SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTER ENDED JUNE 30, 1997 COMMISSION FILE NUMBER 1-5467

VALHI, INC.

(Exact name of Registrant as specified in its charter)

DELAWARE	87-0110150
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

5430 LBJ FREEWAY, SUITE 1700, DALLAS, TEXAS 75240-2697

(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (972) 233-1700

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED ALL REPORTS REQUIRED TO BE FILED BY SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO

NUMBER OF SHARES OF COMMON STOCK OUTSTANDING ON JULY 31, 1997: 114,568,214.

VALHI, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

ASSETS	DECEMBER 31, 1996	JUNE 30, 1997
Current assets:		
Cash and cash equivalents	$ 255,679	$ 394,616
Marketable securities	142,478	148,810
Accounts and other receivables	155,430	186,338
Refundable income taxes	9,414	4,037
Receivable from affiliates	13,931	16,126
Inventories	251,597	200,108
Prepaid expenses	7,537	6,574
Deferred income taxes	1,597	1,358
Total current assets	837,663	957,967
Other assets:		
Marketable securities	51,328	188,313
Investment in and advances to joint ventures	196,697	198,981
Loans and notes receivable	3,240	91,036
Mining properties	36,441	31,880
Prepaid pension cost	25,313	23,703
Goodwill	258,359	248,548
Deferred income taxes	223	222
Other	45,479	35,419

Total other assets	617,080	818,102
Property and equipment:		
Land	37,538	18,275
Buildings	189,875	152,076
Equipment	610,545	506,242
Construction in progress	15,723	5,560
	853,681	682,153
Less accumulated depreciation	163,442	116,481
Net property and equipment	690,239	565,672
	$2,144,982	$2,341,741

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (CONTINUED)

(IN THOUSANDS)

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 1996	JUNE 30, 1997
Current liabilities:		
Notes payable	$ 38,732	$ 23,168
Current long-term debt	235,648	182,700
Accounts payable	75,307	54,758
Accrued liabilities	127,935	119,355
Payable to affiliates	47,387	15,501
Income taxes	8,148	8,919
Deferred income taxes	30,523	35,474
Total current liabilities	563,680	439,875
Noncurrent liabilities:		
Long-term debt	844,468	1,057,585
Accrued pension cost	59,215	53,984
Accrued OPEB cost	56,257	53,539
Accrued environmental costs	109,908	131,977
Deferred income taxes	178,049	194,044
Other	29,237	27,740
Total noncurrent liabilities	1,277,134	1,518,869
Minority interest	249	249
Stockholders' equity:		
Common stock	1,248	1,252
Additional paid-in capital	35,258	37,647
Retained earnings	282,766	285,717

Adjustments:		
Marketable securities	65,105	149,414
Currency translation	(6,210)	(17,034)
Pension liabilities	(3,160)	(3,160)
Treasury stock	(71,088)	(71,088)
Total stockholders' equity	303,919	382,748
	$2,144,982	$2,341,741

Commitments and contingencies (Note 1)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED	
	1996*	1997	1996*	1997
Revenues and other income:				
Net sales	$284,890	$280,221	$546,541	$545,526
Other, net	12,502	23,276	25,044	39,977
	297,392	303,497	571,585	585,503
Costs and expenses:				
Cost of sales	212,247	212,264	399,538	417,031
Selling, general and administrative	49,153	52,034	98,931	129,686
Interest	24,297	30,614	49,105	61,273
	285,697	294,912	547,574	607,990
	11,695	8,585	24,011	(22,487)
Equity in earnings (losses) of:				
Waste Control Specialists	(1,267)	(2,724)	(2,418)	(5,482)
Amalgamated Sugar Company	976	-	4,573	-
Income (loss) before income taxes	11,404	5,861	26,166	(27,969)
Provision for income taxes (benefit)	3,602	3,205	7,433	(7,493)
Minority interest	2,299	20	4,620	28
Income (loss) from continuing				

operations	5,503	2,636	14,113	(20,504)
Discontinued operations	3,247	19,742	(11,051)	35,413
Extraordinary item	-			
Net income	$ 8,750	$ 21,984	$ 3,062	$ 14,515
Earnings (loss) per common share:				
Continuing operations	$ .05	.02	$ .12	$ (.18)
Discontinued operations	.03	.17	(.09)	.31
Extraordinary item	-	-	-	-
Net income	$ .08	$ .19	$ .03	$ .13
Cash dividends per share	$ .05	$ .05	$ .10	$ .10
Weighted average common shares outstanding	114,639	115,012	114,604	114,902

*Reclassified.

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

SIX MONTHS ENDED JUNE 30, 1997

(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
Balance at December 31, 1996	$1,248	$35,258	$282,766
Net income	-	-	14,515
Dividends	-	-	(11,564)
Adjustments, net	-	-	-
Other, net	4	2,389	-
Balance at June 30, 199	$1,252	$37,647	$285,717

	ADJUSTMENTS				TOTAL
	MARKETABLE SECURITIES	CURRENCY TRANSLATION	PENSION LIABILITIES	TREASURY STOCK	STOCKHOLDERS' EQUITY
Balance at December 31, 1996	$ 65,105	$ (6,210)	$(3,160)	$(71,088)	$303,919
Net income	-	-	-		14,515
Dividends	-	-	-	-	(11,564)
Adjustments, net	84,309	(10,824)	-	-	73,485
Other, net	-	-	-	-	2,393
Balance at June 30, 1997	$149,414	$(17,034)	$(3,160)	$(71,088)	$382,748

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 1996 AND 1997

(IN THOUSANDS)

	1996*	1997
Cash flows from operating activities:		
Net income	$ 3,062	$ 14,515
Depreciation, depletion and amortization	32,345	31,482
Noncash interest expense	16,528	18,245
Change in accounting principle	-	30,000
Deferred income taxes	(6,177)	(13,403)
Minority interest	4,620	28
Other, net	(7,240)	(7,391)
Equity in (earnings) losses of:		
Discontinued operations	11,051	(35,413)
Waste Control Specialists	2,418	5,482
Amalgamated Sugar Company	(4,573)	-
	52,034	43,545
Medite, net	12,595	(39,000)
Sybra, net	4,508	(1,078)
Amalgamated Sugar Company, net	21,388	-
Change in assets and liabilities:		
Accounts and notes receivable	(38,607)	(41,392)
Inventories	9,888	30,055
Accounts payable and accrued liabilities	(14,979)	(1,971)
Other, net	(11,757)	13,568
Net cash provided by operating activities	35,070	3,727
Cash flows from investing activities:		

Capital expenditures	(33,027)	(18,750)
Purchases of:		
Marketable securities	-	(6,000)
Minority interest	(16,971)	-
Investment in Waste Control Specialists	(10,000)	(3,000)
Loans to affiliates:		
Loans	(7,400)	(42,100)
Collections	10,400	18,100
Other loans and notes receivable:		
Loans	-	(200,600)
Collections	-	112,411
Pre-close dividend from Amalgamated Sugar Company	-	11,518
Medite, net	(8,397)	34,733
Sybra, net	(2,126)	53,929
Amalgamated Sugar Company, net	(7,225)	-
Other, net	1,839	6,417
Net cash used by investing activitie	(72,907)	(33,342)

VALHI, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

SIX MONTHS ENDED JUNE 30, 1996 AND 1997

(IN THOUSANDS)

	1996*	1997
Cash flows from financing activities:		
Indebtedness:		
Borrowings	$ 92,712	$ 390,000
Principal payments	(44,135)	(221,682)
Deferred financing costs paid	-	(3,931)
Repayment of loan from affiliate	-	(7,244)
Valhi dividends paid	(11,528)	(11,564)
Distributions to minority interest	(5,126)	-
Medite, net	(2,228)	(9)
Sybra, net	(2,329)	22,381
Amalgamated Sugar Company, net	(14,624)	-
Other, net	886	2,580
Net cash provided by financing activities	13,628	170,531
Net change	(24,209)	140,916
Currency translation	(2,030)	(1,979)
Cash and equivalents at beginning of period	170,908	255,679
Cash and equivalents at end of period	$144,669	$ 394,616

Supplemental disclosures - cash paid for:

Interest, net of amounts capitalized	$ 42,583	$ 43,860
Income taxes, net	17,066	33,098

*Reclassified.

VALHI, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - BASIS OF PRESENTATION:

The consolidated balance sheet of Valhi, Inc. and Subsidiaries (collectively, the "Company") at December 31, 1996 has been condensed from the Company's audited consolidated financial statements at that date. The consolidated balance sheet at June 30, 1997 and the consolidated statements of operations, cash flows and stockholders' equity for the interim periods ended June 30, 1996 and 1997 have been prepared by the Company, without audit. In the opinion of management, all adjustments necessary to present fairly the consolidated financial position, results of operations and cash flows have been made. The results of operations for the interim periods are not necessarily indicative of the operating results for a full year or of future operations. Certain information normally included in financial statements prepared in accordance with generally accepted accounting principles has been condensed or omitted. The accompanying consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (the "1996 Annual Report"). Certain 1996 amounts have been reclassified to conform to the 1997 presentation. See Notes 14 and 15.

The Company adopted the recognition requirements of Statement of Position ("SOP") No. 96-1, "Environmental Remediation Liabilities" in the first quarter of 1997. The new rule, among other things, expands the types of costs that must be considered in determining environmental remediation accruals. As a result of adopting the new SOP, the Company recognized a noncash cumulative pre-tax charge of $30 million ($19.5 million, or $.17 per share, net-of-tax) related to environmental matters at 56%-owned NL Industries, Inc., which is comprised

primarily of estimated future undiscounted expenditures (principally legal and professional fees) associated with managing and monitoring existing environmental remediation sites. Previously, such expenditures were expensed as incurred.

The extraordinary loss relates to the write-off of unamortized deferred financing costs resulting from the early retirement of $27.6 million of Valcor's Senior Notes in connection with the tender offer completed in April 1997. See Note 11.

Commitments and contingencies are discussed in Notes 14 and 15, "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Legal Proceedings" and the 1996 Annual Report.

Contran Corporation holds, directly or through subsidiaries, approximately

92% of Valhi's outstanding common stock.

NOTE 2 - BUSINESS SEGMENT INFORMATION:

OPERATIONS	PRINCIPAL ENTITIES	% OWNED
Chemicals	NL Industries, Inc.	56%
Component products	CompX International Inc.	100%
Waste management	Waste Control Specialists	50%

NL's chemicals operations are conducted through its subsidiaries Kronos, Inc. (titanium dioxide pigments or "TiO2") and Rheox, Inc. (specialty chemicals). The Company's component products (CompX) subsidiary is owned by Valcor, Inc., a wholly-owned subsidiary of Valhi. Each of NL (NYSE: NL) and Valcor file periodic reports pursuant to the Securities Exchange Act of 1934, as amended. The results of operations of Valcor's wholly-owned building products subsidiary, conducted by Medite Corporation, and Valcor's wholly-owned fast food subsidiary, conducted by Sybra, Inc., are presented as discontinued operations. See Note 14. The refined sugar operations conducted by The Amalgamated Sugar Company in 1996 are presented on the equity method. See Note 15.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1996	1997	1996	1997
	(IN MILLIONS)		(IN MILLIONS)	
Net sales:				
Chemicals	$263.2	$252.7	$503.6	$492.2
Component products	21.7	27.5	42.9	53.3
	$284.9	$280.2	$546.5	$545.5
Operating income:				
Chemicals	$ 30.8	$ 23.9	$ 67.4	$ 37.4
Component products	5.0	6.9	9.4	13.2
	35.8	30.8	76.8	50.6
General corporate items:				
Securities earnings	2.4	16.6	5.1	31.3
Expenses, net	(2.1)	(8.2)	(8.8)	(43.1)
Interest expense	(24.3)	(30.6)	(49.1)	(61.3)
	11.8	8.6	24.0	(22.5)
Equity in earnings (losses) of:				
Waste Control Specialists	(1.3)	(2.8)	(2.4)	(5.5)
Amalagamated Sugar Company	1.0	-	4.6	-
Income (loss) before income taxes	$ 11.5	$ 5.8	$ 26.2	$(28.0)

	SIX MONTHS ENDED JUNE 30,			
	DEPRECIATION, DEPLETION AND AMORTIZATION		CAPITAL EXPENDITURES	
	1996	1997	1996	1997
	(IN MILLIONS)			
Chemicals	$30.6	$29.6	$31.3	$16.3
Component products	1.4	1.5	1.4	1.9
Other	.3	.4	.3	.5
	$32.3	$31.5	$33.0	$18.7

NOTE 3 - EARNINGS PER COMMON SHARE:

Earnings per share is based on the weighted average number of common shares outstanding. Common stock equivalents are excluded from the computation because they are either antidilutive or their dilutive effect is not material. The Company will retroactively adopt Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," effective December 31, 1997. Basic earnings per share pursuant to SFAS No. 128 will be equivalent to earnings per share presented herein, and diluted earnings per share pursuant to SFAS No. 128 is not expected to be materially different from basic earnings per share.

NOTE 4 - MARKETABLE SECURITIES:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Current asset (available-for-sale) -		
Dresser Industries common stock	$142,478	$148,810
Noncurrent assets (available-for-sale):		
The Amalgamated Sugar Company LLC	$ 34,070	$163,311
Other securities	17,258	25,002
	$ 51,328	$188,313

At June 30, 1997, Valhi held 5.5 million shares of Dresser common stock with a quoted market price of $37.25 per share, or an aggregate market value of approximately $203 million (cost - $44 million). Valhi's LYONs are exchangeable at any time, at the option of the LYONs holder, for such Dresser shares, and the carrying value of the Dresser stock is limited to the accreted LYONs obligation. See Note 11.

The Company's investment in The Amalgamated Sugar Company LLC (cost - $34 million) is discussed in Note 15. The aggregate cost of other securities (primarily common stocks) is approximately $22 million at June 30, 1997 (December 31, 1996 - $16 million).

NOTE 5 - INVENTORIES:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Raw materials:		
Chemicals	$ 43,284	$ 36,514
Component products	2,556	2,140
Building products	4,306	55
Fast food	1,406	-
	51,552	38,709
In process products:		
Chemicals	10,356	11,456
Component products	4,974	4,984
Building products	83	-
	15,413	16,440
Finished products:		
Chemicals	142,956	108,450
Component products	3,300	3,356
Building products	1,096	106
	147,352	111,912
Supplies	37,280	33,047
	$251,597	$200,108

NOTE 6 - ACCRUED LIABILITIES:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Employee benefits	$ 47,331	$ 37,222
Interest	11,157	10,583
Environmental costs	6,126	9,115
Plant closure costs	7,669	5,604
Miscellaneous taxes	5,262	5,599
Other	50,390	51,232

	$127,935	$119,355

NOTE 7 - ACCOUNTS WITH AFFILIATES:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Receivable from affiliates:		
Demand loan to Contran	$ -	$16,000
Net dividend receivable from Amalgamated	11,518	-
Other	2,413	126
	$13,931	$16,126

Payable to affiliates:

Income taxes payable to Contran	$29,633	$ 5,279
Demand loan from Contran	7,244	-
Tremont Corporation	3,529	3,157
Louisiana Pigment Company	6,677	7,129
Other, net	304	(64)
	$47,387	$15,501

NOTE 8 - LOANS AND NOTES RECEIVABLE:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Snake River Sugar Company	$ -	$80,000
Snake River Farms II	-	6,689
Other	4,740	5,759
	4,740	92,448

Less current portion	1,500	1,412
Noncurrent portion	$3,240	$91,036

Loans to Snake River Sugar Company and Snake River Farms II are discussed in Note 15. At June 30, 1997, other loans and notes receivable include a $1.5 million loan to the other 50%-owner of Waste Control Specialists which is collateralized by such owner's interest in Waste Control Specialists.

NOTE 9 - OTHER NONCURRENT ASSETS:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Investment in joint ventures:		
TiO2 manufacturing joint venture	$179,195	$175,688
Waste Control Specialists LLC	15,218	12,736
Other	2,284	2,557
	196,697	190,981
Loan to Waste Control Specialists LLC	-	8,000
	$196,697	$198,981
Franchise fees and other intangible assets	$ 19,215	$ 6,101
Deferred financing costs	15,273	16,264
Property held for sale	4,681	7,457
Other	6,310	5,597
	$ 45,479	$ 35,419

In March 1997, the Company entered into an unsecured $10 million revolving credit facility with Waste Control Specialists. Borrowings by Waste Control Specialists bear interest at prime plus 1% and are due no later than December 31, 1998. Also in March 1997, Waste Control Specialists granted Valhi the option to acquire an additional 5% ownership interest in Waste Control Specialists for $2.5 million.

NOTE 10 - OTHER NONCURRENT LIABILITIES:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Insurance claims and expenses	$ 13,380	$13,317
Employee benefits	12,050	11,022
Deferred income	-	1,540
Other	3,807	1,861
	$ 29,237	$27,740

NOTE 11 - NOTES PAYABLE AND LONG-TERM DEBT:

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN THOUSANDS)	
Notes payable:		
Kronos - non-U.S. bank credit agreements (DM 40,000 and DM 40,000)	$ 25,732	$ 23,168
Valhi - bank revolver	13,000	$ -
	$ 38,732	$ 23,168
Long-term debt:		
Valhi: LYONs	$ 142,478	148,810
Snake River Sugar Company	-	250,000
Valcor Senior Notes	98,910	68,638
NL Industries:		
Senior Secured Notes	250,000	250,000
Senior Secured Discount Notes	149,756	159,490
Deutsche mark bank credit facility (DM 539,971 and DM 288,322)	347,362	166,996
Joint venture term loan	57,858	50,143
Rheox bank credit facility	14,659	140,000
Other	9,411	5,964
Total NL Industries	829,046	772,593
Other:		
Medite term loan	3,727	-
Sybra bank credit agreements	1,081	-
Sybra capital leases	4,540	-
Other	334	244
	9,682	244

	1,080,116	1,240,285
Less current maturities	235,648	182,700
	$ 844,468	$1,057,585

Valhi's loans from Snake River Sugar Company are discussed in Note 15. In January 1997, NL refinanced the Rheox bank term loan and used the net cash proceeds, along with other available funds, to prepay a portion of the DM bank credit facility. Medite's term loan was assumed by the purchaser of its Oregon medium density fiberboard facility in February 1997. Sybra's bank indebtedness was repaid and terminated in April 1997 immediately prior to Valcor's sale of Sybra's common stock, and the purchaser of Sybra's common stock assumed Sybra's capital lease obligations. See Note 14. In April 1997, the Company completed a tender offer whereby Valcor purchased $27.6 million principal amount of Valcor Senior Notes at par value, including $1.1 million held by Valhi. In August 1997, Valcor initiated (i) a consent solicitation to amend certain provisions of the Valcor Senior Note Indenture and (ii) a tender offer to purchase the remaining outstanding Valcor Senior Notes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

Rheox has entered into interest rate collar agreements which effectively set minimum and maximum U.S. LIBOR interest rates of 5.25% and 8%, respectively, on $50 million principal amount of its variable-rate bank term loan through May 2001. The margin on such borrowings ranges from .75% to 1.75%, depending upon the level of a certain Rheox financial ratio. Rheox is exposed to interest rate risk in the event of nonperformance by the other parties to the agreements, although Rheox does not anticipate nonperformance by such parties. At June 30, 1997, the estimated fair value of such agreements was estimated to be a $100,000 receivable. Such fair value represents the amount Rheox would receive if it terminated the collar agreements at that date, and is based upon quotes obtained from the counter party financial institutions.

NOTE 12 - OTHER INCOME:

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN THOUSANDS)	
Securities earnings:		
Interest and dividends	$ 5,037	$31,133
Securities transactions	122	166
	5,159	31,299
Currency transactions, net	3,918	2,785
Technology fee income	5,674	-
Pension curtailment gain	4,791	-
Litigation settlement gain	2,756	-
Other, net	2,746	5,893
	$25,044	$39,977

NOTE 13 - PROVISION FOR INCOME TAXES ATTRIBUTABLE TO CONTINUING OPERATIONS:

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN MILLIONS)	
Expected tax expense (benefit)	$ 9.2	$ (9.8)
Non-U.S. tax rates	(2.0)	(.5)
Incremental tax and rate differences on equity in earnings of non-tax group companies	-	(12.2)
U.S. state income taxes, net	1.1	1.4
Change in NL's deferred income tax valuation allowance	(1.1)	12.8
No tax benefit for goodwill amortization	1.5	1.6
Other, net	(1.3)	(.8)
	$ 7.4	$ (7.5)

NOTE 14 - DISCONTINUED OPERATIONS:

The components of discontinued operations are presented in the following table.

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN THOUSANDS)	
Medite Corporation	$(12,734)	$15,667
Sybra, Inc.	1,683	19,746
	$(11,051)	$35,413

Medite. In the fourth quarter of 1996, Medite Corporation sold its timber

and timberlands and its Irish medium density fiberboard ("MDF") subsidiary. In February 1997 Medite sold its Oregon MDF facility for approximately $36 million cash consideration (before fees and expenses) plus the assumption of approximately $3.7 million of Medite indebtedness. Medite's two remaining facilities have been closed, and Medite expects to complete the sale of such facilities later in the year. Accordingly, the accompanying financial statements present the results of operations of Medite's building products business segment as discontinued operations for all periods presented.

Medite's first quarter 1996 results include a pre-tax charge of $24 million for the estimated costs of permanently closing its New Mexico MDF plant. Medite also recognized a $13 million pre-tax charge in the fourth quarter of 1996 for the estimated costs of permanently closing the stud lumber and veneer facilities. Approximately $26 million of such charges represent non-cash costs, most of which related to the net carrying value of property and equipment in excess of estimated net realizable value. These non-cash costs were deemed utilized upon adoption of the respective closure plans. Approximately $11 million of such charges represent workforce, environmental and other estimated cash costs associated with the closure of the facilities, of which approximately $5 million had been paid at June 30, 1997 ($3 million paid at December 31, 1996).

Condensed income statement data for Medite is presented below. The $24 million pre-tax New Mexico MDF plant closure charge is included in Medite's operating income for 1996 because the decision to close the New Mexico MDF facility occurred prior to the decision to permanently dispose of the entire business segment. The gain on disposal in 1997 relates to the first quarter

sale of the Oregon MDF facility. Interest expense represents interest on indebtedness of Medite and its subsidiaries.

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN MILLIONS)	
Operations of Medite:		
Net sales	$ 94.6	$20.5
Operating income (loss)	$(16.9)	$ 2.8
Interest expense and other, net	(4.1)	(.2)
Pre-tax income (loss)	(21.0)	2.6
Income tax expense (benefit)	(8.3)	1.0
	(12.7)	1.6
Net gain on disposal:		
Pre-tax gain	-	22.3
Income tax expense	-	8.2
	-	14.1
	$(12.7)	$15.7

Condensed balance sheets for Medite, included in the Company's consolidated balance sheets, are presented below.

	DECEMBER 31, 1996	JUNE 30, 1997
	(IN MILLIONS)	
Current assets	$21.2	$13.1
Property and equipment, net	18.2	.4
Property held for sale and other assets	4.8	6.8
	$44.2	$20.3
Current liabilities	$17.6	$ 8.8
Long-term debt	3.7	.1
Deferred income taxes	1.6	3.7
Other liabilities	3.0	3.1
Stockholder's equity (*)	18.3	4.6
	$44.2	$20.3

* Eliminated in consolidation.

Condensed cash flow data for Medite (excluding dividends paid to and intercompany loans with Valcor) is presented below.

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN MILLIONS)	
Cash flows from operating activities	$12.6	$(39.0)
Cash flows from investing activities:		
Capital expenditures	(8.6)	(.4)
Proceeds from disposal of assets	-	35.1
Other, net	.2	-
	(8.4)	34.7
Cash flows from financing activities - Indebtedness, net	(2.2)	-

	$ 2.0	$ (4.3)

Sybra. On April 30, 1997, the Company completed the disposition of its fast food operations conducted by Sybra. The disposition was accomplished in two separate, simultaneous transactions. The first transaction involved the sale of certain restaurant real estate owned by Sybra for $45 million cash consideration. Substantially all of the net-of-tax proceeds from this transaction were distributed to Valcor. The second transaction involved Valcor's sale of 100% of the common stock of Sybra for $14 million cash consideration plus the repayment by the purchaser of approximately $23.8 million of Sybra's intercompany indebtedness owed to Valcor. Under certain conditions, the purchaser of Sybra's common stock is obligated to pay additional contingent consideration of approximately $2 million to Valcor in the future. Accordingly, the accompanying financial statements present the results of operations of Sybra's fast food operations as discontinued operations for all periods presented.

Condensed income statement data for Sybra through the date of disposal is presented below. Interest expense represents interest on indebtedness of Sybra. The gain on disposal includes both Sybra's sale of its restaurant real estate and Valcor's sale of Sybra's common stock. The provision for income taxes applicable to the pre-tax gain on disposal varies from the 35% federal statutory rate due principally to the excess of tax basis over book basis of the common stock of Sybra sold for which no deferred income tax benefit was previously recognized.

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN MILLIONS)	
Operations of Sybra:		
Net sales	$59.6	$37.9
Operating income	$ 4.0	$ 1.7
Interest expense and other, net	(1.3)	(.6)
Pre-tax income	2.7	1.1
Income tax expense	1.0	.5
	1.7	.6
Net gain on disposal:		
Pre-tax gain	-	23.2
Income tax expense	-	4.1
	-	19.1

	$ 1.7	$19.7

A condensed balance sheet for Sybra at December 31, 1996, included in the Company's consolidated balance sheet, are presented below.

	AMOUNT (IN MILLIONS)
Current assets	$ 6.0
Intangible assets	16.0
Property and equipment, net	53.6
Other assets	-
	$75.6
Current liabilities	$14.4
Long-term debt	4.7
Loan payable to Valcor (*)	20.0
Other liabilities	1.4
Stockholder's equity (*)	35.1
	$75.6

(*) Eliminated in consolidation

Condensed cash flow data for Sybra (excluding dividends paid to and intercompany loans with Valcor, but including the net proceeds from Valcor's sale of Sybra's common stock) is presented below.

	SIX MONTHS ENDED JUNE 30,	
	1996	1997
	(IN MILLIONS)	
Cash flows from operating activities	$ 4.5	$ (1.1)
Cash flows from investing activities:		
Capital expenditures	(2.2)	(1.8)
Proceeds on disposal of assets	-	55.3
Other, net	.1	.4

	(2.1)	53.9
Cash flows from financing activities - Indebtedness, net	(2.3)	22.4
	$ .1	$75.2

NOTE 15 - TRANSFER OF CONTROL OF THE AMALGAMATED SUGAR COMPANY:

On January 3, 1997, the Company completed the transfer of control of the refined sugar operations previously conducted by the Company's wholly-owned subsidiary, The Amalgamated Sugar Company, to Snake River Sugar Company, an Oregon agricultural cooperative formed by certain sugarbeet growers in Amalgamated's areas of operations. Pursuant to the transaction, which by its terms was to be effective December 31, 1996 for both financial reporting and income tax purposes, Amalgamated contributed substantially all of its net assets to the Amalgamated Sugar Company LLC, a limited liability company controlled by Snake River, on a tax-deferred basis in exchange for a non-voting ownership interest in the LLC.

Also as part of the transaction, Snake River made certain loans to Valhi aggregating $250 million in January 1997. These loans bear interest at a weighted average fixed interest rate of 9.4%, are collateralized by the Company's interest in the LLC and are due in January 2027. Currently, these loans are nonrecourse to Valhi. See Note 11. Under certain conditions, up to $37.5 million of such loans may become recourse to Valhi.

In connection with the transaction, Valhi provided $180 million of loans to Snake River in January 1997, of which $100 million was prepaid in May 1997 when Snake River obtained $100 million of third-party term loan financing. Valhi's remaining $80 million loan to Snake River is unsecured, is subordinate to Snake River's third-party term loan and bears interest at a fixed rate of 10.99% through 1998 and 12.99% for 1999 through 2010, with all principal due in 2010. Snake River's third-party term loan allows Snake River to pay $400,000 to Valhi for monthly installments for debt service on Valhi's loan to Snake River, and also allows for an additional annual payment by Snake River to Valhi for debt service based on Snake River's excess cash flow, as defined. Once Valhi has

received $30 million aggregate debt service payments from Snake River, Valhi is required to pledge $5 million in cash equivalents or marketable securities to collateralize Snake River's third-party term loan; such collateral will be released by the lender once the outstanding principal balance of Snake River's third-party term loan has been reduced to $50 million. Snake River's third-party term lender has given Valhi the option to completely buy-out the third-party term lender's position at any time for an amount equal to the then-outstanding principal balance of the loan plus a prepayment penalty, as defined. Also in connection with the transaction, Valhi provided a $12 million loan to Snake River Farms II, a subsidiary of Snake River, in connection with the transaction. This loan, as amended, bears interest at a fixed rate of 10%, is due no later than January 2000, and is guaranteed by Snake River. See Note 8.

The Company and Snake River share in distributions from the LLC up to an aggregated $26.7 million per year, with a preferential 95% going to the Company. In addition, the Company may, at its option, require the LLC to redeem the Company's interest in the LLC beginning in 2010, and the LLC has the right to redeem the Company's interest in the LLC beginning in 2027. The redemption price is generally $250 million plus the amount of certain undistributed income allocable to the Company. In the event the Company requires the LLC to redeem the Company's interest in the LLC, Snake River has the right to call Valhi's $250 million loans from Snake River, and under the terms of the LLC Company

Agreement Snake River would contribute to the LLC the cash received from calling such loans to satisfy all or a substantial portion of the redemption price.

The LLC Company Agreement contains certain restrictive covenants intended to protect the Company's interest in the LLC, including limitations on capital expenditures and additional indebtedness of the LLC. The Company also has the ability to temporarily take control of the LLC, via election of a majority of the members of the LLC's Management Committee, in the event the Company's cumulative "base distributions" from the LLC, as defined, become $10 million in arrears and no default exists under Valhi's $250 million loans from Snake River.

Once any such arrearages have been paid, the Company ceases to have any representation on the Management Committee. In addition, if Snake River's third-party term loan has, by its terms, been placed into default, Valhi will be able to exercise its ability to temporarily take control of the LLC only if Valhi loans additional funds to Snake River in amounts up to the next three years of debt service of Snake River's third-party term loan. Snake River will pledge such funds to the third-party term lender to collateralize Snake River's third-party term loan; such funds will be released by the third-party term lender, and repaid to Valhi, when either (i) Snake River's third-party term loan has been completely repaid or (ii) no default exists under the third-party term loan and Valhi has relinquished its temporary control of the LLC.

Because the Company no longer controls the operations contributed to the LLC, the Company ceased consolidating the net assets, results of operations and cash flows of such business effective December 31, 1996. At December 31, 1996, the Company reported the net assets contributed to the LLC at cost. Beginning in 1997, the Company commenced reporting the cash distributions received from the LLC (approximately $12.7 million in the first six months of 1997) as dividend income. The amount of such future distributions is dependent upon, among other things, the future performance of the LLC's operations. For comparative purposes, Amalgamated's 1996 results of operations and cash flows are reported by the equity method. Because the Company receives preferential distributions from the LLC and has the right to require the LLC to redeem its interest in the LLC for a fixed and determinable amount beginning at a fixed and determinable date, the Company has classified its investment in the LLC as an available-for-sale marketable security carried at estimated fair value at June 30, 1997. See Note 4. In determining the estimated fair value of the Company's interest in the LLC, the Company considers, among other things, the outstanding balance of the Company's loans to Snake River and the outstanding balance of the Company's loans from Snake River.

Condensed income statement data for Amalgamated for the six months ended June 30, 1996 is presented below.

	AMOUNT (IN MILLIONS)
Net sales:	
Refined sugar	$216.3
By-products and other	19.3
	$235.6
Operating income:	
FIFO basis	$ 17.3
LIFO adjustment	(4.7)
LIFO basis	12.6
Interest expense and other, net	(5.2)

Pre-tax income	7.4
Income tax expense	2.8
Net income	$ 4.6

Condensed cash flow data for Amalgamated for the six months ended June 30, 1996 (excluding dividends paid to Valhi) is presented below.

	AMOUNT (IN MILLIONS)
Cash flows from operating activities:	
Before changes in assets and liabilities	$ 9.8
Changes in assets and liabilities	11.6
	21.4
Cash flows from investing activities - Capital expenditures	(7.2)
Cash flows from financing activities - Indebtedness, net	(14.6)
	$ (.4)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS:

The Company reported income from continuing operations of $2.6 million, or $.02 per share, for the second quarter of 1997 compared to income of $5.5 million, or $.05 per share, in the second quarter of 1996. For the first six months of 1997, the Company reported a loss from continuing operations of $20.5 million, or $.18 per share, compared to income of $14.1 million, or $.12 per share, in the first six months of 1996. The 1997 year-to-date loss includes a $30 million pre-tax charge ($19.5 million, or $.17 per share, net-of-tax) related to adoption of a new accounting standard regarding accounting for NL Industries's environmental remediation liabilities. See Note 1 to the Consolidated Financial Statements. Also contributing to the lower level of earnings in 1997 was lower average selling prices for TiO2 at NL. Discontinued operations include both the results of operations of Medite Corporation and Sybra, Inc., and in 1997 include (i) a first quarter after-tax gain on disposal of $14 million ($22 million pre-tax) related to the sale of Medite's Oregon MDF facility and (ii) a second quarter after-tax gain on disposal of $19 million ($23 million pre-tax) related to the disposition of Sybra's fast food operations. See Note 14 to the Consolidated Financial Statements.

