated statements of operations and comprehensive loss. At December 31, 2024 and 2023, the related party rent receivable totaled \$0 and \$124,500, respectively, which has been included in rent receivable on the accompanying consolidated balance sheets.

**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 \$63,644 and \$86,528 for the years ended December 31, 2024 and 2023, respectively, which have been included in professional fees on the accompanying consolidated statements of operations and comprehensive loss. As of both December 31, 2024 and 2023, the accrued and unpaid services charge related to this director's son amounted to \$15,000, which have been included in accrued professional fees on the accompanying consolidated balance sheets.

**Accrued Liabilities and Other Payables – Related Parties**

In 2017, the Company acquired Beijing Genexosome for a cash payment of \$450,000. As of both December 31, 2024 and 2023, 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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 13 – RELATED PARTY TRANSACTIONS (continued)**

**Accrued Liabilities and Other Payables – Related Parties (continued)**

From time to time, Lab Services MSO paid shared expense on behalf of the Company. In addition, Lab Services MSO made a payment of \$566,667 for equity method investment payable on behalf of the Company in the year ended December 31, 2024. As of December 31, 2024 and 2023, the balance due to Lab Services MSO amounted to \$632,916 and \$72,746, respectively, which has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

As of December 31, 2024 and 2023, \$0 and \$33,712 of accrued and unpaid interest related to borrowings from Wenzhao Lu, the Company’s chairman of the Board of Directors, 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 Mr. Lu, the Company’s chairman of the Board of Directors. The Line of Credit allowed the Company to request loans thereunder and to use the proceeds of such loans for working capital and operating expense purposes until the facility matured 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 Mr. Lu, 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, Mr. Lu may declare all outstanding loans under the Line of Credit to be due and payable immediately.

In the years ended December 31, 2024 and 2023, activity recorded for the Line of Credit is summarized in the following table:

Outstanding principal under the Line of Credit at January 1, 2023	\$ -
Draw down from Line of Credit	850,000
Outstanding principal under the Line of Credit at December 31, 2023	850,000
Repayment of Line of Credit	(400,000)
Reclassification of Line of Credit to advance from related party	(450,000)
Outstanding principal under the Line of Credit at December 31, 2024	\$ -

For the years ended December 31, 2024 and 2023, the interest expense related to related party borrowing amounted to \$42,445 and \$33,712, respectively, and has been reflected as interest expense — related party on the accompanying consolidated statements of operations and comprehensive loss.

As of December 31, 2024 and 2023, the related accrued and unpaid interest for Line of Credit was \$0 and \$33,712, respectively, and has been included in accrued liabilities and other payables — related parties on the accompanying consolidated balance sheets.

**Membership Interest Purchase Agreement**

On November 17, 2023, the Company entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Mr. Lu, the Company’s chairman of the Board of Directors, pursuant to which (i) Mr. Lu 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, Mr. Lu 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 Company received \$3,108,106 and \$485,714 from Wenzhao Lu as of December 31, 2024 and 2023, respectively, which was recorded as advance from pending sale of noncontrolling interest – related party on the accompanying consolidated balance sheets. The Acquisition is expected to be closed in the fourth quarter of 2025.



AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 14 – 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 \$3,399,273 as of December 31, 2024, which is included in the consolidated accumulated deficit.

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

	Years Ended December 31,	
	2024	2023
United States loss before income taxes	\$ 7,639,148	\$ 15,928,780
China loss before income taxes	264,246	778,230
<b>Total loss before income taxes</b>	<b>\$ 7,903,394</b>	<b>\$ 16,707,010</b>

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

	Years Ended December 31,	
	2024	2023
<b>Current:</b>		
U.S. federal	\$ -	\$ -
U.S. state and local	-	-
China	-	-
<b>Total current income taxes expense</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Deferred:</b>		
U.S. federal	\$ (4,874)	\$ (3,256,007)
U.S. state and local	(1,650)	(1,102,392)
China	93,437	(183,443)
<b>Total deferred income taxes (benefit)</b>	<b>\$ 86,913</b>	<b>\$ (4,541,842)</b>
Change in valuation allowance	(86,913)	4,541,842
<b>Total income taxes expense</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2024 and 2023:

	Years Ended December 31,	
	2024	2023
U.S. federal rate	21.0%	21.0%
U.S. state rate	6.4%	6.7%
Permanent difference	(1.3)%	(0.1)%
Non-US rate differential	0.1%	0.2%
True ups	(27.3)%	(0.6)%
U.S. valuation allowance	1.1%	(27.2)%
<b>Total provision for income taxes</b>	<b>0.0%</b>	<b>0.0%</b>

For the years ended December 31, 2024 and 2023, 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, 2024 and 2023.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 14 – INCOME TAXES (continued)**

The Company's components of deferred taxes as of December 31, 2024 and 2023 were as follows:

	December 31, 2024	December 31, 2023
Deferred tax assets		
Stock-based compensation	\$ 1,598,257	\$ 3,501,507
Disallowed business interest deduction	-	9,476
Research and development expense	106,783	130,823
Accrued directors' compensation	104,977	165,490
Accrued settlement	140,904	126,496
Partnership Investment	2,167,965	2,422,744
Lease liability	1,687	20,935
Capital loss limitation	149,394	149,394
Net operating loss carryforward	17,648,077	15,493,570
Total deferred tax assets, gross	21,918,044	22,020,435
Valuation allowance	(21,784,638)	(21,871,551)
Total deferred tax assets, net	\$ 133,406	\$ 148,884
Deferred tax liabilities		
Fixed assets and intangible assets book/tax basis difference	\$ (133,406)	\$ (129,636)
Right-of-use assets	-	(19,248)
Total deferred tax liabilities	\$ (133,406)	\$ (148,884)
Net deferred tax assets	\$ -	\$ -

As of December 31, 2024 and 2023, the Company's both federal and state net operating loss carryforwards amounted to \$60,926,204 and \$52,929,248, respectively. As of December 31, 2024, the Company has \$58,438,649 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, 2024, the Company had net operating loss carryforwards in China of \$2,086,886 that begin to expire in 2024.

Additionally, as of December 31, 2024, \$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, 2024 as the Company believes it is more likely than not that sufficient taxable income will not be generated to realize these temporary differences.

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 2021 to 2024, and open for audit by the Chinese Ministry of Finance from 2020 to 2024.

There were no material uncertain tax positions as of December 31, 2024 and 2023. 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.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY**

The Company is authorized to issue an aggregate of 100,000,000 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.

The shares of Series A Preferred Stock have identical terms and include the terms as set forth below.

*Dividends.* The Series A Holders are entitled to receive, and the Company shall pay, dividends on shares of Series A Preferred Stock equal (on an as-if-converted-to-common-stock basis, disregarding for such purpose any conversion limitations set forth in the Series A Certificate of Designations) 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 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.

*Liquidation.* Upon any dissolution, liquidation or winding-up of the Company, whether voluntary or involuntary (a “Liquidation”), the Series A Holders 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 Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series A Preferred Stock and (iii) in preference and priority to the holders of the shares of the Company’s common stock, an amount equal to 100% of the Series A Stated Value, and no more, in proportion to the full and preferential amount that all shares of the Series A 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 Series A Holder.

*Conversion.* 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 as described above, 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 (as defined below)). The Series A Holders may effect conversions by providing the Company with the form of conversion notice attached as Annex A to the Series A Certificate of Designation. 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) one hundred fifty dollars (\$150.0) 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. In addition, following the Initial Conversion Date, each Series A Holder agrees that it shall not be entitled to in any calendar month, sell a number of Series A Conversion Shares into the open market in an amount exceeding more than ten percent (10%) of the number of Series A Conversion Shares issuable upon conversion of the Series A Preferred Stock then held by such Series A Holder.

*Conversion Price Adjustment:*

*Stock Dividends and Stock Splits.* If the Company, at any time while the Series A Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of common stock on shares of common stock or any other common stock equivalents (which, for avoidance of doubt, shall not include any shares of common stock issued by the Company upon conversion of, or payment of a dividend on, the Series A Preferred Stock), (ii) subdivides outstanding shares of common stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of common stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the common stock, any shares of capital stock of the Company, then the conversion price of the Series A Preferred Stock shall be multiplied by a fraction of which the numerator shall be the number of shares of common stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of common stock outstanding immediately after such event. Any of the foregoing adjustments shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Series A Convertible Preferred Stock (continued)**

*Conversion Price Adjustment: (continued)*

*Fundamental Transaction.* If, at any time while the Series A Preferred Stock is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind (a “Person”), (ii) the Company (and all of its subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of the Company’s common stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of fifty percent (50%) or more of the outstanding common stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the common stock or any compulsory share exchange pursuant to which the common stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than fifty percent (50%) of the outstanding shares of common stock (not including any shares of common stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, the Series A Holder shall have the right to receive, for each conversion share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation set forth in the Series A Certificate of Designation on the conversion of the Series A Preferred Stock), the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and/or any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of common stock for which the Series A Preferred Stock is convertible immediately prior to such Fundamental Transaction (without regard to the limitations set forth in the Series A Certificate of Designation on the conversion of the Series A Preferred Stock). For purposes of any such conversion, the determination of the Conversion Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of common stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of common stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Series A Holder shall be given the same choice as to the Alternate Consideration it receives upon such Fundamental Transaction.

