

Meridian Waste Solutions, Inc.  
Form 10-Q  
May 16, 2016

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

FORM 10-Q

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

For the quarterly period ended: March 31, 2016

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 000-13984

MERIDIAN WASTE SOLUTIONS, INC.  
(Exact name of registrant as specified in its charter)

New York 133832215  
(State or other jurisdiction of incorporation) (IRS Employer Identification No.)

12540 Broadwell Road, Suite 2104  
Milton, GA 30004  
(Address of principal executive offices)

(Previous address of principal executive offices)

678-871-7457  
(Registrant's telephone number, including area code)

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 past 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated

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filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

Large accelerated filer	<input type="radio"/>	Accelerated filer	<input type="radio"/>
Non-accelerated filer	<input type="radio"/>	Smaller reporting company	<input checked="" type="radio"/>

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 May 13, 2016, there were 24,992,223 shares outstanding of the registrant’s common stock.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

CONSOLIDATED BALANCE SHEETS  
MARCH 31, 2016 AND DECEMBER 31, 2015

Assets	March 31, 2016 (UNAUDITED)	December 31, 2015
Current assets:		
Cash and cash equivalents	\$ 1,766,569	\$2,729,795
Short-term investments	1,947,127	-
Accounts receivable, net of allowance	2,013,933	1,707,818
Prepaid expenses	393,728	427,615
Other current assets	88,537	52,359
Total current assets	6,209,894	4,917,587
Property, plant and equipment, at cost net of accumulated depreciation	16,040,835	14,433,740
Other assets:		
Investment in related party affiliate	362,080	364,185
Deposits	10,954	10,954
Loan fees, net of accumulated amortization	1,115,200	1,416,697
Goodwill	7,234,420	7,479,642
Landfill assets, net of accumulated amortization	3,371,212	3,393,476
Customer list, net of accumulated amortization	18,636,744	19,500,362
Non-compete, net of accumulated amortization	145,459	155,699
Website, net of accumulated amortization	10,208	10,904
Total other assets	30,886,277	32,331,919
Total assets	\$ 53,137,006	\$51,683,246
Liabilities and Shareholders' (Deficit) Equity		
Current liabilities:		
Accounts payable	\$ 1,981,859	\$1,988,050
Accrued expenses	474,806	280,069
Notes payable, related party	359,891	359,891
Deferred compensation	1,036,630	996,380
Deferred revenue	3,045,935	2,912,264
Convertible notes due related parties, includes put premiums	15,065	15,065
Contingent liability	1,000,000	1,000,000
Derivative liability - stock warrants	2,640,000	2,820,000
Current portion - long term debt	268,994	417,119

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Total current liabilities	10,823,180	10,788,838
Long term liabilities:		
Asset retirement obligation	245,428	200,252
Long term debt, net of current	42,964,192	40,587,493
		2,376,699
Total long term liabilities	43,209,620	40,787,745
Total liabilities	54,032,800	51,576,583
Shareholders' equity:		
Preferred Series A stock, par value \$.001, 51 shares authorized, issued and outstanding	-	-
Preferred Series B stock, par value \$.001, 71,210 shares authorized, issued and outstanding	71	71
Common stock, par value \$.025, 75,000,000 shares authorized, 24,537,982 and 21,038,650 share issued and outstanding, respectively	613,449	525,966
Treasury stock, at cost, 230,000 shares	(224,250 )	(224,250 )
Additional paid in capital	32,961,418	27,624,492
Accumulated deficit	(34,246,482 )	(27,819,616)
Total shareholders' (deficit) equity	(895,794 )	106,663
Total liabilities and shareholders' equity	\$ 53,137,006	\$51,683,246

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE THREE MONTHS ENDING MARCH 31, 2016 AND 2015

	Three months ended	
	March 31, 2016	March 31, 2015
	(UNAUDITED)	(UNAUDITED)
Revenue		
Services	\$7,488,239	\$ 3,035,819
	7,488,239	3,035,819
Total revenue		
Cost of sales and services		
Cost of sales and services	4,469,898	1,833,058
Depreciation	757,089	381,576
Total cost of sales and services	5,226,987	2,214,634
Gross Profit	2,261,252	821,185
Expenses		
Bad debt expense	44,589	2,738
Compensation and related expense	4,230,768	2,145,907
Depreciation and amortization	950,317	725,612
Selling, general and administrative	2,191,571	513,666
Total expenses	7,417,245	3,387,923
Other income (expenses):		
Miscellaneous income	6,700	1,097
Loss on disposal of assets	(1,451 )	-
Unrealized gain (loss) on interest rate swap	-	3,071
Unrealized gain on change in fair value of derivative liability	180,000	-
Loss on extinguishment of debt	-	-
Loss from proportionate share of equity method investment	(2,105 )	-
Recapitalization expense	-	-
Unrealized gain on investment	-	-
Interest income	2,139	-
Interest expense	(1,456,156 )	(190,076 )
Total other expenses	(1,270,873 )	(185,908 )
Net loss	\$(6,426,866 )	\$ (2,752,646 )
Basic net loss per share	\$(0.30 )	\$ (0.25 )
Weighted average number of shares outstanding (Basic and Diluted)	21,680,019	11,114,873



UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTHS ENDING MARCH 31, 2016 AND 2015

	Periods ending	
	March 31,	March 31, 2015
	2016	(UNAUDITED)
	(UNAUDITED)	(UNAUDITED)
Cash flows from operating activities:		
Net loss	\$(6,426,866)	\$ (2,752,646 )
Adjustments to reconcile net loss to net cash (used in) provided from operating activities:		
Depreciation and amortization	1,707,406	1,107,189
Interest accretion on landfill liabilities	45,176	
Amortization of capitalized loan fees & debt discount	413,639	-
Unrealized gain on swap agreement	-	(3,072 )
Unrealized gain on derivatives	(180,000 )	-
Stock issued to vendors for services	778,985	260,325
Stock issued to employees as incentive compensation	3,545,422	1,486,265
Loss from proportionate share of equity investment	2,105	
Loss on disposal of equipment	1,451	-
Changes in working capital items net of acquisitions:		
Accounts receivable, net of allowance	(306,115 )	143,253
Prepaid expenses and other current assets	(2,291 )	(89,989 )
Accounts payable and accrued expenses	188,546	122,276
Deferred compensation	40,250	170,000
Deferred revenue	133,671	30,927
Other current liabilities	-	(340,044 )
Net cash (used in) provided from operating activities	(58,621 )	134,484
Cash flows from investing activities:		
Landfill additions / ARO adjustments	(29,669 )	
Acquisition of property, plant and equipment	(2,436,439)	(295,913 )
Purchases of short-term investments	(1,947,127)	
True up related to acquisition	245,222	
Proceeds from sale of property, plant and equipment	46,975	-
Net cash used in investing activities	(4,121,038)	(295,913 )
Cash flows from financing activities:		
Proceeds from loans	2,150,000	-
Proceeds from issuance of common stock	1,100,000	-
Principle payments on notes payable	(33,567 )	(489,286 )
Proceeds from line of credit	-	750,000
Net cash provided from financing activities	3,216,433	260,714
Net change in cash	(963,226 )	99,285



Beginning cash	2,729,795	438,907
Ending cash	\$ 1,766,569	\$ 538,192
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$997,341	\$ 272,840
Cash paid for taxes	\$-	\$ -
Supplemental Non-Cash Investing and Financing Information:		
Disposition of capitalized software in exchange for equal value of equity in acquiring entity	\$-	\$ 434,532

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 1 - NATURE OF OPERATIONS AND ORGANIZATION

Meridian Waste Solutions, Inc. (the “Company” or “Meridian”) is currently operating under five separate Limited Liability Companies:

- (1) Here To Serve Missouri Waste Division, LLC (“HTSMWD”), a Missouri Limited Liability Company;
- (2) Here To Serve Georgia Waste Division, LLC (“HTSGWD”), a Georgia Limited Liability Company;
- (3) Meridian Land Company, LLC (“MLC”), a Georgia Limited Liability Company;
- (4) Here to Serve Technology, LLC (“HTST”), a Georgia Limited Liability Company; and
- (5) Christian Disposal, LLC and subsidiary (“CD”), a Missouri Limited Liability Company.

On January 7, 2015, in an effort to give investors a more concentrated presence in the waste industry the Company sold the assets of HTST to Mobile Science Technologies, Inc., a Georgia corporation (MSTI), a related party due to being owned and managed by some of the shareholders of the Company. On this date HTST ceased operations and became a dormant Limited Liability Company (“LLC”). Currently, Meridian is formalizing plans to dissolve HTST, in which this LLC will cease to exist.

In 2014, HTSMWD purchased the assets of a large solid waste disposal company in the St. Louis, MO market. This acquisition is considered the platform company for future acquisitions in the solid waste disposal industry. HTSGWD was created to facilitate expansion in this industry throughout the Southeast.

The Company is primarily in the business of residential and commercial waste disposal and hauling and has contracts with various cities and municipalities. The majority of the Company’s customers are located in the St. Louis metropolitan and surrounding areas.

Acquisition of Christian Disposal, LLC and Eagle Ridge Landfill, LLC

On December 22, 2015, Meridian Waste Solutions, Inc. and subsidiaries (the “Company”) completed its acquisition of Christian Disposal LLC, and subsidiary (“Christian Purchase Agreement”). Pursuant to the Christian Purchase Agreement, the Company acquired 100% of the membership interests of Christian Disposal, which is integrated into the operations of the Company; refer to intangible assets and acquisition footnote below.

Simultaneous with the closing thereof, Christian Disposal LLC, and subsidiary, entered into a Lease Agreement, in which, the Company leased 4551 Commerce Avenue, High Ridge, Missouri, for a five-year term at a monthly rent of \$6,500. Additionally, the Company entered into an employment agreement with an executive employee for a term of five years.