The statements in this Quarterly Report on Form 10-Q relating to matters that are not historical facts, including, but not limited to, statements found in this "Management's Discussion and Analysis of Financial Condition and Results of Operations", are forward-looking statements that involve a number of risks and uncertainties. Factors that could cause actual future results to differ materially from those expressed in such forward-looking statements include, but are not limited to, future supply and demand for the Company's products (including cyclicality thereof), general economic conditions, competitive products and substitute products, customer and competitor strategies, the impact

of pricing and production decisions, environmental matters, government regulations and possible changes therein, the ultimate resolution of pending litigation and possible future litigation, completion of pending asset/business unit dispositions and other risks and uncertainties as discussed in this Quarterly Report and the 1996 Annual Report.

CHEMICALS

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	1996	1997	% CHANGE	1996	1997	% CHANGE
	(IN MILLIONS)			(IN MILLIONS)		
Net sales:						
Kronos	$228.3	$214.3	-6%	$434.6	$418.7	-4%
Rheox	34.9	38.4	+10%	69.0	73.5	+7%
	$263.2	$252.7	-4%	$503.6	$492.2	-2%
Operating income:						
Kronos	$ 20.6	$ 12.1	-41%	$ 45.1	$ 15.9	-65%
Rheox	10.2	11.8	+15%	22.3	21.5	-4%
	$ 30.8	$ 23.9	-23%	$ 67.4	$ 37.4	-45%

Kronos' operating income in the second quarter and first six months of 1997 decreased from the comparable periods in 1996 due to lower average TiO2 selling prices, partially offset by higher production and sales volumes. Kronos' average TiO2 selling prices were 8% and 12% lower in the second quarter and first six months of 1997, respectively, compared with the same periods in 1996. However, Kronos' operating income in the second quarter of 1997 increased $8.3 million compared to the first quarter of 1997, as Kronos' average TiO2 selling prices for the second quarter of 1997 were 3% higher than the first quarter of 1997. Selling prices at the end of the second quarter of 1997 were 1% higher than the average for the quarter. Kronos achieved record second quarter sales volumes, reflecting continued strong TiO2 demand, as second quarter and first six month volumes increased 9% and 14%, respectively, from the year-earlier periods, with higher volumes worldwide. Kronos' operating income in the second quarter of 1997 includes a $2.7 million gain related to the sale of certain surplus assets.

NL currently expects further increases in its TiO2 selling prices during

the second half of the year. However, NL expects its calendar 1997 TiO2 operating income to be below that of 1996, primarily because of expected lower average selling prices for all of 1997 compared to 1996. While NL currently expects its full-year 1997 TiO2 sales volumes will be higher than the full-year 1996 volumes, TiO2 sales volumes in the last half of 1997 are currently expected to be lower than the first half of 1997.

Excluding a $2.7 million first quarter 1996 gain related to the reduction of certain U.S. employee pension benefits, Rheox's sales and operating income increased in 1997 compared to 1996 due to higher sales volumes and slightly higher selling prices.

A significant amount of NL's sales generated from its non-U.S. operations are denominated in currencies other than the U.S. dollar, primarily major

European currencies and the Canadian dollar, and fluctuations in the value of the U.S. dollar relative to such other currencies decreased the dollar value of sales in the first six months of 1997 by approximately $22 million compared to the same period in 1996. In addition, a portion of NL's sales generated from its non-U.S. operations are denominated in the U.S. dollar, and exchange rate fluctuations do not impact the reported amount of net sales. However, exchange rate fluctuations resulted in an increase in the U.S. dollar value of the operating margins of such net sales because labor and other production costs are generally denominated in the foreign local currency. Consequently, fluctuations in the value of the U.S. dollar relative to other currencies increased NL's operating income in the first six months of 1997 compared with the same period in 1996.

The Company's purchase accounting adjustments made in conjunction with the acquisitions of its interest in NL result in additional depreciation, depletion and amortization expense beyond amounts separately reported by NL. Such additional non-cash expenses reduce chemicals operating income, as reported by Valhi, by approximately $20 million annually as compared to amounts separately reported by NL.

COMPONENT PRODUCTS

	THREE MONTHS ENDED JUNE 30,		%	SIX MONTHS ENDED JUNE 30,		%
	1996	1997	CHANGE	1996	1997	CHANGE
	(IN MILLIONS)			(IN MILLIONS)		
Net sales	$21.7	$27.5	+26%	$42.9	$53.3	+24%
Operating income	5.0	6.9	+38%	9.4	13.2	+40%

Sales, operating income and margins increased in 1997 due primarily to increased volumes in all three major product lines (ergonomic workstations, drawer slides and locks). Relative changes in product mix also favorably impacted comparisons, as 1996 sales included a relatively higher volume of lower-margin products, including those resulting from an August 1995 business acquisition. Lock sales were also aided by certain price increases instituted at the beginning of 1997, which helped to partially offset increases in certain raw material costs (primarily zinc and copper).

WASTE MANAGEMENT

Waste Control Specialists LLC, formed in November 1995, was constructing its West Texas facility during 1995 and 1996. Waste Control Specialists reported a loss of $5.5 million during the first six months of 1997 compared to a loss of $2.4 million in the same period in 1996. The Company received its

first wastes for disposal in February 1997, and net sales in the first six months of 1997 were approximately $1 million. Waste Control's loss was higher in the first six months of 1997 as compared to the first six months of 1996 due principally to start-up expenses associated with the West Texas facility, as well as larger expenditures in conjunction with the pursuit of permits for the treatment, storage and disposal of low-level and mixed radioactive wastes.

The Texas Department of Health has issued a draft license to Waste Control Specialists covering the treatment and storage (but not disposal) of low-level and mixed radioactive wastes. A public comment period on the draft license has expired, and in August 1997 an administrative judge will decide if any of the five groups opposing issuance of the license has proper standing. Should standing be granted to one or more opposing parties, hearings would be conducted. If standing is not granted, the license is currently expected to be issued shortly thereafter. While Waste Control Specialists currently believes

the license will be granted, there can be no assurance that any such license will be issued by the Texas Department of Health.

OTHER

EQUITY IN EARNINGS OF AMALGAMATED. See Note 15 to the Consolidated Financial Statements.

General corporate items. Securities earnings increased in 1997 due to distributions received from The Amalgamated Sugar Company LLC, which are reported as dividend income, as well as a higher level of funds available for investment, including interest income earned on debt financing Valhi provided to Snake River Sugar Company and Snake River Farms II in early 1997 and funds generated from the Medite and Sybra dispositions. See Notes 14 and 15 to the Consolidated Financial Statements. General corporate expenses in the first quarter of 1997 include NL's $30 million pre-tax charge related to adoption of a new accounting standard regarding environmental remediation liabilities. See Note 1 to the Consolidated Financial Statements. Net general corporate expenses in the second quarter of 1996 include a $2.8 million gain related to the settlement of certain litigation in which NL was a plaintiff, and in the second quarter of 1997 include $1.5 million of expenses related to the Amalgamated Sugar Company LLC/Snake River Sugar Company transactions.

Interest expense. Interest expense increased due primarily to Valhi's $250 million in loans from Snake River Sugar Company. See Note 15 to the Consolidated Financial Statements. At June 30, 1997, approximately $877 million of consolidated indebtedness, principally publicly-traded debt and Valhi's loans from Snake River Sugar Company, bears interest at fixed rates averaging 10.7%. The weighted average interest rate on about $386 million of outstanding variable rate borrowings at June 30, 1997 was 6.7%, compared to 5.3% at December 31, 1996 and 6.4% at year-end 1995. The weighted average interest rate on outstanding variable rate borrowings increased from December 31, 1996 to June 30, 1997 due

primarily to NL's January 1997 refinancing of certain indebtedness discussed below, in which NL refinanced Rheox's term loan and used the net cash proceeds, along with other available funds, to prepay a portion of Kronos' DM credit facility. The overall interest rate on the Rheox term loan is higher than the overall interest rate on the DM credit facility, and the DM LIBOR interest rate margin on outstanding borrowings under the DM credit facility was increased in conjunction with the January 1997 prepayment.

Minority interest. Minority interest in earnings in 1996 consisted principally of NL dividends paid to stockholders other than Valhi. NL's Board of Directors suspended quarterly dividends in the fourth quarter of 1996.

Provision for income taxes. Income tax rates vary by jurisdiction (country and/or state), and relative changes in the geographic mix of the Company's pre-tax earnings can result in fluctuations in the effective income tax rate. As discussed in Note 15 to the Consolidated Financial Statements, The Amalgamated Sugar Company's results of operations in 1996 are presented on the equity method. Amalgamated is a member of the consolidated U.S. tax group of which Valhi and Contran are members, and consequently the Company did not provide any

incremental income taxes related to such earnings. Certain subsidiaries, including NL, are not members of the consolidated U.S. tax group and the Company does provide incremental income taxes on such earnings. Both of these factors impact the Company's overall effective tax rate. See Note 13 to the Consolidated Financial Statements.

Extraordinary item. See Note 1 to the Consolidated Financial Statements.

Discontinued operations. See Note 14 to the Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES:

Cash flows from operating activities. Cash flows from operating activities attributable to continuing operations before changes in assets and liabilities declined from $52 million in the first six months of 1996 to $44 million in the first six months of 1997 primarily due to lower operating results at NL. Changes in assets and liabilities generally result from the timing of production, sales, purchases and income tax payments.

Cash flows from investing and financing activities. Capital expenditures attributable to continuing operations in calendar 1997 are expected to decline to approximately $42 million from $70 million in calendar 1996 due to lower planned spending by NL.

During the first six months of 1997, Valhi (i) loaned $180 million to Snake River Sugar Company and $12.1 million to Snake River Farms II, (ii) collected $105.4 million principal amount on such loans, (iii) received an $11.5 million pre-closing dividend from Amalgamated, (iv) contributed the remaining $3 million capital contribution to Waste Control Specialists, (v) loaned $8 million to Waste Control Specialists pursuant to a $10 million revolving facility due December 1998 and (vi) purchased $6 million of certain marketable securities.

Net borrowings in 1997 include $250 million borrowed from Snake River Sugar Company and the impact of NL's refinancing of its Rheox term loan and prepayment of a portion of the DM credit facility as discussed below. At June 30, 1997, unused credit available under existing credit facilities approximated $121 million.

Cash flows from discontinued operations. Condensed cash flow data for Medite and Sybra are included in Note 14 to the Consolidated Financial Statements. Under the terms of Internal Revenue Code and similar state regulations regarding the timing of estimated tax payments, Valcor was not required to pay income taxes related to Medite's 1996 sales of its timber and timberlands and Irish MDF subsidiary until the first quarter of 1997, at which

time such payment (approximately $39 million) was shown as a reduction in cash flows from operating activities even though the pre-tax proceeds from disposition of such assets were shown as part of cash flows from investing activities in the fourth quarter of 1996. Similarly, cash income taxes related to Medite's February 1997 sale of the Oregon MDF facility are also shown as a reduction in cash flows from operating activities in 1997, and cash income taxes of approximately $4 million related to the April 1997 disposition of Sybra's fast food operations are not required to be paid until later in 1997.

Other. At June 30, 1997, assets held for sale, recorded at estimated net realizable value, consist principally of land, building and equipment from Medite's former veneer facility and land from Medite's stud lumber facility and another former Medite facility closed before 1996. The salvageable property and equipment from the stud facility, included in assets held for sale at December 31, 1996, were sold during the first quarter of 1997 for an amount approximating previously-estimated net realizable value.

NL Industries. Demand, supply and pricing within the TiO_2 industry is cyclical, and changes in industry economic conditions can significantly impact NL's earnings and operating cash flows. Declining TiO_2 prices unfavorably impacted NL's operating income and cash flows from operations comparisons in 1997 with 1996. NL generated $19 million in cash flows from operating

activities before changes in assets and liabilities in the first six months of 1997, down from $43 million in the first six months of 1996. Aggregate relative changes in NL's inventories, receivables and payables, excluding the effect of foreign currency translation, used $49 million of net cash in the first six months of 1996 compared to a $5 million use of net cash in the first six months of 1997.

Average TiO2 selling prices began a downward trend in the last half of 1995, and TiO2 prices continued to decline throughout 1996 and the first quarter of 1997. While NL's average TiO2 prices began to increase during the second quarter of 1997, NL's average TiO2 selling price in calendar 1997 is expected to be lower than the calendar 1996 average. No assurance can be given that price trends will conform to NL's expectations and future cash flows will be adversely affected should price trends be lower than NL's expectations. In order to improve its near-term liquidity, NL refinanced Rheox's term loan in January 1997, obtaining a net $125 million of new long-term financing, and used the net cash proceeds, along with other available funds, to prepay a portion of the DM credit facility. In addition, NL and its lenders modified certain financial covenants of the DM credit facility, and NL guaranteed the facility. As a result of the refinancing and prepayment, NL's aggregate scheduled debt payments for 1997 and 1998 decreased by $103 million ($64 million in 1997 and $39 million in 1998), and NL's total debt was reduced by $28 million.

Certain of NL's U.S. and non-U.S. income tax returns, including Germany, are being examined and tax authorities have or may propose tax deficiencies. NL has previously reached an agreement with the German tax authorities, and paid certain tax deficiencies of approximately DM 44 million ($28 million when paid), including interest, which resolved certain significant tax contingencies for years through 1990. Certain other significant German tax contingencies remain outstanding and will continue to be litigated. NL has received certain tax assessments aggregating DM 130 million ($75 million), including interest, for the years through 1996 and expects to receive tax assessments for an additional DM 20 million ($12 million) related to these remaining tax contingencies. No payments of income tax or interest deficiencies related to these assessments will be required until the litigation is resolved, which NL anticipates may take approximately two to five years. Although NL believes that it will ultimately prevail in the litigation, NL has granted a DM 100 million ($58 million at June 30, 1997) lien on its Nordenham, Germany TiO2 plant in favor of the German tax authorities. No assurance can be given that this litigation will be resolved in NL's favor in view of the inherent uncertainties involved in court proceedings. NL believes that it has adequately provided accruals for additional income taxes and related interest expense which may ultimately result from all such examinations and believes that the ultimate disposition of such examinations should not have a material adverse effect on its consolidated financial position, results of operations or liquidity.

NL has been named as a defendant, PRP, or both, in a number of legal proceedings associated with environmental matters, including waste disposal sites, mining locations and facilities currently or previously owned, operated or used by NL, certain of which are on the U.S. EPA's Superfund National Priorities List or similar state lists. On a quarterly basis, NL evaluates the potential range of its liability at sites where it has been named as a PRP or defendant. NL believes it has provided adequate accruals ($138 million at June 30, 1997) for reasonably estimable costs of such matters, but NL's ultimate liability may be affected by a number of factors, including changes in remedial alternatives and costs and the allocation of such costs among PRPs. See Note 1 to the Consolidated Financial Statements. It is not possible to estimate the range of costs for certain sites. The upper end of the range of reasonably possible costs to NL for sites for which it is possible to estimate costs is approximately $185 million. NL's estimates of such liabilities have not been discounted to present value, and NL has not recognized any potential insurance recoveries. No assurance can be given that actual costs will not exceed accrued amounts or the upper end of the range for sites for which estimates have been made and no assurance can be given that costs will not be incurred with respect to sites as to which no estimate presently can be made. NL is also a defendant in a number of legal proceedings seeking damages for personal injury and property damage arising out of the sale of lead pigments and lead-based paints.

NL has not accrued any amounts for the pending lead pigment and lead-based paint litigation. There is no assurance that NL will not incur future liability in respect of this pending litigation in view of the inherent uncertainties involved in court and jury rulings and proceedings in pending and possible

future cases. However, based on, among other things, the results of such litigation to date, NL believes that the pending lead pigment and lead-based paint litigation is without merit. Liability that may result, if any, cannot reasonably be estimated. In addition, various legislation and administrative regulations have, from time to time, been enacted or proposed that seek to impose various obligations on present and former manufacturers of lead pigment and lead-based paint with respect to asserted health concerns associated with the use of such products and to effectively overturn court decisions in which NL and other pigment manufacturers have been successful. NL currently believes the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on its consolidated financial position, results of operations or liquidity. There can be no assurance that additional matters of these types will not arise in the future.

NL periodically evaluates its liquidity requirements, alternative uses of capital, capital needs and availability of resources in view of, among other things, its debt service and capital expenditure requirements and estimated future operating cash flows. As a result of this process, NL has in the past and may in the future seek to reduce, refinance, repurchase or restructure indebtedness, raise additional capital, issue additional securities, modify its dividend policy, restructure ownership interests, sell interests in subsidiaries or other assets, or take a combination of such steps or other steps to manage its liquidity and capital resources. In the normal course of its business, NL may review opportunities for the acquisition, divestiture, joint venture or other business combinations in the chemicals industry. In the event of any future acquisition, NL may consider using its available cash, issuing its equity securities or increasing its indebtedness to the extent permitted by the agreements governing NL's existing debt. In this regard, the Indentures governing NL's publicly-traded debt contain provisions which limit the ability of NL and its subsidiaries to incur additional indebtedness or hold noncontrolling interests in business units.

Other. Condensed cash flow data for Medite and Sybra is presented in Note 14 to the Consolidated Financial Statements. Condensed cash flow data for Amalgamated in 1996 is presented in Note 15 to the Consolidated Financial Statements.

General corporate. Valhi's operations are conducted principally through subsidiaries and affiliates (NL Industries, Valcor and Waste Control Specialists). Valcor is an intermediate parent company with continuing operations conducted through CompX. Accordingly, Valhi's and Valcor's long-term ability to meet their respective parent company level corporate obligations are dependent in large measure on the receipt of dividends or other distributions from their respective subsidiaries. NL, which paid dividends in the first three quarters of 1996, suspended its dividend in the fourth quarter. Suspension of NL's dividend is not expected to materially adversely impact Valhi's financial position or liquidity. Various credit agreements to which subsidiaries are parties contain customary limitations on the payment of dividends, typically a percentage of net income or cash flow; however, such restrictions have not significantly impacted Valhi's or Valcor's ability to service their respective parent company level obligations. Neither Valhi nor Valcor has guaranteed any indebtedness of their respective subsidiaries.

Valhi's LYONs do not require current cash debt service. At June 30, 1997, Valhi held 5.5 million shares of Dresser common stock, which shares are held in escrow for the benefit of holders of the LYONs. The LYONs are exchangeable at any time, at the option of the holder, for the Dresser shares owned by Valhi. Exchanges of LYONs for Dresser stock would result in the Company reporting income related to the disposition of the Dresser stock for both financial reporting and income tax purposes, although no cash proceeds would be generated by such exchanges. Valhi's potential cash income tax liability that would have been triggered at June 30, 1997 assuming exchanges of all of the outstanding LYONs for Dresser stock at such date was approximately $39 million. Valhi

continues to receive regular quarterly Dresser dividends (recently increased from $.17 per share to $.19 per share beginning in September 1997) on the escrowed shares. In addition, the Company is required, at the option of the holder, to purchase the LYONs in October 1997 at the accreted value of approximately $405 per $1,000 principal amount at maturity (approximately $153 million at such date). Such redemption price may be paid, at the option of Valhi, in cash, Dresser common stock, or a combination thereof. At June 30, 1997, the LYONs had an accreted value equivalent to approximately $27.25 per Dresser share, and the market price of the Dresser common stock was $37.25 per share. As long as the value of the underlying Dresser shares exceeds the accreted value of the LYONS, the Company does not expect a significant number of LYON holders to seek redemption. Because the LYONS are redeemable at the option of the LYON holder in October 1997, the LYONS are classified as a current liability and the Dresser shares are classified as a current asset at both December 31, 1996 and June 30, 1997.

The after-tax proceeds from the dispositions of Medite and Sybra, net of repayments of their respective U.S. bank debt, are available for Valcor's general corporate purposes, subject to compliance with certain covenants contained in the Valcor Senior Note Indenture. Also under the terms of the Indenture, Valcor is required to tender for a portion of the Senior Notes, at par, to the extent that a specified amount of these proceeds is not used to either permanently paydown senior indebtedness of Valcor or its subsidiaries or invest in related businesses, as specified in the Indenture, within one year of disposition. While Valcor was not yet required to execute a tender offer related to Medite's asset dispositions, in March 1997 Valcor initiated a tender offer to purchase up to $86.7 million principal amount of Senior Notes on a pro-rata basis, at par value, in satisfaction of the covenant contained in the Indenture related to the Medite asset dispositions. Pursuant to its terms, the tender offer expired in April 1997, and Valcor purchased $27.6 million principal amount of Senior Notes which had been properly tendered, including $1.1 million of Senior Notes held by Valhi. In addition, during the first quarter of 1997, Valcor also purchased $3.8 million of Senior Notes in open market transactions prior to the tender offer. To the extent that the net proceeds from the disposition of Sybra's fast food operations are not used as provided by the Indenture, a portion of the Notes could be subject to a future tender offer.

On August 6, 1997, Valcor initiated a consent solicitation to amend certain provisions of the Valcor Senior Note Indenture which, if successfully completed, would remove restrictions that currently limit the ability of Valcor and its subsidiaries to, among other things, incur debt, pay dividends, create liens and enter into transactions or co-invest with affiliates. The proposed amendments to the Indenture require the consent from holders representing at least a majority of the $68.6 million principal amount of Senior Notes currently outstanding. If the consent solicitation is successfully completed, Valcor will pay to all holders who validly consent on or prior to August 27, 1997 a cash consent fee of $10 per $1,000 principal amount of Senior Notes. The consent solicitation also includes a concurrent offer by Valcor to purchase the Senior Notes of all holders who validly tender on or prior to September 4, 1997 at a cash purchase price of $1,040 per $1,000 principal amount. Holders who tender their Senior Notes are generally obligated to consent to the proposed amendments to the Indenture, but holders may consent to the proposed amendments without tendering their Senior Notes. However, Valcor's obligation to purchase the Senior Notes is contingent upon the successful completion of the consent solicitation.

Valhi received approximately $73 million cash in early 1997 at the transfer of control of its refined sugar operations to Snake River Sugar Company, including a net $11.5 million pre-closing dividend received from Amalgamated. As part of the transaction, Snake River made certain loans to Valhi aggregating $250 million in January 1997. Snake River's sources of funds for its loans to Valhi, as well as for the $14 million it contributed to The Amalgamated Sugar Company LLC for its voting interest in the LLC, included cash capital contributions by the grower members of Snake River and $192 million in debt financing provided by Valhi in January 1997, of which $100 million was prepaid

in May 1997 when Snake River obtained $100 million of third-party term loan financing. See Note 15 to the Consolidated Financial Statements. Valhi currently expects that distributions received from the LLC, which are dependent in part upon the future operations of the LLC, will exceed its debt service requirements under its $250 million loans from Snake River. The cash proceeds to Valhi from the transfer of control of Amalgamated's operations to Snake River, including amounts to be collected in the future from Valhi's remaining loans to Snake River, are and will be available for Valhi's general corporate purposes.

Redemption of the Company's interest in the LLC, as discussed in Note 15 to the Consolidated Financial Statements, would result in the Company reporting income related to the disposition of its LLC interest for both financial reporting and income tax purposes, although the net cash proceeds that would be generated from such a disposition would likely be less than the specified redemption price due to Snake River's ability to simultaneously call its $250 million loans to Valhi. As a result, such net cash proceeds generated by redemption of the Company's interest in the LLC could be less than the income taxes that would become payable as a result of the disposition.

In March 1997, the Company entered into a $10 million revolving credit facility with Waste Control Specialists. Borrowings by Waste Control Specialists ($8 million outstanding at June 30, 1997) bear interest at prime plus 1% and are due no later than December 31, 1998.

The Company routinely compares its liquidity requirements and alternative uses of capital against the estimated future cash flows to be received from its subsidiaries, and the estimated sales value of those units. As a result of this process, the Company has in the past and may in the future seek to raise additional capital, refinance or restructure indebtedness, repurchase indebtedness in the market or otherwise, modify its dividend policy, consider the sale of interests in subsidiaries, affiliates, business units, marketable securities or other assets, or take a combination of such steps or other steps, to increase liquidity, reduce indebtedness and fund future activities. Such activities have in the past and may in the future involve related companies.

The Company routinely evaluates acquisitions of interests in, or combinations with, companies, including related companies, perceived by management to be undervalued in the marketplace. These companies may or may not be engaged in businesses related to the Company's current businesses. The Company intends to consider such acquisition activities in the future and, in connection with this activity, may consider issuing additional equity securities and increasing the indebtedness of the Company, its subsidiaries and related companies. From time to time, the Company and related entities also evaluate the restructuring of ownership interests among their respective subsidiaries and related companies. In this regard, the Indentures governing the publicly-traded debt of NL and Valcor contain provisions which limit the ability of NL, Valcor and their respective subsidiaries to incur additional indebtedness or hold noncontrolling interests in business units.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

Reference is made to the 1996 Annual Report and prior 1997 quarterly periodic reports for descriptions of certain legal proceedings.

In June 1997, the Delaware Supreme Court en banc reversed and remanded to the lower court for further proceedings the previously-announced trial court ruling in favor of the defendants in Kahn v. Tremont Corporation, et al.

Discovery has been stayed in the previously-reported Medite Corporation v. Public Services Company of New Mexico pending oral arguments at a hearing scheduled for August 1997 on motions for partial summary judgment and summary judgment filed by the plaintiff and defendant, respectively.

Trial is currently scheduled to begin in September 1997 in the previously-reported Midgard Corporation v. Medite of New Mexico, Inc., et al.

Gould Inc. v. NL Industries, Inc. ("Gould Superfund Site"), (No. 91-1091). In May 1997, the U.S. EPA issued an Amended Record of Decision ("ARD") for the Gould Superfund Site soils operable unit. The ARD requires construction of an onsite containment facility estimated to cost between $10.5 million and $12 million, including capital costs and operating and maintenance costs.

German, et al. v. Federal Home Mortgage Loan Corp., et al. (No 93 Civ. 6941). In May 1997, plaintiffs moved for class certification and defendants moved for summary judgment. In June 1997 the Court stayed all further activity in the case pending reconsideration of its 1995 decision permitting filing of the complaint against the manufacturer defendants and joinder of the new complaint with the pre-existing complaint against New York City and other landlords.

NL Industries, Inc. v. Commercial Union, et al. (No. 90-2124). In June 1997, NL reached a settlement in principle with its insurers regarding allocation of defense costs in the lead pigment cases in which reimbursement of defense costs had been sought.

Parker v. NL Industries, et al. (No. 97085060 CC915). In June 1997, plaintiffs moved to remand to state court and NL answered the complaint denying liability. Trial is scheduled to begin in July 1998.

Ritchie v. NL Industries, et al. (No. 5:96-CV-166). In July 1997, defendants filed a second notice of removal to federal court.

The City of New York, et al. v. Lead Industries Association, Inc., et al. (No. 89-4617). In July 1997, the trial court's denials of defendants' two summary judgment motions on the fraud claim were affirmed by the Appellate Division.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Valhi's 1997 Annual Meeting of Stockholders was held on May 8, 1997. Norman S. Edelcup, Kenneth R. Ferris, Glenn R. Simmons, Harold C. Simmons and J. Walter Tucker, Jr. were elected as directors, each receiving votes "For" their election from over 94% of the 114.4 million common shares eligible to vote at the Annual Meeting. In addition, the proposal to amend and restate the Valhi, Inc. 1987 Stock Option-Stock Appreciation Right Plan, and the proposal to adopt the Valhi, Inc. 1997 Long-Term Incentive Plan, were each approved receiving votes "For" adoption from over 93% of the 114.4 million common shares eligible to vote.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Exhibits

10.1 - First Amendment to the Company Agreement of The Amalgamated Sugar Company LLC dated May 14, 1997.

10.2 - Deposit Trust Agreement related to the Amalgamated Collateral Trust among ASC Holdings, Inc. and Wilmington Trust Company dated May 14, 1997.

10.3 - Pledge Agreement between the Amalgamated Collateral Trust and Snake River Sugar Company dated May 14, 1997.

10.4 - Guarantee by the Amalgamated Collateral Trust in favor of Snake River Sugar Company dated May 14, 1997.

10.5 - Amended and Restated Pledge Agreement between ASC Holdings,

Inc. and Snake River Sugar Company dated May 14, 1997.

10.6 - Collateral Deposit Agreement among Snake River Sugar Company, Valhi, Inc. and First Security Bank, National Association dated May 14, 1997.

10.7 - Voting Rights and Forbearance Agreement among the Amalgamated Collateral Trust, ASC Holdings, Inc. and First Security Bank, National Association dated May 14, 1997.

10.8 - Voting Rights and Collateral Deposit Agreement among Snake River Sugar Company, Valhi, Inc., and First Security Bank, National Association dated May 14, 1997.

10.9 - Subordinated Loan Agreement between Snake River Sugar Company and Valhi, Inc., as amended and restated effective May 14, 1997.

10.10 - Subordination Agreement between Valhi, Inc. and Snake River Sugar Company dated May 14, 1997.

10.11 - Form of Option Agreement among Snake River Sugar Company, Valhi, Inc. and the holders of Snake River Sugar Company's 10.9% Senior Notes Due 2009 dated May 14, 1997.

27.1 - Financial Data Schedule for the six-month period ended June 30, 1997.

(b) Reports on Form 8-K

Reports on Form 8-K for the quarter ended June 30, 1997.

April 25, 1997	- Reported Items 5 and 7.
April 30, 1997	- Reported Items 2 and 7.
May 2, 1997	- Reported Items 5 and 7.
May 8, 1997	- Reported Items 5 and 7.
May 15, 1997	- Reported Items 5 and 7.
June 17, 1997	- Reported Items 5 and 7.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALHI, INC.

(Registrant)

Date August 6, 1997 By /s/ Bobby D. O'Brien

Bobby D. O'Brien

(Vice President,
Principal Financial Officer)

Date August 6, 1997 By /s/ Gregory M. Swalwell

Gregory M. Swalwell
(Controller,
Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALHI, INC.

(Registrant)

Date August 6, 1997 By

Bobby D. O'Brien
(Vice President,
Principal Financial Officer)

Date August 6, 1997 By

Gregory M. Swalwell
(Controller,
Principal Accounting Officer)

FIRST AMENDMENT TO COMPANY AGREEMENT

This First Amendment (the "First Amendment") is dated as of May 14, 1997, among ASC Holdings, Inc. (formerly known as The Amalgamated Sugar Company), a Utah corporation ("AGM"), Amalgamated Collateral Trust, a Delaware business trust (the "Trust"), Snake River Sugar Company, an Oregon cooperative corporation ("SRSC"), and The Amalgamated Sugar Company LLC, a Delaware limited liability company (the "Company").

RECITALS:

WHEREAS, AGM, SRSC and the Company are parties to the Company Agreement dated January 3, 1997, effective for tax and accounting purposes as of December 31, 1996 (the "Company Agreement");

WHEREAS, the parties hereto wish to admit the Trust as a member of the Company and to amend the Company Agreement as provided in this First Amendment; and

WHEREAS, capitalized terms used in this First Amendment shall have the meanings given to them in the Company Agreement, except as otherwise provided in this First Amendment;

NOW THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS.

(a) The following definitions are hereby added to Article II of the Company Agreement:

AGGREGATE CONSOLIDATED NET INCOME means, as at any date of determination, the aggregate Consolidated Net Income of the Company and its Subsidiaries during the thirty-six (36) month period then most recently ended.

CAPITAL LEASE OBLIGATIONS - means with respect to any Person and a Capital Lease (which means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP), the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person

CCC LOANS - means loans made by the Commodity Credit Corporation or any successor entity to the Company.

CHANGE OF CONTROL EVENT - means the termination of full-time employment with the Company as a result of resignation or removal (for any reason) of any five of the following nine individuals prior to the expiration of such individual's employment contract in effect on the date of this First Amendment: Allan M. Lipman, Jr., Lawrence L. Corry, Ralph C. Burton, K. Pete Chertudi, John R. Lemke, David L. Budge, Wayne P. Neeley, Dennis D. Costesso and George R. Hobbs.

COLLATERAL AGENT - means First Security Bank, National Association, as the Collateral Agent pursuant to the Snake River Pledge Agreement, and any successor collateral agent pursuant to such agreement.

CONSOLIDATED - means with respect to the accounting item with respect to any Person, such item on a consolidated basis for such Person and its Subsidiaries.

CONSOLIDATED NET INCOME - means with respect to any Person, Consolidated gross revenues less all operating and non-operating expenses and other proper charges determined in accordance with GAAP; provided that there shall be excluded from the calculation of Consolidated Net Income:

(1) extraordinary gains;

(2) gains or losses resulting from the sale or other disposition of capital assets;

(3) undistributed earnings of non-Subsidiary Investments;

(4) gains arising from changes in accounting principles;

(5) gains arising from the write-up of assets;

(6) any earnings of a Person acquired by the Company or any Subsidiary of the Company prior to the date such acquisition occurs; and

(7) any gains or losses resulting from the retirement or extinguishment of Debt.

CONSOLIDATED TANGIBLE ASSETS - means the total net book value of all assets of the Company and its Subsidiaries (excluding goodwill, trade names, copyrights, trademarks, other intangible assets, and write-ups of assets after the date of the this First Amendment) determined on a Consolidated basis as of the last day of the Company's most recently ended fiscal year.

CURRENT DEBT - means any Debt that is payable on demand or that matures within one year, without any option on the part of the borrower or issuer thereunder to extend or renew such Debt for a period of more than one year from the date of original issuance or borrowing. Notwithstanding the foregoing, Current Debt shall include the Bank Indebtedness and the CCC Loans.