*Voting Rights.* The Series A Holders will have no voting rights, except as otherwise required by the Delaware General Corporation Law. Notwithstanding the foregoing, as long as any shares of Series A 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 Preferred Stock, voting as a separate class, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock in the Series A Certificate of Designation, (b) increase the number of authorized shares of Series A Preferred Stock, (c) authorize or issue an additional class or series of capital stock that ranks senior to the Series A Preferred Stock with respect to the distribution of assets on liquidation or (d) enter into any agreement with respect to any of the foregoing.

*Fractional Shares.* No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Series A Preferred Stock. As to any fraction of a share of Company common stock which a Series A Holder would otherwise be entitled to upon such conversion, the Company will, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share. Notwithstanding the foregoing, nothing shall prevent any Series A Holder from converting fractional shares of Series A Preferred Stock.

As of December 31, 2024 and 2023, 9,000 shares of Series A Preferred Stock were issued and outstanding. On January 9, 2025, the 9,000 shares of Series A Preferred Stock were exchanged for 5,000 shares of Series D Preferred Stock of the Company (see Note 22 – Subsequent Events - Series D Convertible Preferred Stock).

**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.

**NOTE 15 – EQUITY (continued)**

**Series B Convertible Preferred Stock (continued)**

The shares of Series B Preferred Stock have identical terms and include the terms as set forth below.

*Dividends.* The Series B Holders shall be entitled to receive, and the Company shall pay, dividends on shares of Series B 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 Designations) 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 B 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 B Certificate of Designation.

*Rank.* The Series B Preferred Stock will rank subordinate to the shares of the Company's Series A Preferred Stock.

*Liquidation.* Upon any Liquidation, the Series B Holders 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 Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series B 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 Series B Stated Value and no more, in proportion to the full and preferential amount that all shares of the Series B 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 Series B Holder.

*Conversion.* Each share of Series B 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 and (ii) the one year anniversary of the Closing Date (the "Lock Up Period"), at the option of the Series B Holder thereof, into that number of shares of common stock (subject to the limitations set forth in Series B Certificate of Designation determined by dividing the Series B Stated Value of such share of Series B Preferred Stock by the conversion price of the Series B Preferred Stock). Series B Holders 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 Preferred Stock will be convertible into shares of the Company's common stock at a conversion price per share equal to \$56.70, subject to the adjustments set forth in the Series B Certificate of Designation. Notwithstanding the foregoing or the transactions contemplated by the Amended MIPA, until the consummation of the Lock Up Period, the Series B Holders shall not, directly or indirectly, sell, transfer or otherwise dispose of any Series B Preferred Stock issued upon conversion of the Series B Conversion Shares or pursuant to the Equity Earnout Payment (the "Restricted Securities") without Company's prior written consent; provided, however, the Series B Holders may sell, transfer or otherwise dispose of Restricted Securities to an Affiliate, as defined in the Amended MIPA, of a Series B Holder without Company's prior written consent; provided, further, that such Series B Holder provide prompt written notice to Company 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 Series B Holder is a party (which agreement shall also be provided to Company with such notice). After the expiration of the Lock Up Period, the Series B Holder 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 Company common stock issuable upon conversion of the Company common stock then held by the Seller and its Affiliates.

*Conversion Price Adjustment:*

*Stock Dividends and Stock Splits.* If the Company, at any time while the Series B Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of common stock on shares of common stock or any other common stock equivalents (which, for avoidance of doubt, shall not include any shares of common stock issued by the Company upon conversion of, or payment of a dividend on, the Series B Preferred Stock), (ii) subdivides outstanding shares of common stock into a larger number of shares, (iii) combines (including by way of a reverse stock split) outstanding shares of common stock into a smaller number of shares, or (iv) issues, in the event of a reclassification of shares of the common stock, any shares of capital stock of the Company, then the conversion price of the Series B Preferred Stock shall be multiplied by a fraction of which the numerator shall be the number of shares of common stock (excluding any treasury shares of the Company) outstanding immediately before such event, and of which the denominator shall be the number of shares of common stock outstanding immediately after such event. Any of the foregoing adjustments shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Series B Convertible Preferred Stock (continued)**

*Conversion Price Adjustment: (continued)*

*Fundamental Transaction.* If, at any time while the Series B Preferred Stock is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (and all of its subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of the Company's common stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of fifty percent (50%) or more of the outstanding common stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the common stock or any compulsory share exchange pursuant to which the common stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a Fundamental Transaction, then, at the closing of such Fundamental Transaction, without any action on the part of the Series B Holder, the Series B Holder shall have the right to receive, for each conversion share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction (without regard to any limitation in the Series B Certificate of Designation on the conversion of the Series B Preferred Stock), the number of shares of common stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and/or any Alternate Consideration receivable as a result of such Fundamental Transaction by a holder of the number of shares of common stock for which the Series B Preferred Stock is convertible immediately prior to such Fundamental Transaction (without regard to the limitations set forth in the Series B Certificate of Designation on the conversion of the Series B Preferred Stock). For purposes of any such conversion, the determination of the conversion price of the Series B Preferred Stock shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of common stock in such Fundamental Transaction, and the Company shall apportion the Conversion Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of common stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Series B Holder shall be given the same choice as to the Alternate Consideration it receives upon such Fundamental Transaction.

*Voting Rights.* The Series B Holders will have no voting rights, except as otherwise required by the Delaware General Corporation Law. Notwithstanding the foregoing, in addition, as long as any shares of Series B 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 Preferred Stock, voting as a separate class, (a) alter or change adversely the powers, preferences or rights given to the Series B Preferred Stock in the Series B Certificate of Designation, (b) increase the number of authorized shares of Series B Preferred Stock, (c) except with respect to the Series A Preferred Stock, authorize or issue an additional class or series of capital stock that ranks senior to the Series B Preferred Stock with respect to the distribution of assets on liquidation or (d) enter into any agreement with respect to any of the foregoing.

*Fractional Shares.* No fractional shares or scrip representing fractional shares shall be issued upon the conversion of the Series B Preferred Stock. As to any fraction of a share which a Series B Holder would otherwise be entitled to upon such conversion, the Company shall at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price or round up to the next whole share. Notwithstanding the foregoing, nothing shall prevent any Series B Holder from converting fractional shares of Series B Preferred Stock.

As of December 31, 2024 and 2023, 11,000 shares of Series B Preferred Stock were issued and outstanding. On February 26, 2025, all shares of the Company's Series B Convertible Preferred Stock were permanently surrendered and relinquished to the Company for no additional consideration (see Note 22 – Subsequent Events - Redemption Agreement).

**Series C Convertible Preferred Stock**

On December 13, 2024, the Company filed a certificate of designations of preferences, rights, and limitations of Series C Convertible Preferred Stock (the "Series C Certificate of Designations") with the Department of State, Division of Corporations, of the State of Delaware, which provides for the designation of 10,000 shares of Series C Preferred Stock of the Company, par value \$0.0001 per share. Each share of Series C Preferred Stock has a stated value of \$1,000.

The Series C Preferred Stock shall rank (i) senior to the Company's common stock (the "Common Stock") and any other class or series of capital stock of the Company created hereafter, the terms of which specifically provide that such class or series shall rank junior to the Series C Preferred Stock, (ii) *pari passu* with any class or series of capital stock of the Company created hereafter specifically ranking, by its terms, on par with the Series C Preferred Stock, (iii) *pari passu* with Series B Convertible Preferred Stock of the Company (the "Series B Preferred Stock") with respect to its rights, preferences and restrictions, and (iv) subordinate to the Series A Convertible Preferred Stock of the Company (the "Series A Preferred Stock").

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Series C Convertible Preferred Stock (continued)**

Holders of the Series C Preferred Stock shall be entitled to receive, and the Company shall pay, dividends on shares of Series C Preferred Stock equal (on an as-if-converted-to-Common-Stock basis, disregarding for such purpose any conversion limitations hereunder) to and in the same form as dividends actually paid on shares of the Common Stock when, as and if such dividends are paid on shares of the Common Stock.

