

SUMMARY OF THE AMALGAMATED SUGAR COMPANY LLC AND SNAKE RIVER SUGAR COMPANY

BACKGROUND

Snake River Sugar Company (the "Cooperative") is an Oregon cooperative corporation which was formed in July 1994 for the purpose of acquiring the operating assets of The Amalgamated Sugar Company ("Amalgamated"). The Cooperative was established with three thousand (3,000) voting Common Shares ("Common Stock") and three hundred thousand (300,000) non-voting Patron Preferred Shares ("Patron Preferred Stock") (collectively, the "Shares"). Growers who purchase shares of Patron Preferred Stock are required to grow sugarbeets on acreage representing approximately 100% of their purchased Patron Preferred Stock. Each member of the Cooperative must have one share of Common Stock. Ownership of Common Stock and Patron Preferred Stock is restricted to sugarbeet farm operators, and is at the discretion of the Board of Directors.

The Shares have not been registered with the Securities and Exchange Commission either because the Shares do not constitute a "Security" under Section 2(1) of the Securities Act of 1933 (the "Act") or, if the Shares are a Security, pursuant to an exemption provided under Section 3(a)(5) of the Act for Agricultural Cooperatives. Similarly, the Shares are not registered with any state securities commissions pursuant to exemptions in Idaho, Oregon, Washington, and Utah for agricultural cooperatives. The Shares have also not been approved or disapproved by the SEC or any State securities commission.

On June 20, 1996, the Cooperative issued an Offering Memorandum offering to growers of sugarbeets in Idaho, Oregon, and Washington, the opportunity to purchase Shares. The initial offering resulted in the sale of over 222,000 shares of Patron Preferred Stock and approximately 1,300 shares of Common Stock. The Cooperative does not currently intend to issue any additional Patron Preferred Stock. On January 7, 2010 the Articles and Bylaws of the Cooperative were amended to provide for several modifications, including the following:

1. Establishment of Class A (voting) and Class B (non-voting) Common Stock. Class B status is designated for any member who transfers their growing rights to other members for the crop year.
2. Primary responsibility for the Make Whole Amount for the transferee of the growing rights attendant to the shares, and also a secondary obligation for this amount by the transferor.
3. The establishment of an unallocated reserve for the patronage income of the Cooperative to be used by the Cooperative in accomplishing its corporate purposes, as deemed appropriate and approved by the Board of Directors.

ACQUISITION OF CONTROL OVER THE AMALGAMATED SUGAR COMPANY

On January 3, 1997, the Cooperative entered into a series of transactions (collectively, the "Acquisition") with the initial objective of gaining management control over the assets of Amalgamated, together with a minority equity position and a specified profits interest in Amalgamated, and the ultimate objective of acquiring full ownership of the assets in Amalgamated, as follows: (i) the Cooperative contributed \$14,000,000 to The Amalgamated Sugar Company LLC, a Delaware limited liability company ("Amalgamated LLC") in exchange for 5.3% of the ownership interest, a portion of the net profits, and control of the operation of Amalgamated LLC; (ii) the assets, together with the majority of the liabilities, of Amalgamated were contributed to Amalgamated LLC by Amalgamated, which is now known as ASC Holdings, Inc. ("ASC"), with an agreed-upon value of \$250 million, in exchange for 94.7% of the ownership interest and a portion of the net profits of Amalgamated LLC; (iii) the Cooperative borrowed \$180 million from Valhi, Inc. (the "Valhi Loan"), the indirect parent company of ASC, which loan was secured by a pledge of the Cooperative's assets including its interest in Amalgamated LLC; and (iv) the Cooperative loaned \$250 million to Valhi, Inc. ("Valhi") which pledged its interest in Amalgamated LLC to the Cooperative as security for the loan (the "Snake River Loan"). The \$250 million loan to Valhi was made up of \$70 million of the proceeds from the sale of Patron Preferred Stock, together with the \$180 million Valhi Loan. Concurrently with the Acquisition, Amalgamated LLC entered into a \$100,000,000 operating line of credit (the "Operating Line") with United States National Bank of Oregon and First Security Bank, N.A., which was subsequently amended to include five additional banks.

The result of the Acquisition is that the Cooperative currently owns a percentage of the sugar company assets through its ownership of a portion of Amalgamated LLC. Even though ASC has a large equity interest in Amalgamated LLC, the Cooperative controls the operations of the LLC and appoints all members of the LLC Management Committee.