DEBT - means , with respect to any Person:

(a) any indebtedness for borrowed money, (including commercial paper and revolving credit line borrowings), or which is evidenced by bonds, debentures or notes, or otherwise representing the deferred purchase price of property or extensions of credit, whether or not representing obligations for borrowed money (other than trade, payroll and taxes payable),

(b) indebtedness of a third party secured by Liens on the assets of such Person or a Subsidiary of such Person,

(c) Capital Lease Obligations,

(d) Guarantees,

(e) with the exception of the AGM Interest, capital stock (or similar equity interests) that provides for mandatory redemption or repurchase or repurchase at the option of the holder thereof (and, if such Person is a Subsidiary of the Company, all capital stock (or similar equity interests) which is preferred as to liquidation and is held by Persons other than the Company or a Wholly-Owned Subsidiary of the Company);

(f) obligations with respect to Swaps, letters or credit and similar obligations; and

(g) modifications, renewals and extensions of the above.

FAIR MARKET VALUE - means at any time and with respect to any property, the sale value of such property that would be realized in an

arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

FUNDED DEBT - means all Debt other than Current Debt.

GUARANTEES - means with respect to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Debt, lease, dividend or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation, any such obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to (i) maintain the solvency or any balance sheet or other financial condition of another Person or (ii) make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose or effect of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof. Guarantees shall include obligations of partnerships and joint ventures of which such Person or any Subsidiary is a general partner or co-venturer that is not expressly non-recourse to such Person or such Subsidiary.
MATERIAL - means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

MATERIAL ADVERSE EFFECT - means a material adverse effect on (a) the

business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under the

Company Agreement and this First Agreement, or (c) the validity or

enforceability of the Company Agreement and this First Agreement.

NOTE PURCHASE AGREEMENTS - means the note purchase agreements dated as of the date of this First Amendment among SRSC and each of the purchasers named in such agreements, as such agreements may be amended, supplemented or otherwise modified from time to time.

PERCENTAGE OF EARNINGS CAPACITY means, with respect to assets of the Company, and/or its Subsidiaries Transferred or proposed to be Transferred, the ratio (expressed as a percentage) of (i) Consolidated Net Income produced by or attributable to such assets during the thirty-six (36) month period most recently ended prior to the date of their Transfer or proposed Transfer to (ii) Aggregate Consolidated Net Income.

PLEDGE AGREEMENTS - means the Snake River Pledge Agreement and the SPT Pledge Agreement.

RETAINED AMOUNTS - means the sum of (i) 95% of any Accrual, (ii) 100% of any Deferral, (iii) 100% of any Insurance Deferral, plus (iv) 100% of any interest accrued on any such Deferral or Insurance Deferral.
SNAKE RIVER PLEDGE AGREEMENT - means the Pledge Agreement dated as of the date of this First Amendment among the Collateral Agent and SRSC.

SPT PLEDGE AGREEMENT - means the Pledge Agreement dates as of the date of this First Amendment among SRSC and the Trust.

SUBSIDIARY or SUBSIDIARIES - means as to any Person (a) any corporation(s) organized under the laws of any state of the United

States of which such Person or another Subsidiary of such Person, as the case may be, beneficially owns or controls, either directly or indirectly, 100% of the outstanding capital stock, and (b) any partnership(s) or other entities organized under the laws of any state of the United States in which such Person or another Subsidiary of such Person, as the case may be, holds a 100% equity interest and controls the management of such entity.

SUBORDINATED PRINCIPAL REDUCTION - means, the repayment of all principal, interest and other amounts owing on SRSC's indebtedness incurred pursuant to the Loan and Security Agreement dated as of January 3, 1997, to be effective for tax and accounting purposes as of December 31, 1996, among SRSC, as borrower, and Valhi, as lender, as amended.

SUBSTANTIAL PART - means, as of any date of determination and with respect to assets of the Company and/or its Subsidiaries, any of the following:

(a) assets having, when taken together with all other assets Transferred by the Company and/or its Subsidiaries during the twelve month period immediately preceding the date of determination, an aggregate net book value or an aggregate Fair Market Value (whichever is greater) equal to or greater than 10% of Consolidated Tangible Assets;

(b) assets having, when taken together with all other assets Transferred by the Company and/or its subsidiaries from and after the date of this First Amendment, an aggregate net book value or an aggregate Fair Market Value (whichever is greater) equal to or greater than 25% of Consolidated Tangible Assets;

(c) assets having, when taken together with all other assets Transferred by the Company and/or its Subsidiaries during the twelve month period immediately preceding the date of determination, an aggregate Percentage of Earnings Capacity equal to or greater than 10%; or

(d) assets having, when taken together with all other assets Transferred by the Company and/or its Subsidiaries from and after the date of this First Amendment, an aggregate Percentage of Earnings Capacity equal to or greater than 25%.

SWAPS - means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

TRANSFER OR TRANSFERRED - means to consolidate with or merge with any other corporation or otherwise effect a recapitalization or restructuring or convey, transfer or lease any of its assets in a single transaction or series of transactions to any Person or Persons.

TRUST - has the meaning set forth in the first paragraph of this First Amendment.

VALHI DEFAULT - means a default which permits the Valhi Loans to be accelerated.

VOTING RIGHTS AGREEMENT - means the voting rights and forbearance agreement dated as of the date of this first Amendment among the Trust, AGM as Company Trustee and the Collateral Agent (and acknowledged by the Company).

WHOLLY-OWNED SUBSIDIARY - means with respect to any Person, at any time, any Subsidiary of such Person one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of such Person and such Person's other Wholly-Owned Subsidiaries at such time.

(b) The definition of "AGM" contained in Section 1.1 of the Company Agreement is hereby amended to have the meaning set forth in the introductory paragraph of this First Amendment.

(c) The definition of "Bank Indebtedness" is hereby amended to replace the number "$100,000,000" with "$120,000,000."

(d) The definition of Distributable Cash is hereby amended to add the following to such definition "For purposes of Sections 9.3.1, the term Distributable Cash shall not include net cash proceeds to the Company generated from a Major Capital Event."

(e) The following definitions are hereby amended and restated to read as follows:

AFFILIATE - means , at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

INVESTMENT - means any investment, made in cash or by delivery of property, by the Company or any of its Subsidiaries in any Person, whether by acquisition of stock, Debt or other obligation or Security (as defined in Section 2(1) of the Securities Act of 1933, as amended from time to time), or by loan, Guarantee, advance, capital contribution or otherwise.

PUT OPTION CONSIDERATION - means the sum of $250,000,000 (in the sale of all of the AGM Interest originally issued) or the applicable portion thereof (in the sale of a portion of the AGM Interest), plus any Retained Amounts (or, in the case of the sale of a portion of the AGM Interest, the part of any Retained Amounts relating to such portion).

REDEMPTION PRICE - means the sum of $250,000,000 (in the redemption of all of the AGM Interest originally issued) or the applicable portion thereof (in the redemption of a portion of the AGM Interest), plus any Retained Amounts (or, in the case of the sale of a portion of the AGM Interest, the part of any Retained Amounts relating to such portion).

SR TERM INDEBTEDNESS - means SR's term loans as in effect on the date of this First Amendment, including without limitation all Indebtedness under the Note Purchase Agreements.

(f) The following definitions are hereby deleted in their entirety:

CHANGE IN OWNERSHIP OR STRUCTURE

OPERATING CASH FLOW

FIXED CHARGES

MONTHLY TRANCHE B INTEREST

PERMITTED INDEBTEDNESS

PERMITTED INVESTMENTS

PERMITTED MERGERS

2. CONSENT TO TRANSFER OF AGM INTEREST.

(a) SRSC and the Company hereby consent to the transfer of the AGM Interest from AGM to the Trust and to the admission of the Trust as a Member of the Company. In reliance on the representations and warranties of the Trust set forth below, the parties waive the requirement set forth in Section 11.3.1 of the Company Agreement that the Trust provide a legal opinion in connection with such transfer. The Company represents that it has received from the Trust all information and agreements required pursuant to Section 11.3.2 of the Company Agreement. Appendix A to the Company Agreement is hereby amended to include the following address for the Trust:

Amalgamated Collateral Trust
c/o Wilmington Trust Company, as Resident Trustee
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001

and c/o ASC Holdings, Inc., as Company Trustee
Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697

(b) The Trust hereby consents to be bound by and subject to all provisions of this First Amendment and the Company Agreement as if the Trust were a party thereto. The Trust hereby represents and warrants that: (i) it is acquiring the AGM Interest for investment and not with a view to the resale or distribution thereof; and (ii) it is acquiring the AGM Interest solely for its own account for investment purposes, and not with a view to the distribution thereof. The Trust acknowledges that the AGM Interest is subject to restrictions on its transfer, as set forth in the Company Agreement, and agrees to observe and be bound by all such restrictions. The Trust further agrees that the Company may endorse each certificate representing the AGM Interest with an appropriate legend relating to the foregoing. The Trust understands the following concerning the AGM Interest:

(i) that the AGM Interest has not been, and will not be, registered under the Securities Act of 1933, as amended, or under any state securities laws, and is being transferred from AGM to the Trust in reliance upon federal and state exemptions for transactions not involving any public offering;

(ii) that the Trust cannot sell the AGM Interest unless the AGM Interest is registered under the Securities Act of 1933, as amended, and applicable state securities laws, or pursuant to an exemption from such registration requirements;

(iii) that the Trust must bear the economic risk of its investment in the AGM Interest for an indefinite period of time because the AGM Interest has not been registered under the Securities Act of 1933, as amended, or any state securities laws, and, therefore, cannot be sold unless it is subsequently registered or unless exemptions from such registration requirements are available;

(iv) that even if sale of the AGM Interest is permitted, a purchaser may not become a Member of the Company without the consent of the other Members, which they may have no obligation to give;

(v) that any certificate evidencing the AGM Interest will bear a legend in substantially the following form:

> THE SECURITIES REPRESENTED BY THIS MEMBERSHIP CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), OR APPLICABLE STATE SECURITIES ACTS (THE "STATE ACTS") AND SHALL NOT BE SOLD, PLEDGED, HYPOTHECATED, DONATED OR OTHERWISE TRANSFERRED (WHETHER OR NOT FOR CONSIDERATION) BY THE HOLDER EXCEPT UPON THE ISSUANCE TO THE AMALGAMATED SUGAR COMPANY LLC (THE "COMPANY") OF A FAVORABLE OPINION OF COUNSEL (WHICH MAY BE COUNSEL TO THE TRANSFEROR OR TRANSFEREE) AND THE SUBMISSION TO THE COMPANY OF SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY TO COUNSEL FOR THE COMPANY, IN EACH SUCH CASE TO THE EFFECT THAT ANY SUCH TRANSFER SHALL NOT BE IN VIOLATION OF THE ACT AND THE STATE ACTS.
>
> THE MEMBERSHIP INTEREST REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS CONTAINED IN A COMPANY AGREEMENT DATED JANUARY 3, 1997, AMONG THE REGISTERED OWNER HEREOF, THE COMPANY AND CERTAIN OTHER PARTIES, A COPY OF WHICH MAY BE OBTAINED BY THE HOLDER HEREOF AT THE COMPANY'S PRINCIPAL PLACE OF BUSINESS WITHOUT CHARGE.

(vi) that stop transfer instructions will be placed with respect to the AGM Interest so as to restrict resale, pledge, hypothecation or other transfer thereof, subject to the further terms hereof, including the provisions of the legend set forth above.

(c) Except as set forth in the Voting Rights Agreement, the parties agree that the Trust, as the holder of the AGM Interest, shall have all of the rights and obligations of a holder of the AGM Interest as provided in the Company Agreement and this First Amendment.

(d) The Company agrees that it shall provide copies of all reports and information required to be provided to the holder of the AGM Interest to each of the Trust and AGM.

3. CONSENT TO PLEDGE OF AGM INTEREST AND SR INTEREST AND RELATED TRANSFERS AND SALES.

(a) In connection with the Trust's pledge of the AGM Interest to SRSC pursuant to the terms of the SPT Pledge Agreement, SRSC's pledge of the SR Interest to the Collateral Agent pursuant to the terms of the Snake River Pledge Agreement, and SRSC's pledge of all of its rights in the SPT Pledge Agreement to the Collateral Agent pursuant to the terms of the Snake River Pledge Agreement, the parties agree, notwithstanding anything in the Company Agreement or this First Amendment to the contrary, as follows: (i) the transfer or sale of the SR Interest to the Collateral Agent pursuant to the terms and conditions of the Snake River Pledge Agreement shall not require any further consent of the Members, (ii) the transfer or sale of the AGM Interest from the Trust to SRSC (or, pursuant to the terms and conditions of the Snake River Pledge Agreement, to the Collateral Agent) pursuant to the terms and conditions of the SPT Pledge Agreement shall not require any further consent of the Members, (iii) the transfer or sale of the AGM Interest and/or the SR Interest pursuant to the terms and conditions of the Pledge Agreements shall not require any further consent of the Members, (iv) following any such transfer or sale, and upon the receipt by the Company and the Remaining Members of written notice of such transfer pursuant to the provisions of Section 11.2 of the Company Agreement and the information and agreements referred to in Section 11.3.1, 11.3.2 and 11.3.4 of the Company Agreement, the transferee in any such transfer or sale shall be admitted as a Member of the Company without the need for any further consent of the Members, (v) the provisions of Section

11.3.3 of the Company Agreement shall not apply to any such transfer or sale, and (vi) the last sentence of Section 11.1 of the Company Agreement is hereby deleted.

(b) The parties agree that any transfer of all or part of the portion of the AGM Interest pledged to the Company pursuant to the terms and conditions of the Indemnification Pledge Agreement, dated as of January 3, 1997 among the Company, SRSC and AGM, as amended and restated as of the date of this First Amendment among the Company, the Trust and SRSC, shall not require any further consent of the Members and any transfer of all or part of such portion of the AGM Interest pursuant to the terms and conditions of such pledge agreement shall not require consent of the Members.

(c) The parties acknowledge and understand that, pursuant to the Deposit Trust Agreement dated as of the date of this First Amendment among the Trust, the Collateral Agent and SRSC, immediately upon any Retained Amount being accrued, the Trust will distribute to its beneficiaries all rights of the holders of the AGM Interest to receive any Retained Amounts, and, accordingly, the pledge of the AGM Interest pursuant to the SPT Pledge Agreement does not include a pledge of any rights held by the holders of the AGM Interest to receive any Retained Amounts to the extent such Retained Amounts accrued prior to the date of any Valhi Default. Following any Valhi Default, the parties agree that, except as otherwise approved by the holders of the SR Term Indebtedness, no amounts shall be paid in respect of any Retained Amounts until after the Principal Reduction. Prior to any Valhi Default, amounts shall be paid in respect of any Retained Amounts as provided in Section 9 of the Company Agreement and Section 6 of this First Amendment.

4. CONSENT TO VOTING AGREEMENT. The parties understand and agree that (i) pursuant to the Voting Rights Agreement, AGM has been granted certain consent and voting rights to act, in its discretion, on behalf of the holder(s) of the AGM Interest, and (ii) AGM's ability to exercise such rights (including, without limitation, the right to require mandatory redemption of the AGM Interest pursuant to the provisions of Article XVII of the Company Agreement, the right to exercise the Put Option pursuant to the provisions of Article XVIII of the Agreement, and the right to exercise certain remedies pursuant to Article XVI of the Company Agreement) is subject to the terms and conditions of the Voting Rights Agreement.

5. TERMINATION OF DEFERRAL RELATING TO TRANCHE B INTEREST. Each of (i) clause (d)(iii) of Section 9.3.1 of the Company Agreement, and (ii) all references to such clause in the Company Agreement, are hereby deleted in their entirety. On the effective date of this First Amendment, the parties agree that SRSC shall transfer to the Company, as an additional Capital Contribution, an amount equal to all amounts deferred pursuant to clause (d)(iii) of Section 9.3.1 prior to the effective date of this First Amendment (and paid to the holders of the SR Interest rather than the holders of the AGM Interest) (the "Current Deferral") and such Capital Contribution shall be paid to the holder of the AGM Interest. The parties agree that an amount equal to $30,546.18 (representing accrued interest on the Current Deferral as of the date of this First Amendment), together with interest on such amounts at a rate equal 10.145% per annum) shall be added to the Deferral (and paid as part of the Deferral at such times an in such amounts as is permitted under the Company Agreement and this First Amendment). The parties agree that payment of the Current Deferral and such interest shall constitute full satisfaction of the obligation of the Company to make any distributions required, prior to the date of this First Amendment, by clause (d)(iii) of Section 9.3.1 of the Company Agreement.

6. PAYMENT OF DEFERRAL AND INTEREST THEREON UPON PAYMENT OF SRSC SUBORDINATED DEBT. The references to "Principal Reduction" in Section 9.3.1(d) of the Company Agreement are hereby amended to read "Subordinated Principal Reduction."

7. OBLIGATION OF SRSC TO MAKE ADDITIONAL CAPITAL CONTRIBUTIONS. The parties agree that, following the Subordinated Principal Reduction and so long as the Deferral and the Insurance Deferral (including any interest accruing on

such Deferral or Insurance Deferral) is greater than zero, SRSC shall make additional Capital Contributions to the Company in an amount equal to any amounts permitted to be contributed by SRSC to the Company pursuant to Section 10.9 of the Note Purchase Agreements. Such additional Capital Contributions shall be promptly paid by the Company to the holder of the AGM Interest and such payments shall reduce, on a dollar for dollar basis, the amount of any outstanding Deferral and Insurance Deferral (plus any interest accrued on such Deferral or Insurance Deferral).

8. CONSENT TO REFINANCING. For purposes of the definition of SR Term Indebtedness, AGM, as the holder of the AGM Interest, hereby consents to SRSC's refinancing of a portion of its term debt pursuant to the Note Purchase Agreements, and agrees that the $100 million in term indebtedness incurred pursuant to the Note Purchase Agreements shall be considered as SR Term Indebtedness for purposes of the Company Agreement.

9. PAYMENT OF PUT OPTION CONSIDERATION OR REDEMPTION PRICE PRIOR TO THE PRINCIPAL REDUCTION.

(a) The parties agree that, upon any mandatory redemption of the AGM Interest, except as otherwise approved by the holders of the SR Term Indebtedness, the Company shall not pay the portion, if any, of the Redemption Price consisting of any Retained Amounts until following the Principal Reduction. Any such amounts which are not paid shall bear interest at a rate of 10.145% per annum and shall be paid as soon as practicable following the Principal Reduction.

(b) The parties agree that, upon any exercise of the Put Option, except as otherwise approved by the holders of the SR Term Indebtedness, SRSC shall not be obligated to pay the portion, if any, of the Put Option Consideration consisting of any Retained Amounts until following the Principal Reduction. Any such amounts which are not paid shall bear interest at a rate of 10.145% per annum and shall be paid as soon as practicable following the Principal Reduction.

10. MAJOR CAPITAL EVENTS. Section 9.3.2 of the Company Agreement is hereby amended and restated in its entirety as follows:

9.3.2 Except as provided below, the Company shall distribute any Distributable Cash from a Major Capital Event, (i) first, to the Members in an amount equal to any unpaid Accrual, 95% to the holders of the AGM Interest and 5% to the holders of the SR Interest, (ii) second, to the holders of the AGM Interest, until such holders have received an amount equal to any Deferral and any Insurance Deferral, (iii) third, to the Members pro rata in accordance with their Sharing Ratios, until each Member has received an amount under this Section 9.3.2 equal in the aggregate to the Capital Contribution made by each Member, and (iv) fourth, to the Members in the percentages then in effect under Section 9.3.1(b)(iii). Any amounts which would be distributed under this Section 9.3.2 to holders of the AGM Interest during the 1997 or 1998 Fiscal Years of the Company, to the extent such distributions would cause distributions to the holders of the AGM Interest for either of the Company's 1997 or 1998 Fiscal Years to exceed an aggregate of $25,362,500, shall not be distributed in such Fiscal Years but shall instead be paid to the holders of the AGM Interest in the Company's 1999 Fiscal Year.

Except as otherwise approved by the holders of the SR Term Indebtedness, prior to the date of the Principal Reduction, if the Major Capital Event is also an Insurance Event, then prior to any distribution pursuant to the first paragraph of this Section 9.3.2, an amount of Distributable Cash from the Insurance Event (up to an amount equal to any outstanding principal, interest and other amounts outstanding on the SR Term Indebtedness) shall be distributed to the holders of the SR Interest. The amounts that would otherwise have been distributed to the holders of the AGM Interest, but for the provisions of the immediately preceding sentence is referred to in this Agreement as the "Insurance Deferral." Following the date of the Principal Reduction, amounts which would otherwise be distributed to the holders of the SR Interest pursuant to this

Company Agreement shall be reduced (and such distribution shall instead be paid dollar for dollar to the holders of the AGM Interest) in an amount equal to the sum of (i) the amount of the Insurance Deferral, plus (ii) interest on such Insurance Deferral at the rate of 10.145% per annum, compounded annually, from the date any Insurance Deferral amount would otherwise have been paid to the holders of the AGM Interest until the date an amount equal to such Insurance Deferral and such interest is actually paid to the holders of the AGM Interest pursuant to this Section 9.3.2.

Notwithstanding anything to the contrary in this Section 9.3.2, (i) if a Major Capital Event is incident to or results in the liquidation of the Company, Distributable Cash therefrom shall be distributed in accordance with Section 13.3, and (ii) upon the occurrence and during the continuation of an Event of Default (under and as defined in the Note Purchase Agreements), the Company shall not distribute any Distributable Cash from a Major Capital Event which is not an Insurance Event.

11. AMENDMENTS TO SECTION 6.3. Section 6.3 of the Company Agreement is hereby amended to read as follows:

6.3 AGM MEMBER CONSENT. Notwithstanding anything in this Company Agreement to the contrary, the Company shall not do any of the following acts, directly or indirectly, without the written consent of a Majority of the AGM Interest:

(i) make any distributions upon any Membership Interest other than distributions pursuant to the terms of Section 9.3;

(ii) purchase or otherwise acquire all or any portion of any Membership Interest (including, without limitation, rights to acquire all or any portion of any Membership Interest) other than the purchase of the AGM Interest pursuant to Article XVII;

(iii) directly or indirectly, create, incur, assume, guarantee, have outstanding, or otherwise become or remain directly or indirectly liable with respect to (and the Company will not permit any Subsidiary of the Company to do any of the forgoing), (i) any Consolidated Funded Debt or (ii) any Consolidated Current Debt, except for (A) the CCC Loans (provided that at any time that the CCC Loans are recourse to the Company, the Company will not have any CCC Loans outstanding unless there shall have been during the immediately preceding twelve months a period of at least 60 consecutive days on each day of which there shall have been no CCC Loans outstanding in excess of $25,000,000) and (B) the Bank Loans, provided that there shall have been during the immediately preceding twelve months a period of at least 60 consecutive days on each day of which there shall have been no Bank Loans outstanding in excess of $65,000,000;

(iv) declare, make or authorize any Investment (and the Company will not permit any Subsidiary of the Company to do any of the forgoing) except the following:

(1) Investments existing on the date of the this First Amendment and set forth in Schedule 10.9 to the Note Purchase Agreements;

(2) Investments in direct obligations of the United States of America or obligations fully guaranteed by the United States of America, provided that such obligations mature within one year from the date acquired;

(3) Investments in certificates of deposit maturing within one year from the date acquired and issued by a bank or trust company organized under the laws of the United States or any or its states, rated AA or better by Standard and Poor's Ratings Group, a division of McGraw Hill, Inc. or Aa2 or better by Moody's Investors Service, Inc., and having capital, surplus and undivided profits aggregating at least $750,000,000;

(4) Investments in commercial paper rated A1 by Standard and Poor's Ratings Group, a division of McGraw Hill, Inc. or P1 by Moody's Investors Service, Inc. and maturing not more than 270 days from the date acquired;

(5) loans and advances by the Company to its Subsidiaries;

(6) loans and advances (i) by Subsidiaries of the Company to the Company and (ii) between Subsidiaries of the Company;

(7) travel and other business advances to officers and employees of the Company or any Subsidiary of the Company in the ordinary course of business; and

(8) other Investments not to exceed an aggregate amount of $1,500,000;

(v) effect any Transfer (and the Company will not permit any Subsidiary of the Company to do any of the forgoing) except that:

(a) the Company or any of its Subsidiaries may Transfer assets in the ordinary course of their business;

(b) any Subsidiary of the Company may merge with the Company or with a Wholly-Owned Subsidiary of the Company, provided that the Company or such Wholly-Owned Subsidiary shall be the survivor of such merger;

(c) any Subsidiary of the Company may Transfer its assets to the Company or any Wholly-Owned Subsidiary of the Company;

(d) the Company may consolidate or merge with another corporation if (i) the Company is the continuing or surviving company and (ii) immediately before and after giving effect to such transaction, no breach of the Company Agreement or this First Amendment exists or would exist, and no amendment of the Company Agreement or this First Amendment is required; and

(e) the Company and any of its Subsidiaries may Transfer assets of the Company or such Subsidiary, as the case may be, if all of the following conditions shall have been satisfied with respect thereto: (i) such Transfer does not involve a Substantial Part of the assets of the Company and its Subsidiaries, (ii) in the good faith opinion of the Company, the Transfer is in exchange for consideration with a Fair Market Value at least equal to that of the property Transferred, and is in the best interests of the Company and its Members and (iii) immediately before and after giving effect to such Transfer no breach of the Company Agreement or this First Amendment exists or would exist, and no amendment of the Company Agreement or this First Amendment is required;

No such Transfer of assets of the Company or any of its Subsidiaries shall have the effect of releasing the Company or any of its Subsidiaries or any successor corporation that shall theretofore have become such a successor corporation in the manner prescribed in this Section 6.3(v) from any obligation to the Members under the Company Agreement or this First Amendment;

(vi) Transfer, or part with control of, any shares of stock (or other equity interests) or Debt of any Subsidiary of the Company (and the Company will not permit any Subsidiary of the Company to do any of the forgoing) except (i) the Company or any of its Subsidiaries may Transfer shares of stock (or other equity interests) or Debt of any Subsidiary of the Company to the Company or a Wholly-Owned Subsidiary of the Company and (ii) the Company or any of its Subsidiaries may Transfer all shares of stock (or other equity interests) and all Debt of such a Subsidiary if (a) the Transfer is in exchange for cash consideration with a Fair Market Value at least equal to that of the property transferred (determined in

good faith by the Management Committee of the Company), (b) such Transfer is otherwise permitted under this Section 6.3 and (c) at the time of such Transfer, such Subsidiary shall not own, directly or indirectly, any shares of stock (or other equity interests) or Debt of any other Subsidiary (unless all of the shares of stock (or other equity interests) and Debt of such other Subsidiary owned, directly or indirectly, by the Company and all Subsidiaries are simultaneously being sold). The Company will not issue any membership interests other than the SR Interest and the AGM Interest;

(vii) engage in any business other than the production and sale of sugar and by-products;

(viii) other than in connection with Bank Indebtedness and the Note Purchase Agreements, become subject to any agreement or instrument which by its terms would (under any circumstances) restrict the Company's ability to perform the provisions of the Company Agreement (including, without limitation, provisions relating to payment of distributions on and making acquisitions of the AGM Interest);

(ix) enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (and the Company will not permit any Subsidiary of the Company to do any of the forgoing), except (i) as set forth on Schedule 10.1 to the Note Purchase Agreements, (ii) the Company Agreement, this First Amendment, and the Formation Agreement and transactions contemplated by such agreements, (iii) in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary, as the case may be, than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate, and (iv) transactions between the Company and any Subsidiary of the Company;

(x) permit any Subsidiary of the Company to incur or permit to exist any restriction on such Subsidiary's ability to make payments or other distributions to the Company or its Subsidiaries, to repay intra-company Debt or to otherwise transfer earnings or assets to the Company or its Subsidiaries;

(xi) make or commit to make capital expenditures (and the Company will not permit any Subsidiary of the Company to do any of the forgoing) in an aggregate amount exceeding $35,000,000 on a consolidated basis during any fiscal year and the two previous fiscal years; provided, however, that (A) to the extent such limit has been reached during any fiscal year, the Company and its Subsidiaries may make capital expenditures reasonably required to be made in such fiscal year by legal or regulatory requirements, (B) commencing with the Company's fiscal year beginning on January 1, 1998 and on each January 1 thereafter, the $35 million aggregate threshold shall be adjusted by an amount equal to the change since January 1, 1997 in the U.S. producer price index for refined beet sugar (as shown on the most currently available publication) (or, if such index is no longer available, the closest comparable U.S. producer price index available, as reasonably determined by the Company), (C) the limitation set forth in this Section 6.3(xi) shall not apply to capital expenditures which are financed with Debt incurred by the Company specifically for the purpose of making such capital expenditures, so long as such Debt is permitted to be incurred under this Section 6.3, (D) for purposes of this Section 6.3(xi), capital expenditures for each fiscal year prior to January 1, 1997 shall be deemed to be an amount equal to $10,000,000;

(xii) permit a court or governmental authority of competent jurisdiction to enter an order appointing, without consent by the Company or any Subsidiary of the Company, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or

insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any Subsidiary of the Company or the marshaling of its assets, or any such petition shall be filed against the Company or any Subsidiary of the Company and such petition shall not be dismissed within 60 days;

(xiii) permit the Company or any Subsidiary of the Company (i) to generally not pay, or admit in writing its inability to pay, its debts as they become due, (ii) to file, or consent by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) to make an assignment for the benefit of its creditors, (iv) to consent to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) to be adjudicated as insolvent or to be liquidated, (vi) to consent to any other marshaling of its assets, (vii) to take corporate action for the purpose of any of the foregoing;

(xiv) permit a final judgment or judgments for the payment of money aggregating in excess of $1,000,000 to be rendered against one or more of the Company, and its Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay;

(xvii) (i) permit the payment of any principal of or premium or interest on the Bank Indebtedness, any CCC Loan or any other Debt that is outstanding to be accelerated according to its terms and declared due and payable before its stated maturity or before its regularly scheduled dates of payment, or (ii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Debt to convert such Debt into equity interests), permit the Company or any Subsidiary of the Company to become obligated to purchase or repay the Bank Loans, such CCC Loan or such other Debt before its regular maturity or before its regularly scheduled dates of payment; provided that in the case of Debt other than the Bank Loans or any CCC Loan, the aggregate outstanding principal amount thereof subject to clauses (i) and/or (ii) above is $1,000,000 or more;

(xviii) permit a Change in Control Event to occur;

(xix) fail to preserve and keep in full force and effect the limited liability company existence of the Company and all rights and franchises (including, without limitation, licenses and permits) of the Company, and, except as otherwise expressly provided by this Section 6.3, fail to at all times preserve and keep in full force and effect the existence of each of its Subsidiaries and all rights and franchises (including, without limitation, licenses and permits) such Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

12. OFFSET RIGHTS. The parties agree that, in the event any Member of the Company is obligated to return any amounts pursuant to the provisions of Section 9.3.1(b) of the Company, the Company may, at its option, withhold such amounts from amounts to be distributed to such Member pursuant to Section 9.3.1 or otherwise, provided, however, that in the case of the Trust, so long as the notes issued pursuant to the Note Purchase Agreements are outstanding, the Company shall not withhold an amount which would cause the Trust to receive an

amount, in any month, that is less than the scheduled payments of interest and principal on such notes.

13. TECHNICAL AMENDMENTS. Section 5.1.1 of the Company Agreement is hereby amended by replacing the term "AGM" with the phrase "the holders of a Majority of the AGM Interest." Section 9.3.3. of the Company Agreement is hereby amended by replacing the phrase "will be rendered insolvent"with the phrase "will not be rendered insolvent." The heading of Section 16.2 is hereby amended by replacing the term "Distributions" with the term "Management Committee" and by adding the phrase "and at the request of the holders of a Majority of the AGM Interest" after the word "occurs" in the first sentence of such Section. Article III is hereby amended by replacing the term "amortization" with the term "authorization" and by deleting the words "refined" and the phrase "from sugarbeets."

14. NOTE PURCHASE AGREEMENTS. Notwithstanding anything in the Company Agreement or this First Amendment to the contrary, to the extent that any provision of or action required by the Company Agreement or this First Amendment is inconsistent with or prohibited by the terms of the Note Purchase Agreements or the Voting Rights Agreement, then until the Note Purchase Agreements and the Voting Rights Agreement are terminated, the terms of the Note Purchase Agreements and the Voting Rights Agreement, respectively, shall govern, provided, however, that without the consent of the holders of the AGM Interest, no amendment, modification or other alteration of the Note Purchase Agreements and the Voting Rights Agreement after the date of this First Amendment shall be deemed to (i) create any liability of, or increase any obligation of, the holders of the AGM Interest, (ii) reduce any liability of, or decrease any obligation of, the holders of the SR Interest, (iii) require any change in the governance provisions of the Company Agreement, including without limitation the provisions of the Company Agreement relating to the selection of the Management Committee, the rights and responsibilities of representatives on the Management Committee, or the voting rights of Members, (iv) change any provision of Section 6.3 of the Company Agreement, as amended by this First Amendment, (v) reduce or eliminate any rights of the holders of the AGM Interest to receive information from the Company or SRSC, (vi) require any change in the Capital Account of the holder of the AGM Interest, (vii) change any provisions relating to distributions and allocations, (viii) require the admission of any new member, the withdrawal of any Member or the dissolution of the Company, (ix) change any provisions relating to the Put Option or the mandatory redemption of the AGM Interest, and (x) provide for any discriminatory treatment (including, without limitation, relating to distributions) between Members not expressly permitted by the Company Agreement or this First Amendment. The parties acknowledge that the holders of the notes issued pursuant to the Note Purchase Agreements are third party beneficiaries of the provisions of this Section 14.

15. MANAGEMENT COMMITTEE. Section 16.2.2 of the Company Agreement is hereby amended to add the following sentence "Any representative elected by the holders of the AGM Interest shall cease to serve as a representative if and to the extent required pursuant to the Voting Rights Agreement, and, thereafter, a majority of the representatives to the Management Committee selected by the holders of the SR Interest shall constitute a quorum of the Management Committee." SRSC agrees to take all actions reasonably requested by the Trust to facilitate compliance by the Trust with the requirements of the Voting Rights Agreement, including, without limitation, the funding of the Voting Rights Escrow as defined in the Note Purchase Agreements.