Holders of the Series C Preferred Stock have no voting power except as otherwise required by the Delaware General Corporation Law.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a “Liquidation”), the holders of the Series C Preferred Stock shall 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 C Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series C Preferred Stock and (iii) in preference and priority to the holders of the shares of Common Stock, an amount equal to 100% of the Stated Value of the Series C Preferred Stock, in proportion to the full and preferential amount that all shares of the Series C Preferred Stock are entitled to receive.

Each share of Series C Preferred Stock shall be convertible into Common Stock (the “Conversion Shares”) at a conversion per share equal to \$2.41, at the option of the holder, at any time after the later of (i) the date of the shareholder approval of the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market and (ii) the one year anniversary of the date of the first issuance of any shares of the Series C Preferred Stock. In addition, the holder shall not have the right to convert any portion of the Series C Preferred Stock if, after giving effect to the conversion, such holder (together with its affiliates) would beneficially own in excess of 19.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of the respective Conversion Shares.

As of December 31, 2024, 3,500 shares of Series C Preferred Stock were issued and outstanding.

**Series B Convertible Preferred Stock Issued for Equity Method Investment**

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 \$56.70, which approximated the market price at the date of closing, or an aggregate of 194,004 shares of the Company’s common stock and are subject to a lock-up period and restrictions on sale.

**Series C Convertible Preferred Stock Sold for Cash**

During the year ended December 31, 2024, the Company sold an aggregate of 3,500 shares of Series C Convertible Preferred stock and received proceeds of \$3,500,000. Each share of Series C Convertible Preferred Stock is convertible into common stock of the Company (the “Conversion Shares”) at a conversion per share equal to \$2.41, which approximated the market price at the date of transaction, at the option of the holder, at any time after the later of (i) the date of the shareholder approval of the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market (the “Shareholder Approval”) and (ii) the one year anniversary of the date of the first issuance of any shares of the Series C Convertible Preferred Stock.

The Company evaluated the features of the Series C Convertible Preferred Stock under ASC 480, and classified them as permanent equity because the Series C 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”).

**Common Shares Issued as Convertible Note Payable Commitment Fee**

During the year ended December 31, 2023, the Company issued a total of 11,333 shares of its common stock as commitment fee for the purchases of May 2023 Convertible Note, July 2023 Convertible Note, and October 2023 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.

During the year ended December 31, 2024, the Company issued a total of 33,800 shares of its common stock as commitment fee for the purchase of March 2024 Convertible Note and June 2024 Convertible Note. These shares were valued at \$320,546, the fair market value on the grant dates using the reported closing share prices on the dates of grant, and the Company recorded it as debt discount.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Common Shares Sold 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 30,442 shares of common stock at an average price of \$20.85 per share to investors and the Company recorded net proceeds of \$414,396, net of commission and other offering costs of \$220,995. During the year ended December 31, 2024, Roth sold an aggregate of 281,843 shares of common stock at an average price of \$10.14 per share to investors and the Company recorded net proceeds of \$2,544,311, net of commission and other offering costs of \$313,541.

**Common Shares Issued for Services**

During the year ended December 31, 2023, the Company issued a total of 24,089 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.

During the year ended December 31, 2024, the Company issued a total of 145,153 shares of its common stock for services rendered. These shares were valued at \$530,350, 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 \$470,350 for the year ended December 31, 2024 and reduced accrued liabilities of \$60,000.

**Common Shares Issued for Warrant Exercise**

On November 18, 2024, the Company issued 42,381 shares of its common stock upon cashless exercise of warrants to purchase 6,278 shares of common stock.

**Common Shares Issued for Adjustment for 1:15 Reverse Split**

The Company issued 206,033 shares of its common stock, resulting from the rounding up of the fractional shares at the one-for-fifteen reverse stock split effected on October 28, 2024.

**Pre-Funded Warrants Issued for Debt Modification**

On December 15, 2024, the Company issued to Mast Hill a common stock purchase warrant for the purchase of up to 150,000 shares of the Company’s common stock. The Pre-Funded Warrants are immediately exercisable at issuance and until the Pre-Funded Warrants are exercised in full and have an exercise price of \$0.01 per share. The Pre-Funded Warrants were classified as a component of permanent equity as they are freestanding financial instrument that is immediately exercisable, does not embody an obligation for the Company to repurchase its own shares and permit the holder to receive a fixed number of shares of common stock upon exercise.

**Options**

The following table summarizes the shares of the Company’s common stock issuable upon exercise of options outstanding at December 31, 2024:

Options Outstanding					Options Exercisable		
Number							
Range of Exercise Price	Outstanding at December 31, 2024	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Exercisable at December 31, 2024	Weighted Average Exercise Price		
\$ 2.93 – 31.20	20,198	3.54	\$ 14.76	14,591	\$ 16.38		
48.75 – 123.00	20,517	2.04	78.91	20,517	78.91		
154.50 – 289.50	11,764	3.44	218.21	11,764	218.21		
\$ 2.93 – 289.50	52,479	2.93	\$ 85.45	46,872	\$ 94.41		



AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Options (continued)**

Stock option activity for the years ended December 31, 2024 and 2023 was as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding at January 1, 2023	53,357	\$ 195.45
Granted	12,452	35.25
Expired	(8,929)	(267.90)
Outstanding at December 31, 2023	56,880	149.03
Granted	10,265	4.13
Expired	(14,666)	(275.14)
Outstanding at December 31, 2024	52,479	\$ 85.45
Options exercisable at December 31, 2024	46,872	\$ 94.41
Options expected to vest	5,607	\$ 10.56

The aggregate intrinsic value of stock options outstanding and stock options exercisable at December 31, 2024 was approximately \$1,900 and \$900, respectively.

The fair values of options granted during the year ended December 31, 2024 were estimated at the date of grant using the Black-Scholes option-pricing model with the following assumptions: volatility of 83.10% - 96.36%, risk-free rate of 3.47% - 4.79%, 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, 2024 was \$28,694.

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.

For the years ended December 31, 2024 and 2023, stock-based compensation expense associated with stock options granted amounted to \$51,159 and \$284,977, of which, \$19,878 and \$172,943 was recorded as compensation and related benefits, \$31,281 and \$106,565 was recorded as professional fees, and \$0 and \$5,469 was recorded as research and development expenses, respectively.

A summary of the status of the Company's nonvested stock options granted as of December 31, 2024 and changes during the years ended December 31, 2024 and 2023 is presented below:

	Number of Options	Weighted Average Exercise Price
Nonvested at January 1, 2023	1,334	\$ 64.35
Granted	12,452	35.25
Vested	(8,475)	(47.14)
Nonvested at December 31, 2023	5,311	23.55
Granted	10,265	4.13
Vested	(9,969)	(10.90)
Nonvested at December 31, 2024	5,607	\$ 10.56

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Warrants (Except Pre-Funded Warrants)**

The following table summarizes the shares of the Company's common stock issuable upon exercise of warrants outstanding at December 31, 2024:

Range of Exercise Price	Warrants Outstanding			Warrants Exercisable		
	Number	Weighted Average		Number	Weighted Average	
	Outstanding at	Remaining	Weighted	Exercisable at	Exercise	Price
	December 31, 2024	Contractual Life (Years)	Average Exercise Price	December 31, 2024	Price	
\$ 7.50 – 37.50	165,510	4.40	\$ 10.50	85,510	\$ 13.31	
67.50	9,222	3.40	67.50	9,222	67.50	
187.50	8,264	2.30	187.50	8,264	187.50	
\$ 7.50 – 187.50	182,996	4.25	\$ 21.37	102,996	\$ 32.13	

Stock warrant activity for the years ended December 31, 2024 and 2023 was as follows:

	Number of Warrants	Weighted Average Exercise Price
Outstanding at January 1, 2023	8,264	\$ 187.50
Issued	34,771	48.90
Outstanding at December 31, 2023	43,035	75.53
Issued	169,527	10.28
Cancelled (*)	(23,288)	(32.85)
Exercised	(6,278)	(50.77)
Outstanding at December 31, 2024	182,996	\$ 21.37
Warrants exercisable at December 31, 2024	102,996	\$ 32.13
Warrants expected to vest	80,000	\$ 7.50

\* Second Warrant, which was issued on May 23, 2023, July 6, 2023, October 9, 2023, and March 7, 2024, was cancelled in June 2024. Second Warrant, which was issued on June 5, 2024, is still outstanding as of December 31, 2024.

The aggregate intrinsic value of both stock warrants outstanding and stock warrants exercisable at December 31, 2024 was \$0.

