

WASTE CONTROL COMBINED COMPANIES**NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)****December 31, 2012****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of the Waste Control Combined Companies is presented to assist in understanding the Companies' financial statements. The financial statements and notes are representations of the Companies' management who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Nature of Businesses**Waste Control, Inc.**

Waste Control, Inc. ("WCI") is a Washington corporation engaged in the business of garbage collection within Cowlitz and Clark counties in the state of Washington. The Company is regulated by the Washington Utilities and Transportation Commission ("WUTC") for services provided to customers in the unincorporated areas of Cowlitz County and northern Clark County under the G101 permit it holds. The Company also provides service to customers in the City of Castle Rock under a franchise operation. A contract is held by the Company with the City of Kalama to provide collection service only. This contract was renewed for an additional 10 years and expires January 31, 2016. Under this contract, the Company bills the City rather than the customers.

Waste Control Equipment, Inc.

Waste Control Equipment, Inc. ("WCE") is a Washington corporation engaged in the business of garbage and recycling collection within the cities of Longview, Kelso and Woodland, Washington. Contracts are held by the Company with the cities of Longview, Kelso and Woodland to provide collection service only. These contracts contain an option for an additional five year renewal. Under all three contracts, the Company bills the cities and the cities bill the customers.

The current garbage and recycling collection contract with the City of Longview expires October 31, 2019. The contract calls for collection service fees paid by the City to be adjusted annually for a portion of the change in the Portland, Oregon Consumer Price Index.

The Company and the City of Kelso negotiated a new ten year contract effective January 1, 2000. This contract was renewed January 1, 2010 for an additional ten year period ending December 31, 2019. This contract covers garbage collection services and a drop off recycling program. Additionally this contract requires WCE to pay the City of Kelso Arterial Street Fund \$12,500 per month subject to CPI adjustments annually.

In 2005, a garbage collection service contract with the City of Woodland was negotiated which expires December 31, 2015.

WASTE CONTROL COMBINED COMPANIES**NOTES TO FINANCIAL STATEMENTS
(See Independent Accountants' Review Report)****December 31, 2012****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued****Nature of Businesses, Continued**

Waste Control Recycling, Inc. ("WCR") is a Washington corporation engaged in the business of recycling and hauling waste products. The Company receives the majority of its recyclable waste products from sources within Cowlitz County, Washington. It sells these products primarily in the Portland, Oregon markets. There are a limited number of buyers for each recyclable waste product. Management has policies to control the collection of waste products which cannot be sold for a profitable price. The price that the Company receives for the recyclable waste products is out of the Company's control and can fluctuate significantly.

WCR also holds a contract with Cowlitz County for the long-term handling, transfer and disposal of solid waste generated in Cowlitz and Wahkiakum Counties through 2035. The Company has constructed and operates a transfer station facility which opened July 1, 2009. The County landfill is anticipated to be filled to capacity in 2013 based upon most recent model projections. Until such time, the County will pay WCR an agreed upon base monthly fee, plus an additional rate per ton for all solid waste tons in excess of stated annual expected tons, as compensation for establishing the transfer station and providing the services described in the contract. Upon closure of the County landfill, the County will compensate WCR an agreed upon rate per solid waste tons as outlined in the contact.

West Coast Paper Fibres, Inc.

West Coast Paper Fibres, Inc. ("WCPF") is a Washington corporation located in Cowlitz County. The Company is engaged in brokering recyclable paper products. The majority of the products are purchased in the southwest Washington area from industries. Sales are made primarily for export to the Asian markets and domestically in Oregon and Washington.

Heirborne Investments LLC

Heirborne Investments, LLC ("Heirborne") is a Washington limited liability company engaged in leasing land, buildings and equipment located in Cowlitz County, Washington. Substantially all of Heirborne's revenues are received from related companies.

Heirborne also holds the bond debt discussed in Notes 5 and 6. Heirborne loans funds to the related Companies as they purchase assets approved under the bonding agreement or necessary to maintain operations. Intercompany loans and related interest are eliminated in these combined financial statements.