16. EXPENSES OF THE TRUST. Promptly upon request, SRSC agrees to pay directly or to reimburse the Trust (and, if paid by AGM, to reimburse AGM) for all expenses incurred by the Trust, whether to compensate or reimburse the Resident Trustee of the Trust or otherwise.

17. REPRESENTATIONS AND WARRANTIES. Each of the parties represents and warrants that the execution, delivery and performance by such party of this First Amendment are within its powers, have been duly authorized by all necessary action and do not and will not contravene or conflict with any provision of law applicable to such party, the charter, declaration of trust or bylaws of such party, or any order, judgment or decree of any court or other agency of government or any contractual obligation binding upon such party, and this First Amendment and the Company Agreement as amended as of the date hereof

are the legal, valid and binding obligations of such party enforceable against such party in accordance with its terms.

18. MISCELLANEOUS.

(a) Captions. Section captions used in this First Amendment are for convenience only, and shall not affect the construction of this First Amendment.

(b) Governing Law. This First Amendment shall be a contract made under and governed by the laws of the State of Delaware, without regard to conflict of laws principles.

(c) Counterparts. This First Amendment may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts shall together constitute but one and the same amendment.

(d) Successors and Assigns. This First Amendment shall be binding upon the parties and their respective successors and assigns, and shall inure to the sole benefit of the parties their successors and assigns.

This First Amendment to the Company Agreement is dated as of the day and year first above written.

ASC HOLDINGS, INC.

By:_____
Name: Steven L. Watson
Title: Vice President

AMALGAMATED COLLATERAL TRUST

By Wilmington Trust Company, not individually but solely
in its capacity as Resident Trustee

By:_____
Name:_____
Title:_____

SNAKE RIVER SUGAR COMPANY

By:_____
Name: Allan M. Lipman
Title: President

THE AMALGAMATED SUGAR COMPANY LLC

By:_____
Name: Allan M. Lipman
Title: President

DEPOSIT TRUST AGREEMENT relating to AMALGAMATED COLLATERAL TRUST, dated as of May 14, 1997, among ASC HOLDINGS, INC., a Utah corporation (the "DEPOSITOR"), as a Certificateholder (as hereinafter defined) and as the Company Trustee (as hereinafter defined), and WILMINGTON TRUST COMPANY, a Delaware banking corporation (in its individual capacity, "WILMINGTON"), as Resident Trustee (as hereinafter defined).{PRIVATE }

R E C I T A L S

The Depositor is the record and beneficial owner of the limited liability company membership interest (the "AGM INTEREST") issued by Amalgamated Sugar Company LLC, a Delaware limited liability company ("LLC"), identified as the 94.7% Membership Interest in the Company Agreement of LLC dated as of January 3, 1997 (as amended to the date hereof and as it may be amended, supplemented, restated or otherwise modified from time to time, the "COMPANY AGREEMENT"). Pursuant to an amendment to the Company Agreement dated the date hereof (the "FIRST AMENDMENT TO COMPANY AGREEMENT"), the Trust will be admitted as a substitute member of LLC upon the transfer of the AGM Interest by the Depositor to the Trust pursuant to this Agreement.

The Depositor is a wholly owned indirect subsidiary of Valhi, Inc. ("VALHI"), a Delaware corporation.

Valhi has issued to Snake River Sugar Company (the "SECURED PARTY"), an Oregon cooperative, a Limited Recourse Promissory Note dated January 3, 1997 in aggregate principal amount of $212,500,000 (the "Limited Recourse Note") and a Subordinated Promissory Note (the "Subordinated Note") dated January 3, 1997 in aggregate principal amount of $37,500,000 (collectively, as they may be amended, supplemented, restated or otherwise modified from time to time, the "SNAKE RIVER LOAN NOTES").

Each of the Secured Party, Valhi and the Depositor desire that the AGM Interest be transferred and to held by the Trust, independent and apart from the assets of the Depositor and that (i) the Trust guarantee payment of the Limited Recourse Note and (ii) the obligations of the Trust under such guarantee and Valhi's obligations under the Subordinated Note be secured by the AGM Interest and in furtherance thereof desire that the Depositor (i) enter into this Agreement and establish the Trust (as hereinafter defined) as provided herein and (ii) cause the Trust to execute and deliver the Guaranty, dated the date of this Agreement (as it may hereafter be amended, supplemented, restated or otherwise modified from time to time, the "SPT GUARANTY") and the Pledge Agreement, dated as of the date of this Agreement, by and between the Secured Party and the Trust (as it may hereafter be amended, supplemented, restated or otherwise modified from time to time, the "SPT PLEDGE AGREEMENT").

The Secured Party intends to issue its 10.80% Senior Notes due 2009 (the "SENIOR NOTES") pursuant to certain Note Purchase Agreements dated as of the date of this Agreement (as they may hereafter be amended, supplemented, restated or otherwise modified from time to time, the "NOTE PURCHASE AGREEMENTS").

Pursuant to that certain Pledge Agreement, dated as of the date of this Agreement between the Secured Party and the Collateral Agent (as defined below) (as it may hereafter be amended, supplemented, restated or otherwise modified from time to time, the "SNAKE PLEDGE AGREEMENT"), the Secured Party has assigned to the Collateral Agent, for the benefit of the holders of the Senior Notes, as collateral security for its obligations under the Note Purchase Agreements and the Senior Notes, among other things, all of its rights, title and interest in, to and under (i) the Snake River Loan Notes and (ii) the SPT Guaranty and all collateral granted to the Secured Party in connection with the SPT Guaranty and the Snake River Loan Notes, including, without limitation, the AGM Interest pledged to the Secured Party pursuant to the SPT Pledge Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto hereby agree as follows:

DEFINITIONS{TC \L 1 "
DEFINITIONS"}

{PRIVATE } DEFINITIONS{TC \L 2 " DEFINITIONS"}. Capitalized terms set forth below shall have the following meanings when used in this Agreement:

"ACTUAL KNOWLEDGE" means the actual knowledge of any Authorized Officer in the Corporate Trust Office of the Resident Trustee who is responsible for administering the Resident Trustee's compliance with this Agreement or the actual knowledge of any officer of the Company Trustee.

"AFFILIATE" of any Person means any other Person that directly or indirectly controls, is controlled by or is under common control with such Person. "Control", including with correlative meanings the terms "controlling", "controlled by" and "under common control with" means the possession, directly or indirectly, of the power to direct the management and policies of a person, whether through the ownership of voting securities, by contract or otherwise.

"AGM INTEREST" has the meaning assigned to that term in the Recitals to this Agreement.

"AGREEMENT" means this Deposit Trust Agreement, as amended, supplemented or otherwise modified from time to time.

"AUTHORIZED OFFICER" means, with respect to any Person, the chairman, president or any vice president of such Person and in addition, in the case of the Resident Trustee, means a secretary, assistant secretary or financial services officer of the Resident Trustee.

"BUSINESS DAY" means a day on which the Trustee and banks located in New York, New York, Chicago, Illinois and Ogden, Utah are open for the purpose of conducting commercial business.

"BUSINESS TRUST STATUTE" means Chapter 38 of Title 12 of the Delaware Code, 12 Del. C. Section 3801 et seq., as the same may be amended from time to time.

"CERTIFICATE OF BENEFICIAL INTEREST" means any certificate representing a beneficial ownership interest in the Trust in substantially the form attached hereto as Exhibit A.

"CERTIFICATEHOLDER" means any holder of record of a Certificate of Beneficial Interest. The Depositor shall be the sole initial Certificateholder.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COLLATERAL AGENT" means the Collateral Agent under that certain Collateral Agency Agreement, dated as of the date of this Agreement by and among the purchasers party to the Note Purchase Agreements, the Secured Party and First Security Bank, National Association, as collateral agent.

"COMPANY AGREEMENT" has the meaning assigned to that term in the Recitals to this Agreement.

"COMPANY TRUSTEE" means ASC Holdings, Inc. as the initial Company Trustee, and its successor as Company Trustee hereunder.

"CORPORATE TRUST OFFICE" means the office of the Resident Trustee or the Company Trustee, as applicable as set forth in Section 8.4.

"DEPOSITOR" has the meaning stated in the introductory paragraph of this Agreement.

"DISTRIBUTION DATE" means, as to funds paid to a Trustee by wire transfer, the Business Day on which the Trust receives such funds and, as to

funds paid to a Trustee by a method other than by wire transfer, the first Business Day following the day on which a Trustee has Actual Knowledge of its receipt of such funds.

"FISCAL YEAR" means the fiscal year of LLC.

"INDEMNIFICATION PLEDGE AGREEMENT" means the pledge agreement of the Trust in favor of the Secured Party and LLC, and as of the date of this Agreement.

"LIEN" means any mortgage, pledge, security interest, encumbrance, set-off, bankers' lien or similar arrangement, charge or other lien of any kind, any agreement to give the same, any conditional sale or other title retention agreement, and the filing of or agreement to give any financing statement under the
Uniform Commercial Code of any jurisdiction.

"LLC" has the meaning assigned to that term in the Recitals to this Agreement.

"NOTE PURCHASE AGREEMENTS" has the meaning assigned to that term in the Recitals to this Agreement.

"PERCENTAGE INTEREST" means the beneficial ownership interest, expressed as a percentage, of a Certificateholder in this Trust. The initial Percentage Interest of the Depositor shall be 100%.

"PERSON" means any individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or government or agency or political subdivision thereof.

"RESIDENT TRUSTEE" means a Person satisfying the requirements of Section 3807(a) of the Business Trust Statute, and shall initially be Wilmington Trust Company, a Delaware banking corporation acting not in its individual capacity but solely as trustee hereunder, and any Person that shall have become its successor pursuant to Section 7.4 hereof.

"SECURED PARTY" has the meaning assigned to that term in the Recitals to this Agreement.

"SNAKE LOAN DEFAULT" means any default under the Snake River Loan Notes permitting or resulting in acceleration of the Snake River Loan Notes.

"SNAKE LOAN DEFAULT NOTICE" means a written notice delivered to the Resident Trustee in accordance with Section 8.4 hereof from Secured Party or the Collateral Agent, stating that a Snake Loan Default has occurred.

"SENIOR NOTE PAYOFF NOTICE" means a notice given by the Collateral Agent to the Resident Trustee stating that all obligations in respect to the Senior Notes and the Note Purchase Agreements have been paid in full.

"SENIOR NOTES" has the meaning assigned to that term in the Recitals to this Agreement.

"SNAKE PLEDGE AGREEMENT" has the meaning assigned to that term in the Recitals to this Agreement.

"SNAKE RIVER LOAN NOTES" has the meaning assigned to that term in the Recitals to this Agreement.

"SPT PLEDGE AGREEMENT" has the meaning assigned to that term in the Recitals to this Agreement.

"TRUST" means the trust existing pursuant to this Agreement, designated as Amalgamated Collateral Trust.

"TRUSTEE" means each of the Resident Trustee and the Company Trustee, acting as trustee of the Trust pursuant to this Agreement.

"TRUST PROPERTY" has the meaning assigned to that term in Section 2.2

hereof.

"VALHI" has the meaning assigned to that term in the Recitals to this Agreement.

"VALHI ENTITY PLEDGE AGREEMENT" means the Amended and Restated Pledge Agreement, dated the date of this Agreement executed by the Depositor, as it may be amended, supplemented, restated or otherwise modified from time to time.

"VOTING RIGHTS AGREEMENT" means the Voting Rights and Forbearance Agreement, dated as of the date of this Agreement, by and among the Trust, the Depositor and the Collateral Agent, as it may be amended, supplemented, restated or otherwise modified from time to time.

"VOTING RIGHTS NOTICE" means a written notice delivered to the Resident Trustee in accordance with Section 8.4 hereof from the Collateral Agent stating that the Depositor does not have the right to exercise Control Action, as defined in the Voting Rights Agreement.

{PRIVATE }
DECLARATION OF BUSINESS TRUST; ISSUANCE{TC \L 1 "
DECLARATION OF BUSINESS TRUST; ISSUANCE"}
AND TRANSFER OF CERTIFICATES OF BENEFICIAL
INTEREST; DUTIES OF TRUSTEES; NO FILING

{PRIVATE } DECLARATION OF BUSINESS TRUST{TC \L 2 "

DECLARATION OF BUSINESS TRUST"}.

Wilmington and the Depositor, and each of them, are hereby appointed to hold, and each accepts such appointment and agrees to hold, the Trust Property as Trustee in trust upon the terms and conditions and for the use and benefit of the Certificateholders as herein set forth. Wilmington is hereby designated the Resident Trustee of the Trust.

It is the intention of the parties hereto that the trust created by this Agreement constitute a business trust under the Business Trust Statute and that this Agreement constitute the governing instrument of such business trust. This declaration of business trust is intended for federal income tax purposes to be characterized as a partnership among the Certificateholders (if more than one Certificateholder exists) and, at any time that there is only one Certificateholder, as merely an agent of such holder and not as a separate entity for federal income tax purposes. It is not intended to create an association taxable as a corporation. The provisions hereof shall be interpreted accordingly and no party hereto shall take a contrary position for federal income tax purposes. Effective as of the date hereof, the Trustees shall have all the rights, powers and duties set forth herein and (except as otherwise provided herein) in the Business Trust Statute with respect to accomplishing the purposes of the Trust.

The principal objects and purposes for which the Trust is created and established are (i) owning, managing, holding, encumbering and otherwise dealing with the Trust Property, (ii) issuing and selling the Certificates of Beneficial Interest and executing, delivering and performing this Agreement and the Voting Rights Agreement, (iii) executing and delivering the SPT Guaranty, SPT Pledge Agreement and the Indemnification Pledge Agreement and the First Amendment to Company Agreement and performing its obligations thereunder and under the Company Agreement, and (iv) engaging in any activities necessary, convenient or incidental to the foregoing.

{PRIVATE } TRANSFER OF TRUST PROPERTY TO THE TRUST{TC \L 2 "

TRANSFER OF TRUST PROPERTY TO THE TRUST"}.

The Depositor hereby grants, assigns, transfers, and sets over to the Trust all of the Depositor's right, title and interest in, to and under the following (the "TRUST PROPERTY"): (i) the AGM Interest and the Company

Agreement, (ii) any certificates representing the AGM Interest and any interest of the Depositor in the entries on the books of any financial intermediary pertaining to the AGM Interest, and all distributions, dividends, cash, warrants, rights, instruments, voting rights and other rights, property or proceeds from time to time existing, received, receivable or otherwise distributed in respect of or in exchange for any or all of the AGM Interest and/or the Company Agreement, (iii) all additional equity interests, and all securities convertible into and warrants, options and other rights to purchase or otherwise acquire any equity interests, in any issuer of the AGM Interest from time to time acquired by the Depositor in any manner (which interests shall be deemed to be part of the Trust Property), any certificates or other instruments representing such additional equity interests, securities, warrants, options or other rights and any interest of Depositor in the entries on the books of any financial intermediary pertaining to such additional equity interests, and all dividends, cash, warrants, rights, instruments, voting rights and other rights, property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional equity interests, securities, warrants, options or other rights, and (iv) to the extent not covered by clauses (i) through (iii) above, all proceeds of any or all of the foregoing. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Trust Property or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, proceeds of any indemnity or guaranty payable to the Depositor or the Trust from time to time with respect to any of the Trust Property.

At any time and from time to time, the Depositor or any other Person may grant to the Trust additional Trust Property. Upon receipt of written directions from the Collateral Agent, the Trust shall accept or acquire such additional Trust Property for the common and equal use, benefit and security of all Certificateholders.

{PRIVATE } ISSUANCE AND TRANSFER OF CERTIFICATES OF BENEFICIAL INTEREST{TC \L 2 " ISSUANCE AND TRANSFER OF CERTIFICATES OF BENEFICIAL INTEREST"}.

The Company Trustee (in such capacity) acknowledges that the Trust has received the AGM Interest on the date hereof, duly transferred by the Depositor, and the Depositor is hereby issued a 100% Certificate of Beneficial Interest by the Trust and initially constitutes the sole beneficial owner of the Trust and the Resident Trustee is hereby authorized and directed to execute such Certificate of Beneficial Interest.

Each Certificate of Beneficial Interest shall be executed by manual signature on behalf of the Resident Trustee by one of its Authorized Officers. Certificates of Beneficial Interest bearing the manual signature of an individual who was, at the time when such signature was affixed, authorized to sign on behalf of the Resident Trustee shall bind the Trust, notwithstanding that such individual has ceased to be so authorized prior to the delivery of such Certificates of Beneficial Interest or does not hold such office at the date of such Certificates of Beneficial Interest. Each Certificate of Beneficial Interest shall be dated the date of its issuance.

A Certificateholder shall be entitled to all rights provided to it under this Agreement, in the Business Trust Statute (to the extent not limited by this Agreement), and in its Certificate of Beneficial Interest, and shall be subject to the terms and conditions contained in this Agreement, in the Business Trust Statute (to the extent not limited by this Agreement) and in such Certificate of Beneficial Interest.

The Resident Trustee shall cause to be kept at its Corporate Trust Office, in accordance with the provisions of Section 7.2 hereof, a register (the "CERTIFICATE REGISTER") in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration of Certificates of Beneficial Interest. Each registered Certificateholder and,

until termination of the Snake Pledge Agreement, the Collateral Agent, shall have the right to inspect the Certificate Register, subject to such reasonable regulations as the Resident Trustee shall prescribe. The person listed as the owner of a Certificate of Beneficial Interest on the Certificate Register shall be treated as the owner of such Certificate of Beneficial Interest for all purposes of this Agreement.

No Certificateholder shall have any right, power or authority to sell, assign, pledge, hypothecate or otherwise transfer its Certificate of Beneficial Interest except in compliance with the Valhi Entity Pledge Agreement or pursuant to a transfer to the Collateral Agent or the Secured Party in connection with an exercise of remedies under the Snake Pledge Agreement and/or the Valhi Entity Pledge Agreement, and each Certificate of Beneficial Interest shall bear a legend as set forth in the form of Certificate of Beneficial Interest attached hereto as Exhibit A.

Each Certificate of Beneficial Interest shall bear a legend setting forth restrictions on transferability substantially as follows:

> "THE BENEFICIAL INTEREST IN THE TRUST REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS."

If (i) any mutilated Certificate of Beneficial Interest is surrendered to the Resident Trustee, or the Resident Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Certificate of Beneficial Interest and (ii) there is delivered to the Resident Trustee such security or indemnity as may be required by it to save it harmless, then, in the absence of Actual Knowledge by the Resident Trustee that such Certificate of Beneficial Interest has been acquired by a bona fide purchaser, the Resident Trustee shall execute and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Certificate of Beneficial Interest, a new Certificate of Beneficial Interest of like tenor and aggregate beneficial interest. In connection with the issuance of any new Certificate of Beneficial Interest under this Section 2.3(g), the Resident Trustee may require the payment by the applicable Certificate-holder of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Resident Trustee) connected therewith. Any new Certificate of Beneficial Interest issued pursuant to this Section 2.3(g) shall constitute complete and indefeasible evidence of ownership of a beneficial interest in the Trust, as if originally issued, whether or not the lost, stolen or destroyed Certificate of Beneficial Interest shall be found at any time.

> {PRIVATE } PAYMENTS AND DISTRIBUTIONS{TC \L 2 " PAYMENTS AND DISTRIBUTIONS"}.

All cash amounts held or received by the Trust with respect to the Trust Property shall be applied by the Resident Trustee on the applicable Distribution Date in the following order:

to the extent not otherwise paid, to pay all amounts (if any) then due and payable to the Resident Trustee, pursuant to Sections 7.1 and 7.3 of this Agreement;

if the Resident Trustee shall not have received a Snake Loan Default Notice, the Resident Trustee shall segregate an amount equal to the amount of interest due on the Snake River Loan Notes on the next day set for payment thereof, as specified from time to time by the Collateral Agent (or after receipt by the Resident Trustee of the Senior Note Payoff Notice, the Secured Party) in a notice or notices to the Resident Trustee, and on the due date of such interest payment, pay such amount to the Collateral Agent (or pursuant to payment instructions received by the Resident Agent from the Collateral Agent); provided that upon receipt by the Resident Trustee of the Senior Note Payoff Notice, the Resident Trustee will pay

such amount to Secured Party;

to the extent not otherwise paid, to pay all operating and administrative expenses of the Trust for which the Resident Trustee has received invoices;

if the Resident Trustee shall not have received a Snake Loan Default Notice, all amounts remaining after payment (or segregation) of the amounts set forth in clauses (i) through (iii) above plus all amounts of

interest on the amounts segregated under clause (ii) received by the Resident Trustee since the last distribution pursuant to this clause (iv), to the Certificateholders;

if the Resident Trustee shall have received a Snake Loan Default Notice, to the Collateral Agent (or after receipt by the Resident Trustee of the Senior Note Payoff Notice, to the Secured Party).

All payments and distributions required to be made to the Certificateholders, the Collateral Agent (or pursuant to payment instructions given by the Collateral Agent to the Resident Trustee) or Secured Party pursuant to this Section 2.4 shall be made by wire transfer of immediately available funds as specified in written instructions from the Certificateholder, the Collateral Agent or Secured Party, as applicable.

All cash payments to be made to the Trust shall be paid to the Resident Trustee and applied by the Resident Trustee as provided in subsection 2.4(a).

Cash held by the Trust shall be invested from time to time by the Resident Trustee at the direction of the Company Trustee (subject to the provisions of Section 2.7(h)) and subject to the requirements of the Trust to make payments as set forth in Section 2.4(a) above, only in (i) marketable securities issued or directly and unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within thirty (30) days from the date of investment; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within thirty (30) days from the date of investment and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; (iii) commercial paper maturing no more than thirty (30) days from the date of investment and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; and (iv) certificates of deposit or bankers' acceptances maturing within thirty (30) days from the date of investment issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having unimpaired capital and surplus of not less than $500,000,000.

{PRIVATE } TAX REPORTING{TC \L 2 " TAX REPORTING"}. If the Trust

is treated as a partnership for federal tax purposes, the Depositor shall serve as tax matters partner within the meaning of Section 6231(a)(7) of the Code for the Trust, and shall cause the Trust to file federal, state and local income tax returns and information statements as a partnership for each of its taxable years. Within a reasonable time after the end of each of the Trust's Fiscal Years, the Depositor shall cause the Trust to provide to each Certificateholder an Internal Revenue Service Schedule "K-1" or any successor schedule and supplemental information, if required by law, to enable each Certificateholder to file its income tax returns. The Depositor may from time to time make and revoke such tax elections as it deems necessary or desirable in its sole discretion to carry out the business of the Trust or the purposes of this Agreement.

{PRIVATE } FURTHER ASSURANCES{TC \L 2 " FURTHER ASSURANCES"}.

The Certificateholders (and, after the receipt by the Resident Trustee of a

Snake Loan Default Notice, the Collateral Agent, or, after receipt by the Resident Trustee of a Senior Note Payoff Notice, Secured Party) may direct in writing a Trustee to execute and deliver, and such Trustee shall execute and deliver, all such other instruments, documents or certificates and take all such other actions as the Certificateholders or the Collateral Agent, as applicable may deem necessary or advisable to give effect to the transactions contemplated hereby or by the Voting Rights Agreement or the other documents contemplated hereby, and the taking of any such action by a Trustee in the presence of (or upon the written or oral request of (if such oral request is promptly confirmed in writing)) a Certificateholder or the Collateral Agent or Secured Party, as applicable, or such person's counsel shall evidence, conclusively but not exclusively, the direction of such Certificateholder or the Collateral Agent or Secured Party, as the case may be; provided, however, the Resident Trustee shall

not be required to take any such action if it shall have reasonably determined, or shall have been advised by counsel, that such action is likely to result in the Resident Trustee incurring personal liability or is contrary to the terms hereof or of any document contemplated hereby to which the Trust or the Resident Trustee is a party or is otherwise contrary to law.

{PRIVATE } DUTIES OF TRUSTEES{TC \L 2 " DUTIES OF TRUSTEES"}

Notwithstanding anything to the contrary contained in this Section 2.7 or elsewhere in this Agreement, the Company Trustee shall not have any power or authority in respect of Section 2.4 or any power or authority to take any other actions hereunder which impair the ability of the Trust to receive payments in respect of the AGM Interest or to make the payments required by Section 2.4.

Subject to the limitations provided in the Voting Rights Agreement, Sections 2.7(a), 2.7(h) and 2.8 and otherwise in this Agreement, until receipt by the Resident Trustee of a Snake River Loan Default Notice, the Company Trustee shall have full and exclusive power and authority to carry out the purposes of the Trust. An action taken by the Company Trustee in accordance with its powers shall constitute the act of and serve to bind the Trust; in dealing with the Company Trustee acting on behalf of the Trust, no Person shall be required to inquire into the authority of the Company Trustee and may rely conclusively on the power and authority of the Company Trustee as set forth in this Agreement. Without limiting the generality of the foregoing, the Company Trustee shall have full and exclusive power and authority:

subject to the terms of the Voting Rights Agreement, to manage and determine all of the business and affairs of the Trust, including, without limitation, making all decisions, not inconsistent with the terms of this Agreement and the Voting Rights Agreement, with respect to Trust Property;

to incur expenses which the Company Trustee reasonably deems necessary or incidental to carry out any of the purposes of this Agreement;

to execute all documents or instruments, perform all duties and exercise all powers, and do all things for and on behalf of the Trust which the Company Trustee deems necessary or incidental to the foregoing not inconsistent with the terms hereof or of the Voting Rights Agreement; and

until receipt by the Resident Trustee of a Voting Rights Notice or after any recision of all Voting Rights Notices), to exercise all Control Action (as defined in the Voting Rights Agreement) with respect to the AGM Interest held as part of the Trust Property. After receipt by the Resident Trustee of a Voting Rights Notice and until such Voting Rights Notice has been rescinded by notice given to the Resident Trustee by the Collateral Agent, the Company Trustee shall have no further right, power or authority to exercise Control Action on behalf of the Trust.

Subject to the limitations provided in Sections 2.7(a), 2.7(h) and 2.8, and otherwise in this Agreement, the Company Trustee is authorized to

execute on behalf of the Trust any documents which the Company Trustee has the power and authority to cause the Trust to execute pursuant to Section 2.7(b). The Company Trustee may, by power of attorney consistent with applicable law, delegate to any other Person its power for the purposes of signing any documents which the Company Trustee has power and authority to execute pursuant to this Agreement.

A Trustee shall not have any right, power, duty or obligation to take or refrain from taking any action under or in connection with this Agreement, except as expressly required or permitted by the terms of this Agreement or as expressly directed in written instructions pursuant to Sections 2.6, 2.7(e), 2.7(f) or 2.7(h) hereof, and no implied powers, duties or obligations shall be read into this Agreement against or on the part of any Trustee. A Trustee shall not be required to take any action if such Trustee shall reasonably determine, or shall have been advised by counsel, that such action is likely to result in personal liability, or is contrary to the terms hereof or of any document contemplated hereby to which the Trust or the Trustee is party, or is otherwise contrary to law.

No Trustee shall take any action contrary to (or fail to take any action if such failure would be contrary to) this Agreement, the Snake Pledge Agreement, the SPT Guaranty, the SPT Pledge Agreement, the Valhi Entity Pledge Agreement, the Voting Rights Agreement or any other document contemplated hereby or thereby to which the Trust is party, which the Trustee has Actual Knowledge (without any duty of inquiry), or has been advised by counsel, is in contravention of this paragraph (e).

Subject to the limitations provided in the Voting Rights Agreement Sections 2.7(a), 2.7(h) and 2.8, and otherwise in this Agreement, the Resident Trustee will take such action or shall refrain from taking such action under this Agreement or any document to which the Trust is a party as it shall be directed by the Company Trustee pursuant to an express provision of this Agreement, which instruction shall be delivered by the Company Trustee in accordance with Section 8.4 hereof; provided that, upon receipt by the Resident Trustee of a Snake Loan Default Notice, (A) the Resident Trustee will take such action or shall refrain from taking such action under this Agreement or any document to which the Trust is a party as it shall be directed by the Collateral Agent or Secured Party (if the Senior Note Payoff Notice has been received by the Resident Trustee) pursuant to an express provision of this Agreement, which instruction shall be delivered by the Collateral Agent or Secured Party (if the Senior Note Payoff Notice has been received by the Resident Trustee) in accordance with Section 8.4 hereof and (B) notwithstanding anything to the contrary in this Agreement the Resident Trustee shall not take any direction with respect to this Agreement, the Trust or any document to which the Trust is a party from the Depositor, any Certificateholder (other than the Collateral Agent) or any other Person.

If, in performing its duties under this Agreement, or any document to which it or the Trust is a party, the Resident Trustee determines that it requires or desires guidance regarding the application of any provision of this Agreement or any such document, then the Resident Trustee shall promptly deliver a notice to the Company Trustee (or if the Resident Trustee shall have received a Snake Loan Default Notice, to the Collateral Agent or Secured Party (if the Senior Note Payoff Notice has been received by the Resident Trustee)) in accordance with Section 8.4 hereof requesting written instructions as to the course of action required by the Company Trustee or by the Collateral Agent or Secured Party after receipt by the Resident Trustee of a Snake Loan Default Notice, and any action taken by the Resident Trustee in reliance on such instruction shall be full and complete authorization and protection.

Prior to the time that the Resident Trustee shall have received a Snake Loan Default Notice, the Company Trustee shall make any determination or decision required pursuant to this Section 2.7, and, at any time after the Resident Trustee shall have received a Snake Loan Default Notice, the Collateral Agent or Secured Party (if the Senior Note Payoff Notice has been received by the Resident Trustee) shall make any determination or decision required pursuant to this Section 2.7, as reflected in instructions to the Resident Trustee delivered in accordance with Section 8.4 hereof. If the Resident Trustee does

not receive such instructions within 10 business days after it has delivered notice pursuant to Section 2.7(g) and in accordance with Section 8.4, or such shorter period of time set forth in such notice, it shall refrain from taking any action with respect to the matters described in such notice.

The Resident Trustee shall furnish to the Certificateholders and the Collateral Agent, promptly upon receipt thereof, a duplicate or copy of all reports, notices, requests, demands, certificates, financial statements and any other instruments furnished to the Resident Trustee and relating to the Trust, this Agreement or the other parties hereto; provided that the Resident Trustee need not forward documents to such Person if such Person originated the documents or furnished them to the Resident Trustee or is to receive any such documents from any Person other than the Resident Trustee according to an express provision hereof or under any document to which the Trust is a party.

Notwithstanding anything to the contrary contained in this Agreement, the Resident Trustee shall not be required to take any such action if it shall have reasonably determined, or shall have been advised by counsel, that such action is likely to result in the Resident Trustee incurring personal liability or is contrary to the terms hereof or of any document contemplated hereby to which the Trust or the Resident Trustee is a party or is otherwise contrary to law. None of the Certificateholders, the Collateral Agent or Secured Party or the Company Trustee shall direct the Resident Trustee to take or refrain from taking any action contrary to this Agreement, or any document contemplated hereby to which the Trust is a party, nor shall the Resident Trustee be obligated to follow any such direction, if given, which the Resident Trustee has Actual Knowledge (without any duty of inquiry), or has been advised by counsel, is in contravention of this paragraph (j).