Concurrently, the Company completed an asset purchase agreement with WCA Waste Corporation (the “Eagle Purchase Agreement”). The Company acquired all of the assets of Eagle Ridge Landfill, LLC (“ERL”), its rights and properties related to such business of ERL, which includes certain assets and operations of the Eagle Ridge Hauling Business (“ERH”) and certain debts, which is now operating under Meridian Land Company, LLC. Refer to intangible assets and acquisition footnote below.

#### Recapitalization

On October 17, 2014 Here to Serve Missouri Waste Division, LLC, (HTSMWD) a Missouri Limited Liability Company, which is the historical business, entered into a Share Exchange Agreement with the Company and the sole member of HTSMWD whereby the Company agreed to acquire the membership interest of HTSMWD, HTST and HTSGWD in exchange for 9,054,134 shares of the Company's common stock. This transaction was closed on October 17, 2014 and HTSMWD became wholly-owned by the Company. The Company is deemed to have issued 1,139,284 shares of common stock which represents the outstanding common shares of the Company just prior to the closing of the transaction.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 1 - NATURE OF OPERATIONS AND ORGANIZATION (CONTINUED)

At closing, the Company issued 9,054,134 shares of its common stock to the sole member of HTSMWD and the shareholders of the sole member who obtained approximately 90% control and management control of the Company. The transaction was accounted for as a reverse acquisition and recapitalization of HTSMWD, HTST and HTSGWD whereby HTSMWD is considered the acquirer for accounting purposes. The consolidated financial statements after the acquisition include the balance sheets of both companies and HTST and HTSGWD at historical cost, the historical results of HTSMWD, HTST and HTSGWD. All share and per share information in the accompanying consolidated financial statements and footnotes has been retroactively restated to reflect the recapitalization (see Explanation of Membership Interest Purchase Agreement below).

Liquidity and Capital Resources

As of March 31, 2016, the Company had negative working capital of \$4,613,287. This lack of liquidity is mitigated by the Company's ability to generate positive cash flow from operating activities. In the three months ended March 31, 2016, cash generated from operating activities, excluding one-time acquisition and transition expenses of approximately \$467,000, was approximately \$408,000. In addition, as of March 31, 2016, the Company had approximately \$1,767,000 in cash and cash equivalents and \$1,947,000 in short-term investments to cover its short term cash requirements. Further, the Company has approximately \$12,850,000 of borrowing capacity on its multi-draw term loans and revolving commitments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by US GAAP for complete financial statements. The unaudited consolidated financial statements and notes included herein should be read in conjunction with the annual consolidated financial statements and notes for the year ended December 31, 2015 included in our Annual Report on Form 10-K filed with the SEC on April 14, 2016.

In the opinion of management, all adjustments (consisting of normal recurring items) necessary to present fairly the Company's financial position as of March 31, 2016, and the results of operations and cash flows for the three months ending March 31, 2016 have been made. The results of operations for the three months ended March 31, 2016 are not necessarily indicative of the results to be expected for a full year.

Basis of Consolidation

The consolidated financial statements for the three months ending March 31, 2016 include the operations of the Company and its wholly-owned subsidiaries, Here To Serve Missouri Waste Division, LLC, Meridian Land Company, LLC, Here to Serve Technology, LLC, Here To Serve Georgia Waste Division, LLC and Christian

Disposal, LLC. The following two subsidiaries of the Company, Here To Serve Georgia Waste Division, LLC and Here to Serve Technology, LLC, a Georgia Limited Liability Company had no operations during the period. The consolidated financial statements for the three months ending March 31, 2015 include the operations of the Company and its wholly-owned subsidiaries, Here To Serve Missouri Waste Division, LLC, Here To Serve Georgia Waste Division, LLC and Here to Serve Technology, LLC, a Georgia Limited Liability Company.

All significant intercompany accounts and transactions have been eliminated in consolidation.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents and Short-term Investments

The Company considers all highly liquid investments with maturities of three months or less to be cash equivalents. Short-term investments consist of investments that have a remaining maturity of less than one year as of the date of the balance sheet.

Management determines the appropriate classification of short-term investments at the time of purchase and evaluates such designation as of each balance sheet date. All short-term investments to date have been classified as held-to-maturity and carried at amortized costs, which approximates fair market value, on our Consolidated Balance Sheets. For the three months ended March 31, 2016 and 2015, interest income of \$2,139 and \$0, respectively, was recorded related to the held-to-maturity securities. Our short-term investments' contractual maturities occur before March 31, 2017.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, account payable, accrued expenses, and notes payable. The carrying amount of these financial instruments approximates fair value due either to length of maturity or interest rates that approximate prevailing market rates unless otherwise disclosed in these consolidated financial statements.

Derivative Instruments

The Company enters into financing arrangements that consist of freestanding derivative instruments or are hybrid instruments that contain embedded derivative features. The Company accounts for these arrangements in accordance with Accounting Standards Codification topic 815, Accounting for Derivative Instruments and Hedging Activities ("ASC 815") as well as related interpretations of this standard. In accordance with this standard, derivative instruments are recognized as either assets or liabilities in the balance sheet and are measured at fair values with gains or losses recognized in earnings. Embedded derivatives that are not clearly and closely related to the host contract are bifurcated and are recognized at fair value with changes in fair value recognized as either a gain or loss in earnings. The Company determines the fair value of derivative instruments and hybrid instruments based on available market data using appropriate valuation models, considering of the rights and obligations of each instrument.

The Company estimates fair values of derivative financial instruments using various techniques (and combinations thereof) that are considered consistent with the objective measuring fair values. In selecting the appropriate technique, the Company considers, among other factors, the nature of the instrument, the market risks that it embodies and the expected means of settlement. For less complex derivative instruments, such as freestanding warrants, the Company generally use the Black Scholes model, adjusted for the effect of dilution, because it embodies all of the requisite assumptions (including trading volatility, estimated terms, dilution and risk free rates) necessary to fair value these instruments. Estimating fair values of derivative financial instruments requires the development of significant and subjective estimates that may, and are likely to, change over the duration of the instrument with related changes in internal and external market factors. In addition, option-based techniques (such as Black-Scholes model) are highly

volatile and sensitive to changes in the trading market price of our common stock. Since derivative financial instruments are initially and subsequently carried at fair values, our income (expense) going forward will reflect the volatility in these estimates and assumption changes. Under the terms of this accounting standard, increases in the trading price of the Company's common stock and increases in fair value during a given financial quarter result in the application of non-cash derivative expense. Conversely, decreases in the trading price of the Company's common stock and decreases in trading fair value during a given financial quarter result in the application of non-cash derivative income.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of long-lived assets

The Company periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. 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. During the three months ending March 31, 2016, the Company experienced no losses due to impairment.

Income Taxes

The Company accounts for income taxes pursuant to the provisions of ASC 740-10, "Accounting for Income Taxes," which requires, among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized.

The Company follows the provisions of the ASC 740 -10 related to, Accounting for Uncertain Income Tax Positions. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company analyzes its tax positions by utilizing ASC 740-10-25 Definition of Settlement, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion of an examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open. As of March 31, 2016, tax years ended December 31, 2015, 2014, and 2013 are still potentially subject to audit by the taxing authorities.



## Use of Estimates

Management estimates and judgments are an integral part of consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). We believe that the critical accounting policies described in this section address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these balances in future periods.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are recorded at management's estimate of net realizable value. At March 31, 2016 and December 31, 2015 the Company had approximately \$2,641,000 and \$2,326,000 of gross trade receivables, respectively.

Our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy and adjust our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables and knowledge of our individual customers. However, if the financial condition of our customers were to deteriorate, additional allowances may be required. At March 31, 2016 and December 31, 2015 the Company had approximately \$627,000 and \$618,000 recorded for the allowance for doubtful accounts, respectively.

Advertising costs

Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which future benefits are expected to be received. The Company did not capitalize any advertising for the three months ended March 31, 2016. Advertising expenses were approximately \$12,000 for the three months ended March 31, 2016.

Property, plant and equipment

The cost of property, plant, and equipment is depreciated over the estimated useful lives of the related assets utilizing the straight-line method of depreciation. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Ordinary repairs and maintenance are expensed when incurred and major repairs will be capitalized and expensed if it benefits future periods.

Intangible Assets

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually. The Company has intangible assets related to its purchase of Meridian Waste Services, LLC, Christian Disposal LLC and Eagle Ridge Landfill, LLC, which are further discussed in the notes below.

Investment in Related Party Affiliate

The Company has an investment in a privately held corporation in the mobile apps industry. As the Company exercises significant influence on this entity, this investment is recorded using the equity method of accounting. The Company monitors this investment for impairment and makes appropriate reductions in the carrying value if the Company determines that an impairment charge is required based primarily on the financial condition and near-term prospect of this entity.



MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Goodwill

Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but as discussed in the impairment of long lived assets section above, we assess our goodwill for impairment at least annually.

Website Development Costs

The Company accounts for website development costs in accordance with Accounting Standards Codification 350-50 "Website Development Costs". Accordingly, all costs incurred in the planning stage are expensed as incurred, costs incurred in the website application and infrastructure development stage that meet specific criteria are capitalized and costs incurred in the day to day operation of the website are expensed as incurred.

Landfill Accounting

Capitalized landfill costs

Cost basis of landfill assets — We capitalize various costs that we incur to make a landfill ready to accept waste. These costs generally include expenditures for land (including the landfill footprint and required landfill buffer property); permitting; excavation; liner material and installation; landfill leachate collection systems; landfill gas collection systems; environmental monitoring equipment for groundwater and landfill gas; and directly related engineering, capitalized interest, on-site road construction and other capital infrastructure costs. The cost basis of our landfill assets also includes asset retirement costs, which represent estimates of future costs associated with landfill final capping, closure and post-closure activities. These costs are discussed below.