*Warrants Issued in May 2023*

In connection with the issuance of May 2023 Convertible Note (See Note 10), the Company issued (i) a warrant to purchase 8,333 shares of common stock with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023, and (ii) a warrant to purchase 7,033 shares of common stock with an exercise price of \$48.00 exercisable until the five-year anniversary of May 23, 2023, which warrant was never fair valued and was cancelled and extinguished against payment of the May 2023 Convertible Note, to Mast Hill; and issued a warrant to purchase 667 shares of common stock with an exercise price of \$67.50 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. Accordingly, the fair value of the 9,000 warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023 was classified as derivative liability on May 23, 2023. The fair values of the 9,000 warrants with an exercise price of \$67.50 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 \$29.40, volatility of 88.80%, risk-free rate of 3.76%, annual dividend yield of 0% and expected life of 5 years.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Warrants (Except Pre-Funded Warrants) (continued)**

*Warrants Issued in May 2023 (continued)*

The warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023 issued to Mast Hill to purchase 8,333 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at \$127,654 and were amortized over the term of the May 2023 Convertible Note.

The warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of May 23, 2023 issued to a third party as a finder's fee to purchase 667 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at \$11,162 and were 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 10), the Company issued (i) a warrant to purchase 2,778 shares of common stock with an exercise price of \$67.50 exercisable until the five-year anniversary of July 6, 2023, and (ii) a warrant to purchase 2,344 shares of common stock with an exercise price of \$48.00 exercisable until the five-year anniversary of July 6, 2023, which warrant was never fair valued and was cancelled and extinguished against payment of the July 2023 Convertible Note, to Firstfire; and issued a warrant to purchase 222 shares of common stock with an exercise price of \$67.50 exercisable until the five-year anniversary of July 6, 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 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. Accordingly, the fair value of the 3,000 warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of July 6, 2023 was classified as derivative liability on July 6, 2023. The fair values of the 3,000 warrants with an exercise price of \$67.50 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 \$21.30, 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 \$67.50 exercisable until the five-year anniversary of July 6, 2023 issued to Firstfire to purchase 2,778 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at \$28,691 and were amortized over the term of the July 2023 Convertible Note.

The warrants with an exercise price of \$67.50 exercisable until the five-year anniversary of July 6, 2023 issued to a third party as a finder's fee to purchase 222 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at \$2,435 and were 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 10), the Company issued (i) a warrant to purchase 7,000 shares of common stock with an exercise price of \$37.50 exercisable until the five-year anniversary of October 9, 2023, (ii) a warrant to purchase 5,834 shares of common stock with an exercise price of \$27.00 exercisable until the five-year anniversary of October 9, 2023, which warrant was never fair valued and was cancelled and extinguished against payment of the October 2023 Convertible Note, to Mast Hill and Firstfire; and issued a warrant to purchase 560 shares of common stock with an exercise price of \$37.50 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. Accordingly, the fair value of the 7,560 warrants with an exercise price of \$37.50 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 7,560 warrants with an exercise price of \$37.50 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 \$11.55, 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 \$37.50 exercisable until the five-year anniversary of October 9, 2023 issued to Mast Hill and Firstfire to purchase 7,000 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at \$39,848 and were amortized over the term of the October 2023 Convertible Note.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Warrants (Except Pre-Funded Warrants) (continued)**

*Warrants Issued in October 2023 (continued)*

The warrants with an exercise price of \$37.50 exercisable until the five-year anniversary of October 9, 2023 issued to a third party as a finder's fee to purchase 560 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at \$3,380 and were amortized over the term of the October 2023 Convertible Note.

*Warrants Issued in March 2024*

In connection with the issuance of March 2024 Convertible Note (See Note 10), the Company issued (i) a warrant to purchase 8,750 shares of common stock with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 ("First Warrant"), (ii) a warrant to purchase 8,077 shares of common stock with an exercise price of \$19.50 ("Second Warrant"), which warrant was never fair valued and was cancelled and extinguished against payment of the March 2024 Convertible Note, to Mast Hill; and issued a warrant to purchase 700 shares of common stock with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 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 a derivative liability, as the Company cannot avoid a net cash settlement under certain circumstances. The fair value of the 9,450 warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 was classified as a derivative liability on March 7, 2024. The fair values of the 9,450 warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 issued on March 7, 2024 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of \$6.00, volatility of 85.24%, risk-free rate of 4.07%, annual dividend yield of 0% and expected life of 5 years.

The warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 issued to Mast Hill to purchase 8,750 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at \$20,374 and were amortized over the term of the March 2024 Convertible Note.

The warrants with an exercise price of \$30.00 exercisable until the five-year anniversary of March 7, 2024 issued to a third party as a finder's fee to purchase 700 shares of the Company's common stock were treated as convertible debt issuance costs and were valued at \$1,679 and were amortized over the term of the March 2024 Convertible Note.

*Warrants Issued in June 2024*

In connection with the issuance of June 2024 Convertible Note (See Note 10), the Company issued (i) a warrant to purchase 66,667 shares of common stock with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 ("First Warrant"), (ii) a warrant to purchase 80,000 shares of common stock with an exercise price of \$7.50 exercisable until the five-year anniversary of June 5, 2024 ("Second Warrant"), which warrant shall be cancelled and extinguished against payment of the June 2024 Convertible Note, to Mast Hill; and issued a warrant to purchase 5,333 shares of common stock with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 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 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 80,000 warrants with an exercise price of \$7.50 exercisable until the five-year anniversary of June 5, 2024, which warrant shall be cancelled and extinguished against payment of the June 2024 Convertible Note, has been estimated to be zero. Accordingly, the fair value of the 72,000 warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 was classified as a derivative liability on June 5, 2024. The fair values of the 72,000 warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 issued on June 5, 2024 were computed using the Black-Scholes option-pricing model with the following assumptions: stock price of \$10.39, volatility of 85.72%, risk-free rate of 4.31%, annual dividend yield of 0% and expected life of 5 years.

The warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 issued to Mast Hill to purchase 66,667 shares of the Company's common stock were treated as a discount on the convertible note payable and were valued at \$418,194 and will be amortized over the term of the June 2024 Convertible Note.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 15 – EQUITY (continued)**

**Warrants (Except Pre-Funded Warrants) (continued)**

*Warrants Issued in June 2024 (continued)*

The warrants with an exercise price of \$9.75 exercisable until the five-year anniversary of June 5, 2024 issued to a third party as a finder’s fee to purchase 5,333 shares of the Company’s common stock were treated as convertible debt issuance costs and were valued at \$39,221 and will be amortized over the term of the June 2024 Convertible Note.

*Warrants Cancelled in June 2024*

As of June 5, 2024, the Company paid in full of its outstanding May 2023 Convertible Note, July 2023 Convertible Note, October 2023 Convertible Note, and March 2024 Convertible Note and cancelled 23,288 warrants since these convertible notes were fully extinguished.

*Warrants Exercised in November 2024*

On November 18, 2024, 6,278 warrants were cashless exercised.

A summary of the status of the Company’s nonvested stock warrants issued as of December 31, 2024 and changes during the years ended December 31, 2024 and 2023 was presented below:

	Number of Warrants	Weighted Average Exercise Price
Nonvested at January 1, 2023	-	\$ -
Issued	34,771	48.90
Vested	(19,560)	55.95
Nonvested at December 31, 2023	15,211	39.90
Issued	169,527	10.28
Cancelled	(23,288)	(32.85)
Vested	(81,450)	(12.10)
Nonvested at December 31, 2024	<u>80,000</u>	<u>\$ 7.50</u>

**NOTE 16 - 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, 2024 and 2023 as it incurred net loss in the periods. As of both December 31, 2024 and 2023, 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, 2024 and 2023, total restricted net assets amounted to \$1,206,578 and \$1,106,578, respectively.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 17 – NONCONTROLLING INTEREST**

As of December 31, 2024, 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, 2024 and 2023, 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 18 – 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% 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 19 - CONCENTRATIONS**

**Customers**

The following table sets forth information as to each customer that accounted for 10% or more of the Company's revenues for the years ended December 31, 2024 and 2023.

Customer	Years Ended December 31,	
	2024	2023
A	29%	30%
B	17%	18%
C	11%	12%

One customer, which is a third party, whose outstanding receivable accounted for 10% or more of the Company's total outstanding rent receivable at December 31, 2024, accounted for 76.9% of the Company's total outstanding rent receivable at December 31, 2024.

Two customers, of which one is a related party and the other is a third party, whose outstanding receivables 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.

**Suppliers**

No supplier accounted for 10% or more of the Company's purchase during the years ended December 31, 2024 and 2023.

**NOTE 20 – SEGMENT INFORMATION**

The segment reporting structure uses the Company's management reporting structure as its foundation to reflect how the Company manages the businesses internally. The management reporting structure is composed of two strategic business units, mainly organized by services, led by the Company's President and Chief Executive Officer, who is its Chief Operating Decision Maker. Using the accounting guidance on segment reporting, the Company determined that its two operating segments are aligned with its two reportable segments corresponding to its strategic business units.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 20 – SEGMENT INFORMATION (continued)**

On February 9, 2023, the Company purchased 40% of Lab Services MSO. Commencing from the purchase date, February 9, 2023, the Company was active in the management of Lab Services MSO. During the years ended December 31, 2024 and 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 equity method investee. See Note 22—Subsequent Events—Redemption Agreement.