{PRIVATE } NO FILING{TC \L 2 " NO FILING"}. NOTWITHSTANDING

ANYTHING TO THE CONTRARY CONTAINED HEREIN, ONLY THE RESIDENT TRUSTEE SHALL HAVE THE RIGHT, POWER, AUTHORITY OR AUTHORIZATION TO INSTITUTE PROCEEDINGS FOR ANY TRUSTEE (IN SUCH CAPACITY) OR THE TRUST TO BE ADJUDICATED BANKRUPT OR INSOLVENT OR SUBJECT TO RECEIVERSHIP, OR CONSENT TO THE INSTITUTION OF BANKRUPTCY OR INSOLVENCY OR RECEIVERSHIP PROCEEDINGS AGAINST ANY TRUSTEE (IN SUCH CAPACITY) OR THE TRUST, OR FILE A PETITION SEEKING, OR CONSENT TO REORGANIZATION OR RELIEF UNDER ANY APPLICABLE FEDERAL OR STATE LAW RELATING TO BANKRUPTCY OR RECEIVERSHIP, OR CONSENT TO THE APPOINTMENT OF A RECEIVER, LIQUIDATOR, ASSIGNEE, TRUSTEE, SEQUESTRATOR (OR OTHER SIMILAR OFFICIAL) OF ANY TRUSTEE (IN SUCH CAPACITY), THE TRUST OR A SUBSTANTIAL PART OF ITS PROPERTY, OR MAKE ANY ASSIGNMENT FOR THE BENEFIT OF CREDITORS, OR ADMIT IN WRITING ANY TRUSTEE'S (IN SUCH CAPACITY) OR THE TRUST'S INABILITY TO PAY ITS DEBTS GENERALLY AS THEY BECOME DUE, OR TAKE ACTION IN FURTHERANCE OF ANY SUCH ACTION (ANY SUCH ACTION BEING AN "INSOLVENCY ACTION"). TO THE FULLEST EXTENT PERMITTED BY LAW, WITHOUT THE EXPRESS WRITTEN CONSENT OF THE SECURED PARTY (SO LONG AS THE SPT PLEDGE AGREEMENT IS IN EFFECT), THE COLLATERAL AGENT (SO LONG AS THE SNAKE PLEDGE AGREEMENT IS IN EFFECT) AND THE CERTIFICATEHOLDERS, NO TRUSTEE SHALL HAVE THE RIGHT, POWER, AUTHORITY OR AUTHORIZATION TO TAKE AN INSOLVENCY ACTION; PROVIDED,

HOWEVER, NO PROVISION OF THIS AGREEMENT OR ANY CERTIFICATE OF BENEFICIAL

INTEREST OR ANY OTHER AGREEMENT, DOCUMENT OR INSTRUMENT RELATING TO THE TRUST IS INTENDED TO, NOR SHALL ANY SUCH PROVISION, RESTRICT OR OTHERWISE AFFECT IN ANY WAY ANY RIGHT, POWER, AUTHORITY OR AUTHORIZATION OF WILMINGTON UNDER APPLICABLE LAW. BY ITS ACCEPTANCE OF ITS CERTIFICATE OF BENEFICIAL INTEREST, THE DEPOSITOR AND EACH CERTIFICATEHOLDER IS DEEMED TO IRREVOCABLY WAIVE ANY RIGHT OR INTEREST IT MAY HAVE UNDER THIS AGREEMENT, BY OPERATION OF LAW OR EQUITY, TO DIRECT OR OTHERWISE REQUIRE THE RESIDENT TRUSTEE TO INITIATE OR CONSENT TO ANY BANKRUPTCY, INSOLVENCY OR RECEIVERSHIP PROCEEDINGS OR SIMILAR ACTIONS AS DESCRIBED ABOVE AND RELEASES THE RESIDENT TRUSTEE FROM ANY DUTY AND ACKNOWLEDGES THAT THE RESIDENT TRUSTEE HAS NO DUTY (FIDUCIARY OR OTHERWISE) ARISING UNDER THIS AGREEMENT, BY OPERATION OF LAW OR EQUITY OR OTHERWISE, TO INITIATE, CONSENT TO, OR PARTICIPATE IN ANY SUCH PROCEEDING OR OTHERWISE TAKE ANY ACTION THAT WOULD CAUSE A DEFAULT UNDER THE NOTE PURCHASE AGREEMENTS, IT BEING EXPRESSLY UNDERSTOOD THAT ANY SUCH ACTION BY THE RESIDENT TRUSTEE SHALL BE UNDERTAKEN OR REFRAINED FROM, IN THE RESIDENT TRUSTEE'S SOLE AND ABSOLUTE DISCRETION (BUT ONLY WITH THE EXPRESS WRITTEN CONSENT OF THE COLLATERAL AGENT, SECURED PARTY AND THE

CERTIFICATEHOLDERS), WITHOUT REGARD TO ANY RIGHTS OR INTERESTS THE CERTIFICATEHOLDER OR ANY OTHER PERSON MAY HAVE.

{PRIVATE } SITUS OF TRUST{TC \L 2 " SITUS OF TRUST"}. The principal office of the Trust will be at the principal office of the Resident Trustee within the State of Delaware.

{PRIVATE } TITLE TO TRUST PROPERTY; ACTION BY TRUSTEES{TC \L 2 " TITLE TO TRUST PROPERTY; ACTION BY TRUSTEES"}. (a) Until this Agreement terminates pursuant to Article VIII hereof, title to all of the Trust Property shall be vested in the Trust, provided, however, that if the laws of any jurisdiction in which Trust Property is located require that title to any part of such Trust Property be vested in a trustee of the Trust, then title to that part of the Trust Property shall be deemed to be vested in the Company Trustee or any co-trustee or separate trustees, as the case may be, appointed pursuant to Article VII of this Agreement.

{PRIVATE } ALLOCATIONS{TC \L 2 " ALLOCATIONS"}. All items of income, gain, loss, deduction and credit shall be allocated among the Certificateholders in accordance with their respective Percentage Interests.

{PRIVATE } DISTRIBUTIONS OF RIGHTS TO RETAINED AMOUNTS{TC \L 2 " DISTRIBUTIONS OF RIGHTS TO RETAINED AMOUNTS"}. Prior to the time that the Resident Trustee shall have received a Snake Loan Default Notice, all rights to Retained Amounts (as defined in the Company Agreement) received in respect of the AGM Interest as Trust Property shall be deemed to have been distributed to the Certificateholders immediately upon receipt thereof by the Trust. After receipt by the Resident Trustee of a Snake Loan Default Notice, all rights to Retained Amounts received in respect of the AGM Interest as Trust Property shall be held by the Trust as Trust Property subject to the terms and conditions of this Agreement.

{PRIVATE }
AUTHORIZATION OF TRUSTEES; PLEDGE OF COLLATERAL{TC \L 1 " AUTHORIZATION OF TRUSTEES; PLEDGE OF COLLATERAL"}

{PRIVATE } AUTHORIZATION OF TRUSTEE{TC \L 2 " AUTHORIZATION OF TRUSTEE"}. (a) Notwithstanding any provision in this Agreement to the contrary, the Resident Trustee is hereby authorized and directed, without the consent or approval of or other action by any Person, to (i) execute and deliver on behalf of the Trust, the First Amendment to Company Agreement, the SPT Guaranty, the SPT Pledge Agreement, the Voting Rights Agreement, all UCC-1 financing statements requested by the Collateral Agent and the Certificate of Beneficial Interest furnished to the Trustee on the date hereof indicating the Depositor as the registered owner of 100% of the undivided beneficial interests in the Trust, (ii) perform all such agreements and the Company Agreement and (iii) execute and file with the Secretary of State of the State of Delaware the Certificate of Trust of the Trust.

Subject to the Voting Rights Agreement and Sections 2.7(a), 2.7(h), 2.8, the Company Trustee (not in its individual capacity but solely in its fiduciary capacity as trustee hereunder) is hereby (i) directed to take on behalf of the Trust all actions required to be taken by the Trust under each agreement to which the Trust is or becomes a party and (ii) subject to the terms of such agreements, authorized to take on behalf of the Trust all actions permitted to be taken by the Trust under each such agreement.

{PRIVATE } PLEDGE OF COLLATERAL{TC \L 2 " PLEDGE OF COLLATERAL"}. (a) Effective on the date the Trust is established (the

"EFFECTIVE DATE"), the Trust hereby confirms that it has granted to the Secured Party a first priority security interest in the Pledged Collateral (as defined in the SPT Pledge Agreement) as provided in the SPT Pledge Agreement and the Collateral described in the Indemnification Pledge Agreement, such first priority security interest being pari passu with the first priority security interest in favor of the LLC created by the Indemnification Pledge Agreement. The Trust acknowledges and consents to the assignment by the Secured Party to the Collateral Agent of all of the Secured Party's rights under the SPT Pledge Agreement and the Indemnification Pledge Agreement, including all rights in and to such Pledged Collateral.

On the Effective Date, the Company Trustee on behalf of the Trust shall deliver or cause to be delivered the Pledged Collateral to the Collateral Agent, to have and to hold such Pledged Collateral and the properties, rights and privileges hereby contemplated and in which a security interest is granted or intended to be granted to the Secured Party and/or the Collateral Agent.

Each Trustee shall give, execute, deliver, file and record any notice, instrument, document, agreement or other papers presented to it in execution form that may be necessary or desirable in the Collateral Agent's or Secured Party's reasonable discretion in order to enable the Collateral Agent and Secured Party (i) to preserve, perfect, substantiate or validate any security interest granted under the SPT Pledge Agreement or the Snake Pledge Agreement and (ii) to exercise and enforce the Collateral Agent's and Secured Party's rights and the rights of the Trust with respect to the related Pledged Collateral.

{PRIVATE }
REPRESENTATIONS AND WARRANTIES OF THE DEPOSITOR {TC \L 1 "
REPRESENTATIONS AND WARRANTIES OF THE DEPOSITOR "}
AND THE COMPANY TRUSTEE

{PRIVATE } SECURITIES LAW REPRESENTATIONS{TC \L 2 " SECURITIES LAW REPRESENTATIONS"}. By the execution of this Agreement, the Depositor represents that:

It is acquiring the Certificate of Beneficial Interest for its own account and not with a view to the resale or distribution thereof.

It is an "accredited investor" as defined in Rule 215 under the Securities Act of 1933, as amended.

It understands and acknowledges that its Certificate of Beneficial Interest has not been registered for sale under any Federal or state securities law and must be held indefinitely unless subsequently registered or an exemption from such registration is available.

{PRIVATE } OTHER REPRESENTATIONS AND WARRANTIES{TC \L 2 " OTHER REPRESENTATIONS AND WARRANTIES"}. ASC Holdings, Inc. ("ASC"), in its capacity as the Depositor and as the Company Trustee, represents and warrants that:

ASC is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in all additional jurisdictions where such qualification is necessary under applicable law. ASC has the corporate power and authority to own the properties it purports to own and to execute and deliver this Agreement and to perform the provisions hereof.

The execution and delivery by ASC of this Agreement and the performance by ASC of its obligations under this Agreement do not and will not (i) contravene, result in any breach of, or constitute a default under, or

result in the creation of any Lien in respect of any of the Trust Property under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which ASC is bound or by which ASC or the Trust Property may be bound or affected, (ii) conflict with or result in a breach of any of the terms,

conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or governmental authority applicable to ASC or the Trust Property or (iii) violate any provision of any statute or other rule or regulation of any

governmental authority applicable to ASC or the Trust Property.

Except as have been obtained, no consent, approval or authorization of, or registration, filing or declaration with, any governmental authority or any nongovernmental Person or entity, including, without limitation, any creditor, lessor or stockholder of ASC is required in connection with the execution, delivery or performance by ASC of this Agreement or the transactions contemplated hereby or as a condition to the legality, validity or enforceability of this Agreement.

This Agreement has been duly authorized by all necessary corporate action on the part of ASC, and this Agreement is the legal, valid and binding obligation of ASC, enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor's rights generally, or general principles of equity.

There are no actions, suits or proceedings (including, without limitation, arbitration and administrative proceedings) pending or, to the knowledge of ASC or any officer of ASC, threatened against or affecting ASC or the Trust Property in any court or before any arbitrator of any kind or before or by any governmental authority that, individually or in the aggregate, if determined adversely to ASC, could materially and adversely affect the ability of ASC to perform its obligations under this Agreement, and, to the best knowledge of ASC or any officer of ASC, there is no basis for any such action, suit or proceeding.

ASC is not in default under any term of any agreement or instrument to which it is a party or by which it or the Trust Property is bound, or any order, judgment, decree or ruling of any court, arbitrator or governmental authority or is in violation of any applicable law, ordinance, rule or regulation of any governmental authority which violation or default, individually or in the aggregate, could materially and adversely affect the ability of ASC to perform its obligations under this Agreement.

(g) ASC, as the Depositor, has good and sufficient title to the Trust Property free and clear of all Liens other than Liens being released in connection with this Agreement.

(h) Since January 3, 1997, the Company Agreement has not been amended, supplemented, restated or otherwise modified, and no violation of any provision thereof has been waived, except for the First Amendment to Company Agreement.

{PRIVATE } REPRESENTATIONS AND WARRANTIES{TC \L 1 " REPRESENTATIONS AND WARRANTIES"} OF THE RESIDENT TRUSTEE

{PRIVATE } WILMINGTON TRUST COMPANY{TC \L 2 " WILMINGTON TRUST COMPANY"}. Wilmington hereby represents and warrants that:

{PRIVATE } GOOD STANDING{TC \L 3 " GOOD STANDING"}. Wilmington is a banking corporation organized under the laws of the State of Delaware, validly existing and in good standing under the laws of the State of Delaware and has all corporate powers and all material governmental licenses,

authorization, consents and approvals required under the laws of the State of Delaware to carry on its trust business as now conducted.

{PRIVATE } CORPORATE POWER{TC \L 3 " CORPORATE POWER"}. The execution, delivery and performance by Wilmington, in its individual capacity and in its capacity as Resident Trustee, of this Agreement and the execution on behalf of the Trust of the Certificates of Beneficial Interest by Wilmington, as Trustee pursuant to this Agreement, are within the corporate power of Wilmington, have been duly authorized by all necessary corporate action on the part of Wilmington (no action by its shareholders being required) and do not and will not (i) violate or contravene any judgment, injunction, order or decree binding on Wilmington or (ii) violate, contravene or constitute a default under any provision of the certificate of incorporation or by-laws of Wilmington or of any material agreement, contract, mortgage or other instrument binding on Wilmington or (iii) result in the creation or imposition of any lien on the Trust Property, attributable to Wilmington which is not related to the administration of the Trust or the transactions pursuant to this Agreement or contemplated by this Agreement.

{PRIVATE } CONSENTS AND APPROVALS{TC \L 3 " CONSENTS AND APPROVALS"}. Other than such filing of a Certificate of Trust as has been or will be made, and the filing of a certificate of cancellation as described in Section 8.5(c), no other consent, approval, authorization or order of, or filing with, any court or regulatory, supervisory or governmental agency or body is required under Delaware law in connection with the execution, delivery and performance by Wilmington, in its individual capacity and in its capacity as Resident Trustee, of this Agreement or the execution on behalf of the Trust of the Certificates of Beneficial Interest by Wilmington, as Resident Trustee, pursuant to this Agreement or the consummation by Wilmington, as Resident Trustee, of the transactions contemplated hereby or thereby (except as may be required by Delaware securities laws).

{PRIVATE } CERTAIN COVENANTS OF DEPOSITOR, OTHER OWNERS OF{TC \L 1 " CERTAIN COVENANTS OF DEPOSITOR, OTHER OWNERS OF"} CERTIFICATES OF BENEFICIAL INTEREST, AND THE TRUST

{PRIVATE } TITLE TO TRUST PROPERTY{TC \L 2 " TITLE TO TRUST PROPERTY"}. Each Certificateholder from time to time is deemed to acknowledge and agree by its acquisition of its Certificates of Beneficial Interest that (i) the Trust owns the Trust Property and (ii) such Certificateholder shall refrain from taking any action contrary to such ownership by the Trust.

{PRIVATE } NOTIFICATION OF TRANSFER{TC \L 2 " NOTIFICATION OF TRANSFER"}. Immediately upon the sale or other transfer of any Trust Property to the Trust pursuant to this Agreement or any agreement to which the Trust may be or become a party, the Person effecting such sale will make any appropriate notations on its records to indicate that such Trust Property has been sold or transferred to the Trust pursuant to this Agreement.

{PRIVATE } INVESTMENT COMPANY{TC \L 2 " INVESTMENT COMPANY"}. No Certificateholder shall take any action which would cause the Trust to become an investment company which would be required to register under the Investment Company Act of 1940.

{PRIVATE } LIABILITY OF CERTIFICATEHOLDERS{TC \L 2 " LIABILITY OF CERTIFICATEHOLDERS"}. Except as expressly provided in Sections 7.3(b) and

7.3(c), the liability of the Certificateholders shall be limited to the full extent provided by Section 3803 of the Business Trust Statute. Without limiting the generality of the foregoing, but subject to Sections 7.3(b) and 7.3(c), no recourse may be taken, directly or indirectly, against (i) any past, present or future Certificateholder, or (ii) any principal, partner, shareholder, officer, director, grantor, depositor, trustee, nominee, beneficiary, attorney-in-fact, agent or employee of any Certificateholder or any elected or appointed official of any of them, or against the assets of any of them, whether by virtue of any constitution, statute or rule of law, or by the enforcement or assessment of any penalty or otherwise, for any claim under or based on any agreement, certificate, document or instrument referred to herein or delivered pursuant hereto, or for any liabilities, obligations, fees, expenses, taxes or indemnity payments of the Trust; provided that this Section 6.4 shall not be construed as limiting or waiving in any manner the recourse liability of Valhi under the Snake River Loan Notes.

{PRIVATE }
CONCERNING THE TRUSTEES AND THE TRUST{TC \L 1 "
CONCERNING THE TRUSTEES AND THE TRUST"}

{PRIVATE } GENERAL MATTERS RELATING TO THE TRUSTEES; LIMITATION ON OBLIGATIONS{TC \L 2 " GENERAL MATTERS RELATING TO THE TRUSTEES; LIMITATION ON OBLIGATIONS"}.

Subject to the terms of Section 7.3 of this Agreement, all moneys deposited with or received by any Trustee hereunder shall be held by it, in accordance with this Agreement, in trust as part of the Trust Property until distributed in accordance with Section 2.4 hereof.

No Trustee, in its individual capacity or in its capacity as Trustee, shall be liable for any action taken by it in good faith in reliance upon any paper, order, instruction, signature, list, demand, request, consent, affidavit, notice, opinion, direction, endorsement, assignment, resolution, draft or other document, prima facie properly executed, or for the disposition of any moneys pursuant to this Agreement; provided, however, that this provision shall not protect any Trustee against any liability to Certificateholders to which such Trustee would otherwise be subject by reason of such Trustee's bad faith, willful misconduct or gross negligence in the performance of its duties hereunder.

No Trustee shall be liable, either in its individual capacity or in its capacity as Trustee, for performing any obligations or duties of the Trust under any agreement to which the Trust is a party. No Trustee shall be liable, either in its individual capacity or in its capacity as Trustee, with respect to any action taken or omitted to be taken by any other Trustee or by any co-trustee or separate trustee appointed hereunder.

No Trustee shall be responsible, either in its individual capacity or its capacity as Trustee, for or in respect of the recitals herein, the validity or sufficiency of this Agreement or for or in respect of the validity or sufficiency of the Certificates of Beneficial Interest (except, in the case of Wilmington, for the due execution thereof by Wilmington as Resident Trustee), and no Trustee, in its individual capacity or in its capacity as Trustee, shall assume or incur any liability, duty or obligation to ASC or to any other Certificateholder, other than as expressly provided for herein.

Each Trustee shall promptly notify the Certificateholders and each other Trustee and, until termination of the SPT Pledge Agreement, the Secured Party, and, until termination of the Snake Pledge Agreement, the Collateral Agent of any legal action taken by any Person with respect to the Trust of which it has Actual Knowledge.

Notwithstanding anything contained herein to the contrary, Wilmington, in its individual capacity and its capacity as Trustee, shall not be required to take any action in any jurisdiction other than in the State of Delaware if the taking of such action will (i) require the consent or approval or authorization or order of or the giving of notice to, or the registration with or taking of any action in respect of, any state or other governmental authority or agency of any jurisdiction other than the State of Delaware; (ii) result in any fee, tax or other governmental charge under the laws of any jurisdiction or any political subdivisions thereof in existence on the date hereof other than the State of Delaware becoming payable by Wilmington; or (iii) subject Wilmington to personal jurisdiction in any jurisdiction other than the State of Delaware for causes of action arising from acts unrelated to the consummation by Wilmington, in it individual capacity or as Trustee, or by the Trust, as the case may be, of the transactions contemplated hereby.

Notwithstanding anything in this Agreement to the contrary, no Trustee shall have any obligation or duty, fiduciary or otherwise (and no such obligation or duty shall be read into this Agreement or implied with respect to or against any Trustee), to (i) initiate or otherwise participate in, or consent to, any bankruptcy, insolvency or other proceeding or adjudication of the Trust as described in Section 2.8 or (ii) otherwise take any action, or refrain from taking action, which action or failure to act, would cause a default under the Note Purchase Agreements or the Snake River Loan Notes.

{PRIVATE } BOOKS AND RECORDS{TC \L 2 " BOOKS AND RECORDS"}.

Each Trustee shall keep proper books of record and account of all transactions by it as Trustee under this Agreement at its Corporate Trust Office. The records shall include a record of the names and addresses of all Certificateholders. Such books and records shall be open to inspection by any Certificateholder, and, until termination of the Snake Pledge Agreement, the Collateral Agent, at all reasonable times during usual business hours of the applicable Trustee.

{PRIVATE } COMPENSATION AND INDEMNIFICATION OF TRUSTEE{TC \L 2 "

COMPENSATION AND INDEMNIFICATION OF TRUSTEE"}.

The Company Trustee shall not be entitled to any compensation for service as trustee.

As may be specified in the fee arrangements entered into with the Trust and/or ASC, Wilmington shall be entitled from the Trust and the Certificateholders, or from the Trust Property, to reasonable compensation for services as Resident Trustee and reimbursement for all reasonable out-of-pocket expenses, disbursements and advances incurred by it as Trustee in accordance with any of the provisions of this Agreement or any other agreement or instrument referred to or contemplated herein (including the reasonable compensation, reasonable expenses and reasonable disbursements of its counsel and of all persons not regularly in its employ), except any such expense, disbursement or advance to the extent it arises from, or is incurred as a result of, the bad faith, gross negligence or willful misconduct of the Resident Trustee. The Resident Trustee shall notify each Certificateholder upon receipt by it of compensation from the Trust Property pursuant to the foregoing sentence of the amount of such compensation.

To the fullest extent permitted by law, the Trust and the Certificateholders, jointly and severally, shall indemnify Wilmington and hold it harmless against any and all losses and liabilities, obligations, damages, penalties, taxes (excluding any taxes payable by Wilmington or the Resident Trustee on or measured by any compensation for services rendered by the Resident Trustee under this Agreement), claims, actions, suits or out-of-pocket expenses or costs of any kind and nature whatsoever incurred or arising out of or in connection with the acceptance or administration of this Trust, including the reasonable costs and out-of-pocket expenses of defending itself against any claim of liability relating thereto, except to the extent that the same is incurred as a result of, or arises out of, the bad faith, gross negligence or willful misconduct of the Resident Trustee.

The obligations of the Trust and the Certificateholders to indemnify Wilmington, and Wilmington's right to be compensated and to be reimbursed for its reasonable out-of-pocket expenses, disbursements and advances pursuant to this Agreement, shall constitute additional obligations of the Trust hereunder and shall survive the termination of this Agreement pursuant to Section 8.5 hereof. Such additional obligations of the Trust shall be secured by a lien upon the Trust Property senior to any interest of the Certificateholders in the Trust Property.

The Resident Trustee shall not be required to take or refrain from taking any action under this Agreement (other than giving of notices, as specified herein) or any agreement to which the Trust is a party unless the Resident Trustee shall have been indemnified by the Trust, in manner and form reasonably satisfactory to the Resident Trustee, against any liability, fee, cost or expense (including attorney's fees) which may be incurred or charged in connection therewith, except to the extent the same is incurred as a result of, or arises out of, the bad faith, gross negligence or willful misconduct of the Resident Trustee. The Resident Trustee shall not be required to take any action if it shall reasonably determine, or shall have been advised by counsel, that such action is likely to result in personal liability, or is contrary to the terms hereof or of any document contemplated hereby to which the Resident Trustee is a party or otherwise contrary to law.

Any amounts paid to the Resident Trustee pursuant to this Section 7.3 shall be deemed not to be part of the Trust Property immediately after such payment.

{PRIVATE } RESIGNATION, DISCHARGE OR REMOVAL OF TRUSTEES;

SUCCESSOR{TC \L 2 " RESIGNATION, DISCHARGE OR REMOVAL OFUSTEES;

SUCCESSOR"}.

The Company Trustee shall not resign until receipt by the Resident Trustee of a Snake Loan Default Notice. The Resident Trustee and, after receipt by the Resident Trustee of a Snake Loan Default Notice, the Company Trustee, may resign and be discharged of the trust created by this Agreement by executing an instrument in writing and mailing a copy of a notice of resignation to the other Trustee and all Certificateholders then of record and, until termination of the SPT Pledge Agreement, to the Secured Party, and, until termination of the Snake Pledge Agreement, to the Collateral Agent, not less than sixty (60) days before the date specified in such instrument when, subject to Section 7.4(c) hereof, such resignation is to take effect, provided,

however, that no resignation of the Resident Trustee shall be effective until a

successor Resident Trustee shall have been appointed and accepted such appointment hereunder. Upon receiving such a notice of resignation of the Resident Trustee, the Certificateholders shall use their best efforts promptly to appoint a successor Resident Trustee in the manner, having the responsibilities and meeting the qualifications hereinafter provided by written instrument or instruments delivered pursuant to Section 8.4 to such resigning Resident Trustee and the successor Resident Trustee and the Company Trustee. Except as provided in subsection (b) of this Section 7.4, the appointment of any successor Resident Trustee shall be approved by all Certificateholders and, as long as the Snake Pledge Agreement is in effect, the Collateral Agent. The Certificateholders may remove the Company Trustee for any reason and appoint a successor Company Trustee by written instrument or instruments signed by all the Certificateholders and, as long as the Snake Pledge Agreement is in effect, the Collateral Agent (which consent will not be unreasonably withheld), and delivered to the Company Trustee, the Resident Trustee and the successor Company Trustee. Upon resignation of the Company Trustee, the Resident Trustee shall act as the Company Trustee hereunder.

In case at any time the Resident Trustee shall resign and no successor Resident Trustee shall have been appointed within sixty (60) days after notice of such resignation has been filed and mailed as required by Section 7.4(a), the resigning Resident Trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor Resident Trustee.

Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Resident Trustee.

Any successor Trustee appointed hereunder shall promptly execute and deliver to the Certificateholders, the retiring Trustee and the other Trustees an instrument accepting such appointment hereunder, and the successor Trustee without any further act, deed or conveyance shall become vested with all the rights, powers, duties and obligations of its predecessor hereunder with like effect as if originally named a Trustee herein and shall be bound by all the terms and conditions of this Agreement. Upon the request of the successor Trustee, the retiring Trustee shall, upon payment to the retiring Trustee of all amounts to which it is entitled pursuant to this Agreement, execute and deliver an instrument transferring to the successor Trustee all the rights and powers of the retiring Trustee; and the retiring Trustee shall transfer, deliver and pay over to the successor Trustee all of the Trust Property at the time held by it, if any, together with all necessary instruments of transfer and assignment or other documents properly executed necessary to effect such transfer and such of the records or copies thereof maintained by the retiring Trustee in the administration hereof as may be requested by the successor Trustee and shall thereupon be discharged from all duties and responsibilities under this Agreement. Any resignation or removal of a Trustee and appointment of a successor Trustee pursuant to this Section 7.4 shall become effective upon such acceptance of appointment by the successor Trustee.

Any corporation into which a Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which a Trustee shall be a party, shall be a successor Trustee under this Agreement without the execution, delivery or filing of any paper, instrument or further act to be done on the part of the parties hereto, anything herein, or in any agreement relating to such merger or consolidation, by which the predecessor corporation may seek to retain certain powers, rights and privileges theretofore obtaining for any period of time following such merger or consolidation, to the contrary notwithstanding; provided that such corporation

shall meet the qualifications set forth in Section 7.5 hereof.

Upon the happening of any of the events described in this Section 7.4 that requires an amendment to the Certificate of Trust under the Business Trust Statute, the successor Trustee shall cause an amendment to the Certificate of Trust to be filed with the Secretary of State of the State of Delaware, in accordance with the provisions of Section 3810 of the Business Trust Statute.

{PRIVATE } QUALIFICATION OF THE RESIDENT TRUSTEE{TC \L 2 "

QUALIFICATION OF THE RESIDENT TRUSTEE"}. The Resident Trustee shall at all

times be a banking corporation or a banking association organized and doing business under the laws of the United States or any state thereof, having its principal place of business in the State of Delaware, having all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on a trust business and having at all times an aggregate capital, surplus, and undivided profits of not less than $100,000,000.

{PRIVATE } APPOINTMENT OF ADDITIONAL TRUSTEES{TC \L 2 "

APPOINTMENT OF ADDITIONAL TRUSTEES"}. At any time or times, for the

purpose of meeting any legal requirements of any jurisdiction in which any part of the Trust Property may at the time be located, the Company Trustee, by an instrument in writing, may appoint one or more individuals or corporations to act as separate trustees of all or any part of the Trust Property to the full extent that local law makes it necessary for such separate trustees to act alone.

{PRIVATE } NOT ACTING IN INDIVIDUAL CAPACITY{TC \L 2 " NOT ACTING

IN INDIVIDUAL CAPACITY"}. Except as otherwise expressly provided herein, in

acting hereunder, each Trustee acts solely as Trustee of this Trust and not in its individual capacity and, except as so provided, all persons having any claim against any Trustee by reason of the transactions contemplated hereby shall look only to the Trust Property for payment or satisfaction thereof; provided,

however, that the provisions of Article VII shall not protect any Trustee (in

either capacity) against any liability to the Certificateholders to which it would otherwise be subject by reason of (i) such Trustee's bad faith, willful misconduct or gross negligence in the performance of its duties, (ii) the inaccuracy of any representation or warranty contained in Article V hereof expressly made by such Trustee or (iii) taxes, fees or other charges on, based on or measured by any fees, commissions or compensation received by such Trustee in connection with any of the transactions contemplated by this Agreement.

{PRIVATE } MISCELLANEOUS{TC \L 1 " MISCELLANEOUS"}

{PRIVATE } BENEFIT OF AGREEMENT{TC \L 2 " BENEFIT OF AGREEMENT"}. All the representations, warranties, covenants and agreements

contained in this Agreement by or on behalf of ASC, the Certificateholders or any Trustee shall bind, and inure to the benefit of, their respective successors and permitted assigns. Each of the Secured Party and the Collateral Agent is an intended third-party beneficiary of this Agreement (including without limitation Sections 2.4, 2.8, 7.4(a), 8.3 and 8.5) and the provisions hereof are enforceable directly by the Collateral Agent until such time as the Resident Trustee shall have received the Senior Note Payoff Notice, and then by Secured Party until such time as the Snake River Loan Notes have been paid in full. Any provision hereof relating to the Collateral Agent shall cease to be applicable following receipt by the Resident Trustee of the Senior Note Payoff Notice from the Collateral Agent and any provision relating to Secured Party shall cease to be applicable following receipt by the Resident Trustee of a notice from Secured Party stating that the Snake River Loan Notes and all obligations in respect thereof have been paid in full.

{PRIVATE } SEVERABILITY{TC \L 2 " SEVERABILITY"}. If any one or

more of the covenants, agreements, provisions or terms of this Agreement shall be held invalid for any reason whatsoever, then such covenants, agreements, provisions or terms shall be deemed severable from the remaining covenants, agreements, provisions or terms of this Agreement and shall in no way affect the validity or enforceability of the other provisions of this Agreement or of the Certificates of Beneficial Interest or the rights of the Trustees or Certificateholders or of the Secured Party or of the Collateral Agent.

{PRIVATE } AMENDMENTS AND WAIVERS{TC \L 2 " AMENDMENTS AND

WAIVERS"}. Except as otherwise expressly provided herein, this Agreement may be

amended and compliance with any provision hereof may be waived by the Trustees or the Certificateholders only if such amendment or waiver is consented to in writing by all Certificateholders and (i) prior to receipt by Resident Trustee of a Senior Note Payoff Notice, the Collateral Agent and (ii) thereafter, until such time as the Snake River Loan Notes have been paid in full, the Secured Party; provided, however, that no amendment shall alter the responsibilities,

liabilities, rights, compensation, indemnities or exculpations of any Trustee without the prior written consent of the Trustee affected thereby. In addition to the consents required by this Section, any amendment to any provision which would adversely affect any indemnified Person shall require the consent of such indemnified Person.

{PRIVATE } NOTICES{TC \L 2 " NOTICES"}. Any notice, demand,

consent, direction or instruction to be given to the Resident Trustee under this Agreement shall be in writing and shall be duly given if mailed or delivered to the Trustee at: Wilmington Trust Company, Trustee for Amalgamated Collateral Trust, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, Attention: Corporate Trust Administration; or such other address as shall be specified by the Resident Trustee in a notice to the Certificateholders given in accordance with this Section.

Any notice, demand, direction or instruction to be given to the Company Trustee or the Depositor under this Agreement shall be in writing and shall be duly given if mailed or delivered to it at c/o Valhi, Inc., Three Lincoln Centre, 5430 LBJ Freeway, Suite 1700, Dallas, Texas 75240-2697.

Any notice or other communication to be given to Certificateholders (other than ASC) under this Agreement shall be in writing and shall be duly given if mailed or delivered to each Certificateholder at the time such notice or other communication is given at the address for such Certificateholder contained in the records maintained by the Resident Trustee pursuant to Section 7.2 hereof. If mailed, any notice or other communication shall be effective 72 hours after being deposited in the United States mail, first class postage prepaid.

{PRIVATE } TERMINATION OF THIS AGREEMENT: NO POWER TO REVOKE OR WITHDRAW TRUST PROPERTY{TC \L 2 " TERMINATION OF THIS AGREEMENT\: NO POWER TO REVOKE OR WITHDRAW TRUST PROPERTY"}.

The Trust shall be terminated in accordance with this Section 8.5 immediately after the earlier to occur of (i) a sale or liquidation by the Trust of all or substantially all of the Trust Property or (ii) the election of any Certificateholder to dissolve and terminate the Trust, which election shall be made in a notice given in accordance with Section 8.4 to the Resident Trustee, the Company Trustee, each other Certificateholder, and until termination of the SPT Pledge Agreement, the Secured Party, and until termination of the Snake Pledge Agreement, the Collateral Agent; provided that, prior to receipt by the Resident Trustee of a Senior Note Payoff Notice, the Trust shall not be terminated without the prior written consent of the Collateral Agent. Upon any such event, a liquidator designated by the Certificateholders shall, to the extent directed by the Certificateholders, and subject to the requirements in Section 3808(e) of the Business Trust Statute, proceed with reasonable promptness to liquidate the Trust's assets, terminate its business, establish such reserves in such amounts and for such periods as the liquidator shall reasonably determine to be required to pay all liabilities of the Trust (whether actual, asserted or determined by the liquidator to be reasonably likely of assertion) and distribute the remaining proceeds of such liquidation to the Certificateholders in accordance with Section 2.4. Liquidating distributions shall be made in cash or in kind, as directed by the Certificateholders.

Except as expressly provided in Section 8.5(a) hereof, neither ASC nor any other Certificateholder shall be entitled to revoke the Trust established hereunder.