Final capping, closure and post-closure costs — Following is a description of our asset retirement activities and our related accounting:

- Final capping — Involves the installation of flexible membrane liners and geosynthetic clay liners, drainage and compacted soil layers and topsoil over areas of a landfill where total airspace capacity has been consumed. Final capping asset retirement obligations are recorded on a units-of-consumption basis as airspace is consumed related to the specific final capping event with a corresponding increase in the landfill asset. The final capping is accounted for as a discrete obligation and recorded as an asset and a liability based on estimates of the discounted cash flows and capacity associated with the final capping.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- Closure — Includes the construction of the final portion of methane gas collection systems (when required), demobilization and routine maintenance costs. These are costs incurred after the site ceases to accept waste, but before the landfill is certified as closed by the applicable state regulatory agency. These costs are recorded as an asset retirement obligation as airspace is consumed over the life of the landfill with a corresponding increase in the landfill asset. Closure obligations are recorded over the life of the landfill based on estimates of the discounted cash flows associated with performing closure activities.
- Post-closure — Involves the maintenance and monitoring of a landfill site that has been certified closed by the applicable regulatory agency. Generally, we are required to maintain and monitor landfill sites for a 30-year period. These maintenance and monitoring costs are recorded as an asset retirement obligation as airspace is consumed over the life of the landfill with a corresponding increase in the landfill asset. Post-closure obligations are recorded over the life of the landfill based on estimates of the discounted cash flows associated with performing post-closure activities.

We develop our estimates of these obligations using input from our operations personnel, engineers and accountants. Our estimates are based on our interpretation of current requirements and proposed regulatory changes and are intended to approximate fair value. Absent quoted market prices, the estimate of fair value is based on the best available information, including the results of present value techniques. In many cases, we contract with third parties to fulfill our obligations for final capping, closure and post closure. We use historical experience, professional engineering judgment and quoted and actual prices paid for similar work to determine the fair value of these obligations. We are required to recognize these obligations at market prices whether we plan to contract with third parties or perform the work ourselves. In those instances where we perform the work with internal resources, the incremental profit margin realized is recognized as a component of operating income when the work is performed.

Once we have determined the final capping, closure and post-closure costs, we inflate those costs to the expected time of payment and discount those expected future costs back to present value. During the three months ended March 31, 2016 we inflated these costs in current dollars until the expected time of payment using an inflation rate of 2.5%. Accretion expense was approximately \$42,500 for the three months ended March 31, 2016. We discounted these costs to present value using the credit-adjusted, risk-free rate effective at the time an obligation is incurred, consistent with the expected cash flow approach. Any changes in expectations that result in an upward revision to the estimated cash flows are treated as a new liability and discounted at the current rate while downward revisions are discounted at the historical weighted average rate of the recorded obligation. As a result, the credit adjusted, risk-free discount rate used to calculate the present value of an obligation is specific to each individual asset retirement obligation. The weighted average rate applicable to our long-term asset retirement obligations at March 31, 2016 is approximately 8.5%.

We record the estimated fair value of final capping, closure and post-closure liabilities for our landfills based on the capacity consumed through the current period. The fair value of final capping obligations is developed based on our estimates of the airspace consumed to date for the final capping. The fair value of closure and post-closure obligations is developed based on our estimates of the airspace consumed to date for the entire landfill and the expected timing of each closure and post-closure activity. Because these obligations are measured at estimated fair value using present value techniques, changes in the estimated cost or timing of future final capping, closure and post-closure activities

could result in a material change in these liabilities, related assets and results of operations. We assess the appropriateness of the estimates used to develop our recorded balances annually, or more often if significant facts change.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in inflation rates or the estimated costs, timing or extent of future final capping, closure and post-closure activities typically result in both (i) a current adjustment to the recorded liability and landfill asset and (ii) a change in liability and asset amounts to be recorded prospectively over either the remaining capacity of the related discrete final capping or the remaining permitted and expansion airspace (as defined below) of the landfill. Any changes related to the capitalized and future cost of the landfill assets are then recognized in accordance with our amortization policy, which would generally result in amortization expense being recognized prospectively over the remaining capacity of the final capping or the remaining permitted and expansion airspace of the landfill, as appropriate. Changes in such estimates associated with airspace that has been fully utilized result in an adjustment to the recorded liability and landfill assets with an immediate corresponding adjustment to landfill airspace amortization expense.

- Remaining permitted airspace — Our engineers, in consultation with third-party engineering consultants and surveyors, are responsible for determining remaining permitted airspace at our landfills. The remaining permitted airspace is determined by an annual survey, which is used to compare the existing landfill topography to the expected final landfill topography.
- Expansion airspace — We also include currently unpermitted expansion airspace in our estimate of remaining permitted and expansion airspace in certain circumstances. First, to include airspace associated with an expansion effort, we must generally expect the initial expansion permit application to be submitted within one year and the final expansion permit to be received within five years. Second, we must believe that obtaining the expansion permit is likely, considering the following criteria:
  - o Personnel are actively working on the expansion of an existing landfill, including efforts to obtain land use and local, state or provincial approvals;
    - o We have a legal right to use or obtain land to be included in the expansion plan;
  - o There are no significant known technical, legal, community, business, or political restrictions or similar issues that could negatively affect the success of such expansion; and
  - o Financial analysis has been completed based on conceptual design, and the results demonstrate that the expansion meets the Company's criteria for investment.

For unpermitted airspace to be initially included in our estimate of remaining permitted and expansion airspace, the expansion effort must meet all of the criteria listed above. These criteria are evaluated by our field-based engineers, accountants, managers and others to identify potential obstacles to obtaining the permits. Once the unpermitted airspace is included, our policy provides that airspace may continue to be included in remaining permitted and expansion airspace even if certain of these criteria are no longer met as long as we continue to believe we will ultimately obtain the permit, based on the facts and circumstances of a specific landfill.

When we include the expansion airspace in our calculations of remaining permitted and expansion airspace, we also include the projected costs for development, as well as the projected asset retirement costs related to the final capping, closure and post-closure of the expansion in the amortization basis of the landfill.





MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Once the remaining permitted and expansion airspace is determined in cubic yards, an airspace utilization factor ("AUF") is established to calculate the remaining permitted and expansion capacity in tons. The AUF is established using the measured density obtained from previous annual surveys and is then adjusted to account for future settlement. The amount of settlement that is forecasted will take into account several site-specific factors including current and projected mix of waste type, initial and projected waste density, estimated number of years of life remaining, depth of underlying waste, anticipated access to moisture through precipitation or recirculation of landfill leachate, and operating practices. In addition, the initial selection of the AUF is subject to a subsequent multi-level review by our engineering group, and the AUF used is reviewed on a periodic basis and revised as necessary. Our historical experience generally indicates that the impact of settlement at a landfill is greater later in the life of the landfill when the waste placed at the landfill approaches its highest point under the permit requirements.

After determining the costs and remaining permitted and expansion capacity at each of our landfill, we determine the per ton rates that will be expensed as waste is received and deposited at the landfill by dividing the costs by the corresponding number of tons. We calculate per ton amortization rates for the landfill for assets associated with each final capping, for assets related to closure and post-closure activities and for all other costs capitalized or to be capitalized in the future. These rates per ton are updated annually, or more often, as significant facts change.

It is possible that actual results, including the amount of costs incurred, the timing of final capping, closure and post-closure activities, our airspace utilization or the success of our expansion efforts could ultimately turn out to be significantly different from our estimates and assumptions. To the extent that such estimates, or related assumptions, prove to be significantly different than actual results, lower profitability may be experienced due to higher amortization rates or higher expenses; or higher profitability may result if the opposite occurs. Most significantly, if it is determined that expansion capacity should no longer be considered in calculating the recoverability of a landfill asset, we may be required to recognize an asset impairment or incur significantly higher amortization expense. If at any time management makes the decision to abandon the expansion effort, the capitalized costs related to the expansion effort are expensed immediately.

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the three months ended March 31, 2016 the Company operations related to its landfill assets and liability are presented in the tables below:

	Three Months Ended March 31, 2016 (UNAUDITED)	Year Ended December 31, 2015
Landfill Assets		
Beginning balance	\$ 3,393,476	\$3,396,519
Capital additions	26,984	-
Amortization of landfill assets	(51,933 )	(3,043 )
Asset retirement adjustments	2,685	
	\$ 3,371,212	\$3,393,476

## Landfill Asset Retirement Obligation

Beginning balance	\$ 200,252	\$196,519
Obligations incurred and capitalized	2,685	
Obligations settled	-	-
Interest accretion	42,491	3,733
Revisions in estimates and interest rate assumption	-	-
	\$ 245,428	\$200,252

## Revenue Recognition

The Company recognizes revenue when persuasive evidence of arrangement exists, services have been provided, the seller's price to the buyer is fixed or determinable, and collection is reasonably assured. The majority of the Company's revenues are generated from the fees charged for waste collection, transfer, disposal and recycling. The fees charged for our services are generally defined in service agreements and vary based on contract-specific terms such as frequency of service, weight, volume and the general market factors influencing a region's rate.

## Deferred Revenue

The Company records deferred revenue for customers that were billed in advance of services. The balance in deferred revenue represents amounts billed in January, February, and March for services that will be provided during April, May, and June.

## Cost of Services

Cost of services include all employment costs associated with waste collection, transfer and disposal, damage claims, landfill costs, personal property taxes associated with collection vehicles and other direct cost of the collection and disposal process.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations

The Company maintains its cash and cash equivalents in bank deposit accounts, which could, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts; however, amounts in excess of the federally insured limit may be at risk if the bank experiences financial difficulties. The Company places its cash with high credit quality financial institutions. The Company's accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At March 31, 2016, the Company had \$1,766,569 of cash in United States bank deposits, of which \$959,985 was federally insured and \$806,583 was not federally insured.

Financial instruments which also potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable; however, concentrations of credit risk with respect to trade accounts receivables are limited due to generally short payment terms.

For the three months ended March 31, 2016, the Company had one contract that accounted for approximately 12% of the Company's revenue. For the three months ended March 31, 2015, the Company had two contracts that accounted for approximately 51% of the Company's revenue, collectively.