The accounting policies for the segments are the same as those described in Note 3. Our reportable segments are aligned principally around the differences in services. Real property operating income is calculated by subtracting real property operating expenses from real property rental revenue; loss from equity method investment – Lab Services MSO is calculated by subtracting amortization of intangible assets acquired from acquisition and impairment of goodwill acquired from acquisition and distribution of earnings from equity investment from the Company's share of Lab Services MSO's net income. The assets and certain expenses related to corporate activities are not allocated to the segments.

Information with respect to these reportable business segments for the years ended December 31, 2024 and 2023 was as follows:

	Year Ended December 31, 2024			
	Real Property Operations	Lab Services MSO	Corporate / Other	Total
Real property rental revenue	\$ 1,333,403	\$ -	\$ -	\$ 1,333,403
Real property operating expenses	(1,065,574)	-	-	(1,065,574)
Real property operating income	267,829	-	-	267,829
Loss from equity method investment - Lab Services MSO	-	(846,588)	-	(846,588)
Other operating expenses	(354,311)	-	(3,994,662)	(4,348,973)
Other (expense) income:				
Interest expense	(777,228)	-	(1,659,745)	(2,436,973)
Other expense	(80)	-	(538,609)	(538,689)
Net loss	\$ (863,790)	\$ (846,588)	\$ (6,193,016)	\$ (7,903,394)

	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)

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 20 – SEGMENT INFORMATION (continued)**

Identifiable long-lived tangible assets at December 31, 2024 and 2023	December 31, 2024	December 31, 2023
Real property operations	\$ 7,034,335	\$ 7,211,641
Corporate/Other	1,298	17,846
<b>Total</b>	<b>\$ 7,035,633</b>	<b>\$ 7,229,487</b>

  

Identifiable long-lived tangible assets at December 31, 2024 and 2023	December 31, 2024	December 31, 2023
United States	\$ 7,034,335	\$ 7,227,533
China	1,298	1,954
<b>Total</b>	<b>\$ 7,035,633</b>	<b>\$ 7,229,487</b>

**NOTE 21 – COMMITMENTS AND CONTINGENCIES**

**Litigation**

From time to time, the Company is subject to ordinary routine litigation incidental to its normal business operations. The Company is not currently a party to, and its property is not subject to, any material legal proceedings, except as set forth below.

On October 25, 2017, Genexosome entered into and closed a Stock Purchase Agreement with Beijing Genexosome 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 3,333 shares of common stock of the Company 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. 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 Date”) 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. As of December 31, 2024, the accrued litigation settlement amounted to \$373,450.



AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 21 – COMMITMENTS AND CONTINGENCIES (continued)**

**Operating Leases Commitment**

The Company is a party to leases for office space. These lease agreements expired through February 2025. Rent expense under all operating leases amounted to approximately \$127,000 and \$129,000 for the years ended December 31, 2024 and 2023, respectively.

Supplemental cash flow information related to leases for the years ended December 31, 2024 and 2023 is as follows:

	Years Ended December 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating lease	\$ 125,076	\$ 125,929
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, 2024:

	Operating Lease
Weighted average remaining lease term (in years)	0.08
Weighted average discount rate	11.0%

The following table summarizes the maturity of lease liabilities under operating lease as of December 31, 2024:

For the Year Ending December 31:	Operating Lease
2025	\$ 10,753
2026 and thereafter	-
Total lease payments	10,753
Amount of lease payments representing interest	(44)
Total present value of operating lease liabilities (current liability)	\$ 10,709

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 21 – COMMITMENTS AND CONTINGENCIES (continued)**

**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.

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 2025 or into the foreseeable future.

**NOTE 22 – 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.

**Series D Convertible Preferred Stock**

On January 6, 2025, the Company filed a certificate of designations of preferences, rights, and limitations of Series D Convertible Preferred Stock (the “Series D Certificate of Designations”) with the Department of State, Division of Corporations, of the State of Delaware, which provides for the designation of 5,000 shares of Series D Preferred Stock of the Company, par value \$0.0001 per share, upon the terms and conditions as set forth in the Series D Certificate of Designations. Each share of Series D Preferred Stock has a stated value of \$1,000 (the “Stated Value”).

The Series D Preferred Stock shall rank (i) senior to the Company’s common stock (the “Common Stock”) and any other class or series of capital stock of the Company created hereafter, the terms of which specifically provide that such class or series shall rank junior to the Series D Preferred Stock, (ii) pari passu with any class or series of capital stock of the Company created hereafter specifically ranking, by its terms, on par with the Series D Preferred Stock, (iii) pari passu with the Series B Convertible Preferred Stock of the Company (the “Series B Preferred Stock”) with respect to its rights, preferences and restrictions, and (iv) pari passu with the Series C Convertible Preferred Stock of the Company (the “Series C Preferred Stock”).

Holders of the Series D Preferred Stock have no voting power except as otherwise required by the Delaware General Corporation Law.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a “Liquidation”), the holders of the Series D Preferred Stock shall 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 D Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series D Preferred Stock and (iii) in preference and priority to the holders of the shares of Common Stock, an amount equal to 100% of the Stated Value of the Series D Preferred Stock, in proportion to the full and preferential amount that all shares of the Series D Preferred Stock are entitled to receive.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 22 – SUBSEQUENT EVENTS (continued)**

**Series D Convertible Preferred Stock (continued)**

Each share of Series D Preferred Stock shall be convertible into Common Stock (the “Conversion Shares”) at a conversion per share equal to \$2.41, at the option of the holder, at any time after the Company has obtained shareholder approval for the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market. In addition, the holder shall not have the right to convert any portion of the Series D Preferred Stock if, after giving effect to the conversion, such holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of the respective Conversion Shares.

On January 9, 2025, the Company entered into an exchange agreement with Wenzhao Lu, the Company’s chairman of the Board of Directors, pursuant to which Mr. Lu exchanged 9,000 shares of Series A Preferred Stock of the Company for 5,000 shares of Series D Preferred Stock of the Company.

**Redemption Agreement**

During 2025, to preserve cash, the Company entered into discussions with Lab Services MSO for the potential redemption of our investment and on February 26, 2025, the Company and Lab Services MSO entered into a Redemption and Abandonment Agreement (the “Redemption Agreement”), whereby Lab Services MSO redeemed the 40% equity interest in Lab Services MSO held by the Company for cash and the surrender of its Series B Convertible Preferred Stock having a carrying value of \$11,000,000. The aggregate cash amount to the Company for the redemption was \$1,745,000, to be paid as follows: one payment of \$95,000 at the closing of the redemption and, beginning in March 2025, monthly payments of \$75,000 until December 2026. In addition, pursuant to the terms of the Redemption Agreement, all shares of the Company’s Series B Convertible Preferred Stock previously issued to SCBC Holdings LLC as partial consideration for the equity interests of Laboratory Services MSO, were permanently surrendered and relinquished to the Company for no additional consideration. Accordingly, beginning in February 2025, the Company no longer offers laboratory services.

**Agreement and Plan of Merger**

On March 7, 2025, the Company, Nexus MergerSub Limited, a business company incorporated in the British Virgin Islands and a wholly owned subsidiary of the Company (“Merger Sub”), and YOOV Group Holding Limited, a business company incorporated in the British Virgin Islands (“YOOV”), entered into an Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which Merger Sub will merge with and into YOOV, with YOOV surviving the merger and becoming a direct, wholly owned subsidiary of the Company (the “Merger”). The Merger is expected to be completed in the third quarter of 2025, subject to customary closing conditions.

Subject to the terms and conditions of the Merger Agreement, immediately prior to the effective time of the Merger (the “Effective Time”), each then-outstanding share of YOOV preferred shares, par value \$0.10 per share, will either automatically be converted into shares of YOOV ordinary shares, par value \$0.10 per share (the “YOOV Ordinary Shares”) or canceled and cease to exist in accordance with their terms. At the Effective Time, each then-outstanding YOOV Ordinary Share (other than any shares held in treasury and Dissenting Shares (as defined in the Merger Agreement)) will be automatically converted into a number of shares of the Company’s common stock, par value \$0.0001 per share (the “Avalon Common Stock”), equal to the Exchange Ratio. The “Exchange Ratio” will be the ratio (rounded to four decimal places), determined as follows: if the closing price of the Avalon Common Stock on The Nasdaq Stock Market LLC (“Nasdaq”) on the second trading day immediately preceding the Effective Time is (x) less than or equal to \$5.00, the Exchange Ratio shall be 60,000,000 divided by YOOV Outstanding Shares (as defined in the Merger Agreement); or (y) greater than \$5.00, the Exchange Ratio shall be 54,000,000 divided by YOOV Outstanding Shares.