Upon the winding up of the Trust and its termination, the Resident Trustee, upon the direction of the liquidator, shall cause the Certificate of Trust of the Trust to be canceled by filing a certificate of cancellation with the Delaware Secretary of State in accordance with the provisions of Section 3810 of the Business Trust Statute. Such certificate may be signed by the Resident Trustee and shall not require the signature of any other Trustee.

{PRIVATE } NATURE OF INTEREST IN TRUST PROPERTY{TC \L 2 " NATURE OF INTEREST IN TRUST PROPERTY"}. Neither ASC nor any other Certificateholder shall have legal title to any part of the Trust Property. No

transfer, by operation of law or otherwise, of any right, title or interest in the Trust of any Certificateholder shall operate to terminate this Agreement or the trusts hereunder or entitle any successor transferee to an accounting or to the transfer to it of legal title to any part of the Trust Property.

{PRIVATE } GOVERNING LAW{TC \L 2 " GOVERNING LAW"}. THIS

AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF DELAWARE (WITHOUT REGARD TO ANY CONFLICTS OF LAW RULES), AND ALL LAWS OR RULES OF CONSTRUCTION OF SUCH STATE SHALL GOVERN THE RIGHTS OF THE PARTIES TO THIS AGREEMENT AND THE INTERPRETATION OF THE PROVISIONS OF THIS AGREEMENT.

{PRIVATE } COUNTERPARTS{TC \L 2 " COUNTERPARTS"}. This

Agreement may be executed and delivered in any number of counterparts, and such counterparts taken together shall constitute one and the same instrument.

{PRIVATE } LIMITATIONS ON RIGHTS OF OTHERS{TC \L 2 "

LIMITATIONS ON RIGHTS OF OTHERS"}. Except as provided in Sections 2.2(b),

2.4(a), 2.8, 3.2(c), 7.1(e), 7.3, 7.4(a), 8.2, 8.3, 8.5(a) and 8.11, nothing in this Agreement, whether express or implied, shall be construed to give to any person other than the Trustees and the Certificateholders any legal or equitable right, remedy or claim in the Trust Property or under or in respect of this Agreement or any covenants, conditions or provisions contained herein; provided that each of the Secured Party and the Collateral Agent is a third-party beneficiary of this Agreement as set forth in Section 8.1.

{PRIVATE } REFERENCES TO SECTIONS{TC \L 2 " REFERENCES TO

SECTIONS"}. References to sections used herein shall refer to sections of this

Agreement unless otherwise specified herein.

{PRIVATE } MERGER AND CONSOLIDATION{TC \L 2 " MERGER AND

CONSOLIDATION"}. No merger or consolidation or conversion of the Trust with or

into any other business trust, common-law trust, corporation, partnership (general or limited), unincorporated business or other Person may be effected, and no agreement of merger or consolidation or conversion may be entered into by the Trust, unless and until such merger or consolidation or conversion and such agreement is approved in writing by the Secured Party and the Collateral Agent. Each of the Secured Party and the Collateral Agent is an intended third-party beneficiary of the provisions contained in this Section.

{PRIVATE } OPERATION OF THE TRUST{TC \L 2 " OPERATION OF THE

TRUST"}. The Company Trustee will, and will cause the Trust to, at all times,

(i) keep all records of the Trust in a form separate from the records of the Depositor, (ii) prepare and maintain, separate from the Depositor, all financial statements, accounting records and tax documents required of a Delaware business trust, (iii) keep the Trust's administrative activities separate from the Depositor's (including using stationery that does not resemble that of the Depositor), (iv) maintain bank accounts of the Trust in the name of the Trust, and separate in all respects from those of the Depositor.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

ASC HOLDINGS, INC., as Depositor and Company Trustee

By:

Name:

Title:

WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Resident Trustee

By:

Name:

Title:

EXHIBIT A

FORM OF CERTIFICATE OF BENEFICIAL INTEREST

THE BENEFICIAL INTEREST IN THE TRUST REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE BENEFICIAL INTEREST IN THE TRUST REPRESENTED BY THIS CERTIFICATE SHALL NOT BE SOLD, ASSIGNED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE AGREEMENT (AS DEFINED BELOW).

CERTIFICATE OF BENEFICIAL INTEREST

AMALGAMATED COLLATERAL TRUST

THIS CERTIFIES THAT _____ (the "OWNER") is the registered owner of a _____% undivided beneficial interest in the Amalgamated Collateral Trust existing under the laws of the State of Delaware pursuant to the Deposit Trust Agreement dated as of May 14, 1997 (as amended from time to time, the "AGREEMENT"; the terms herein are used as therein defined), between Wilmington Trust Company and the other Trustee named therein, not in their individual capacities but solely in their capacities as trustees under the Agreement (the "TRUSTEES"), and ASC referred to therein. Wilmington Trust Company, not in its individual capacity but solely as Trustee, has executed this Certificate of Beneficial Interest by one of its duly authorized signatories as set forth below.

This Certificate of Beneficial Interest is one of the Certificates of Beneficial Interest referred to in the Agreement and is issued under and is subject to the terms, provisions and conditions of the Agreement to which the owner of this Certificate of Beneficial Interest by virtue of the acceptance hereof agrees and by which the owner hereof is bound. Reference is hereby made to the Agreement for a statement of the rights of the owner of this Certificate of Beneficial Interest, as well as for a statement of the terms and conditions of the Trust created by the Agreement.

IN WITNESS WHEREOF, Wilmington Trust Company, not in its individual capacity but solely as Trustee, has caused this Certificate of Beneficial Interest to be executed as of the date hereof by one of its Authorized Officers, by his or her manual signature. This Certificate of Beneficial Interest shall not be valid or enforceable for any purpose until it shall have been so signed by an Authorized Officer of Wilmington Trust Company.

Dated: _____, ____

AMALGAMATED COLLATERAL TRUST

By: WILMINGTON TRUST COMPANY, not in its individual capacity but solely as Trustee

By:
Name:
Title:

EXHIBIT B

FORM OF ASSIGNEE'S AGREEMENT

[DATE]

Dear Sirs:

We refer to the Deposit Trust Agreement, dated as of May 14, 1997 (as amended from time to time, the "DEPOSIT TRUST AGREEMENT"), between ASC referred to therein, Wilmington Trust Company, a Delaware banking corporation, as trustee and the other trustee named therein (each a "TRUSTEE") of Amalgamated Collateral Trust, a Delaware business trust (the "TRUST") formed pursuant to the Deposit Trust Agreement.

1. We understand that our Certificates of Beneficial Interest are not being registered under the Securities Act of 1933, as amended (the "1933 ACT") or any state securities laws and are being sold to us in a transaction that is exempt from the registration requirements of the 1933 Act and applicable state securities laws.

2. We have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in our Certificates of Beneficial Interest, and we are able to bear the economic risk of investment in our Certificates of Beneficial Interest.

3. We are acquiring our Certificates of Beneficial Interest for our own account or for accounts as to which we exercise sole investment discretion and not with a view to any distribution of our Certificates of Beneficial Interest.

4. We understand that each of our Certificates of Beneficial Interest bears a legend to substantially the following effect:

THE BENEFICIAL INTEREST IN THE TRUST REPRESENTED BY THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAWS. THE BENEFICIAL INTEREST IN THE TRUST REPRESENTED BY THIS CERTIFICATE SHALL NOT BE SOLD, ASSIGNED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE AGREEMENT (AS DEFINED BELOW).

5. We hereby further agree to be bound by all the terms and conditions of our Certificates of Beneficial Interest and the obligations of an owner of a Certificate of Beneficial Interest under the Deposit Trust Agreement.

Very truly yours,

Name of Purchaser

By: _____
Name:
Title:

Accepted as of _____, ____

AMALGAMATED COLLATERAL TRUST

By: WILMINGTON TRUST COMPANY,
not in its individual capacity
but solely as Trustee

By:
Name:
Title:

ASC HOLDINGS, INC.,
DEPOSITOR AND COMPANY TRUSTEE

AND

WILMINGTON TRUST COMPANY,
RESIDENT TRUSTEE

DEPOSIT TRUST AGREEMENT

OF

AMALGAMATED COLLATERAL TRUST

DATED AS OF MAY 14, 1997

TABLE OF CONTENTS

EXHIBITS

PLEDGE AGREEMENT{PRIVATE }
(SPT)

This PLEDGE AGREEMENT (this "AGREEMENT") is dated as of May 14, 1997 and entered into by and between AMALGAMATED COLLATERAL TRUST, a Delaware business trust ("PLEDGOR"), and SNAKE RIVER SUGAR COMPANY, an Oregon cooperative ("SECURED PARTY").

PRELIMINARY STATEMENTS

A. Pledgor is the legal and beneficial owner of the limited liability company membership interest (the "PLEDGED EQUITY") described in Schedule I annexed hereto and issued by The Amalgamated Sugar Company LLC, a

Delaware limited liability company ("LLC").

B. Valhi, Inc. ("VALHI"), a Delaware corporation and the indirect holder of 100% of the outstanding stock of the sole owner of the Pledgor ("COMPANY"), has issued to Secured Party a Limited Recourse Promissory Note dated January 3, 1997 in aggregate principal amount of $212,500,000 (as it may hereafter be amended, supplemented or otherwise modified from time to time, the "LIMITED RECOURSE PROMISSORY NOTE") and a Subordinated Promissory Note dated January 3, 1997 in aggregate principal amount of $37,500,000 (as it may hereafter be amended, supplemented or otherwise modified from time to time, the "SUBORDINATED PROMISSORY NOTE", and, together with the Limited Recourse Promissory Notes, the "NOTES").

C. Pledgor has entered into a Guaranty, dated May 14, 1997, in favor of Secured Party (as it may hereafter be amended, supplemented or otherwise modified from time to time, the "SPT GUARANTY"), pursuant to which Pledgor guaranteed the obligations of Valhi under the Limited Recourse Promissory Note and in certain circumstances the obligations of Valhi under the Subordinated Promissory Note.

D. Pursuant to a Pledge Agreement (the "SENIOR PLEDGE AGREEMENT") dated as of May 14, 1997 between Secured Party and First Security Bank, National Association, as "COLLATERAL AGENT," Secured Party has pledged and assigned to Collateral Agent, and granted to Collateral Agent a security interest in, all of Secured Party's right, title and interest in and to the Notes and all collateral related thereto including its interest created hereunder in the Pledged Equity.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, Pledgor hereby agrees with Secured Party as follows:

CERTAIN DEFINITIONS. The following terms used in this Agreement

shall have the following meanings:

"CERTIFICATE OF BENEFICIAL INTEREST" means the Certificate of Beneficial Interest as defined in the Deposit Trust Agreement of Amalgamated Collateral Trust, dated as of May 14, 1997, between ASC Holdings, Inc. and Wilmington Trust Company, as it may be amended, supplemented or otherwise modified from time to time.

"COMPANY AGREEMENT" means the Company Agreement of LLC, dated January 3, 1997, as amended to the date hereof.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of any security issued by that Person or of any material indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject.

"EVENT OF DEFAULT" means a default under either of the Notes entitling Secured Party to accelerate payment on the Notes.

"INDEMNIFICATION AND POST-CLOSING AGREEMENT" means the Indemnification and Post-Closing Agreement, dated as of January 3, 1997, among ASC Holdings, Inc., Secured Party and LLC, as it may be amended, supplemented or otherwise modified from time to time.

"INDEMNIFICATION PLEDGE AGREEMENT" means the Amended and Restated Indemnification Pledge Agreement, dated as of May 14, 1997, by Pledgor in favor of Secured Party and LLC, as it may be amended, supplemented or otherwise modified from time to time.

"Lien" means any lien, mortgage, pledge, assignment, security interest, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any security interest) and any option, trust or other preferential arrangement having the practical effect of any of the foregoing.

"PERSON" means and includes natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts, limited liability companies, cooperatives or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"RESIDENT TRUSTEE" means the Resident Trustee as defined in the Deposit Trust Agreement of Amalgamated Collateral Trust, dated as of May 14, 1997, between ASC Holdings, Inc. and Wilmington Trust Company, as it may be amended, supplemented or otherwise modified from time to time.

PLEDGE OF SECURITY. Pledgor hereby pledges and assigns to Secured Party, and hereby grants to Secured Party a security interest in, all of Pledgor's right, title and interest in and to the following (the "PLEDGED COLLATERAL"):

(a) the Pledged Equity and any certificates representing the Pledged Equity and any interest of Pledgor in the entries on the books of any financial intermediary pertaining to the Pledged Equity, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Equity;

(b) all additional equity interests, and all securities convertible into and warrants, options and other rights to purchase or otherwise acquire any equity interests, in any issuer of the Pledged Equity from time to time acquired by Pledgor in any manner (which interests shall be deemed to be part of the Pledged Equity), any certificates or other instruments representing such additional equity interests, securities, warrants, options or other rights and any interest of Pledgor in the entries on the books of any financial intermediary pertaining to such additional equity interests, and all dividends, cash, warrants, rights, instruments and other property or proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such additional equity interests, securities, warrants, options or other rights; and

(c) to the extent not covered by clauses (a) and (b) above, all proceeds of any or all of the foregoing Pledged Collateral. For purposes of this Agreement, the term "PROCEEDS" includes whatever is receivable or received when Pledged Collateral or proceeds are sold, exchanged, collected or otherwise disposed of, whether such disposition is voluntary or involuntary, and includes, without limitation, proceeds of any indemnity or guaranty payable to Pledgor or Secured Party from time to time with respect to any of the Pledged Collateral.

Notwithstanding anything in this Agreement to the contrary, the Pledged Collateral shall not include, and Secured Party shall not have a security interest in (and Secured Party's security interest shall terminate and automatically be released with respect to), (i) any cash distributions on account of the Pledged Collateral paid or distributed prior to the date of any Event of Default on the Notes to holder of the Certificate of Beneficial

Interest and (ii) any Retained Amounts (as defined in the Company Agreement) accrued prior to an Event of Default. Upon the exercise of the put option pursuant to Article XVIII of the Company Agreement by the Pledgor or any mandatory redemption under Article XVII of the Company Agreement, the proceeds received by Pledgor shall be applied as set forth in Section 13 of this Agreement.

SECURITY FOR OBLIGATIONS. This Agreement secures, and the Pledged

Collateral is collateral security for, the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section362(a)), of (i) all obligations and liabilities of every nature of Valhi now or hereafter existing under or arising out of or in connection with the Subordinated Note and all extensions or renewals thereof and (ii) all obligations and liabilities of every nature of Pledgor now or hereafter existing under or arising out of or in connection with the SPT Guaranty, in the case of each of clauses (i) and (ii) whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Valhi or Pledgor, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Secured Party as a preference, fraudulent transfer or otherwise (all such obligations and liabilities being the "UNDERLYING DEBT"), and all obligations of every nature of Pledgor now or hereafter existing under this Agreement (all such obligations of Pledgor, together with the Underlying Debt, being the "SECURED OBLIGATIONS").

ASSIGNMENT TO COLLATERAL AGENT; DELIVERY OF PLEDGED COLLATERAL. (a)

Pledgor hereby acknowledges and agrees that Secured Party will assign and grant a security interest in all of Secured Party's rights in, to and under this Agreement and the Pledged Collateral to Collateral Agent for the benefit of the holders of the 10.80% Senior Notes due April 30, 2009 (the "SENIOR NOTES") issued by Secured Party pursuant to the Note Purchase Agreements (the "NOTE PURCHASE AGREEMENTS"), each dated May 14, 1997, between Secured Party and the purchasers referred to therein, as security for Secured Party's obligations under the Senior Notes and the Note Purchase Agreements, and thereafter Collateral Agent shall have all of the rights granted to Secured Party hereunder. So long as Collateral Agent has any security interest in this Agreement or the Pledged Collateral, the term "Secured Party" shall include Collateral Agent for all purposes under this Agreement.

(b) All certificates or instruments representing or evidencing the Pledged Collateral shall be delivered to and held by or on behalf of Collateral Agent pursuant hereto and to the Senior Pledge Agreement and shall be in suitable form for transfer by delivery or, as applicable, shall be accompanied by Pledgor's endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Collateral Agent. Collateral Agent shall have the right, at any time in its discretion and without notice to Pledgor, to transfer to or to register in the name of Collateral Agent or any of its nominees any or all of the Pledged Collateral, subject only to the revocable rights specified in Section 8(a).

(c) The parties hereto hereby acknowledge and agree that Pledgor will direct LLC and any other applicable party, as the case may be, (i) prior to an Event of Default, to make all payments of distributions and any other amounts in respect of any of the Pledged Collateral directly to the Resident Trustee (or as otherwise instructed by the Resident Trustee) and (ii) upon and after an Event of Default, to make all payments of distributions and any other amounts in respect of any of the Pledged Collateral directly to Collateral Agent, to be applied as provided in the Senior Pledge Agreement.

REPRESENTATIONS AND WARRANTIES. Pledgor represents and warrants as follows:

(a) Organization and Powers. Pledgor is a business trust duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and proposed to be conducted and to enter into this Agreement and carry out the transactions contemplated hereby.

(b) Authorization. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action by Pledgor.

(c) No Conflict. The execution, delivery and performance by Pledgor of this Agreement will not (i) violate the Certificate of Trust or other organizational documents of Pledgor, (ii) violate any provision of law applicable to Pledgor, or any order, judgment or decree of any court or other agency of government binding on Pledgor, (iii) be in conflict with, result in a breach of, or constitute (with due notice or lapse of time or both) a default under any Contractual Obligation of Pledgor, (iv) result in or require the creation or imposition of any Lien upon any of its properties or assets, or (v) require the approval of LLC or any direct or indirect beneficiary of Pledgor or any approval or consent of any Person under any Contractual Obligation of Pledgor other than the Company Agreement.

(d) Binding Obligation. This Agreement is the legally valid and binding obligation of Pledgor, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

(e) Due Authorization, etc. of Pledged Equity. All of the Pledged Equity has been duly authorized and validly issued and is fully paid and non-assessable.

(f) Description of Pledged Equity. The Pledged Equity constitutes 94.7% of the membership interests in the LLC, and there are no outstanding warrants, options or other rights to purchase, or other agreements outstanding with respect to, or property that is now or hereafter convertible into, or that requires the issuance or sale of, any Pledged Equity other than the Company Agreement, the Indemnification Pledge Agreement and the Senior Pledge Agreement.

(g) Ownership of Pledged Collateral. Pledgor is the legal, record and beneficial owner of the Pledged Collateral free and clear of any Lien, except for the security interest created by this Agreement and subject to the limitations set forth in the Company Agreement.

(h) Governmental Authorizations. Other than the filing of appropriate UCC financing statements with the Secretary of State (or Department of Business Regulation, if applicable) of the States of Utah and Delaware, no authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (i) the pledge by Pledgor of the Pledged Collateral pursuant to this Agreement and the grant by Pledgor of the security interest granted hereby, (ii) the execution, delivery or performance of this Agreement by Pledgor, or (iii) the exercise by Secured Party of the voting or other rights, or the remedies in respect of the Pledged Collateral, provided for in this Agreement (except as may be required in connection with a disposition of Pledged Collateral by laws affecting the offering and sale of securities generally).

(i) Perfection. The pledge of the Pledged Collateral pursuant to this Agreement creates a valid and perfected first priority security interest in the Pledged Collateral, securing the payment of the Secured Obligations.

(j) Margin Regulations. The pledge of the Pledged Collateral pursuant to this Agreement does not violate Regulation G, T, U or X of the Board of Governors of the Federal Reserve System.

(k) Other Information. All information heretofore, herein or hereafter supplied to Secured Party by or on behalf of Pledgor with respect to the Pledged Collateral is accurate and complete in all material respects.

TRANSFERS AND OTHER LIENS; ADDITIONAL PLEDGED COLLATERAL; ETC.

Pledgor shall:

(a) not, except as may be expressly permitted by this Agreement, the Notes, or the Company Agreement (subject to the Note Purchase Agreements so long as any is in effect) (i) sell, assign (by operation of law or otherwise) or otherwise dispose of, or grant any option with respect to, any of the Pledged Collateral or (ii) create or suffer to exist any Lien upon or with respect to any of the Pledged Collateral, except for the security interest under this Agreement, the Senior Pledge Agreement and the Indemnification Pledge Agreement;

(b) (i) cause each issuer of Pledged Equity not to issue any equity in addition to or in substitution for the Pledged Equity issued by such issuer, except to Pledgor, and (ii) pledge hereunder, immediately upon acquisition (directly or indirectly) thereof by the Pledgor, any and all additional equity of each issuer of Pledged Equity;

(c) promptly deliver to Secured Party and Collateral Agent all written notices received by it with respect to the Pledged Collateral; and

(d) pay promptly when due all taxes, assessments and governmental charges or levies imposed upon, and all claims against, the Pledged Collateral, except to the extent the validity thereof is being contested in good faith; provided that Pledgor shall in any event pay such taxes, assessments, charges, levies or claims not later than five days prior to the date of any proposed sale under any judgement, writ or warrant of attachment entered or filed against Pledgor or any of the Pledged Collateral as a result of the failure to make such payment.

FURTHER ASSURANCES; PLEDGE AMENDMENTS.

(a) Pledgor agrees that from time to time, at the expense of Pledgor, Pledgor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Secured Party may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Secured Party to exercise and enforce its rights and remedies hereunder with respect to any Pledged Collateral. Without limiting the generality of the foregoing, Pledgor will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Secured Party may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (ii) at Secured Party's request, appear in and defend any action or proceeding that may affect Pledgor's title to or Secured Party's security interest in all or any part of the Pledged Collateral.

(b) Pledgor further agrees that it will, upon obtaining any additional equity or securities required to be pledged hereunder as provided in Section 6(b), promptly (and in any event within five business days) deliver to Secured Party a Pledge Amendment, duly executed by Pledgor, in substantially the

form of Schedule II annexed hereto (a "PLEDGE AMENDMENT"), in respect of the additional Pledged Collateral to be pledged pursuant to this Agreement. Pledgor hereby authorizes Secured Party to attach each Pledge Amendment to this Agreement and agrees that all Pledged Collateral listed on any Pledge Amendment delivered to Secured Party shall for all purposes hereunder be considered Pledged Collateral; provided that the failure of Pledgor to execute a Pledge Amendment with respect to any additional Pledged Collateral pledged pursuant to this Agreement shall not impair the security interest of Secured Party therein or otherwise adversely affect the rights and remedies of Secured Party hereunder with respect thereto.

VOTING RIGHTS; ETC.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Pledged Collateral or any part thereof for any purpose not inconsistent with the terms of this Agreement or the Notes.

(ii) Secured Party shall promptly execute and deliver (or cause to be executed and delivered) to Pledgor all such proxies and other instruments as Pledgor may from time to time reasonably request for the purpose of enabling Pledgor to exercise the voting and other consensual rights which it is entitled to exercise pursuant to paragraph (i) above.

(b) Upon the occurrence and during the continuation of an Event of Default and upon written notice from Secured Party to Pledgor, all rights of Pledgor to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 8(a)(i) shall cease, and all such rights shall thereupon become vested in Secured Party who shall thereupon have the sole right to exercise such voting and other consensual rights.

(c) In order to permit Secured Party to exercise the voting and other consensual rights which it may be entitled to exercise pursuant to Section 8(b)(i) Pledgor shall promptly execute and deliver (or cause to be executed and delivered) to Secured Party all such proxies and other instruments as Secured Party may from time to time reasonably request and (ii) without limiting the effect of the immediately preceding clause (i), Pledgor hereby grants to Secured Party an irrevocable proxy to vote the Pledged Equity and to exercise all other rights, powers, privileges and remedies to which a holder of the Pledged Equity would be entitled (including, without limitation, giving or withholding written consents of equity holders, calling special meetings of equity holders and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any Pledged Equity on the record books of the issuer thereof) by any other Person (including the issuer of the Pledged Equity or any officer or agent thereof), upon the occurrence of an Event of Default and which proxy shall only terminate upon the payment in full in cash of the Secured Obligations.

SECURED PARTY APPOINTED ATTORNEY-IN-FACT. Pledgor hereby irrevocably appoints Secured Party as Pledgor's attorney-in-fact, with full authority in the place and stead of Pledgor and in the name of Pledgor, Secured Party or otherwise, from time to time in Secured Party's discretion to take any action and to execute any instrument that Secured Party may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation:

(a) to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Pledged Collateral without the signature of Pledgor;

(b) to ask, demand, collect, sue for, recover, compound, receive and give acquittance and receipts for moneys due and to become due under or in respect of and constituting any of the Pledged Collateral;

(c) to receive, endorse and collect any instruments made payable to Pledgor representing any dividend, principal or interest payment or other distribution in respect of and constituting the Pledged Collateral or any part thereof and to give full discharge for the same; and

(d) to file any claims or take any action or institute any proceedings that Secured Party may deem necessary or desirable for the collection of any of the Pledged Collateral or otherwise to enforce the rights of Secured Party with respect to any of the Pledged Collateral.

SECURED PARTY MAY PERFORM. If Pledgor fails to perform any agreement contained herein, Secured Party may itself perform, or cause performance of, such agreement, and the expenses of Secured Party incurred in connection therewith shall be payable by Pledgor under Section 14(b).

STANDARD OF CARE. The powers conferred on Secured Party hereunder are solely to protect its interest in the Pledged Collateral and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Pledged Collateral in its possession and the accounting for moneys actually received by it hereunder, Secured Party shall have no duty as to any Pledged Collateral, it being understood that Secured Party shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Pledged Collateral, whether or not Secured Party has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Pledged Collateral) to preserve rights against any parties with respect to any Pledged Collateral, (c) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Pledged Collateral, or (d) initiating any action to protect the Pledged Collateral against the possibility of a decline in market value. Secured Party shall be deemed to have exercised reasonable care in the custody and preservation of Pledged Collateral in its possession if such Pledged Collateral is accorded treatment substantially equal to that which Secured Party accords its own property consisting of negotiable securities.

REMEDIES.

(a) If any Event of Default shall have occurred and be continuing, Secured Party may exercise in respect of the Pledged Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Pledged Collateral), and Secured Party may also in its sole discretion, without notice except as specified below, sell the Pledged Collateral or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of Secured Party's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Secured Party may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Pledged Collateral. Secured Party may be the purchaser of any or all of the Pledged Collateral at any such sale and shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Pledged Collateral sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Pledged Collateral payable by Secured Party at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Pledgor, and Pledgor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Pledgor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable

notification. Secured Party shall not be obligated to make any sale of Pledged Collateral regardless of notice of sale having been given. Secured Party may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Pledgor hereby waives any claims against Secured Party arising by reason of the fact that the price at which any Pledged Collateral may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Secured Party accepts the first offer received and does not offer such Pledged Collateral to more than one offeree. If the proceeds of any sale or other disposition of the Pledged Collateral are insufficient to pay all the Secured Obligations, Pledgor shall be liable for the deficiency and the fees of any attorneys employed by Secured Party to collect such deficiency.

(b) Pledgor recognizes that, by reason of certain prohibitions contained in the Securities Act of 1933, as from time to time amended (the "SECURITIES ACT"), and applicable state securities laws, Secured Party may be compelled, with respect to any sale of all or any part of the Pledged Collateral conducted without prior registration or qualification of such Pledged Collateral under the Securities Act and/or such state securities laws, to limit purchasers to those who will agree, among other things, to acquire the Pledged Collateral for their own account, for investment and not with a view to the distribution or resale thereof. Pledgor acknowledges that any such private sales may be at prices and on terms less favorable than those obtainable through a public sale without such restrictions (including, without limitation, a public offering made pursuant to a registration statement under the Securities Act) and, notwithstanding such circumstances, Pledgor agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner and that Secured Party shall have no obligation to engage in public sales and no obligation to delay the sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register it for a form of public sale requiring registration under the Securities Act or under applicable state securities laws, even if such issuer would, or should, agree to so register it.

(c) If Secured Party determines to exercise its right to sell any or all of the Pledged Collateral, upon written request, Pledgor shall furnish to Secured Party all such information as Secured Party may reasonably request in order to determine the extent to which such equity interest and any instruments included in the Pledged Collateral which may be sold by Secured Party in exempt transactions under the Securities Act and the rules and regulations of the Securities and Exchange Commission thereunder, as the same are from time to time in effect.

APPLICATION OF PROCEEDS. Except as expressly provided elsewhere in this Agreement, all proceeds received by Secured Party in respect of any sale of, collection from, or other realization upon all or any part of the Pledged Collateral may, in the discretion of Secured Party, be held by Secured Party as Pledged Collateral for, and/or then, or at any time thereafter, applied in full or in part by Secured Party against, the Secured Obligations in the following order of priority:

FIRST: To the payment of all costs and expenses of such sale, collection or other realization, including reasonable compensation to Secured Party and its agents and counsel, and all other expenses, liabilities and advances made or incurred by Secured Party in connection therewith, and all amounts for which Secured Party is entitled to indemnification hereunder and all advances made by Secured Party hereunder for the account of Pledgor, and to the payment of all costs and expenses paid or incurred by Secured Party in connection with the exercise of any right or remedy hereunder, all in accordance with Section 14;

SECOND: To the payment of all other Secured Obligations in such order as Secured Party shall elect; and

THIRD: To the payment to or upon the order of Pledgor, or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such

proceeds.

Notwithstanding anything to the contrary herein, upon the exercise of the put option pursuant to Article XVIII of the Company Agreement by the Pledgor or any mandatory redemption under Article XVII of the Company Agreement, the proceeds received by Pledgor shall be applied to the payment of the Notes.

INDEMNITY AND EXPENSES.

(a) Pledgor agrees to indemnify Secured Party from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Secured Party's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

(b) Pledgor shall pay to Secured Party upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Secured Party may incur in connection with (i) the administration of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Collateral, (iii) the exercise or enforcement of any of the rights of Secured Party hereunder, or (iv) the failure by Pledgor to perform or observe any of the provisions hereof.

SURETYSHIP WAIVERS BY PLEDGOR, ETC.

(a) Pledgor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full in cash of the Underlying Debt. In furtherance of the foregoing and without limiting the generality thereof, Pledgor agrees as follows: (i) Secured Party may from time to time, without notice or demand and without affecting the validity or enforceability of this Agreement or giving rise to any limitation, impairment or discharge of Pledgor's liability hereunder, (A) renew, extend, accelerate or otherwise change the time, place, manner or terms of payment of the Underlying Debt, (B) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Underlying Debt or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations, (C) request and accept guaranties of the Underlying Debt and take and hold other security for the payment of the Underlying Debt, (D) release, exchange, compromise, subordinate or modify, with or without consideration, any other security for payment of the Underlying Debt, any guaranties of the Underlying Debt, or any other obligation of any Person with respect to the Underlying Debt, (E) enforce and apply any other security now or hereafter held by or for the benefit of Secured Party in respect of the Underlying Debt and direct the order or manner of sale thereof, or exercise any other right or remedy that Secured Party may have against any such security, as Secured Party in its discretion may determine consistent with the Notes and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and (F) exercise any other rights available to Secured Party under the Notes, at law or in equity; and (ii) this Agreement and the obligations of Pledgor hereunder shall be valid and enforceable and shall not be subject to any limitation, impairment or discharge for any reason (other than payment in full in cash of the Underlying Debt), including without limitation the occurrence of any of the following, whether or not Pledgor shall have had notice or knowledge of any of them: (A) any failure to assert or enforce or agreement not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to the Underlying Debt or any agreement relating thereto, or with respect to any guaranty of or other security for the payment of the Underlying

Debt, (B) any waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including without limitation provisions relating to events of default) of the Notes or any agreement or instrument executed pursuant thereto, or of any guaranty or other security for the Underlying Debt, (C) the Underlying Debt, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect, (D) any failure to perfect or continue perfection of a security interest in any other collateral which secures any of the Underlying Debt, (E) any defenses, set-offs or counterclaims which Pledgor or Valhi may allege or assert against Secured Party in respect of the Underlying Debt, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury, and (F) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of Pledgor as an obligor in respect of the Underlying Debt.

(b) Pledgor hereby waives, for the benefit of Secured Party: (i) any right to require Secured Party, as a condition of payment or performance by Pledgor, to (A) proceed against Valhi, any guarantor of the Underlying Debt or any other Person, (B) proceed against or exhaust any other security held from Valhi, any guarantor of the Underlying Debt or any other Person, (C) proceed against or have resort to any balance of any deposit account or credit on the books of Secured Party in favor of Valhi or any other Person, or (D) pursue any other remedy in the power of Secured Party whatsoever; (ii) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of Valhi including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of the Underlying Debt or any agreement or instrument relating thereto or by reason of the cessation of the liability of Valhi from any cause other than payment in full in cash of the Underlying Debt; (iii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (iv) any defense based upon Secured Party's errors or omissions in the administration of the Underlying Debt, except behavior which amounts to bad faith; (v) (A) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Agreement and any legal or equitable discharge of Pledgor's obligations hereunder, (B) the benefit of any statute of limitations affecting Pledgor's liability hereunder or the enforcement hereof, (C) any rights to set-offs, recoupments and counterclaims, and (D) promptness, diligence and any requirement that Secured Party protect, secure, perfect or insure any other security interest or lien or any property subject thereto; (vi) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, notices of default under the Notes or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Underlying Debt or any agreement related thereto, notices of any extension of credit to Valhi and notices of any of the matters referred to in the preceding paragraph and any right to consent to any thereof; and (vii) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Agreement.

(c) As used in this Section 15(c), any reference to "the principal" includes Pledgor and Valhi, and any reference to "the creditor" includes Secured Party.