Basic Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing the Company's net loss applicable to common shareholders by the weighted average number of common shares during the period. Diluted earnings per share is calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity. At March 31, 2016 the Company had two convertible notes outstanding that are not convertible into common stock until June 2016. Additionally, the Company issued stock warrants for 1,673,559 common shares.

For the three months ended March 31, 2016, the Company had 832,859 of weighted-average common shares relating to the convertible debt, under the if-converted method, however, these shares are not dilutive because the Company recorded a loss during the fiscal year.

At March 31, 2016, and December 31, 2015 the Company had a series of convertible notes and warrants outstanding that could be converted into approximately, 2,506,418 and 2,548,559 common shares, respectively. These are not presented in the consolidated statements of operations since the company incurred a loss and the effect of these shares is anti- dilutive.

Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with ASC Topic 718. To date, the Company has not adopted a stock option plan and has not granted any stock options.

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also require measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pursuant to ASC Topic 505-50, for share based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the service period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

The Company recorded stock based compensation expense of \$3,545,422 and \$1,486,265 during the three months ended March 31, 2016 and 2015, respectively, which is included in compensation and related expense on the statement of operations.

## Recent Accounting Pronouncements

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company’s results of operations, financial position or cash flow.

## NOTE 3 – PROPERTY, PLANT AND EQUIPMENT

The following is a summary of property, plant, and equipment—at cost, less accumulated depreciation:

	March 31, 2016 (UNAUDITED)	Decemeber 31, 2015
Land	\$ 1,690,000	\$1,690,000
Buildings & Building Improvements	692,156	692,156
Furniture & office equipment	288,726	258,702
Containers	4,524,382	4,453,386
Trucks, Machinery, & Equipment	12,209,606	9,948,686
Total cost	19,404,870	17,042,930
Less accumulated depreciation	(3,364,035 )	(2,609,190 )
Net property and Equipment	\$ 16,040,835	\$14,433,740

As of March 31, 2016, the Company has \$395,000 of land and building which are held for sale and included in amounts noted above. These held for sale assets were not depreciated during the three months ended March 31, 2016. Depreciation expense for three months ended March 31, 2016 and 2015 was \$780,919 and \$394,403, respectively.

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 4 - INTANGIBLE ASSETS AND ACQUISITION

## Christian Disposal Acquisition

On December 22, 2015, the Company, in order to expand into new markets and maximize the rate of waste internalization, acquired 100% of the membership interests of Christian Disposal LLC pursuant to that certain Amended and Restated Membership Interest Purchase Agreement, dated October 16, 2015, as amended by that certain First Amendment thereto, dated December 4, 2015.

The acquisition was accounted for by the Company using acquisition method under business combination accounting. Under this method, the purchase price paid by the acquirer is allocated to the assets acquired and liabilities assumed as of the acquisition date based on the fair value. By the application of “push-down” accounting, our assets, liabilities and equity were accordingly adjusted to fair value on December 22, 2015. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions.

The purchase of Christian Disposal, LLC included the acquisition of assets of \$20,035,847 and liabilities of \$2,152,738. The aggregate purchase price consisted of the following:

Cash consideration	\$13,008,109
Restricted stock consideration	2,625,000
Convertible Promissory Note	1,250,000
Contingent additional purchase price	1,000,000
Total	\$17,883,109

As noted in the table above, the purchase price could be increased by a maximum amount of \$2,000,000 depending upon the extension of certain contracts to which Christian Disposal, LLC is a party. At March 31, 2016, the fair value of the additional purchase price was determined to be \$1,000,000. Also, the Company issued 1,750,000 restricted shares of common stock as consideration which was valued at market at the date of the closing.

The following table summarizes the estimated fair value of Christian Disposal LLC, and subsidiary, assets acquired and liabilities assumed at the date of acquisition:

Cash	\$442,395
Accounts receivable	974,538
Prepaid expense	84,196
Other current assets	53,810
Customer lists intangible assets	8,180,000
Non-competition agreement intangible asset	56,000
Goodwill	5,604,110
Property, Plant, and Equipment	4,640,798
Account payable	(1,001,721 )
Deferred revenue	(1,007,525 )

Accrued expenses	(106,396 )
Capital lease	(37,096 )
Total	\$17,883,109



## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 4 - INTANGIBLE ASSETS AND ACQUISITION (CONTINUED)

## Eagle Ridge Landfill, LLC and Eagle Ridge Hauling Business

On December 22, 2015, the Company, in order to expand into new markets and maximize the rate of waste internalization, consummated the closing of the certain Asset Purchase Agreement dated November 13, 2015, by and between the Company and Eagle Ridge Landfill, LLC, as amended by the certain Amendment to Asset Purchase Agreement, dated December 18, 2015, to which the Company and WCA Waste Corporation are also party. Pursuant to the Eagle Ridge Purchase Agreement, Meridian Land acquired a landfill located in Pike County, Missouri and certain assets, rights, and properties related to such business of Eagle Ridge, including certain debts.

The acquisition was accounted for by the Company using the acquisition method under business combination accounting. Under this method, the purchase price paid by the acquirer is allocated to the assets acquired and liabilities assumed as of the acquisition date based on the fair value. By the application of “push-down” accounting, our assets, liabilities and equity were accordingly adjusted to fair value on December 22, 2015. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions.

The purchase of Eagle Ridge Landfill, LLC and certain assets included the acquisition of assets of \$9,947,224 and liabilities of \$283,737. The aggregate purchase price consisted of a cash consideration of \$9,663,487.

The following table summarizes the estimated fair value of Eagle Ridge Landfill LLC., assets acquired and liabilities assumed at the date of acquisition:

Cash	\$470
Accounts receivable	272,480
Prepaid expense	6,870
Customer lists intangible assets	2,000,000
Landfill permit (including ARO)	3,396,519
Goodwill	1,630,310
Land	1,550,000
Property, Plant, and Equipment	1,090,575
Deferred revenue	(87,218 )
Asset retirement obligation - permits	(196,519 )
Total	\$9,663,487

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

## NOTE 4 - INTANGIBLE ASSETS AND ACQUISITION (CONTINUED)

The following unaudited pro forma consolidated results of operations have been prepared as if the acquisitions of Christian Disposal and Eagle Ridge occurred at January 1, 2014:

	Three months ended March 31, 2015 (UNAUDITED)
Total Revenue	\$ 6,921,168
Net (loss) income	(2,412,011 )
Basic net loss per share	\$ (0.22 )
Shares outstanding	11,114,873

The following tables set forth the intangible assets, both acquired and developed, including accumulated amortization for the three months ended March 31, 2016:

	March 31, 2016			
	Remaining Useful Life	Cost	Accumulated Amortization	Net Carrying Value
Customer lists	13.4 years	24,187,452	5,550,708	18,636,744
Non compete agreement	3.9 years	206,000	60,541	145,459
Website	3.7 years	13,920	3,712	10,208
		\$24,407,372	\$ 5,614,961	\$18,792,411

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

## NOTE 4 - INTANGIBLE ASSETS AND ACQUISITION (CONTINUED)

In the three months ended March 31, 2016, customer lists include the intangible assets related to customer relationships acquired through the acquisition of Christian Disposal and Eagle Ridge with a cost basis of \$10,180,000. The customer list intangible assets are amortized over their useful life which ranged from 5 to 20 years. Amortization expense, excluding amortization of landfill assets of \$51,933, amounted to \$874,554 and \$712,786 for the three months ended March 31, 2016 and 2015 respectively.

## NOTE 5 - NOTES PAYABLE AND CONVERTIBLE NOTES

The Company had the following long-term debt:

	March 31, 2016 (UNAUDITED)	December 31, 2015
Goldman Sachs - Tranche A Term Loan - LIBOR Interest	\$ 40,000,000	\$40,000,000
Goldman Sachs - Revolver	2,150,000	-
Goldman Sachs - MDTL	-	-
Convertible Notes Payable	1,250,000	1,250,000
Capitalized lease - financing company, secured by equipment	33,882	37,097
Equipment loans	364,764	395,118
Notes payable to seller of Meridian, subordinated debt	1,475,000	1,475,000
Less: debt discount	(2,040,460 )	(2,152,603 )
Total debt	43,233,186	41,004,612
Less: current portion	(268,994 )	(417,119 )
Long term debt less current portion	\$ 42,964,192	\$40,587,493

## Convertible Notes Payable

The Company issued two promissory notes to related parties during the year ended December 31, 2014. These notes totaled \$125,000 and are generally convertible into common stock of the Company at discounts of 20% to 25% of the lowest average trading prices for the stock during periods five to one day prior to the conversion date. These notes bear interest at 10% to 12%, are unsecured, and mature within one year of the date issued. The notes were issued to provide working capital for the Company. These notes are considered a stock settled debt in accordance with ASC 480 since any future stock issued upon conversion will have a fixed monetary value. Due to the conversion feature included in the notes, the Company has recorded a premium on the notes totaling \$31,250 as of December 31, 2014. This amount has been charged to interest expense by the Company.

In 2015, as part of the purchase price consideration of the Christian Disposal acquisition, the Company issued a convertible promissory note to seller in the amount of \$1,250,000. The note bears interest at 8% and matures on December 31, 2020. The seller may convert all or any part of the outstanding and unpaid amount of this note into fully paid and non-assessable common stock in accordance with the agreement.

In previous periods the Company issued two other notes to other related parties. These notes totaled \$110,000 and are generally convertible into common stock of the Company at discounts of 20% to 25% of the lowest average trading prices for the stock during periods five to one day prior to the conversion date. These notes bear interest at 10% to 12%, are unsecured, and mature within one year of the date issued. The notes were issued to provide working capital for the Company. These notes are considered a stock settled debt in accordance with ASC 480 since any future stock issued upon conversion will have a fixed monetary value. Due to the conversion feature included in the notes, the Company has recorded a premium on the notes totaling \$35,833 as of December 31, 2014. This amount has been charged to interest expense by the Company.