Pursuant to the terms of the Merger Agreement, (i) each then-outstanding share of Avalon Common Stock will remain issued and outstanding after the Effective Time and (ii) each then-outstanding option to purchase Avalon Common Stock, whether or not vested, will remain issued and outstanding after the Effective Time. The then-outstanding shares of Series C Convertible Preferred Stock of the Company and Series D Convertible Preferred Stock of the Company will remain outstanding in accordance with their terms. Additionally, at the Effective Time, the name of the Company will be changed to “YOOV, Inc.”

In connection with the Merger, the Company will seek approval of its stockholders to, among other things, (i) approve the issuance of the shares of Avalon Common Stock to be issued to YOOV shareholders in connection with the Merger pursuant to the rules of Nasdaq and (ii) amend the Company’s certificate of incorporation to effect a reverse stock split of the Avalon Common Stock to the extent the Company and YOOV mutually agree implementing such reverse stock split is necessary to meet Nasdaq’s listing requirements (collectively, the “Avalon Stockholder Matters”).

Each of the Company and YOOV have made customary representations, warranties and covenants in the Merger Agreement, including, among other things, covenants relating to (i) obtaining the requisite approval of its respective stockholders, (ii) non-solicitation or facilitation of any Takeover Proposal or Superior Proposal (as each is defined in the Merger Agreement), (iii) the conduct of its respective business during the period between the signing of the Merger Agreement and the closing of the Merger, and (iv) the Company filing with the U.S. Securities and Exchange Commission (the “SEC”) and causing to become effective a registration statement on Form S-4 (the “Registration Statement”) to register the shares of Avalon Common Stock to be issued in connection with the Merger.

AVALON GLOBOCARE CORP. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 22 – SUBSEQUENT EVENTS (continued)**

**Agreement and Plan of Merger (continued)**

Consummation of the Merger is subject to certain closing conditions, including, among other things, (i) approval of the Avalon Stockholder Matters by the requisite the Company stockholders, (ii) adoption and approval of the Merger Agreement, and the transactions contemplated thereby, by the requisite YOOV shareholders, (iii) the effectiveness of the Registration Statement and (iv) the listing of the Avalon Common Stock issuable in connection with the Merger on Nasdaq. Each party's obligation to consummate the Merger is also subject to other specified customary conditions, including regarding the accuracy of the representations and warranties of the other party, subject to the applicable materiality standard, and the performance in all material respects by the other party of its obligations under the Merger Agreement required to be performed on or prior to the Effective Time.

The Merger Agreement contains certain termination rights for both the Company and YOOV, including the right to terminate the Merger Agreement at any time before the Effective Time, whether before or after the Avalon Stockholder Matters have been approved, by mutual written consent of the parties. In addition, the Merger Agreement may be terminated at any time by either party if the Merger is not consummated on or before March 7, 2026 (the "End Date"), provided that the End Date may be extended by either party for up to 60 days in the event that the SEC has not declared effective the Registration Statement by the date which is 60 days prior to the End Date. Upon termination of the Merger Agreement under specified circumstances, the Company may be required to pay YOOV a termination fee of \$1.0 million; however, YOOV is not required to pay the Company a termination fee.

At the Effective Time, the board of directors of the Company (the "Avalon Board") is expected to consist of seven (7) members, five (5) of whom will be designated by YOOV and two (2) of whom will be designated by the Company, as provided in the Merger Agreement.

**Voting and Support Agreements**

Concurrently with the execution of the Merger Agreement, (i) the officers, directors and certain shareholders of YOOV (solely in their respective capacities as YOOV shareholders) have entered into voting and support agreements with the Company and YOOV, pursuant to which such YOOV shareholders agree, among other things to, (a) not transfer their capital stock of YOOV, subject to certain limited exceptions and (b) vote all of their shares of capital stock of YOOV in favor of the adoption and approval of the Merger Agreement and the transactions contemplated thereby and against, among other things, any Takeover Proposals (the "YOOV Voting Agreement") and (ii) the officers, directors and certain stockholders of the Company (solely in their respective capacities as Avalon Stockholders) have entered into voting and support agreements with the Company and YOOV, pursuant to which such the Company stockholders agree, among other things to, (a) not transfer their capital stock of the Company, subject to certain limited exceptions and (b) vote all of their shares of capital stock of the Company in favor of, among other things, the Avalon Stockholder Matters and against, among other things, any Takeover Proposals (the "Avalon Voting Agreement").

**Lock-Up Agreements**

Concurrently with the execution of the Merger Agreement, certain directors, officers and stockholders of each of the Company and YOOV have entered into lock-up agreements (the "Lock-Up Agreement"), pursuant to which, subject to specified exceptions, they have agreed not to transfer their shares of Avalon Common Stock, during the 180-day period following the Effective Time.

**Certificates of Elimination**

The Company previously designated (i) 15,000 shares of preferred stock as Series A Convertible Preferred Stock (the "Series A Preferred Stock"), of which no shares remain outstanding as a result of the exchange agreement entered with Wenzhao Lu on January 9, 2025 and (ii) 15,000 shares of Series B Preferred Stock, of which no shares remain outstanding as a result of the surrender of the Series B Preferred Stock in connection with the redemption and abandonment agreement with the Company, Avalon Laboratory Services, Inc., Laboratory Services MSO, LLC and the other parties signatory thereto on February 26, 2025.

On March 7, 2025, the Company filed a Certificate of Elimination relating to each of the Series A Preferred Stock and the Series B Preferred Stock (the "Eliminations of Designation") with the Secretary of State of the State of Delaware, thereby terminating the designations of the Series A Preferred Stock and the Series B Preferred Stock. The Eliminations of Designation were effective upon filing and eliminated from the Company's Amended and Restated Certificate of Incorporation (as amended and/or restated from time to time, the "Avalon Charter") all matters set forth in the previously-filed Certificates of Designations with respect to the previously designated Series A Preferred Stock and Series B Preferred Stock.

**Bylaws Amendment**

On March 7, 2025, the Avalon Board approved and adopted an amendment (the "Amendment") to the Company's Amended and Restated Bylaws (the "Avalon Bylaws"). The Amendment reduces the quorum at any meeting of stockholders, except as otherwise required by law or by the Avalon Charter or the Avalon Bylaws, to one-third of the voting power of the shares of capital stock outstanding and entitled to vote at the meeting, present in person, present by remote communication, if applicable, or represented by proxy.

**Common Shares Issued for Warrant Exercise**

In March 2025, the Company issued 186,877 shares of its common stock upon cashless exercise of warrants to purchase 11,833 shares of common stock.

**Common Shares Issued for Services**

In March 2025, the Company issued a total of 22,278 shares of its common stock for services rendered and to be rendered. These shares were valued at \$113,847, the fair market values on the grant dates using the reported closing share prices on the dates of grant.

**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., a Delaware corporation ("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, as amended (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 110,000,000 shares of capital stock, par value \$0.0001 per share, of which (i) 100,000,000 shares are designated as common stock, par value \$0.0001 per share, and (ii) 10,000,000 shares are designated as preferred stock. Of the 10,000,000 shares of preferred stock, (x) 10,000 shares have been designated as Series C Convertible Preferred Stock, at a stated value equal to \$1,000 per share, and (y) 5,000 shares have been designated as Series D Convertible Preferred Stock, at a stated value equal to \$1,000 per share.

**Common Stock**

*Dividends*

Dividends may be declared and paid or set apart for payment upon the common stock out of any assets or funds of the Company legally available for the payment of dividends, but only when and as declared by our board of directors or any authorized committee of thereof, 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*

Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, the net assets of the Company shall be distributed pro rata to the holders of the common 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.

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## **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 C Convertible Preferred Stock***

The Series C Preferred Stock shall rank (i) senior to the Company's common stock (the "Common Stock") and any other class or series of capital stock of the Company created hereafter, the terms of which specifically provide that such class or series shall rank junior to the Series C Preferred Stock, (ii) *pari passu* with any class or series of capital stock of the Company created hereafter specifically ranking, by its terms, on par with the Series C Preferred Stock, (iii) *pari passu* with Series B Convertible Preferred Stock of the Company (the "Series B Preferred Stock") with respect to its rights, preferences and restrictions, and (iv) subordinate to the Series A Convertible Preferred Stock of the Company (the "Series A Preferred Stock").

Holders of the Series C Preferred Stock shall be entitled to receive, and the Company shall pay, dividends on shares of Series C Preferred Stock equal (on an as-if-converted-to-common-stock basis, disregarding for such purpose any conversion limitations hereunder) to and in the same form as dividends actually paid on shares of the common stock when, as and if such dividends are paid on shares of the common stock.