(d) Until the Underlying Debt shall have been paid in full in cash, Pledgor shall withhold exercise of (i) any claim, right or remedy, direct or indirect, that Pledgor now has or may hereafter have against Valhi or any of its assets in connection with this Agreement or the performance by Pledgor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (A) any right of subrogation, reimbursement or indemnification that Pledgor now has or may hereafter have against Valhi, (B) any right to enforce, or to participate in, any claim, right or remedy that Secured Party now has or may hereafter have against Valhi, and (C) any benefit of, and any right to participate in, any other collateral or security now or hereafter held by Secured Party, and (ii) any right of contribution Pledgor may

have against any guarantor of any of the Underlying Debt. Pledgor further agrees that, to the extent the waiver of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification Pledgor may have against Valhi or against any other collateral or security, and any rights of contribution Pledgor may have against any such guarantor, shall be junior and subordinate to any rights Secured Party may have against Valhi, to all right, title and interest Secured Party may have in any such other collateral or security, and to any right Secured Party may have against any such guarantor.

(e) Secured Party shall have no obligation to disclose or discuss with Pledgor its assessment, or Pledgor's assessment, of the financial condition of Valhi. Pledgor has adequate means to obtain information from Valhi on a continuing basis concerning the financial condition of Valhi and its ability to perform its obligations under the Notes, and Pledgor assumes the responsibility for being and keeping informed of the financial condition of Valhi and of all circumstances bearing upon the risk of nonpayment of the Underlying Debt. Pledgor hereby waives and relinquishes any duty on the part of Secured Party to disclose any matter, fact or thing relating to the business, operations or condition of Valhi now known or hereafter known by Secured Party.

CONTINUING SECURITY INTEREST; TRANSFER OF NOTES. This Agreement shall create a continuing security interest in the Pledged Collateral and shall (a) remain in full force and effect until the payment in full in cash of all Secured Obligations, (b) be binding upon Pledgor, its successors and assigns, and (c) inure, together with the rights and remedies of Secured Party hereunder, to the benefit of Secured Party and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), Secured Party may assign or otherwise transfer the Notes to any other Person, including without limitation Collateral Agent, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Secured Party herein or otherwise. Upon the payment in full in cash of all Secured Obligations, the security interest granted hereby shall terminate and all rights to the Pledged Collateral shall revert to Pledgor. Upon any such termination Secured Party will, at Pledgor's expense, execute and deliver to Pledgor such documents as Pledgor shall reasonably request to evidence such termination, and Pledgor shall be entitled to the return, upon its request and at its expense, against receipt and without recourse to Secured Party, of such of the Pledged Collateral as shall not have been sold or otherwise applied pursuant to the terms hereof.

AMENDMENTS; ETC. No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by Pledgor therefrom, shall in any event be effective unless the same shall be in writing and signed by Secured Party and unless the same shall be (i) in the case of any such amendment or modification, signed by Pledgor and, until payment in full in cash of the Senior Notes, approved by the Required Holders, as defined in the Note Purchase Agreements, and (ii) in the case of any such termination prior to the payment in full in cash of the Senior Notes, approved by all of the Holders, as defined in the Note Purchase Agreement. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

NOTICES. Any notice or other communication herein required or permitted to be given shall be in writing and may be personally served or sent by telefacsimile, United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telefacsimile, or three business days after depositing it in the United States mail with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure

or delay on the part of Secured Party in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SEVERABILITY. In case any provision in or obligation under this

Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

HEADINGS. Section and subsection headings in this Agreement are

included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

GOVERNING LAW; TERMS. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS

OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PLEDGED COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Notes, terms used in Articles 8 and 9 of the Code in the State of New York are used herein as therein defined.

CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL

PROCEEDINGS BROUGHT AGAINST PLEDGOR ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT PLEDGOR ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT. Pledgor hereby agrees that service of all process in any such proceeding in any such court may be made by registered or certified mail, return receipt requested, to Pledgor at its address provided in Section 18, such service being hereby acknowledged by Pledgor to be sufficient for personal jurisdiction in any action against Pledgor in any such court and to be otherwise effective and binding service in every respect. Nothing herein shall affect the right to serve process in any other manner permitted by law or shall limit the right of Secured Party to bring proceedings against Pledgor in the courts of any other jurisdiction.

WAIVER OF JURY TRIAL. PLEDGOR AND SECURED PARTY HEREBY AGREE TO

WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Pledgor and Secured Party each acknowledge that this waiver is a material inducement for Pledgor and Secured Party to enter into a business relationship, that Pledgor and Secured Party have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Pledgor and Secured Party further warrant and represent that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING,

AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

COUNTERPARTS. This Agreement may be executed in one or more

counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Pledgor and Secured Party have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

AMALGAMATED COLLATERAL TRUST

By: Wilmington Trust Company,
not in its individual capacity
but solely as Trustee

By:

Name:

Title:

Notice Address:

Wilmington Trust Company, as Trustee
for Amalgamated Collateral Trust
Rodney Square North
1100 North Market Street
Wilmington, Delaware 19890-0001
Attn: Corporate Trust Administration

SNAKE RIVER SUGAR COMPANY

By:

Name:

Title:

Notice Address:

Snake River Sugar Company
2427 Lincoln Avenue
P.O. Box 1520
Ogden, Utah 84402

SCHEDULE I

Attached to and forming a part of the Pledge Agreement dated as of May 14, 1997 between Amalgamated Collateral Trust, as Pledgor, and Snake River Sugar Company, as Secured Party.

Equity Issuer	Equity Interest
The Amalgamated Sugar Company LLC	AGM Interest, as defined in the Company Agreement

SCHEDULE II

PLEDGE AMENDMENT

This Pledge Amendment, dated _____, 19__, is delivered pursuant to Section 7(b) of the Pledge Agreement referred to below. The undersigned hereby agrees that this Pledge Amendment may be attached to the Pledge Agreement dated May 14, 1997, between the undersigned and Snake River Sugar Company, as Secured Party (the "PLEDGE AGREEMENT," capitalized terms defined therein being used herein as therein defined), and that the Pledged Collateral listed on this Pledge Amendment shall be deemed to be and become part of the Pledged Collateral and shall secure all Secured Obligations.

AMALGAMATED COLLATERAL TRUST

By: Wilmington Trust Company,
not in its individual capacity
but solely as Trustee

By: _____
Title:

[LIST PLEDGED COLLATERAL]

SPT GUARANTY{PRIVATE }

This GUARANTY is entered into as of May 14, 1997 by AMALGAMATED COLLATERAL TRUST, a Delaware business trust ("GUARANTOR"), in favor of and for the benefit of SNAKE RIVER SUGAR COMPANY, an Oregon cooperative ("GUARANTIED PARTY").

RECITALS

A. Valhi, Inc., a Delaware corporation ("COMPANY"), the indirect holder of 100% of the outstanding stock of the owner of the Certificate of Beneficial Interest issued by Guarantor, has issued to Guarantied Party that certain Limited Recourse Promissory Note dated January 3, 1997 in aggregate principal amount of $212,500,000 (the "LIMITED RECOURSE NOTE") and that certain Subordinated Promissory Note dated January 3, 1997 in aggregate principal amount of $37,500,000 (the "SUBORDINATED NOTE," and, together with the Limited Recourse Note, as they may hereafter be amended, supplemented or otherwise modified from time to time, being the "NOTES").

B. The Notes were issued in connection with the acquisition by ASC Holdings, Inc., a Utah corporation ("AMALGAMATED"), an indirect subsidiary of Company, of a membership interest (the "AGM INTEREST") in The Amalgamated Sugar Company LLC, a Delaware limited liability company ("LLC"), and Amalgamated pledged the AGM Interest to Guarantied Party to secure the Note pursuant to the Limited Recourse Pledge Agreement dated January 3, 1997, which Limited Resource Pledge Agreement has been amended and restated as of the date hereof as The Amended and Restated Pledge Agreement between Amalgamated and Guarantied Party (the "VALHI ENTITY PLEDGE AGREEMENT").

C. Amalgamated has transferred and assigned the AGM Interest to Guarantor, and in consideration of such transfer and assignment, Guarantor desires to guaranty the Note pursuant to this Guaranty and to secure this Guaranty and the Company's obligations under the Subordinated Promissory Note dated January 3, 1997 issued to Guarantied Party pursuant to the Pledge Agreement dated the date hereof between Guarantor and Guarantied Party (the "SPT PLEDGE AGREEMENT").

D. Guarantor is willing irrevocably and unconditionally to guaranty such obligations of Company.

NOW, THEREFORE, based upon the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

SECTION 1. DEFINITIONS

1.1 CERTAIN DEFINED TERMS. As used in this Guaranty, the following terms shall have the following meanings unless the context otherwise requires:

"BENEFICIARIES" means Guarantied Party and, upon the assignment of Guarantied Party's rights hereunder to the Collateral Agent pursuant to Section 4.12 hereof, the Noteholders.

"DEPOSIT TRUST AGREEMENT" means the Deposit Trust Agreement relating to Guarantor dated as of May 14, 1997 between Amalgamated, as Certificateholder and Company Trustee (each as therein defined), and Wilmington Trust Company, as Resident Trustee (as therein defined).

"GUARANTIED OBLIGATIONS" has the meaning assigned to that term in subsection 2.1.

"GUARANTY" means this Guaranty dated as of May 14, 1997, as it may be

amended, supplemented or otherwise modified from time to time.

"LOAN DOCUMENTS" means the Note, the Valhi Entity Pledge Agreement and the SPT Pledge Agreement, together with all agreements entered into in connection therewith, as the same may be amended, supplemented or otherwise modified from time to time.

"PAYMENT IN FULL", "PAID IN FULL" or any similar term means payment in full of the Guarantied Obligations, including without limitation all principal, interest, costs, fees and expenses (including, without limitation, reasonable legal fees and expenses) of Beneficiaries as required under the Loan Documents.

"PERSON" means and includes natural persons, corporations, limited liability companies, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks and other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"SUBSIDIARY" or "SUBSIDIARIES" means as to any Person (a) any corporation(s) organized under the laws of any state of the United States of which such Person or another Subsidiary of such Person, as the case may be, beneficially owns or controls, either directly or indirectly, 100% of the outstanding capital stock, and (b) any partnership(s) or other entities organized under the laws of any state of the United States in which such Person or another Subsidiary of such Person, as the case may be, holds a 100% equity interest and controls the management of such entity, and (c) in the context of a Subsidiary of Guarantied Party, LLC.

1.2 INTERPRETATION. References to "Sections" and "subsections" shall be to Sections and subsections, respectively, of this Guaranty unless otherwise specifically provided.

SECTION 2. THE GUARANTY

2.1 GUARANTY OF THE GUARANTIED OBLIGATIONS. Guarantor hereby irrevocably and unconditionally guaranties, as primary obligor and not merely as surety, the due and punctual payment in full of all Guarantied Obligations when the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section 362(a)). The term "GUARANTIED OBLIGATIONS" is used herein in its most comprehensive sense and includes:

(a) any and all obligations of Company in respect of advances, borrowings, loans, debts, interest, fees, costs, expenses (including, without limitation, legal fees and expenses of counsel and allocated costs of internal counsel), indemnities and liabilities of whatsoever nature now or hereafter made, incurred or created, whether absolute or contingent, liquidated or unliquidated, whether due or not due, and however arising under or in connection with the Limited Recourse Note and in connection with the Subordinated Note (but only to the extent the Subordinated Note is, pursuant to its terms, non-recourse to the Company), including those arising under successive transactions under the Notes which shall either continue such obligations of Company or from time to time renew them after they have been satisfied and including interest which, but for the filing of a petition in bankruptcy with respect to Company, would have accrued on any Guarantied Obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding; and

(b) those expenses set forth in subsection 2.7 hereof.

2.2 Payment by Guarantor; Application of Payments. Guarantor hereby agrees, in furtherance of the foregoing and not in limitation of any other right which Guarantied Party or any Beneficiary may have at law or in equity against Guarantor by virtue hereof, that upon the failure of Company to pay any of the

Guarantied Obligations when and as the same shall become due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section 362(a)), Guarantor will upon demand pay, or cause to be paid, in cash, to Guarantied Party for the ratable benefit of Beneficiaries, an amount equal to the sum of the unpaid principal amount of all Guarantied Obligations then due as aforesaid, accrued and unpaid interest on such Guarantied Obligations (including, without limitation, interest which, but for the filing of a petition in bankruptcy with respect to Company, would have accrued on such Guarantied Obligations, whether or not a claim is allowed against Company for such interest in the related bankruptcy proceeding) and all other Guarantied Obligations then owed to Beneficiaries as aforesaid. All such payments shall be applied promptly from time to time by Guarantied Party:

First, to the payment of the costs and expenses of any collection or other realization under this Guaranty, including reasonable compensation to Guarantied Party and its agents and counsel, and all expenses, liabilities and advances made or incurred by Guarantied Party in connection therewith;

Second, to the payment of all other Guarantied Obligations in such order as Guarantied Party shall elect; and

Third, after payment in full of all Guarantied Obligations, to the payment to Guarantor, or its successors or assigns, or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such payments.

2.3 LIABILITY OF GUARANTOR ABSOLUTE. Guarantor agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Guarantied Obligations. In furtherance of the foregoing and without limiting the generality thereof, Guarantor agrees as follows:

(a) This Guaranty is a guaranty of payment when due and not of collectibility.

(b) Guarantied Party may enforce this Guaranty upon the occurrence of a default under the Notes permitting or resulting in acceleration thereof notwithstanding the existence of any dispute between Company and any Beneficiary with respect to the existence of such default.

(c) The obligations of Guarantor hereunder are independent of the obligations of Company under the Loan Documents and the obligations of any other guarantor of the obligations of Company under the Loan Documents, and a separate action or actions may be brought and prosecuted against Guarantor whether or not any action is brought against Company or any of such other guarantors and whether or not Company is joined in any such action or actions.

(d) Guarantor's payment of a portion, but not all, of the Guarantied Obligations shall in no way limit, affect, modify or abridge Guarantor's liability for any portion of the Guarantied Obligations which has not been paid. Without limiting the generality of the foregoing, if Guarantied Party is awarded a judgment in any suit brought to enforce Guarantor's covenant to pay a portion of the Guarantied Obligations, such judgment shall not be deemed to release Guarantor from its covenant to pay the portion of the Guarantied Obligations that is not the subject of such suit.

(e) Any Beneficiary, upon such terms as it deems appropriate, without notice or demand and without affecting the validity or enforceability of this Guaranty or giving rise to any reduction, limitation, impairment, discharge or termination of Guarantor's liability hereunder, from time to

time may (i) renew, extend, accelerate, increase the rate of interest on, or otherwise change the time, place, manner or terms of payment of the Guarantied Obligations, (ii) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Guarantied Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations, (iii) request and accept other guaranties of the Guarantied Obligations and take and hold security for the payment of this Guaranty or the Guarantied Obligations, (iv) release, surrender, exchange, substitute, compromise, settle, rescind, waive, alter, subordinate or modify, with or without consideration, any security for payment of the Guarantied Obligations, any other guaranties of the Guarantied Obligations, or any other obligation of any Person with respect to the Guarantied Obligations, (v) enforce and apply any security now or hereafter held by or for the benefit of such Beneficiary in respect of this Guaranty or the Guarantied Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that such Beneficiary may have against any such security, in each case as such Beneficiary in its discretion may determine consistent with the Loan Documents and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and even though such action operates to impair or extinguish any right of reimbursement or subrogation or other right or remedy of Guarantor against Company or any security for the Guarantied Obligations and (vi) exercise any other rights available to it under the Loan Documents.

(f) This Guaranty and the obligations of Guarantor hereunder shall be valid and enforceable and shall not be subject to any reduction, limitation, impairment, discharge or termination for any reason (other than payment in full of the Guarantied Obligations), including without limitation the occurrence of any of the following, whether or not Guarantor shall have had notice or knowledge of any of them: (i) any failure or omission to assert or enforce or agreement or election not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy (whether arising under the Loan Documents, at law, in equity or otherwise) with respect to the Guarantied Obligations or any agreement relating thereto, or with respect to any other guaranty of or security for the payment of the Guarantied Obligations; (ii) any rescission, waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including without limitation provisions relating to events of default) of the Loan Documents or any agreement or instrument executed pursuant thereto, or of any other guaranty or security for the Guarantied Obligations, in each case whether or not in accordance with the terms of such Loan Document or any agreement relating to such other guaranty or security; (iii) the Guarantied Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect; (iv) any Beneficiary's consent to the change, reorganization or termination of the corporate structure or existence of Company or any of its Subsidiaries and to any corresponding restructuring of the Guarantied Obligations; (v) any failure to perfect or continue perfection of a security interest in any collateral which secures any of the Guarantied Obligations; (vi) any defenses, set-offs or counterclaims which Company may allege or assert against any Beneficiary in respect of the Guarantied Obligations, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury; and (vii) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of Guarantor as an obligor in respect of the Guarantied Obligations.

2.4 WAIVERS BY GUARANTOR. Guarantor hereby waives, for the benefit of Beneficiaries:

(a) any right to require Guarantied Party or any Beneficiary, as a condition of payment or performance by Guarantor, to (i) proceed against

Company, any other guarantor of the Guarantied Obligations or any other Person, (ii) proceed against or exhaust any security held from Company, any such other guarantor or any other Person, (iii) proceed against or have resort to any balance of any deposit account or credit on the books of any Beneficiary in favor of Company or any other Person, or (iv) pursue any other remedy in the power of Guarantied Party or any Beneficiary whatsoever;

(b) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of Company including, without limitation, any defense based on or arising out of the lack of validity or the unenforceability of the Guarantied Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of Company from any cause other than payment in full of the Guarantied Obligations;

(c) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal;

(d) any defense based upon Guarantied Party's or any Beneficiary's errors or omissions in the administration of the Guarantied Obligations, except behavior which amounts to bad faith;

(e) (i) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Guaranty and any legal or equitable discharge of Guarantor's obligations hereunder, (ii) the benefit of any statute of limitations affecting Guarantor's liability hereunder or the enforcement hereof, (iii) any rights to set-offs, recoupments and counterclaims, and (iv) promptness, diligence and any requirement that any Beneficiary protect, secure, perfect or insure any security interest or lien or any property subject thereto;

(f) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, including acceptance of this Guaranty, notices of default under the Loan Documents or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Guarantied Obligations or any agreement related thereto, notices of any extension of credit to Company and notices of any of the matters referred to in subsection 2.3 and any right to consent to any thereof; and

(g) any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Guaranty.

2.5 GUARANTOR'S RIGHTS OF SUBROGATION, CONTRIBUTION, ETC. Guarantor hereby waives any claim, right or remedy, direct or indirect, that Guarantor now has or may hereafter have against Company or any of its assets in connection with this Guaranty or the performance by Guarantor of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (a) any right of subrogation, reimbursement or indemnification that Guarantor now has or may hereafter have against Company, (b) any right to enforce, or to participate in, any claim, right or remedy that any Beneficiary now has or may hereafter have against Company, and (c) any benefit of, and any right to participate in, any collateral or security now or hereafter held by any Beneficiary. In addition, until the Guarantied Obligations shall have been indefeasibly paid in full, Guarantor shall withhold exercise of any right of contribution Guarantor may have against any other guarantor of the Guarantied Obligations. Guarantor further agrees that, to the extent the waiver or agreement to withhold the exercise of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification Guarantor may have against Company or against any collateral or security, and any rights of contribution Guarantor may have against any such other guarantor, shall be junior and subordinate to any rights any Beneficiary may have against Company, to all right, title and

interest any Beneficiary may have in any such collateral or security, and to any right any Beneficiary may have against such other guarantor. If any amount shall be paid to Guarantor on account of any such subrogation, reimbursement, indemnification or contribution rights at any time when all Guarantied Obligations shall not have been paid in full, such amount shall be held in trust for Guarantied Party on behalf of Beneficiaries and shall forthwith be paid over to Guarantied Party for the benefit of Beneficiaries to be credited and applied against the Guarantied Obligations, whether matured or unmatured, in accordance with the terms hereof.

2.6 SUBORDINATION OF OTHER OBLIGATIONS. Any indebtedness of Company now

or hereafter held by Guarantor is hereby subordinated in right of payment to the Guarantied Obligations, and any such indebtedness of Company to Guarantor collected or received by Guarantor after a default on the Note has occurred and is continuing shall be held in trust for Guarantied Party on behalf of Beneficiaries and shall forthwith be paid over to Guarantied Party for the benefit of Beneficiaries to be credited and applied against the Guarantied Obligations but without affecting, impairing or limiting in any manner the liability of Guarantor under any other provision of this Guaranty.

2.7 EXPENSES. Guarantor agrees to pay, or cause to be paid, on demand,

and to save Beneficiaries harmless against liability for, any and all costs and expenses (including fees and disbursements of counsel and allocated costs of internal counsel) incurred or expended by Guarantied Party or any Beneficiary in connection with the enforcement of or preservation of any rights under this Guaranty.

2.8 CONTINUING GUARANTY; TERMINATION OF GUARANTY. This Guaranty is a

continuing guaranty and shall remain in effect until all of the Guarantied Obligations shall have been paid in full. Guarantor hereby irrevocably waives any right to revoke this Guaranty as to future transactions giving rise to any Guarantied Obligations.

2.9 AUTHORITY OF GUARANTOR OR COMPANY. It is not necessary for any

Beneficiary to inquire into the capacity or powers of Guarantor or Company or the officers, directors or any agents acting or purporting to act on behalf of any of them.

2.10 RIGHTS CUMULATIVE. The rights, powers and remedies given to

Guarantied Party and Beneficiaries by this Guaranty are cumulative and shall be in addition to and independent of all rights, powers and remedies given to Guarantied Party and Beneficiaries by virtue of any statute or rule of law or in any of the Loan Documents or any agreement between Guarantor and Guarantied Party or any Beneficiary or Beneficiaries or between Company and Guarantied Party or any Beneficiary or Beneficiaries. Any forbearance or failure to exercise, and any delay by any Beneficiary in exercising, any right, power or remedy hereunder shall not impair any such right, power or remedy or be construed to be a waiver thereof, nor shall it preclude the further exercise of any such right, power or remedy.

2.11 BANKRUPTCY; POST-PETITION INTEREST; REINSTATEMENT OF GUARANTY.

(a) So long as any Guarantied Obligations remain outstanding, Guarantor shall not, without the prior written consent of Guarantied Party in accordance with the terms of the Loan Documents, commence or join with any other Person in commencing any bankruptcy, reorganization or insolvency proceedings of or against Company. The obligations of Guarantor under this Guaranty shall not be reduced, limited, impaired, discharged, deferred, suspended or terminated by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Company or by any defense which Company may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding.

(b) Guarantor acknowledges and agrees that any interest on any portion of the Guarantied Obligations which accrues after the commencement of

any proceeding referred to in clause (a) above (or, if interest on any portion of the Guarantied Obligations ceases to accrue by operation of law by reason of the commencement of said proceeding, such interest as would have accrued on such portion of the Guarantied Obligations if said proceedings had not been commenced) shall be included in the Guarantied Obligations because it is the intention of Guarantor and Beneficiaries that the Guarantied Obligations which are guarantied by Guarantor pursuant to this Guaranty should be determined without regard to any rule of law or order which may relieve Company of any portion of such Guarantied Obligations. Guarantor will permit any trustee in bankruptcy, receiver, debtor in possession, assignee for the benefit of creditors or similar Person to pay Guarantied Party, or allow the claim of Guarantied Party in respect of, any such interest accruing after the date on which such proceeding is commenced.

(c) In the event that all or any portion of the Guarantied Obligations are paid by Company, the obligations of Guarantor hereunder shall continue and remain in full force and effect or be reinstated, as the case may be, in the event that all or any part of such payment(s) are rescinded or recovered directly or indirectly from any Beneficiary as a preference, fraudulent transfer or otherwise, and any such payments which are so rescinded or recovered shall constitute Guarantied Obligations for all purposes under this Guaranty.

2.12 NOTICE OF EVENTS. As soon as Guarantor obtains knowledge thereof,

Guarantor shall give Guarantied Party written notice of any condition or event which has resulted in (a) a material adverse change in the financial condition of Guarantor or Company or (b) a breach of or noncompliance with any term, condition or covenant contained herein or in the Loan Documents or any other document delivered pursuant hereto or thereto.

2.13 SET OFF. In addition to any other rights any Beneficiary may have

under law or in equity, if any amount shall at any time be due and owing by Guarantor to any Beneficiary under this Guaranty, such Beneficiary is authorized at any time or from time to time, without notice (any such notice being hereby expressly waived), to set off and to appropriate and to apply any and all deposits (general or special, including but not limited to indebtedness evidenced by certificates of deposit, whether matured or unmatured) and any other indebtedness of such Beneficiary owing to Guarantor and any other property of Guarantor held by any Beneficiary to or for the credit or the account of Guarantor against and on account of the Guarantied Obligations and liabilities of Guarantor to any Beneficiary under this Guaranty.

SECTION 3. REPRESENTATIONS AND WARRANTIES

In order to induce Guarantied Party and Beneficiaries to accept this Guaranty and to enter into the Loan Documents, Guarantor hereby represents and warrants to Beneficiaries that the following statements are true and correct:

3.1 TRUST EXISTENCE. Guarantor is duly formed, validly existing and in

good standing under the laws of the State of Delaware and has the trust power to own its assets and to transact the business in which it is now engaged.

3.2 TRUST POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS. Guarantor has

the trust power, authority and legal right to execute, deliver and perform this Guaranty and all obligations required hereunder and has taken all necessary trust action to authorize its Guaranty hereunder on the terms and conditions hereof and its execution, delivery and performance of this Guaranty and all obligations required hereunder. No consent of any other Person including, without limitation, certificateholders and creditors of Guarantor, and no license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority is required by Guarantor in connection with this Guaranty or the execution, delivery, performance, validity or enforceability of this Guaranty and all obligations required hereunder. This Guaranty has been, and each instrument or

document required hereunder will be, executed and delivered by a duly authorized trustee of Guarantor, and this Guaranty constitutes, and each instrument or document required hereunder when executed and delivered hereunder will constitute, the legally valid and binding obligation of Guarantor, enforceable against Guarantor in accordance with its terms, except as enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws or equitable principles relating to or limiting creditors' rights generally.

3.3 NO LEGAL BAR TO THIS GUARANTY. The execution, delivery and

performance of this Guaranty and the documents or instruments required hereunder will not violate any provision of any existing law or regulation binding on Guarantor, or any order, judgment, award or decree of any court, arbitrator or governmental authority binding on Guarantor, or the Deposit Trust Agreement of Guarantor or any securities issued by Guarantor, or any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which Guarantor is a party or by which Guarantor or any of its assets may be bound, the violation of which would have a material adverse effect on the business, operations, assets or financial condition of Guarantor and its Subsidiaries, taken as a whole, and will not result in, or require, the creation or imposition of any lien on any of its property, assets or revenues pursuant to the provisions of any such mortgage, indenture, lease, contract or other agreement, instrument or undertaking.

SECTION 4. MISCELLANEOUS

4.1 SURVIVAL OF WARRANTIES. All agreements, representations and

warranties made herein shall survive the execution and delivery of this Guaranty and the Loan Documents.

4.2 NOTICES. Any communications between Guarantied Party and Guarantor

and any notices or requests provided herein to be given may be given by mailing the same, postage prepaid, or by facsimile transmission to each such party at its address set forth in the Loan Documents or to such other addresses as each such party may in writing hereafter indicate. Any notice, request or demand to or upon Guarantied Party or Guarantor shall not be effective until received.

4.3 SEVERABILITY. In case any provision in or obligation under this

Guaranty shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

4.4 AMENDMENTS AND WAIVERS. No amendment, modification, termination or

waiver of any provision of this Guaranty, and no consent to any departure by Guarantor therefrom, shall in any event be effective without the written concurrence of Guarantied Party and, in the case of any such amendment or modification, Guarantor. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

4.5 HEADINGS. Section and subsection headings in this Guaranty are

included herein for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose or be given any substantive effect.

4.6 APPLICABLE LAW. THIS GUARANTY AND THE RIGHTS AND OBLIGATIONS OF

GUARANTOR AND BENEFICIARIES HEREUNDER SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING WITHOUT LIMITATION SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK), WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES.

4.7 SUCCESSORS AND ASSIGNS. This Guaranty is a continuing guaranty and

shall be binding upon Guarantor and its successors and assigns. This Guaranty shall inure to the benefit of Beneficiaries and their respective successors and assigns. Guarantor shall not assign this Guaranty or any of the rights or obligations of Guarantor hereunder without the prior written consent of Guarantied Party. Any Beneficiary may, without notice or consent, assign its interest in this Guaranty in whole or in part. The terms and provisions of this Guaranty shall inure to the benefit of any transferee or assignee of the Note, and in the event of such transfer or assignment the rights and privileges herein conferred upon such Beneficiary shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof.

4.8 CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST GUARANTOR ARISING OUT OF OR RELATING TO THIS GUARANTY, OR ANY OBLIGATIONS HEREUNDER, MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE, COUNTY AND CITY OF NEW YORK. BY EXECUTING AND DELIVERING THIS AGREEMENT, GUARANTOR, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, IRREVOCABLY

(I) ACCEPTS GENERALLY AND UNCONDITIONALLY THE NONEXCLUSIVE JURISDICTION AND VENUE OF SUCH COURTS;

(II) WAIVES ANY DEFENSE OF FORUM NON CONVENIENS;

(III) AGREES THAT SERVICE OF ALL PROCESS IN ANY SUCH PROCEEDING IN ANY SUCH COURT MAY BE MADE BY REGISTERED OR CERTIFIED MAIL, RETURN RECEIPT REQUESTED, TO GUARANTOR AT ITS ADDRESS PROVIDED IN ACCORDANCE WITH SUBSECTION 4.2;

(IV) AGREES THAT SERVICE AS PROVIDED IN CLAUSE (III) ABOVE IS SUFFICIENT TO CONFER PERSONAL JURISDICTION OVER GUARANTOR IN ANY SUCH PROCEEDING IN ANY SUCH COURT, AND OTHERWISE CONSTITUTES EFFECTIVE AND BINDING SERVICE IN EVERY RESPECT;

(V) AGREES THAT BENEFICIARIES RETAIN THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR TO BRING PROCEEDINGS AGAINST GUARANTOR IN THE COURTS OF ANY OTHER JURISDICTION; AND

(VI) AGREES THAT THE PROVISIONS OF THIS SUBSECTION 4.8 RELATING TO JURISDICTION AND VENUE SHALL BE BINDING AND ENFORCEABLE TO THE FULLEST EXTENT PERMISSIBLE UNDER NEW YORK GENERAL OBLIGATIONS LAW SECTION 5-1402 OR OTHERWISE.

4.9 WAIVER OF TRIAL BY JURY. GUARANTOR AND, BY ITS ACCEPTANCE OF THE BENEFITS HEREOF, EACH BENEFICIARY EACH HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS GUARANTY. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Guarantor and, by its acceptance of the benefits hereof, each Beneficiary each (i) acknowledges that this waiver is a material inducement for Guarantor and Beneficiaries to enter into a business relationship, that Guarantor and Beneficiaries have already relied on this waiver in entering into this Guaranty or accepting the benefits thereof, as the case may be, and that each will continue to rely on this waiver in their related future dealings and (ii) further warrants and represents that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING (OTHER THAN BY A MUTUAL WRITTEN WAIVER SPECIFICALLY REFERRING TO THIS SUBSECTION 4.9 AND EXECUTED BY GUARANTIED PARTY AND GUARANTOR), AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY. In the event of litigation, this Guaranty may be filed as a written consent to a trial by the court.

4.10 NO OTHER WRITING. This writing is intended by Guarantor and

Beneficiaries as the final expression of this Guaranty and is also intended as a complete and exclusive statement of the terms of their agreement with respect to the matters covered hereby. No course of dealing, course of performance or trade usage, and no parol evidence of any nature, shall be used to supplement or modify any terms of this Guaranty. There are no conditions to the full effectiveness of this Guaranty.

4.11 FURTHER ASSURANCES. At any time or from time to time, upon the

request of Guarantied Party, Guarantor shall execute and deliver such further documents and do such other acts and things as Guarantied Party may reasonably request in order to effect fully the purposes of this Guaranty.

4.12 ACKNOWLEDGEMENT. Guarantor hereby acknowledges and agrees that

Guarantied Party will assign and grant a security interest in all of Guarantied Party's rights in, to and under this Guaranty to First Security Bank, National Association, as Collateral Agent (the "COLLATERAL AGENT") for the benefit of the holders (the "NOTEHOLDERS") of the 10.80% Senior Notes due April 30, 2009 (the "SENIOR NOTES") issued by Guarantied Party pursuant to the Note Purchase Agreements, each dated May 14, 1997, between Guarantied Party and the purchasers referred to therein (the "NOTE PURCHASE AGREEMENTS"), as security for Guarantied Party's obligations under the Senior Notes and the Note Purchase Agreements, and thereafter the Collateral Agent shall have all of the rights granted to Guarantied Party hereunder. So long as the Collateral Agent has any security interest in this Guaranty, the term "GUARANTIED PARTY" shall include the Collateral Agent for all purposes under this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be duly executed and delivered by its trustee thereunto duly authorized as of the date first written above.

AMALGAMATED COLLATERAL TRUST

By: Wilmington Trust Company, not in its individual capacity but solely as Trustee

By: _____

Name: _____

Title:_____

AMENDED AND RESTATED PLEDGE AGREEMENT{PRIVATE }

THIS AMENDED AND RESTATED PLEDGE AGREEMENT is entered into as of May 14, 1997, between SNAKE RIVER SUGAR COMPANY, an Oregon cooperative (the "COMPANY"), as secured party, and ASC HOLDINGS, INC., a Utah corporation ("AMALGAMATED"; formerly known as The Amalgamated Sugar Company), as debtor.