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 5 - NOTES PAYABLE AND CONVERTIBLE NOTES (CONTINUED)

In 2015, approximately \$225,000 of the issued promissory notes were converted into approximately 461,000 shares at the contractual conversion price. At March 31, 2016 the Company had \$12,500 remaining in convertible notes to related parties, which includes \$2,500 in put premiums.

## Notes Payable

At December 31, 2014 the Company had a short term, non-interest bearing note payable of \$150,000 which was incurred in connection with the Membership Interest Purchase Agreement discussed above. The Company also had a loan from Here to Serve Holding Corp. due to expenses paid by Here to Serve on behalf of the Company prior to the recapitalization. This loan totaled \$376,585 bringing total notes payable to \$526,585. In 2015, the short term, non-interest bearing note was paid off, and at March 31, 2016, the Company's loan from Here to Serve Holding Corp. was \$359,891.

## Praesidian Notes Payable

On August 6, 2015, the Company refinanced its long-term debt payable to Comerica Bank. Proceeds from notes issued by the Company to Praesidian Capital Opportunity Fund III, LP and Praesidian Capital Opportunity Fund III-A, LP (together referred to as Praesidian) were \$10,845,000. These funds were distributed as follows:

Payoff of short term bridge financing	\$432,938
Payoff of lines of credit with Comerica Bank	1,745,799
Payoff of senior debt to Comerica Bank	7,953,433
Refinancing fees	712,830
	<b>\$10,845,000</b>

The Company's Senior Secured Loan with Comerica Bank had an interest rate of LIBOR plus 4.25% with a two-year term based on a seven-year amortization schedule. In addition, the Company had a working capital line of credit with Comerica Bank of \$1,250,000 at 4.75% of which the Company had drawn down \$1,185,081 and \$1,085,160 as of August 6, 2015 and December 31, 2014, respectively. There was CAPEX line of credit of \$750,000, of which the Company had drawn down \$560,718 and \$590,000 as of August 6, 2015 and December 31, 2014, respectively; again at 4.75% interest. As noted above, these debts were paid off from the proceeds received from Praesidian.

The debt to Praesidian had a maturity date of August 6, 2020 with interest paid monthly at an annual rate of 14%. In addition to the 14% interest rate, the Company issued to Praesidian warrants to purchase 1,293,022 shares of Common Stock of the Company. The Company repaid this debt in full. See discussion below.

## Goldman Sachs Credit Agreement

On December 22, 2015, in connection with the closing of acquisitions of Christian Disposal, LLC and certain assets of Eagle Ridge Landfill, LLC, the Company was extended certain credit facilities by Goldman Sachs, consisting of \$40,000,000 aggregate principal amount of Tranche A Term Loans, \$10,000,000 aggregate principal amount of Multi-

Draw Term Loans and up to \$5,000,000 aggregate principal amount of Revolving Commitments. During the three months ended March 31, 2016, the Company borrowed \$2,150,000 in relation to the Revolving Commitments. At March 31, 2016, the Company had at total outstanding balance of \$42,150,000 consisting of the Tranche A Term Loan and draw of the Revolving Commitments. The loans are collateralized by the assets of the Company. The debt has a maturity date of December 22, 2020 with interest paid monthly at an annual rate of 9%. In addition, there is a commitment fee paid monthly on the Mutli-Draw Term Loans and Revolving Commitments at an annual rate of 0.5%.

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 5 - NOTES PAYABLE AND CONVERTIBLE NOTES (CONTINUED)

The proceeds of the loans were used to partially fund the acquisitions referenced above and refinance existing debt with Praesidian, among other things. The funds to payoff the Praesidian notes were distributed as follows:

Aggregate outstanding principal balance of the Notes	\$10,845,043
Aggregate accrued but unpaid interest on the Notes	82,844
Prepayment Premium	325,351
Accrued PIK	9,941
Tax Liability	150,000
Accrued but unpaid fees and expenses	4,000
Payoff Amount	\$11,417,179

The Company re-paid in full and terminated its agreements with Praesidian which effected the cancellation of certain warrants that the Company issued to Fund III for the purchase of 931,826 shares of the Company's common stock and to Fund III-A for the purchase of 361,196 shares of the Company's common stock. In consideration for the cancellation of the Praesidian Warrants, the Company issued to Praesidian Capital Opportunity Fund III, LP, 1,153,052 shares of common stock and issued to Praesidian Capital Opportunity Fund III-A, LP, 446,948 shares of common stock. Due to the early termination of the notes and cancellation of the warrants, the Company recorded a loss on extinguishment of debt of \$1,899,161 in the year ended December 31, 2015.

In addition, in connection with the credit agreement, the Company issued warrants to Goldman Sachs for the purchase of shares of the Company's common stock equivalent to a 6.5% Percentage Interest at a purchase price equal to \$449,553, exercisable on or before December 22, 2023. The warrants grant the holder certain other rights, including registration rights, preemptive rights for certain capital raises, board observation rights and indemnification. See discussion of warrants below.

## Subordinated Debt

In connection with the acquisition with Meridian Waste Services, LLC on May 15, 2014, notes payable to the sellers of Meridian issued five-year term subordinated debt loans paying interest at 8%. At March 31, 2016 and December 31, 2015, the balance on these loans was \$1,475,000 and \$1,475,000, respectively.

The debt payable to Comerica at December 31, 2015 and the Equipment loans at December 31, 2015 were the debt of Here to Serve- Missouri Waste Division, LLC, a subsidiary of the Company.

## Equipment Loans

During the year ended December 31, 2015, the Company entered into four long-term loan agreements in connection with the purchase of equipment with rates between 4% and 5%. At March 31, 2016, the balance of these four loans was \$364,764.

## Derivative Liability - Warrants

As indicated above, the Company issued warrants to Goldman Sachs to purchase shares of common stock. Due to the put feature contained in the agreement, a derivative liability was recorded for the warrant.

The Company's derivative warrant instrument related to Goldman Sachs has been measured at fair value at March 31, 2016, using the Black-Scholes model. The liability is revalued at each reporting period and changes in fair value are recognized currently in the consolidated statement of operations.



## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016

## NOTE 5 - NOTES PAYABLE AND CONVERTIBLE NOTES (CONTINUED)

The key inputs used in the March 31, 2016 and December 31, 2015 fair value calculations were as follows:

	March 31, 2016	December 31, 2015
Purchase Price	\$450,000	\$450,000
Time to expiration	12/22/2023	12/22/2023
Risk-free interest rate	1.60 %	2.15 %
Estimated volatility	45 %	45 %
Dividend	0 %	0 %
Stock price on March 31, 2016	\$1.80	\$1.90
Expected forfeiture rate	0 %	0 %

The change in the market value for the period ending March 31, 2016 is as follows:

Fair value of warrants @ December 31, 2015	\$2,820,000
Unrealized gain on derivative liability	(180,000 )
Fair value of warrants @ March 31, 2016	\$2,640,000

## NOTE 6- SHAREHOLDERS' EQUITY

## Common Stock

The Company has authorized 75,000,000 shares of \$0.025 par common stock. At March 31, 2016 and December 31, 2015 there were 24,537,982 and 21,038,650 shares issued and outstanding.

## Treasury Stock

During 2014, the Company's Board of Directors authorized a stock repurchase of 230,000 shares of its common stock for approximately \$230,000 at an average price of \$1.00 per share. As March 31, 2016 and December 31, 2015 the Company holds 230,000 shares of its common stock in its treasury.

## Preferred Stock

The Company has authorized 5,000,000 shares of Preferred Stock, for which two classes have been designated to date. Series A has 51 shares issued and outstanding and Series B has 71,210 shares issued and outstanding as of March 31, 2016 and December 31, 2015, respectively.

Each share of Series A Preferred Stock has no conversion rights, is senior to any other class or series of capital stock of the Company and has special voting rights. Each one (1) share of Series A Preferred Stock shall have voting rights

equal to (x) 0.019607 multiplied by the total issued and outstanding Common Stock eligible to vote at the time of the respective vote (the “Numerator”), divided by (y) 0.49, minus (z) the Numerator.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

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NOTE 6- SHAREHOLDERS' EQUITY (CONTINUED)

Holders of Series B Preferred Stock shall be entitled to receive when and if declared by the Board of Directors cumulative dividends at the rate of twelve percent (12%) of the Original Issue Price. In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of Series B Preferred Stock shall be entitled to receive, immediately prior and in preference to any distribution to holders of the Company's common stock, an amount per share equal to the sum of \$100.00 and any accrued and unpaid dividends of the Series B Preferred Stock. Each share of Series B Preferred Stock may be converted at the option of the holder into the Company's Common stock. The shares shall be converted using the "Conversion Formula": divide the Original Issue Price by 75% of the average closing bid price of the Common Stock for the five (5) consecutive trading days ending on the trading day of the receipt by the Company of the notice of conversion.

At March 31, 2016 and December 31, 2015, the Company's Series B Preferred Stock dividends in arrears on the 12% cumulative preferred stock were approximately \$1,246,175 (\$17.50 per share) and \$1,033,000 (\$14.50 per share), respectively.

Common Stock Transactions

During the three months ended March 31, 2016 and the year ended December 31, 2015, the Company issued, 3,499,332 and 11,075,232 shares of common stock, respectively. The fair values of the shares of common stock were based on the quoted trading price on the date of issuance. Of the 3,499,332 shares issued for the three months ended March 31, 2016, the Company:

1. Issued 517,188 of these shares were issued to vendors for services rendered generating a professional fees expense of \$778,985;
2. Issued 2,000,000 of these shares to officers and employees as incentive compensation resulting in compensation expense of \$3,100,000;
3. Issued 982,144 shares of common stock as part of a private placement offering to accredited investors for aggregate gross proceeds to the Company of \$1,100,000. The Company expensed certain issuance costs associated with this offering.