Holders of the Series C Preferred Stock have no voting power except as otherwise required by the Delaware General Corporation Law.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of the Series C Preferred Stock shall 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 C Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series C Preferred Stock and (iii) in preference and priority to the holders of the shares of common stock, an amount equal to 100% of the Stated Value of the Series C Preferred Stock, in proportion to the full and preferential amount that all shares of the Series C Preferred Stock are entitled to receive.

Each share of Series C Preferred Stock shall be convertible into common stock (the "Conversion Shares") at a conversion per share equal to \$2.41, at the option of the holder, at any time after the later of (i) the date of the shareholder approval of the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market and (ii) the one year anniversary of the date of the first issuance of any shares of the Series C Preferred Stock. In addition, the holder shall not have the right to convert any portion of the Series C Preferred Stock if, after giving effect to the conversion, such holder (together with its affiliates) would beneficially own in excess of 19.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of the respective Conversion Shares.

### ***Series D Convertible Preferred Stock***

The Series D Preferred Stock shall rank (i) senior to the Company's common stock and any other class or series of capital stock of the Company created hereafter, the terms of which specifically provide that such class or series shall rank junior to the Series D Preferred Stock, (ii) *pari passu* with any class or series of capital stock of the Company created hereafter specifically ranking, by its terms, on par with the Series D Preferred Stock, (iii) *pari passu* with the Series B Convertible Preferred Stock of the Company (the "Series B Preferred Stock") with respect to its rights, preferences and restrictions, and (iv) *pari passu* with the Series C Convertible Preferred Stock of the Company (the "Series C Preferred Stock").

Holders of the Series D Preferred Stock have no voting power except as otherwise required by the Delaware General Corporation Law.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary (a "Liquidation"), the holders of the Series D Preferred Stock shall 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 D Preferred Stock, including the Series A Preferred Stock, (ii) ratably with any class or series of stock ranking on liquidation on parity with the Series D Preferred Stock and (iii) in preference and priority to the holders of the shares of Common Stock, an amount equal to 100% of the Stated Value of the Series D Preferred Stock, in proportion to the full and preferential amount that all shares of the Series D Preferred Stock are entitled to receive.

Each share of Series D Preferred Stock shall be convertible into common stock (the "Conversion Shares") at a conversion per share equal to \$2.41, at the option of the holder, at any time after the Company has obtained shareholder approval for the issuance of the Conversion Shares pursuant to the rules of the Nasdaq Stock Market. In addition, the holder shall not have the right to convert any portion of the Series D Preferred Stock if, after giving effect to the conversion, such holder (together with its affiliates) would beneficially own in excess of 4.99% of the number of shares of the common stock outstanding immediately after giving effect to the issuance of the respective Conversion Shares.

#### **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 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 10% of our assets. In general, an "interested stockholder" is any entity or person beneficially owning 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 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 the transfer agent and registrar for our common stock.

#### **Listing**

Our common stock is listed on the Nasdaq Capital Market under the symbol "ALBT."



## AVALON GLOBOCARE CORP.

STATEMENT OF COMPANY POLICY ON  
INSIDER TRADING AND DISCLOSURE

This memorandum sets forth the policy of Avalon GloboCare Corp. and its subsidiaries (collectively, the “**Company**”) regarding trading in the Company’s securities as described below and the disclosure of information concerning the Company. This Statement of Company Policy on Insider Trading and Disclosure (the “**Insider Trading Policy**”) is designed to prevent insider trading or the appearance of impropriety, to satisfy the Company’s obligation to reasonably supervise the activities of Company personnel, and to help Company personnel avoid the severe consequences associated with violations of insider trading laws. **It is your obligation to understand and comply with this Insider Trading Policy.** Please contact Luisa Ingargiola, the Chief Financial Officer at 732-780-4400, if you have any questions regarding the policy.

**A. To Whom does this Insider Trading Policy Apply?**

This Insider Trading Policy is applicable to the Company’s directors, officers, employees, consultants and contractors, and continues to apply following the termination of any such individual’s service to or employment with the Company until any material, nonpublic information possessed by such individual has become public or is no longer material. The same restrictions that apply to you also apply to your spouse, significant other, child, parent or other family member, in each case, living in the same household, and to any investment fund, trust, retirement plan, partnership, corporation or other entity over which you have the ability to influence or direct investment decisions concerning securities. You are responsible for ensuring compliance with this Insider Trading Policy by all such persons affiliated with you.

All members of the Board of Directors, officers and all employees also must comply with the Company’s Special Trading Procedures for Insiders (the “**Trading Procedures**”), which supplement and shall be deemed a part of this Insider Trading Policy.<sup>1</sup> Generally, the Trading Procedures establish trading windows outside of which the persons covered by the Trading Procedures will be restricted from trading in the Company’s securities and also require the pre-clearance of all transactions in the Company’s securities by such persons. You will be notified if you are required to comply with the Company’s Trading Procedures.

**B. What is Prohibited by this Insider Trading Policy?**

It is generally illegal for any director, officer or employee of the Company to trade in the securities of the Company while in the possession of material, nonpublic information about the Company. It is also generally illegal for any director, officer or employee of the Company to disclose material, nonpublic information about the Company to others who may trade on the basis of that information. These illegal activities are commonly referred to as “*insider trading*.”

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<sup>1</sup> Please refer to the Special Trading Procedures for Insiders.

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## Prohibited Activities

When you know or are in possession of material, nonpublic information about the Company, you generally are prohibited from the following activities:

- trading in the Company's securities, which includes common stock, options to purchase common stock, any other type of securities that the Company may issue (such as preferred stock, convertible debentures, warrants, exchange-traded options or other derivative securities), and any derivative securities that provide the economic equivalent of ownership of any of the Company's securities or an opportunity, direct or indirect, to profit from any change in the value of the Company's securities;
- having others trade for you in the Company's securities;
- giving trading advice of any kind about the Company except that you should, when appropriate, advise others not to trade if doing so might violate the law or this Insider Trading Policy; and
- disclosing the material, nonpublic information about the Company to anyone else who might then trade, or recommending to anyone that they purchase or sell the Company's securities when you are aware of material, nonpublic information (these practices are known as "*tipping*").

As noted above, these prohibitions also apply to your spouse, significant other, child, parent or other family member, in each case, living in the same household; and any investment fund, trust, retirement plan, partnership, corporation or other entity over which you have the ability to influence or direct investment decisions concerning securities.

**This Insider Trading Policy does not apply to an exercise of an employee stock option when payment of the exercise price is made in cash. The policy does apply, however, to the use of outstanding Company securities to constitute part or all of the exercise price of an option, any sale of stock as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.**

These prohibitions continue whenever and for as long as you know or are in possession of material, nonpublic information. Remember, anyone scrutinizing your transactions will be doing so after the fact, with the benefit of hindsight. As a practical matter, before engaging in any transaction, you should carefully consider how enforcement authorities and others might view the transaction in hindsight.

## Definition of Material, Nonpublic Information

This Insider Trading Policy prohibits you from trading in the Company's securities if you are in possession of information about the Company that is both "*material*" and "*nonpublic*."

### ***What is “Material” Information?***

Information about the Company is “material” if it could reasonably be expected to affect the investment or voting decisions of a stockholder or investor, or if the disclosure of the information could reasonably be expected to significantly alter the total mix of information in the marketplace about the Company. In simple terms, material information is any type of information that could reasonably be expected to affect the market price of the Company’s securities. Both positive and negative information may be material. While it is not possible to identify all information that would be deemed “material,” the following items are types of information that should be considered carefully to determine whether they are material:

- projections of future earnings or losses, or other earnings guidance;
- earnings or revenue that are inconsistent with the consensus expectations of the investment community;
- potential restatements of the Company’s financial statements, changes in auditors or auditor notification that the Company may no longer rely on an auditor’s audit report;
- pending or proposed mergers, acquisitions, tender offers, joint ventures or dispositions of significant assets;
- changes in management or the Board of Directors;
- actual or threatened litigation or governmental investigations or major developments in such matters;
- developments regarding products, customers, suppliers, orders, contracts or financing sources (e.g., the acquisition or loss of a contract);
- changes in dividend policy, declarations of stock splits, or public or private sales of additional securities;
- potential defaults under the Company’s credit agreements or indentures, or the existence of material liquidity deficiencies;
- bankruptcies or receiverships;
- developments regarding any programs in clinical development, including recent regulatory interaction and/or data that have been recently generated from ongoing or recently completed clinical trials; and
- developments regarding the intellectual property and/or freedom to operate for any of the current programs or product candidates under development.

The Securities and Exchange Commission (the “**SEC**”) has stated that there is no fixed quantitative threshold amount for determining materiality, and that even very small quantitative changes can be qualitatively material if they would result in a movement in the price of the Company’s securities.