The Operating Agreement provides that Amalgamated LLC may redeem the interest held by ASC at any time after the 30th anniversary of the date of the Operating Agreement at a price equal to the outstanding amount of the Snake River Loan plus certain other amounts. The Operating Agreement also provides other circumstances under which ASC may cause the Cooperative to redeem its interest in Amalgamated LLC.

The Valhi Loan. It had originally been intended that the Valhi Loan would be made by a lender other than Valhi. However, despite diligent efforts of the Cooperative and its Board of Directors, it became evident that the Cooperative would be unable to close the Acquisition before the end of 1996 with any of the potential lenders with whom the Cooperative had been negotiating. In order for the transaction to proceed, Valhi agreed to provide the Valhi Loan as a temporary measure while the Cooperative pursued efforts to obtain financing from third parties.

On May 14, 1997, the Cooperative issued \$100 million in Notes to a group of insurance companies. As collateral, the Cooperative pledged its interest in Amalgamated LLC. The

original Notes' terms were to bear interest at 10.80%, mature on April 30, 2009, and require monthly payments of principal and interest. This initial \$100 million note has been paid in full. Simultaneously with issuing the Notes, the Valhi Loan was partially repaid and amended. The principal of the Valhi Loan was reduced to \$80 million and its term extended to April 30, 2009. The Valhi Loan had no regularly-scheduled payments, but payments were required to the extent the Cooperative had excess cash. On October 17, 2005, the \$80,000,000 note to Valhi, Inc, was refinanced with another lender with an issuance of senior notes in the amount of \$100,000,000 at 7.61% interest. Principal payments of \$583,333 are due monthly with a final maturity date of September 30, 2012. Interest is due monthly in arrears on the last day of the month.

BUSINESS OF AMALGAMATED LLC

Amalgamated LLC is the second largest United States refiner and processor of sugar from sugarbeets. Amalgamated LLC operates three sugar processing facilities in Idaho and owns numerous distribution and six storage facilities. These production facilities produce approximately 1.5 billion to 1.6 billion pounds of sugar annually.

Amalgamated LLC employs a total of approximately 1,250 persons on a year-round basis, and has approximately 850 additional seasonal employees during the sugarbeet processing campaign.

Approximately 90% of Amalgamated LLC's annual sales are from refined sugar. Animal feed in the forms of beet pulp and molasses, and other by-products of sugarbeet processing account for the remaining sales. Amalgamated LLC sells its sugar primarily in the North Central, Intermountain and Northwest regions of the United States.

Amalgamated LLC has employment contracts with its key management personnel (the "Management Team"). The oversight of the Management Team and Amalgamated LLC is conducted by a seven member Management Committee, all of whom are members of the Cooperative's Board of Directors.

The Cooperative has entered into Grower Contracts with each individual member/grower of the Cooperative to purchase sugarbeets and, in turn, the Cooperative sells the sugarbeets to Amalgamated LLC. Members of the Cooperative are required to provide the sugarbeets grown on the number of acres which coincide with their ownership of Patron Preferred Stock. Failure to do so results in either a Make Whole Payment to the Cooperative or the forfeiture of their Patron Preferred Stock.

Amalgamated LLC operates, in part, through the Operating Line and through funds borrowed pursuant to the Sugar Program of the United States Department of Agriculture ("CCC Loans"). The CCC Loans are secured by refined sugar collateral.

The principal business of the Cooperative is to purchase sugarbeets from its members and, in turn, sell them to Amalgamated LLC for processing. In addition, the Cooperative has management control over the activities of Amalgamated LLC pursuant to the terms of the organizational documents of Amalgamated LLC.

Amalgamated LLC sells sugar in all of its markets in direct competition with beet sugar produced by other sugar companies. These products also compete with cane sugar refined by a number of sugar companies. Because sugar is a fungible commodity, competition for sales volume is based primarily upon customer service, price and reliability. In addition, Amalgamated LLC's products compete with other forms of sweeteners, such as regular and high fructose corn syrup, and non-nutritive, high intensity sweeteners such as aspartame.

The current Amalgamated LLC Operating Line provides for loans up to \$100 million, will expire September 30, 2012, and is based upon a floating interest rate. In addition, the Operating Line is secured by accounts receivable and inventory. The Cooperative has guaranteed the Operating Line.

In March of 2010, Amalgamated LLC obtained a \$45 million loan with Northwest Farm Credit Services for the purpose of acquiring certain plant equipment at its three operating factories. The loan is guaranteed by the Cooperative and will be disbursed over a three-year period. Payments will begin on January 1, 2011 based upon an eight-year amortization, with a maturity of September 30, 2015.