The Company has issued and outstanding warrants of 1,673,559 common shares, as adjusted, with the current exercise price of \$0.269, as adjusted, expiring December 31, 2023. A summary of the status of the Company's outstanding common stock warrants as of March 31, 2016 and December 31, 2015, with changes during the years ending on those dates are as follows:

## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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## NOTE 6- SHAREHOLDERS' EQUITY (CONTINUED)

	Number of Shares	Average Exercise Price	If Exercised	Expiration Date
Granted - Praesidian	1,293,022	\$ 0.025	\$ 32,326	-
Cancellation - Praesidian	(1,293,022)	\$ 0.025	(32,326 )	-
Granted - Goldman Sachs	1,673,559	\$ 0.269	449,518	December 31, 2023
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, December 31, 2015	1,673,559	\$ -	\$ 449,518	-
Warrants exercisable at December 31, 2015	1,673,559			
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding, March 31, 2016	1,673,559	\$ -	\$ 449,518.00	
Warrants exercisable at March 31, 2016	1,673,559			

## NOTE 7 - FAIR VALUE MEASUREMENT

ASC Topic 820 establishes a fair value hierarchy, giving the highest priority to quoted prices in active markets and the lowest priority to unobservable data and requires disclosures for assets and liabilities measured at fair value based on their level in the hierarchy. Also, ASC Topic 820 provides clarification that in circumstances, in which a quoted price in an active market for the identical liabilities is not available, a reporting entity is required to measure fair value using one or more of the techniques provided for in this update.

The standard describes a fair value hierarchy based on three levels of input, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Input other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets of liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The following table sets forth the liabilities at March 31, 2016 and 2015, which is recorded on the balance sheet at fair value on a recurring basis by level within the fair value hierarchy. As required, these are classified based on the lowest level of input that is significant to the fair value measurement:



## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

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## NOTE 7 - FAIR VALUE MEASUREMENT (CONTINUED)

		Fair Value Measurements at Reporting Date Using		
		Quoted	Significant	Significant
		Prices in	Other	Unobservable
		Active	Observable	Inputs
		Markets for	Inputs	(Level 3)
		Identical	(Level 2)	
	December	Assets		
	31, 2015	(Level 1)		
Derivative liability	\$2,820,000	\$-	\$-	\$ 2,820,000
Stock settled debt	12,500	10,000	-	2,500
	\$2,832,500	\$10,000	\$-	\$ 2,822,500

		Fair Value Measurements at Reporting Date Using		
		Quoted	Significant	Significant
		Prices in	Other	Unobservable
		Active	Observable	Inputs
		Markets for	Inputs	(Level 3)
		Identical	(Level 2)	
	March 31, 2016	Assets		
	(UNAUDITED)	(Level 1)		
Derivative liability	\$ 2,640,000		\$-	\$ 2,640,000
Stock settled debt	12,500	10,000	-	2,500
	\$ 2,652,500	\$10,000	\$-	\$ 2,642,500

## NOTE 8 - LEASES

The Company's has entered into non-cancellable leases for its office, warehouse facilities and some equipment. These lease agreements commence on various dates from September 1, 2010 to December 2015 and all expires on or before December, 2020. Future minimum lease payments at March 31, 2016 are as follows:

2016	\$331,806
2017	448,408
2018	164,493
2019	111,103
2020	71,500
Thereafter	-

Total	\$1,127,310
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The Company has also entered into various other leases on a month to month basis for machinery and equipment. Rent expense amounted to \$114,790 and \$85,565 for the three months ended March 31, 2016 and 2015, respectively.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

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NOTE 9 - BONDING

In connection with normal business activities of a company in the solid waste disposal industry, Meridian may be required to acquire a performance bond. As part of the Company's December 22, 2015 acquisitions of Christian Disposal, LLC and Eagle Ridge Landfill, LLC, Meridian acquired a performance bond in the approximate amount of \$7,400,000 with annual expenses of \$221,000. For the three months ended March 31, 2016, the Company had approximately \$29,000 of expenses related to this performance bond and for the three months ended March 31, 2015, the Company was not required to obtain a performance bond.

Note 10 - LITIGATION

The Company is involved in various lawsuits related to the operations of its subsidiaries. Management believes that it has adequate insurance coverage and/or has appropriately accrued for the settlement of these claims. If applicable, claims that exceed amounts accrued and/or that are covered by insurance, management believes they are without merit and intends to vigorously defend and resolve with no material impact on financial condition.

NOTE 11 - RELATED PARTY TRANSACTIONS

Sale of Capitalized Software

On January 7, 2015, in an effort to give investors a more concentrated presence in the waste industry the Company sold the capitalized software assets of Here to Serve Technology, LLC (HTST) to Mobile Science Technologies, Inc., a Georgia corporation (MSTI), a related party due to being owned by some of the shareholders of the Company. No gain or loss was recognized on this transaction as the Company received equity equal to book value (\$434,532) of the capitalized software in the exchange. This represents approximately 15% of the equity of MSTI and is reflected in the accompanying balance sheet as "investment in related party affiliate". The Company's investment of 15% of the common stock of MSTI is accounted for under the equity method because the company exercises significant influence over its operating and financial activities. Significant influence is exercised because both Companies have a Board Member in common. Accordingly, the investment in MSTI is carried at cost, adjusted for the Company's proportionate share of earnings or losses.



## MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

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## NOTE 11 - RELATED PARTY TRANSACTIONS (CONTINUED)

The following presents unaudited summary financial information for MSTI. Such summary financial information has been provided herein based upon the individual significance of this unconsolidated equity method investment to the consolidated financial information of the Company.

Following is a summary of financial position and results of operations of MSTI:

Summary of Statements of Financial Condition	Three Months Ended March 31, 2016
Assets	
Current assets	\$3,609
Noncurrent assets	2,877,313
Total assets	2,880,922
Liabilities and Equity	
Current liabilities	234,362
Noncurrent liabilities	-
Equity	2,646,560
Total liabilities and equity	\$2,880,922
Summary of Statements of Operations	
Revenues	\$177
Expense	14,210
Net loss	\$(14,033 )

The Company recorded losses from its investment in MSTI, accounted for under the equity method, of approximately \$2,100 for the three months ended March 31, 2016. The charge reflected the Company's share of MSTI losses recorded in that period. While the Company has ongoing agreements with MSTI relating to the use of MSTI's software technology, the Company has no obligation to otherwise support the activities of MSTI. As of March 31, 2016, the Company has \$133,000 in prepaid expenses related to MSTI.

## NOTE 12 – EQUITY AND INCENTIVE PLANS

Effective March 10, 2016, the Board of Directors (the “Board”) of the Company approved, authorized and adopted the 2016 Equity and Incentive Plan (the “Plan”) and certain forms of ancillary agreements to be used in connection with the issuance of stock and/or options pursuant to the Plan (the “Plan Agreements”). The Plan provides for the issuance of up to 7,500,000 shares of common stock, par value \$.025 per share (the “Common Stock”), of the Company through the grant of nonqualified options (the “Non-qualified options”), incentive options (the “Incentive Options” and together with the Non-qualified Options, the “Options”) and restricted stock (the “Restricted Stock”) to directors, officers, consultants,

attorneys, advisors and employees.

MERIDIAN WASTE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 12 – EQUITY AND INCENTIVE PLANS (CONTINUED)

The Plan shall be administered by a committee consisting of two or more independent, non-employee and outside directors (the “Committee”). In the absence of such a Committee, the Board shall administer the Plan. The Plan is currently being administered by the Board.

Options are subject to the following conditions:

- i. The Committee determines the strike price of Incentive Options at the time the Incentive Options are granted. The assigned strike price must be no less than 100% of the Fair Market Value (as defined in the Plan) of the Company’s Common Stock. In the event that the recipient is a Ten Percent Owner (as defined in the Plan), the strike price must be no less than 110% of the Fair Market Value of the Company.
- ii. The strike price of each Non-qualified Option will be at least 100% of the Fair Market Value of such share of the Company’s Common Stock on the date the Non-qualified Option is granted, unless the Committee, in its sole and absolute discretion, elects to set the strike price of such Non-qualified Option below Fair Market Value.
- iii. The Committee fixes the term of Options, provided that Options may not be exercisable more than ten years from the date the Option is granted, and provided further that Incentive Options granted to a Ten Percent Owner may not be exercisable more than five years from the date the Incentive Option is granted.
- iv. The Committee may designate the vesting period of Options. In the event that the Committee does not designate a vesting period for Options, the Options will vest in equal amounts on each fiscal quarter of the Company through the five (5) year anniversary of the date on which the Options were granted. The vesting period accelerates upon the consummation of a Sale Event (as defined in the Plan).
- v. Options are not transferable and Options are exercisable only by the Options’ recipient, except upon the recipient’s death.
- vi. Incentive Options may not be issued in an amount or manner where the amount of Incentive Options exercisable in one year entitles the holder to Common Stock of the Company with an aggregate Fair Market value of greater than \$100,000.

Awards of Restricted Stock are subject to the following conditions:

- i. The Committee grants Restricted Stock Options and determines the restrictions on each Restricted Stock Award (as defined in the Plan). Upon the grant of a Restricted Stock Award and the payment of any applicable purchase price, grantee is considered the record owner of the Restricted Stock and entitled to vote the Restricted Stock if such Restricted Stock is entitled to voting rights.
  - ii. Restricted Stock may not be delivered to the grantee until the Restricted Stock has vested.
- iii. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered or disposed of except as provided in the Plan or in the Award Agreement (as defined in the Plan).

On March 11, 2016, the Company entered into a restricted stock agreement with Mr. Jeff Cosman, CEO, (the “Cosman Restricted Stock Agreement”), pursuant to which 4,253,074 shares of the Company's common stock, subject to certain restrictions set forth in the Cosman Restricted Stock Agreement, were issued to Mr. Cosman pursuant to the Cosman Employment Agreement and the Plan.

The entire 4,253,074 share fully cliff vests on January 1, 2017 if continuous employment and the Company reaches certain performance goals. As of March 31, 2016, the Company has recognized approximately \$445,000 in compensation expense of a potential total expense of \$6,592,000.