### ***What is “Nonpublic” Information?***

Material information is “nonpublic” if it has not been disseminated in a manner making it available to investors generally. To show that information is public, it is necessary to point to some fact that establishes that the information has become publicly available, such as the filing of a report with the SEC, the distribution of a press release through a widely disseminated news or wire service, or by other means that are reasonably designed to provide broad public access. Before a person who possesses material, nonpublic information can trade, there also must be adequate time for the market as a whole to absorb the information that has been disclosed. For the purposes of this Insider Trading Policy, information will be considered public after the close of trading on the second full trading day following the Company’s public release of the information.

For example, if the Company announces material information of which you are aware before trading begins on a Tuesday, the first time you can buy or sell Company securities is the opening of the market on Thursday. However, if the Company announces this material information after trading begins on that Tuesday, the first time that you can buy or sell Company securities is the opening of the market on Friday.

### ***C. Are there any Restrictions on the Use of Electronic Bulletin Boards, Internet Chat Rooms or Websites?***

While the Company encourages its stockholders and potential investors to obtain as much information as possible about the Company, the Company believes that information should come from its publicly-filed SEC reports, press releases and external website or from a designated Company spokesperson, rather than from speculation or unauthorized disclosures by the Company’s directors, officers or employees. For this reason, the Company has designated certain members of management to respond to inquiries regarding the Company’s business and prospects. This centralization of communication is designed to ensure that the information the Company discloses is accurate and considered in light of previous disclosures. Formal announcements are generally reviewed by management and legal counsel before they are made public. Any communications that do not go through this review process create an increased risk to the Company, as well as to the individual responsible for the communication, of civil and criminal liability.

In addition, with the advent of the Internet, and the emergence of electronic bulletin boards and chat rooms, electronic discussions about companies and their business prospects have become common. Inappropriate communications disseminated on the Internet may pose an inherently greater risk due to the size of the audience they can reach. These forums have the potential to move a stock price significantly, and very rapidly – yet the information disseminated through electronic bulletin boards and chat rooms often is unreliable, and in some cases, may be deliberately false. The SEC has investigated and prosecuted a number of fraudulent schemes involving electronic bulletin boards and chat rooms. You may encounter information about the Company on the Internet that you believe is harmful or inaccurate, or other information that you believe is true or beneficial for the Company. Although you may have a natural tendency to deny or confirm such information on an electronic bulletin board or in a chat room, any sort of response, even if it presents accurate information, could be considered improper disclosure and could result in legal liability to you and/or to the Company.

The Company is committed to preventing inadvertent disclosures of material, nonpublic information, preventing unwitting participation in Internet-based securities fraud, and avoiding the appearance of impropriety by persons associated with the Company. Accordingly, this Insider Trading Policy prohibits you from discussing material, nonpublic information about the Company with anyone, including other employees, except as required in the performance of your duties. You should not under any circumstances provide information or discuss matters involving the Company with the news media, any broker-dealer, analyst, investment banker, investment advisor, institutional investment manager, investment company or stockholder, even if you are contacted directly by such persons, without express prior authorization. This restriction applies whether or not you identify yourself as associated with the Company. You should refer all such contact or inquiries to the Chief Executive Officer and the Chief Financial Officer.

This Insider Trading Policy also prohibits you from making any comments or postings about the Company on any Internet bulletin boards, chat rooms or websites, or responding to comments or postings about the Company's business made by others. This restriction applies whether or not you identify yourself as associated with the Company.

***D. What are the Penalties for Insider Trading and Noncompliance with this Insider Trading Policy?***

Both the SEC and the national securities exchanges, through the Financial Industry Regulatory Authority (FINRA), investigate and are very effective at detecting insider trading. The SEC, together with the U.S. Attorneys, pursue insider trading violations vigorously. For instance, cases have been successfully prosecuted against trading by employees in foreign accounts, trading by family members and friends, and trading involving only a small number of shares.

The penalties for violating insider trading or tipping rules can be severe and include:

- disgorgement of the profit gained or loss avoided by the trading;
- payment of the loss suffered by the persons who, contemporaneously with the purchase or sale of securities that are subject of such violation, have purchased or sold, as applicable, securities of the same class;
- payment of criminal penalties of up to \$5,000,000;
- payment of civil penalties of up to three times the profit made or loss avoided; and
- imprisonment for up to 20 years.

The Company and/or the supervisors of the person engaged in insider trading may also be required to pay civil penalties of up to the greater of \$1,525,000 (subject to periodic inflation adjustments)<sup>2</sup> or three times the profit made or loss avoided, as well as criminal penalties of up to \$25,000,000, and could under certain circumstances be subject to private lawsuits.

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<sup>2</sup> The civil penalty for a control person's involvement in insider trading violations is listed in Section 21A(a)(3) of the Exchange Act (15 U.S. Code 78u-1(a)(3)) as \$1,000,000. The SEC adjusts this number for inflation at least every 4 years, as required by the Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996. The civil penalty amount was last increased to \$1,525,000 in 2013. See 17 CFR Part 201, Subpart E – Adjustment of Civil Monetary Penalties; see also the accompanying SEC Final Rule release, particularly pages 4-5 and 10, found at: <https://www.sec.gov/rules/final/2013/33-9387.pdf>. Please refer to 17 CFR Part 201, Subpart E prior to using this Insider Trading Policy to check whether the civil penalty amount has subsequently been adjusted. Note also that the criminal penalties described in this section of the Insider Trading Policy are listed in Section 32 of the Exchange Act and are not subject to periodic inflation adjustments.

Violation of this Insider Trading Policy or any federal or state insider trading laws may subject the person violating such policy or laws to disciplinary action by the Company up to and including termination. The Company reserves the right to determine, in its own discretion and on the basis of the information available to it, whether this Insider Trading Policy has been violated. The Company may determine that specific conduct violates this Insider Trading Policy, whether or not the conduct also violates the law. It is not necessary for the Company to await the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

***E. Does the Company have any Other Policies Regarding Confidential Information?***

The Company also has strict policies relating to safeguarding the confidentiality of its internal, proprietary information and the use of social media and other online platforms. These policies include procedures regarding identifying, marking and safeguarding confidential information and employee confidentiality agreements. You should comply with these policies at all times.

***F. How Do You Report a Violation of this Insider Trading Policy?***

If you violate this Insider Trading Policy or any federal or state laws governing insider trading, or know of any such violation by any director, officer or employee of the Company, you must report the violation immediately to Luisa Ingargiola, the Chief Financial Officer at 732-780-4400. However, if the conduct in question involves the Chief Financial Officer, or if you have reported such conduct to the Chief Financial Officer and you do not believe that she has dealt with it properly, or if you do not feel that you can discuss the matter with Chief Financial Officer, you may raise the matter with David K. Jin, the Chief Executive Officer and President.

***G. Is This Insider Trading Policy Subject to Modification?***

The Company may at any time change this Insider Trading Policy or adopt such other policies or procedures which it considers appropriate to carry out the purposes of its policies regarding insider trading and the disclosure of Company information. Notice of any such change will be delivered to you by regular or electronic mail (or other delivery option used by the Company) by the Company. You will be deemed to have received, be bound by and agree to revisions of this Insider Trading Policy when such revisions have been delivered to you, unless you object to any revision in a written statement received by Luisa Ingargiola, the Chief Financial Officer, within two (2) business days of such delivery.



**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Forms S-3 (File No. 333-272736) and S-8 (File No. 333-251196) of our report dated March 31, 2025, with respect to the consolidated financial statements of Avalon GloboCare Corp. included in this Annual Report on Form 10-K for the year ended December 31, 2024, and the reference to our firm under the caption "Experts" in the Registration Statement.

*/s/ M&K CPAs, PLLC*

Houston, TX  
March 31, 2025

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statement on Forms S-3 (File No. 333-272736) and S-8 (File No. 333-251196) of our report dated April 15, 2024, with respect to the consolidated financial statements of Avalon GloboCare Corp. included in this Annual Report on Form 10-K for the year ended December 31, 2024.

/s/ Marcum LLP

New York, NY  
March 31, 2025



**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: March 31, 2025

/s/ David K. Jin

David K. Jin

*Chief Executive Officer*

*(Principal Executive Officer)*

**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: March 31, 2025

/s/ Luisa Ingargiola

Luisa Ingargiola  
Chief Financial Officer  
(Principal Financial Officer)

**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 year ended December 31, 2024, 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 of her 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.

March 31, 2025

/s/ David K. Jin

David K. Jin

*Chief Executive Officer*

*(Principal Executive Officer)*

March 31, 2025

/s/ Luisa Ingargiola

Luisa Ingargiola

*Chief Financial Officer*

*(Principal Financial 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.