NOTE 13 - SUBSEQUENT EVENTS

During April 2016, the Company issued 446,429 shares of common stock for \$500,000 to complete the final closing of the private placement offering.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This quarterly report on Form 10-Q and other reports filed by the Company from time to time with the SEC contain or may contain forward-looking statements and information that are (collectively, the "Filings") based upon beliefs of, and information currently available to, the Company's management as well as estimates and assumptions made by Company's management. Readers are cautioned not to place undue reliance on these forward-looking statements, which are only predictions and speak only as of the date hereof. When used in the Filings, the words "anticipate," "believe," "estimate," "expect," "future," "intend," "plan," or the negative of these terms and similar expressions as they relate to the Company or the Company's management identify forward-looking statements. Such statements reflect the current view of the Company with respect to future events and are subject to risks, uncertainties, assumptions, and other factors, including the risks contained in the "Risk Factors" section of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC, relating to the Company's industry, the Company's operations and results of operations, and any businesses that the Company may acquire. Should one or more of these risks or uncertainties materialize, or should the underlying assumptions prove incorrect, actual results may differ significantly from those anticipated, believed, estimated, expected, intended, or planned.

Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, the Company cannot guarantee future results, levels of activity, performance, or achievements. Except as required by applicable law, including the securities laws of the United States, the Company does not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). These accounting principles require us to make certain estimates, judgments and assumptions. We believe that the estimates, judgments and assumptions upon which we rely are reasonable based upon information available to us at the time that these estimates, judgments and assumptions are made. These estimates, judgments and assumptions can affect the reported amounts of assets and liabilities as of the date of the financial statements as well as the reported amounts of revenues and expenses during the periods presented. Our financial statements would be affected to the extent there are material differences between these estimates and actual results. In many cases, the accounting treatment of a particular transaction is specifically dictated by GAAP and does not require management's judgment in its application. There are also areas in which management's judgment in selecting any available alternative would not produce a materially different result. The following discussion should be read in conjunction with our consolidated financial statements and notes thereto appearing elsewhere in this report.

### Overview

We intend for this discussion to provide information that will assist in understanding our consolidated financial statements, the changes in certain key items in those consolidated financial statements, and the primary factors that accounted for those changes, as well as how certain accounting principles affect our consolidated financial statements. This discussion should be read in conjunction with our consolidated financial statements and accompanying notes for the three months ended March 31, 2016.

### Executive Overview

#### General Overview of Our Business

The platform operation of the Company is our subsidiary Here To Serve Missouri Waste Division, LLC ("HTS Waste"). HTS Waste is in the business of collection of non-hazardous solid waste. Our revenue is generated primarily by collection services provided to residential and commercial customers. The following table reflects the total revenue of the Company for the three months ending March 31, 2016, annualized, the year ended December 31, 2015,

and the combined revenues for HTS Waste and Meridian Waste Services for the year ended December 31, 2014 (dollars in thousands):

	1st Quarter 2016		2015		2014	
	\$	% increase	\$	% increase	\$	% Increase
Revenue	29,953	122%	13,506	11%	12,202	8%

Our annualized 2016 revenue has grown significantly due to the acquisitions of Christian Disposal and Meridian Land Company. As our revenues continue to grow in this existing market, we plan to increase the rate of this growth by increasing our presence in the commercial and “roll-off” business. Roll-off service is the hauling and disposal of large waste containers (typically between 10 and 40 cubic yards) that are loaded on to and off of the collection vehicle. Management also expects continued growth through additional mergers and acquisitions. The following discussion and analysis should be read in conjunction with the financial statements and the related notes thereto.

## Results of Operations

### Revenue

The Company's revenue for the three months ended March 31, 2016 was \$7,488,239, a 147% increase over the three months ended March 31, 2015 of \$3,035,819. This increase is due to the continued growth of HTS Waste, the acquisitions of Christian Disposal and Eagle Ridge.

### Gross Profit

Gross profit percentage for the three months ended March 31, 2016 is 30%. This is an increase of approximately 3% from the three months ended March 31, 2015. The increase is significant in that it shows management's ability to improve efficiencies of operations. In addition, there was a decrease in landfill costs as the company began internalizing its waste. The increase in margin would have been even larger if not for an increase in depreciation expense included in cost of sales. The increase in depreciation expense is due to the application of "push-down" accounting adjusting the value of depreciable property to fair value on December 2015 and the addition of new equipment.

### Operating Expenses

Selling, general and administrative expenses were \$7,417,245, or 99% of revenue, for the three months ended March 31, 2016. This is consistent of the level of selling, general and administrative expenses for the three months ending March 31, 2015. The high level of selling, general, and administrative expenses in both periods is due to significant incentive packages awarded to certain employees and vendors of the Company and certain other one-time items relating to the acquisitions in December 2015.

### Segment Information

Not applicable.

### Liquidity and Capital Resources

As of March 31, 2016, the Company had negative working capital of \$4,613,287. This lack of liquidity is mitigated by the Company's ability to generate positive cash flow from operating activities. In the three months ended March 31, 2016, cash generated from operating activities, excluding one-time acquisition and transition expenses of approximately \$467,000, was approximately \$408,000. In addition, as of March 31, 2016, the Company had approximately \$1,767,000 in cash and cash equivalents and \$1,947,000 in short-term investments to cover its short term cash requirements. Further, the Company has approximately \$12,850,000 of borrowing capacity on its multi-draw term loans and revolving commitments with Goldman Sachs as discussed below.

The Company purchased over \$2 million of new equipment while increasing long term debt by approximately \$2,377,000 during the three months ended March 31, 2016. The increase in debt was due to the Company borrowing on its revolving commitments with Goldman Sachs as discussed below. Liquidity is the ability of a company to generate funds to support its current and future operations, satisfy its obligations, and otherwise operate on an ongoing basis.

Our primary uses of cash have been for working capital purposes to support our operations and our efforts to become a reporting company with the SEC. All funds received have been expended in the furtherance of growing our business operations, establishing our brand and making sure our work is completed with efficiency and of the highest quality.

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

- o An increase in working capital requirements to finance additional marketing efforts,
- o Increases in advertising, public relations and sales promotions for existing customers and to attract new customers as the company expands, and
  - o The cost of being a public company.

We are not aware of any known trends or any known demands, commitments or events that will result in our liquidity increasing or decreasing in any material way. We are not aware of any matters that would have an impact on future operations.



Our net revenues have been sufficient to fund our operating expenses. At March 31, 2016, we had total cash and short-term investments of 3,713,695, the majority of which was funded by Goldman Sachs from the draw on the revolving commitments of \$2,150,000 and \$1,100,000 from a private placement stock offering.

During the 3 months ending September 30, 2015, the Company eliminated its Credit Facility with Comerica Bank (see Debt Restructuring with Praesidian Capital Opportunity Fund III, LP below). In December 2015, the Company subsequently refinanced its debt with Praesidian in connection with the acquisitions of Christian Disposal and Eagle Ridge (see Goldman Sachs Credit Agreement below).

We currently have no material commitments for capital expenditures and believe that our cash requirements over the next 12 months will be approximately \$1,000,000. In order to fund future growth and expansion through acquisitions and capital expenditures, the company may be required to raise capital through the sale of its securities.

In order to fund future expansion through acquisitions and capital expenditures, the Company may raise additional capital through the sale of its securities on the public market.

#### Debt Restructuring with Praesidian Capital Opportunity Fund III, LP

On August 6, 2015, the Company entered into a financing agreement with Praesidian Capital Opportunity Fund III, LP whereby the Comerica facilities described below and other short term bridge financing were paid. Total proceeds from this financing were used to eliminate this debt.

#### Goldman Sachs Credit Agreement

On December 22, 2015, in connection with the closing of acquisitions of Christian Disposal, LLC and certain assets of Eagle Ridge Landfill, LLC, the Company was extended certain credit facilities by Goldman Sachs, consisting of \$40,000,000 aggregate principal amount of Tranche A Term Loans, \$10,000,000 aggregate principal amount of Multi-Draw Term Loans and up to \$5,000,000 aggregate principal amount of Revolving Commitments. During the three months ended March 31, 2016, the Company borrowed \$2,150,000 in relation to the Revolving Commitments. At March 31, 2016, the Company had at total outstanding balance of \$42,150,000 consisting of the Tranche A Term Loan and draw of the Revolving Commitments. The loans are collateralized by the assets of the Company. The debt has a maturity date of December 22, 2020 with interest paid monthly at an annual rate of 9%. In addition, there is a commitment fee paid monthly on the Mutli-Draw Term Loans and Revolving Commitments at an annual rate of 0.5%.

The proceeds of the loans were used to partially fund the acquisitions referenced above and refinance existing debt with Praesidian, among other things. The Company re-paid in full and terminated its agreements with Praesidian which effected the cancellation of certain warrants that the Company issued to Fund III for the purchase of 931,826 shares of the Company's common stock and to Fund III-A for the purchase of 361,196 shares of the Company's common stock. In consideration for the cancellation of the Praesidian Warrants, the Company issued to Praesidian Capital Opportunity Fund III, LP, 1,153,052 shares of common stock and issued to Praesidian Capital Opportunity Fund III-A, LP, 446,948 shares of common stock. Due to the early termination of the notes and cancellation of the warrants, the Company recorded a loss on extinguishment of debt of \$1,899,161 in the year ended December 31, 2015.

In addition, in connection with the credit agreement, the Company issued warrants to Goldman Sachs for the purchase of shares of the Company's common stock equivalent to a 6.5% Percentage Interest at a purchase price equal to \$449,553, exercisable on or before December 22, 2023. The warrants grant the holder certain other rights, including registration rights, preemptive rights for certain capital raises, board observation rights and indemnification. See discussion of warrants below.

### Inflation and Seasonality

Based on our industry and our historic trends, we expect our operations to vary seasonally. Typically, revenue will be highest in the second and third calendar quarters and lowest in the first and fourth calendar quarters. These seasonal variations result in fluctuations in waste volumes due to weather conditions and general economic activity. We also expect that our operating expenses may be higher during the winter months due to periodic adverse weather conditions that can slow the collection of waste, resulting in higher labor and operational costs.

## Critical Accounting Policies

### Basis of Consolidation

The consolidated financial statements for the three months ended March 31, 2016 include the operations of the Company and its wholly-owned subsidiaries, Here To Serve Missouri Waste Division, LLC, Meridian Land Company, LLC, Here to Serve Technology, LLC and Christian Disposal, LLC. The following two subsidiaries of the Company, Here To Serve Georgia Waste Division, LLC and Here to Serve Technology, LLC, a Georgia Limited Liability Company had no operations during the period.

All significant intercompany accounts and transactions have been eliminated in consolidation.

### Impairment of long-lived assets

The Company periodically reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. 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.

### Use of Estimates

Management estimates and judgments are an integral part of consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). We believe that the critical accounting policies described in this section address the more significant estimates required of management when preparing our consolidated financial statements in accordance with GAAP. We consider an accounting estimate critical if changes in the estimate may have a material impact on our financial condition or results of operations. We believe that the accounting estimates employed are appropriate and resulting balances are reasonable; however, actual results could differ from the original estimates, requiring adjustment to these balances in future periods.

### Accounts Receivable

Accounts receivable are recorded at management's estimate of net realizable value. Our reported balance of accounts receivable, net of the allowance for doubtful accounts, represents our estimate of the amount that ultimately will be realized in cash. We review the adequacy and adjust our allowance for doubtful accounts on an ongoing basis, using historical payment trends and the age of the receivables and knowledge of our individual customers. However, if the financial condition of our customers were to deteriorate, additional allowances may be required.

### Revenue Recognition

The Company follows the guidance of ASC 605 for revenue recognition. In general, the Company records revenue when persuasive evidence of an arrangement exists, services have been rendered or product delivery has occurred, the sales price to the customer is fixed or determinable and collectability is reasonably assured.

We generally provide services under contracts with municipalities or individual customers. Municipal and commercial contracts are generally long-term and often have renewal options. Advance billings are recorded as deferred revenue, and revenue is recognized over the period services are provided. We recognize revenue when all four of the following criteria are met:

-

Persuasive evidence of an arrangement exists such as a service agreement with a municipality, a hauling customer or a disposal customer;

- Services have been performed such as the collection and hauling of waste;
- The price of the services provided to the customer is fixed or determinable and
- Collectability is reasonably assured.

#### Property, plant and equipment

The cost of property, plant, and equipment is depreciated over the estimated useful lives of the related assets utilizing the straight-line method of depreciation. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. Ordinary repairs and maintenance are expensed when incurred and major repairs will be capitalized and expensed if it benefits future periods.

### Intangible Assets

Intangible assets that are subject to amortization are reviewed for potential impairment whenever events or circumstances indicate that carrying amounts may not be recoverable. Assets not subject to amortization are tested for impairment at least annually.

### Investment in Related Party Affiliate

The Company has an investment in a privately held corporation in the mobile apps industry. As the Company exercises significant influence on this entity, this investment is recorded using the equity method of accounting. The Company monitors this investment for impairment and makes appropriate reductions in the carrying value if the Company determines that an impairment charge is required based primarily on the financial condition and near-term prospect of this entity.

### Goodwill

Goodwill is the excess of our purchase cost over the fair value of the net assets of acquired businesses. We do not amortize goodwill, but as discussed in the Asset Impairments section below, we assess our goodwill for impairment at least annually.

### Deferred Revenue

The Company records deferred revenue for customers that were billed in advance of services. The balance in deferred revenue represents amounts billed in October, November and December for services that will be provided during January, February and March.

### Cost of Services

Cost of services include all employment costs associated with waste collection, transfer and disposal, damage claims, landfill costs, personal property taxes associated with collection vehicles and other direct cost of the collection and disposal process.

### Concentrations

The Company maintains its cash and cash equivalents in bank deposit accounts, which could, at times, exceed federally insured limits. The Company has not experienced any losses in such accounts; however, amounts in excess of the federally insured limit may be at risk if the bank experiences financial difficulties. The Company places its cash with high credit quality financial institutions. The Company's accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

Financial instruments which also potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable; however, concentrations of credit risk with respect to trade accounts receivables are limited due to generally short payment terms.

### Stock-Based Compensation

Stock-based compensation is accounted for at fair value in accordance with ASC Topic 718. To date, the Company has not adopted a stock option plan and has not granted any stock options.

Stock-based compensation is accounted for based on the requirements of the Share-Based Payment Topic of ASC 718 which requires recognition in the consolidated financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also require measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award.

Pursuant to ASC Topic 505-50, for share based payments to consultants and other third-parties, compensation expense is determined at the “measurement date.” The expense is recognized over the service period of the award. Until the measurement date is reached, the total amount of compensation expense remains uncertain. The Company initially records compensation expense based on the fair value of the award at the reporting date.

## Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers. Amendments in this Update create Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in Topic 605, Revenue Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. In addition, the amendments supersede the cost guidance in Subtopic 605-35, Revenue Recognition—Construction-Type and Production-Type Contracts, and create new Subtopic 340-40, Other Assets and Deferred Costs—Contracts with Customers. In summary, the core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This Accounting Standards Update is the final version of Proposed Accounting Standards Update 2011-230—Revenue Recognition (Topic 605) and Proposed Accounting Standards Update 2011-250—Revenue Recognition (Topic 605): Codification Amendments, both of which have been deleted. Accounting Standards Update 2014-09. The amendments in this Update are effectively for the Company for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The Company is currently evaluating the effects of ASU 2014-09 on the consolidated financial statements.

## Off-Balance Sheet Arrangements

There were no off-balance sheet arrangements during the fiscal years ended December 31, 2015 and 2014 that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to our interests.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We do not hold any derivative instruments and do not engage in any hedging activities.

## Item 4. Controls and Procedures.

### (a) Evaluation of Disclosure Controls and Procedures.

In connection with the preparation of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2016, our Principal Executive Officer (“PEO”) and Principal Financial Officer (“PFO”) evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our PEO and PFO concluded that our disclosure controls and procedures as of the end of the period covered by this report were effective such that the information required to be disclosed by us in reports filed under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding disclosure. A controls system cannot provide absolute assurance, however, that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

### (b) Changes in Internal Control over Financial Reporting.

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.





## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings.

We are currently not involved in any litigation that we believe could have a material adverse effect on our financial condition or results of operations. There is no action, suit, proceeding, inquiry or investigation before or by any court, public board, government agency, self-regulatory organization or body pending or, to the knowledge of the executive officers of our company or any of our subsidiaries, threatened against or affecting our company, our common stock, any of our subsidiaries or of our companies or our subsidiaries' officers or directors in their capacities as such, in which an adverse decision could have a material adverse effect.

### Item 1A. Risk Factors.

We believe there are no changes that constitute material changes from the risk factors previously disclosed in our annual report on Form 10-K for the year ended December 31, 2015, filed with the SEC on April 14, 2016.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarter ended March 31, 2016, the Company has not issued any securities which were not registered under the Securities Act and not previously disclosed in the Company's Current Reports on Form 8-K.

### Item 3. Defaults Upon Senior Securities.

There has been no default in the payment of principal, interest, sinking or purchase fund installment, or any other material default, with respect to any indebtedness of the Company.

### Item 4. Mine Safety Disclosures.

Not applicable.

### Item 5. Other Information.

There is no other information required to be disclosed under this item which was not previously disclosed.

Item 6. Exhibits.

Exhibit No. Description

10.1	Form of Subscription Agreement (incorporated herein by reference to Exhibit 10.1 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 29, 2016)
10.2	Employment Agreement, dated March 11, 2016, by and between the Company and Jeffrey Cosman (incorporated herein by reference to Exhibit 10.1 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 17, 2016)
10.3	Form of Director Agreement (incorporated herein by reference to Exhibit 10.2 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 17, 2016)
10.4	Executive Employment Agreement, dated March 11, 2016, by and between the Company and Walter Hall (incorporated herein by reference to Exhibit 10.3 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 17, 2016)
10.5	Meridian Waste Solutions, Inc, 2016 Equity and Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 16, 2016)
10.6	Form of Restricted Stock Agreement (incorporated herein by reference to Exhibit 10.2 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 16, 2016)
10.7	Form of Nonqualified Stock Option Agreement (Non-Employee) (incorporated herein by reference to Exhibit 10.3 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 16, 2016)
10.8	Form of Nonqualified Stock Option Agreement (Employee) (incorporated herein by reference to Exhibit 10.4 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 16, 2016)
10.9	Form of Incentive Stock Option Agreement (incorporated herein by reference to Exhibit 10.5 to the Meridian Waste Solutions, Inc. Current Report on Form 8-K filed with the SEC on March 16, 2016)
10.10	Form of First Amendment to Director Agreement dated April 13, 2016 (incorporated herein by reference to Exhibit 10.27 to the Meridian Waste Solutions, Inc. Annual Report on Form 10-K filed with the SEC on April 14, 2016)
<u>31.1</u>	Certification by the Principal Executive Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).*

31.2 Certification by the Principal Financial Officer of Registrant pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (Rule 13a-14(a) or Rule 15d-14(a)).\*

32.1 Certification by the Principal Executive Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

32.2 Certification by the Principal Financial Officer pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*

101.INS XBRL Instance Document\*

101.SCH XBRL Taxonomy Extension Schema Document\*

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document\*

101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*

101.LAB XBRL Taxonomy Extension Label Linkbase Document\*

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document\*

\* Filed herewith

SIGNATURES

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

MERIDIAN WASTE SOLUTIONS, INC.

Date: May 16, 2016

By:	/s/ Jeffrey Cosman
Name:	Jeffrey Cosman
Title:	Chief Executive Officer (Principal Executive Officer) (Principal Financial Officer) (Principal Accounting Officer)