WHEREAS, pursuant to a Pledge Agreement and a Limited Recourse Pledge Agreement, each dated January 3, 1997 and each between the Company and Amalgamated (collectively, the "EXISTING PLEDGE AGREEMENTS"), Amalgamated granted to the Company a security interest in the limited liability company interest (the "AGM INTEREST") held by Amalgamated in The Amalgamated Sugar Company LLC, a Delaware limited liability company (the "LLC");

WHEREAS, Amalgamated granted such security interest in order to secure the obligations of Valhi, Inc. ("VALHI"), the indirect holder of 100% of Amalgamated's outstanding stock under (i) that certain Subordinated Promissory Note dated January 3, 1997, in aggregate principal amount of $37,500,000, issued by Valhi to the Company (the "SUBORDINATED NOTE") and (ii) that certain Limited Recourse Promissory Note dated January 3, 1997, in aggregate principal amount of $212,500,000, issued by Valhi to the Company (the "LIMITED RECOURSE NOTE," and together with the Subordinated Note, the "SNAKE RIVER LOAN NOTES");

WHEREAS, pursuant to a Deposit Trust Agreement (the "DEPOSIT TRUST AGREEMENT"), dated as of the date hereof, between Amalgamated and Wilmington Trust Company, a Delaware banking corporation, as Resident Trustee, Amalgamated transferred its interest in the AGM Interest to the Amalgamated Collateral Trust (the "TRUST"), in exchange for a 100% Certificate of Beneficial Interest issued by the Trust (the "CERTIFICATE"); and

WHEREAS, in connection with the transfer of the AGM Interest by Amalgamated to the Trust in exchange for the issuance of the Certificate by the Trust to Amalgamated, Amalgamated and the Company desire to amend and restate the Existing Pledge Agreements in their entirety and combine them into one agreement in order to (i) reflect the change of the name of Amalgamated from The Amalgamated Sugar Company to ASC Holdings, Inc., (ii) acknowledge the transfer of the Collateral (as defined in the Existing Pledge Agreements) to the Trust, (iii) acknowledge that the security interest in the AGM Interest granted by the Trust pursuant to the Pledge Agreement (SPT) dated as of the date of this Agreement has replaced and superseded the security interest in the AGM Interest granted by the Existing Pledge Agreements, and (iv) grant to the Company a security interest in Amalgamated's interest in the Certificate.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto hereby agree as follows:

Pledge. For value received, Amalgamated grants to the Company a

security interest (the "SECURITY INTEREST") in (i) the Certificate and the beneficial interest of Amalgamated in the Trust, (ii) following a Snake Loan Default (as defined below), all dividends, distributions and cash from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Certificate and/or the beneficial interest in the Trust and (iii) any other interest of Amalgamated in or relating to the AGM Interest (and following a Snake Loan Default, all proceeds thereof) (the "COLLATERAL"). The Security Interest is created to secure all obligations and indebtedness arising pursuant to the Snake River Loan Notes (the "OBLIGATIONS"). Except as provided below, the Collateral includes all rights to receive future distributions, increases, substitutions, accessions, voting rights or other property or benefits which Amalgamated receives or is entitled to receive or exercise on account of the Collateral. The Collateral shall not include and the Security Interest shall terminate and be automatically released with respect to (i) rights to Retained Amounts (as defined in the Company Agreement of LLC) accrued prior to a Snake Loan Default and (ii) any cash distributions on account of the Collateral paid or distributed to Amalgamated pursuant to the Deposit Trust Agreement prior to a Snake Loan Default. The Company shall not encumber

or dispose, or attempt to encumber or dispose, of the Collateral except in accordance with the provisions of paragraph 8 of this Agreement. "SNAKE LOAN

DEFAULT" means any default under the Snake River Loan Notes permitting or resulting in acceleration of the Snake River Loan Notes.

Voting and Other Rights. During the term of this Agreement, so

long as the maturity dates of the Snake River Loan Notes have not been accelerated as provided therein, Amalgamated shall have the right to vote the Collateral on all questions. Following acceleration of the maturity date of the Subordinated Note or the Limited Recourse Note pursuant to Section 7 or Section 6 thereof, respectively, Amalgamated's right to vote the Collateral shall terminate (provided that in the case of a partial acceleration of either Snake River Loan Note, Amalgamated's right to vote the Collateral shall terminate only with respect to a portion of the Collateral equal to the portion of the Snake River Loan Note(s) so accelerated).

Representations. Amalgamated warrants and represents (i) that

there are no restrictions on the transfer of any of the Collateral, other than as set forth in the Deposit Trust Agreement, and (ii) this Agreement constitutes the valid and legally binding obligation of Amalgamated, enforceable in accordance with its terms and conditions, as enforceability may be limited by or subject to any bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditor rights generally, and subject to general principles of equity and public policy considerations. Amalgamated shall, at the request of the Collateral Agent (as defined below), promptly deliver all reasonable further instruments and documents, and take all reasonable further actions, in order to perfect the Security Interest granted herein and to otherwise give effect to the provisions of this Agreement. Amalgamated shall not grant any security interest in the Collateral, other than pursuant to (i) liens for taxes, assessments or other governmental charges not yet due and payable, (ii) statutory liens of landlords, carriers, warehousemen, mechanics, materialmen and other similar liens imposed by law which are incurred in the ordinary course of business for sums not more than thirty (30) days delinquent and (iii) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, statutory obligations, surety and appeal bonds, bids, leases, government contracts, trade contracts, performance and return-of-money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money).

Adjustments. In the event that, during the term of this

Agreement, any reclassification, readjustment or other change is declared or made in the capital structure of the issuer of the Collateral, all new, substituted and additional interests or securities issued in respect of the Collateral by reason of any such change shall be delivered to the Collateral Agent and held by it under the terms of this Agreement in the same manner as the Collateral originally pledged hereunder.

Payment of the Snake River Loan Notes. Upon payment of all

principal of and other amounts due on the Snake River Loan Notes, the Security Interest shall be canceled and the Company and the Collateral Agent shall convey to Amalgamated all certificates, documents and other instruments representing the Collateral.

Rights of the Collateral Agent. Amalgamated hereby appoints the

Collateral Agent as Amalgamated's attorney-in-fact to do any act which Amalgamated is obligated by this Agreement to do and to do all things deemed necessary by the Collateral Agent (or the Company, after payment in full in cash of the Senior Notes (as defined below)) to perfect the Security Interest and collect, preserve and enforce the Collateral, all at Amalgamated's cost and without any obligation on the Collateral Agent or the Company so to act.

Default. If, pursuant to the terms and provisions of the

Subordinated Note or the Limited Recourse Note, the maturity date thereof has been accelerated pursuant to Section 7 or Section 6 thereof, respectively, the Collateral Agent may proceed to enforce payment of such Snake River Loan Note or any part thereof and to exercise any and all rights and remedies in connection with the Collateral provided by the Uniform Commercial Code in force in the State of New York (the "CODE"), as well as other rights and remedies in connection with the Collateral possessed by the Collateral Agent (or the Company, after payment in full in cash of the Senior Notes (as defined below)) under this Agreement. For purposes of the notice requirements of the Code, the Company and Amalgamated agree that notice given at least five (5) business days prior to the taking of any action with respect to which notice is required is reasonable. Except as otherwise provided, all rights and remedies of the Company and Collateral Agent hereunder are cumulative and may be exercised singly or concurrently, and the exercise of any right or remedy shall not be a waiver of any other. Notwithstanding anything in this Agreement to the contrary, Amalgamated shall not be liable to the Company or the Collateral Agent (as defined below) for any deficiency or other amount constituting the Obligations which the Company or the Collateral Agent does not recover or obtain from the Collateral. If the amount received by the Company or the Collateral Agent upon sale of the Collateral is less than the amount of the Obligations, neither the Company nor the Collateral Agent shall have further recourse to any assets or property of Amalgamated.

Acknowledgment. Amalgamated hereby acknowledges and agrees that

the Company will assign and grant a security interest in all of the Company's rights in, to and under this Agreement and the Collateral to First Security Bank, National Association, as Collateral Agent (the "COLLATERAL AGENT") for the benefit of the holders of the 10.80% Senior Notes due April 30, 2009 (the "SENIOR NOTES") issued by the Company pursuant to the Note Purchase Agreements, each dated May 14, 1997, between the Company and the purchasers referred to therein (the "NOTE PURCHASE AGREEMENTS"), as security for the Company's obligations under the Senior Notes and the Note Purchase Agreements, and thereafter the Collateral Agent shall have all of the rights granted to the Company hereunder. So long as the Collateral Agent has any security interest in this Agreement or the Collateral, the term "COMPANY" shall include the Collateral Agent for all purposes under this Agreement. The Certificate and all other certificates and other instruments which may constitute the Collateral shall be endorsed in blank for transfer, or be accompanied by proper instruments of assignment and transfer properly endorsed in blank, and delivered to the Collateral Agent. After the payment in full in cash of the Senior Notes, all references herein to the Collateral Agent shall be deemed references to the Company.

Miscellaneous.

Parties Bound. This Agreement shall be binding upon and

inure to the benefit of the parties hereto and their respective heirs, executors, administrators, legal representatives, successors, receivers, trustees and assigns where permitted by this Agreement.

New York Law to Apply. This Agreement shall be construed in

accordance with the Code and other applicable laws of the State of New York.

Modification. This Agreement shall not be amended in any

way except by a written agreement signed by the parties hereto.

Severability. The unenforceability of any provision of this

Agreement shall not affect the enforceability or validity of any other provision hereof.

Notice. Any notice required to be given under this

Agreement or under the Code shall be personally delivered or deposited with the United States Postal Service, postage prepaid, certified with return receipt requested and addressed as follows:

If to the Company:

Snake River Sugar Company
2427 Lincoln Avenue
Post Office Box 1520
Ogden, Utah 84402

If to Amalgamated:

ASC Holdings, Inc.
Three Lincoln Centre
Suite 1700
5430 LBJ Freeway
Dallas, Texas 75240

Any party hereto may change the address to which notices to such party are required to be sent by giving notice of such change in the manner provided in this Section 9E. All notices will be deemed to have been received on the date of personal delivery or on the third business day after mailing in accordance with this Section 9E, except that any notice of a change of address will be effective only upon actual receipt.

Waiver of Amalgamated. Amalgamated hereby waives

presentment, demand, notice of dishonor, protest, notice of protest and all other notices with respect to collection of the Collateral and the Snake River Loan Notes.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

ASC HOLDINGS, INC.

By:_____
Name:
Title:

SNAKE RIVER SUGAR COMPANY

By:_____
Name:
Title:

COLLATERAL DEPOSIT AGREEMENT{PRIVATE }

This COLLATERAL DEPOSIT AGREEMENT (this "AGREEMENT") is dated as of May 14, 1997 and entered into by and among SNAKE RIVER SUGAR COMPANY, an Oregon cooperative ("COMPANY"), VALHI, INC., a Delaware corporation ("VALHI"), and FIRST SECURITY BANK, NATIONAL ASSOCIATION, as Collateral Agent for the holders of the Notes referred to below ("COLLATERAL AGENT").

PRELIMINARY STATEMENTS

Pursuant to those certain Note Purchase Agreements (the "NOTE PURCHASE AGREEMENTS," the terms defined therein and not otherwise defined herein being used herein as therein defined), each dated May 14, 1997, between Company and the purchasers referred to therein (the "PURCHASERS"), Company has issued to the Purchasers $100,000,000 aggregate principal amount of its 10.80% Senior Notes due April 30, 2009 (said Senior Notes, as they may hereafter be amended, supplemented or otherwise modified from time to time, being the "NOTES").

Pursuant to a Loan and Security Agreement dated as of January 3, 1997, as amended and restated by the Subordinated Loan Agreement dated as of May 14, 1997, Company has issued to Valhi, Inc., a Delaware Corporation ("VALHI") a subordinated note in the principal amount of $80,000,000 (as such subordinated note may be amended, renewed or otherwise modified from time to time the "SUBORDINATED NOTE").

As Company may from time to time wish to make, and Valhi may wish to receive, payments of the principal and interest on the Subordinated Note and the holders of the Notes require that such payments not interfere with Company's obligations under the Note Purchase Agreements and the Notes, Collateral Agent, Valhi and Company desire to enter into this Agreement, pursuant to which Company or Valhi shall, if it is desired that certain payments be made on the Subordinated Note, deposit certain funds in collateral accounts established herein to be maintained by or for Collateral Agent.

It is a condition precedent to the initial purchase of Notes by Purchasers under the Note Purchase Agreements that Company and Valhi shall have undertaken the obligations contemplated by this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Purchasers to purchase Notes under the Note Purchase Agreements and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, each of Company and Valhi hereby agrees with Collateral Agent as follows:

DEFINITIONS. The following terms used in this Agreement shall have the following meanings:

"CASH EQUIVALENTS" means, as at any date of determination, (i) marketable securities issued or directly and unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within thirty (30) days from such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within thirty (30) days from such date and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; (iii) commercial paper maturing no more than thirty (30) days from such date and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; and (iv) certificates of deposit or bankers' acceptances maturing within thirty (30) days from such date issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having unimpaired capital and surplus of not less than $500,000,000.

"COMPANY AGREEMENT" means the Company Agreement of LLC dated as of January 3, 1997, as amended to the date of the Closing.

"FULLY FUNDED", with respect to the Payment Deposit Accounts, means such accounts contain (i) cash and/or Cash Equivalents with a fair market value of at least $5,000,000 plus (ii) marketable securities (in the case of the Valhi/Snake Account only), cash and/or Cash Equivalents with a fair market value of $5,000,000 (marketable securities in the Valhi/Snake Account being marked to market by the Collateral Agent on a quarterly basis on the last Business Day of each March, June, September and December).

"INVESTMENTS" means those investments, if any, made by Collateral Agent pursuant to Section 5.

"PAYMENT DEPOSIT" means (i) the Payment Deposit Accounts and all amounts from time to time on deposit therein, (ii) all Investments, including all certificates and instruments from time to time representing or evidencing such Investments and any account or accounts in which such Investments may be held by, or in the name of, Collateral Agent for or on behalf of Company or Valhi, as the case may be, (iii) all notes, certificates of deposit, checks and other instruments and all deposits and securities from time to time hereafter transferred to or otherwise possessed by, or held in the name of, Collateral Agent for or on behalf of Company or Valhi in substitution for or in addition to any or all of the Payment Deposit, (iv) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Payment Deposit, and (v) to the extent not covered by clauses (i) through (iv) above, all proceeds of any or all of the foregoing Payment Deposit.

"PAYMENT DEPOSIT ACCOUNTS" means the Snake River Payment Deposit Account and Valhi/Snake Payment Deposit Account established and maintained with Collateral Agent pursuant to Section 2.

"SECURED OBLIGATIONS" means all obligations and liabilities of every nature of Company now or hereafter existing under or arising out of or in connection with the Note Purchase Agreements, the Notes and the Collateral Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Company, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Collateral Agent or any holder of a Note as a preference, fraudulent transfer or otherwise, and all obligations of every nature of Company now or hereafter existing under this Agreement.

"SNAKE RIVER ACCOUNT" has the meaning given in Section 2.

"VALHI/SNAKE ACCOUNT" has the meaning given in Section 2.

PAYMENT DEPOSIT ACCOUNT; FULL FUNDING OF ACCOUNT.

The Collateral Agent will establish and maintain at its office at 79 South Main Street, Corporate Trust Department, Salt Lake City, Utah, as blocked accounts in the name of the Collateral Agent and under the sole dominion and control of Collateral Agent, a deposit account designated as the "Snake River Payment Deposit Account" (the "SNAKE RIVER ACCOUNT") and a deposit account designated as the Valhi/Snake Payment Deposit Account (the "VALHI/SNAKE ACCOUNT").

From time to time as contemplated by Section 10.5 of the Note Purchase Agreements, Company may deposit with the Collateral Agent cash and Cash Equivalents to be placed in the Snake River Account and Valhi may deposit with the Collateral Agent to be placed in the Valhi/Snake Account marketable

securities, cash and Cash Equivalents so that the Payment Deposit Accounts will at all times remain Fully Funded. The Collateral Agent shall hold such cash and Cash Equivalents and, as to the Valhi/Snake Account, marketable securities in the Payment Deposit Accounts pursuant to the terms hereof. If, as of the last Business Day of each March, June, September and December, Collateral Agent determines that the Payment Deposit Accounts are not Fully Funded, Collateral Agent will promptly notify Company and Valhi of the amount required to cause the Payment Deposit Account to be Fully Funded.

Any interest and dividends received in respect of marketable securities and Investments of any amounts held in the Payment Deposit Accounts shall be delivered by Collateral Agent to Company or Valhi (as appropriate) on the last Business Day of each March, June, September and December, provided that such interest and dividends shall be retained in the Payment Deposit Accounts to the extent necessary to keep the Payment Deposit Accounts Fully Funded; provided

that Collateral Agent shall not deliver to Company any such interest received in respect of Investments if an Event of Default or Default has occurred and is then continuing.

Notwithstanding Section 2(b) above, if no Default or Event of Default shall have occurred and be continuing, then in the event Company shall have repaid (without the exercise by the Required Holders or the Collateral Agent of remedies under the Note Purchase Agreements or the Collateral Documents) an amount in excess of $50,000,000 in principal amount of the Notes, the Collateral Agent will, at the request of Company or Valhi, as applicable, terminate its security interest in the Payment Deposit and the Payment Deposit Accounts and Company (as to the Snake River Account) or Valhi (as to the Valhi/Snake Accounts) shall be entitled to the return of the Payment Deposit, all in accordance with Section 15 of this Agreement, except to the extent of any obligations or expenses that have arisen on or prior to the date of repayment, in respect of Section 14 of this Agreement. If a Default or Event of Default has occurred and is continuing at the time the Company or Valhi, as applicable, would be entitled to the return of the Payment Deposit under this Section 2(d) but for the existence of such Default or Event of Default, and the Company or Valhi, as applicable, requests the return of the Payment Deposit as provided above, then the Collateral Agent, at the direction of the Required Holders, shall within a reasonable period either (i) liquidate the Payment Deposit and apply the proceeds thereof as a prepayment of the Notes pursuant to Section 8.2 of the Note Purchase Agreements, together with accrued interest and Make-Whole Amount, if any, on the amount so prepaid (and the Company and Valhi hereby authorize such liquidation of the Payment Deposit and prepayment of the Notes), provided that the Collateral Agent shall provide Valhi written notice prior to any such liquidation of the Payment Deposit and Valhi shall have five days after receipt of such notice to substitute cash for marketable securities included in the Payment Deposit or (ii) return the Payment Deposit to the Company (as to the Snake River Account) or to Valhi (as to the Valhi/Snake Account).

PLEDGE OF SECURITY FOR SECURED OBLIGATIONS. Each of Company and

Valhi hereby pledges and assigns to Collateral Agent, and hereby grants to Collateral Agent a security interest in, all of Company's or Valhi's (as the case may be) right, title and interest in and to the Payment Deposit as collateral security for the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section362(a)), of all Secured Obligations.

DELIVERY OF PAYMENT DEPOSIT. (a) All certificates or instruments,

if any, representing or evidencing Payment Deposit shall be delivered to and held by or on behalf of Collateral Agent pursuant hereto and shall be in suitable form for transfer by delivery or, as applicable, shall be accompanied by Company's or Valhi's endorsement, where necessary, or duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to Collateral Agent. In the event any portion of Payment Deposit is not evidenced by a certificate, a notation reflecting title in the name of Collateral Agent or the security interest of Collateral Agent shall be made in

the records of the issuer of such Payment Deposit or in such other appropriate records as Collateral Agent may require, all in form and substance satisfactory to Collateral Agent. Collateral Agent shall have the right, at any time in its discretion and without notice to Company or Valhi, to transfer to or to register in the name of Collateral Agent or any of its nominees any or all of the Payment Deposit. In addition, Collateral Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Payment Deposit for certificates or instruments of smaller or larger denominations.

(b) So long as no Event of Default shall have occurred and be continuing:

(i) Valhi shall be entitled to exercise any and all voting and other consensual rights pertaining to the marketable securities in the Valhi/Snake Account or any part thereof for any purpose not inconsistent with the terms of this Agreement;

(ii) Collateral Agent shall promptly execute and deliver (or cause to be executed and delivered) to Valhi all such proxies and other instruments as Valhi may from time to time reasonably request for the purpose of enabling Valhi to exercise the voting and other consensual rights which it is entitled to exercise pursuant to paragraph (i) above.

(c) Upon the occurrence and during the continuation of an Event of Default and upon written notice from Collateral Agent to Valhi, all rights of Valhi to exercise the voting and other consensual rights which it would otherwise be entitled to exercise pursuant to Section 4(b)(i) shall cease, and all such rights shall thereupon become vested in Collateral Agent who shall thereupon have the sole right to exercise such voting and other consensual rights.

INVESTMENT OF AMOUNTS IN THE PAYMENT DEPOSIT ACCOUNT. Cash held by Collateral Agent in the Payment Deposit Accounts shall not be invested or reinvested except as provided in this Section 5.

Except as otherwise provided in Section 13, any cash on deposit in the Payment Deposit Accounts shall, so long as no Event of Default or Default has occurred and is continuing, be invested by Collateral Agent in its own name in Cash Equivalents from time to time designated by Company or Valhi, as applicable, in written notices to Collateral Agent.

Collateral Agent is hereby authorized to sell, and shall sell, all or any designated part of the securities constituting part of the Payment Deposit (i) so long as no Event of Default or Default shall have occurred and be continuing, upon receipt of appropriate written instructions from Company or Valhi (as applicable) or (ii) in any event if such sale is necessary to permit Collateral Agent to perform its duties hereunder. Collateral Agent shall have no responsibility for any loss resulting from a fluctuation in interest rates or otherwise. Subject to the provisions of Section 2(c), any interest received in respect of securities constituting part of the Payment Deposit and the net proceeds of the sale or payment of any such securities shall be held in the Payment Deposit Accounts by Collateral Agent pending investment thereof pursuant to Section 5(a).

Valhi may at any time instruct the Collateral Agent to sell the marketable securities held in the Valhi/Snake Account, the proceeds of which sale shall be retained in the Valhi/Snake Account and may be invested as provided in this Section 5.

The Payment Deposit Account shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other appropriate banking or governmental authority, as may now or hereafter be in effect.

REPRESENTATIONS AND WARRANTIES. (a) Company represents and warrants

as follows:

(i) Ownership of Payment Deposit. Company is (or at the time of transfer to Collateral Agent thereof will be) the legal and beneficial owner of the Payment Deposit from time to time transferred by Company to Collateral Agent, free and clear of any Lien except for the security interest created by this Agreement.

(ii) Governmental Authorizations. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (x) the grant by Company of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Company or (y) the perfection of or the exercise by Collateral Agent of its rights and remedies hereunder (except as may have been taken by or at the direction of Company) other than the filing of appropriate UCC-1 financing statements.

(iii) Perfection. Assuming continued possession of the Payment Deposit by the Collateral Agent, the pledge and assignment of the Payment Deposit pursuant to this Agreement creates a valid and perfected first priority security interest in the Payment Deposit, securing the payment of the Secured Obligations.

(iv) Other Information. All information heretofore, herein or hereafter supplied to Collateral Agent by or on behalf of Company with respect to the Payment Deposit is accurate and complete in all material respects.

(b) Valhi represents and warrants as follows:

(i) Ownership of Payment Deposit. Valhi is (or at the time of transfer to Collateral Agent thereof will be) the legal and beneficial owner of the Payment Deposit from time to time transferred by Valhi to Collateral Agent, free and clear of any Lien except for the security interest created by this Agreement.

(ii) Governmental Authorizations. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for either (x) the grant by Valhi of the security interest granted hereby or for the execution, delivery or performance of this Agreement by Valhi or (y) the perfection of or the exercise by Collateral Agent of its rights and remedies hereunder (except as may have been taken by or at the direction of Valhi) other than the filing of appropriate UCC-1 financing statements.

(iii) Perfection. Assuming continued possession of the Payment Deposit by the Collateral Agent, the pledge and assignment of the Payment Deposit pursuant to this Agreement creates a valid and perfected first priority security interest in the Payment Deposit, securing the payment of the Secured Obligations.

(iv) Other Information. All information heretofore, herein or hereafter supplied to Collateral Agent by or on behalf of Valhi with respect to the Payment Deposit is accurate and complete in all material respects.

FURTHER ASSURANCES. Each of Company and Valhi agrees that from time to time, at the expense of Company or Valhi, as the case may be, it will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Collateral Agent may request, in order to perfect and protect any security interest granted or

purported to be granted hereby or to enable Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Payment Deposit. Without limiting the generality of the foregoing, Company and Valhi will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as Collateral Agent may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (ii) at Collateral Agent's request, appear in and defend any action or proceeding that may affect Company's or Valhi's title to or Collateral Agent's security interest in all or any part of the Payment Deposit.

TRANSFERS AND OTHER LIENS. Each of Company and Valhi agrees that it

will not (a) sell, assign (by operation of law or otherwise) or otherwise dispose of any part of the Payment Deposit or (b) create or suffer to exist any Lien upon or with respect to any of the Payment Deposit, except for the security interest under this Agreement.

COLLATERAL AGENT APPOINTED ATTORNEY-IN-FACT. Each of Company and

Valhi hereby irrevocably appoints Collateral Agent as Company's and Valhi's attorney-in-fact, with full authority in the place and stead of Company or Valhi, as the case may be, and in the name of Company or Valhi, as the case may be, Collateral Agent or otherwise, from time to time in Collateral Agent's discretion to take any action and to execute any instrument that Collateral Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation (a) to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Payment Deposit without the signature of Company or Valhi and (b) to receive, endorse and collect any instruments made payable to Company or Valhi representing any dividend, principal or interest payment or other distribution in respect of the Payment Deposit or any part thereof and to give full discharge for the same.

COLLATERAL AGENT MAY PERFORM. If Company or Valhi fails to perform

any agreement contained herein, Collateral Agent may itself perform, or cause performance of, such agreement, and the expenses of Collateral Agent incurred in connection therewith shall be payable by Company or Valhi, as applicable, under Section 14.

STANDARD OF CARE. The powers conferred on Collateral Agent

hereunder are solely to protect its interest in the Payment Deposit and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Payment Deposit in its possession and the accounting for moneys actually received by it hereunder, Collateral Agent shall have no duty as to any Payment Deposit, it being understood that Collateral Agent shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to any Payment Deposit, whether or not Collateral Agent has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Payment Deposit) to preserve rights against any parties with respect to any Payment Deposit, (c) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Payment Deposit, (d) initiating any action to protect the Payment Deposit against the possibility of a decline in market value, (e) any loss resulting from Investments made pursuant to Section 5, except for a loss resulting from Collateral Agent's gross negligence or willful misconduct in complying with Section 5, or (f) determining (i) the correctness of any statement or calculation made by Company or Valhi in any written instructions or (ii) whether any deposit in the Payment Deposit Account is proper. Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of Payment Deposit in its possession if such Payment Deposit is accorded treatment substantially equal to that which Collateral Agent accords its own property consisting of negotiable securities.

REMEDIES. If any Event of Default shall have occurred and be continuing, Collateral Agent may exercise in respect of the Payment Deposit, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Payment Deposit), and Collateral Agent may also in its sole discretion, without notice except as specified below, sell the Payment Deposit or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Collateral Agent may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Payment Deposit. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Company or Valhi, and each of Company and Valhi hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Each of Company and Valhi agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to Company or Valhi, as applicable of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. Collateral Agent shall not be obligated to make any sale of the Payment Deposit regardless of notice of sale having been given. Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

APPLICATION OF PROCEEDS. Subject to the provisions of Section 2(b), if any Event of Default shall have occurred and be continuing, all cash held by Collateral Agent as Payment Deposit and all proceeds received by Collateral Agent in respect of any sale of, collection from, or other realization upon all or any part of the Payment Deposit may, in the discretion of Collateral Agent, be held by Collateral Agent as Payment Deposit for, and/or then, or at any other time thereafter, applied in full or in part by Collateral Agent against, the Secured Obligations in the following order of priority:

FIRST: To the payment of all costs and expenses of such sale, collection or other realization, including reasonable compensation to Collateral Agent and its agents and counsel, and all other expenses, liabilities and advances made or incurred by Collateral Agent in connection therewith, and all amounts for which Collateral Agent is entitled to indemnification hereunder and all advances made by Collateral Agent hereunder for the account of Company or Valhi, and to the payment of all costs and expenses paid or incurred by Collateral Agent in connection with the exercise of any right or remedy hereunder, all in accordance with Section 14;

SECOND: To the payment of all other Secured Obligations in such order as Collateral Agent shall elect; and

THIRD: To the payment to or upon the order of Company or Valhi, as applicable, or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

INDEMNITY AND EXPENSES.

Company agrees to indemnify Collateral Agent from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from Collateral Agent's gross negligence or willful misconduct as finally determined by a court of

competent jurisdiction.

Company will pay to Collateral Agent upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Payment Deposit, (iii) the exercise or enforcement of any of the rights of Collateral Agent hereunder, or (iv) the failure by Company or Valhi to perform or observe any of the provisions hereof.

CONTINUING SECURITY INTEREST; TRANSFER OF NOTES. This Agreement shall create a continuing security interest in the Payment Deposit and shall (a) remain in full force and effect until the payment in full of the Secured Obligations or the time at which the condition set forth in Section 2(d) shall have been satisfied, (b) be binding upon Company and Valhi, its successors and assigns, and (c) inure, together with the rights and remedies of Collateral Agent hereunder, to the benefit of Collateral Agent and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of Section 13.2 of the Note Purchase Agreements, any holder of a Note may assign or otherwise transfer any Notes held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to Collateral Agent herein or otherwise. Upon the payment in full of all Secured Obligations the security interest granted hereby shall terminate and all rights to the Payment Deposit shall revert to Company or Valhi, as applicable. Upon any such termination Collateral Agent will, at Company's or Valhi's expense, execute and deliver to Company or Valhi such documents as Company or Valhi shall reasonably request to evidence such termination and Company and/or Valhi, as applicable, shall be entitled to the return, upon its request and at its expense, against receipt and without recourse to Collateral Agent, of such of the Payment Deposit as shall not have been sold or otherwise applied pursuant to the terms hereof.

COLLATERAL AGENT AS AGENT.

Collateral Agent has been appointed to act as Collateral Agent hereunder by Purchasers. Collateral Agent shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including, without limitation, the release or substitution of Payment Deposit), solely in accordance with this Agreement and the Collateral Agency Agreement.

Collateral Agent shall at all times be the same Person that is Collateral Agent under the Collateral Agency Agreement. Written notice of resignation by Collateral Agent pursuant to the Collateral Agency Agreement shall also constitute notice of resignation as Collateral Agent under this Agreement; removal of Collateral Agent pursuant to the Collateral Agency Agreement shall also constitute removal as Collateral Agent under this Agreement; and appointment of a successor Collateral Agent pursuant to the Collateral Agency Agreement shall also constitute appointment of a successor Collateral Agent under this Agreement. Upon the acceptance of any appointment as Collateral Agent under the Collateral Agency Agreement by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent under this Agreement, and the retiring or removed Collateral Agent under this Agreement shall promptly (i) transfer to such successor Collateral Agent all sums, securities and other items of Payment Deposit held hereunder (which shall be deposited in new Payment Deposit Accounts established and maintained by such successor Collateral Agent), together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Collateral Agent under this Agreement, and (ii) execute and deliver to such successor Collateral Agent such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Collateral Agent of the security interests created hereunder, whereupon such retiring or removed Collateral Agent shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Collateral

Agent's resignation or removal hereunder as Collateral Agent, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was Collateral Agent hereunder.

SURETYSHIP WAIVERS BY VALHI, ETC.

(a) Valhi agrees that its obligations hereunder are irrevocable, absolute, independent and unconditional and shall not be affected by any circumstance which constitutes a legal or equitable discharge of a guarantor or surety other than payment in full of the Secured Obligations. In furtherance of the foregoing and without limiting the generality thereof, Valhi agrees as follows: (i) Collateral Agent may from time to time, without notice or demand and without affecting the validity or enforceability of this Agreement or giving rise to any limitation, impairment or discharge of Valhi's liability hereunder, (A) renew, extend, accelerate or otherwise change the time, place, manner or terms of payment of the Secured Obligations, (B) settle, compromise, release or discharge, or accept or refuse any offer of performance with respect to, or substitutions for, the Secured Obligations or any agreement relating thereto and/or subordinate the payment of the same to the payment of any other obligations, (C) request and accept guaranties of the Secured Obligations and take and hold other security for the payment of the Secured obligations, (D) release, exchange, compromise, subordinate or modify, with or without consideration, any other security for payment of the Secured Obligations, any guaranties of the Secured Obligations, or any other obligation of any Person with respect to the Secured Obligations, (E) enforce and apply any other security now or hereafter held by or for the benefit of Collateral Agent in respect of the Secured Obligations and direct the order or manner of sale thereof, or exercise any other right or remedy that Collateral Agent may have against any such security, as Collateral Agent in its discretion may determine consistent with the Notes and any applicable security agreement, including foreclosure on any such security pursuant to one or more judicial or nonjudicial sales, whether or not every aspect of any such sale is commercially reasonable, and (F) exercise any other rights available to Collateral Agent under the Notes, at law or in equity; and (ii) this Agreement and the obligations of Valhi hereunder shall be valid and enforceable and shall not be subject to any limitation, impairment or discharge for any reason (other than payment in full of the Secured Obligations), including without limitation the occurrence of any of the following, whether or not Valhi shall have had notice or knowledge of any of them: (A) any failure to assert or enforce or agreement not to assert or enforce, or the stay or enjoining, by order of court, by operation of law or otherwise, of the exercise or enforcement of, any claim or demand or any right, power or remedy with respect to the Secured Obligations or any agreement relating thereto, or with respect to any guaranty of or other security for the payment of the Secured Obligations, (B) any waiver, amendment or modification of, or any consent to departure from, any of the terms or provisions (including without limitation provisions relating to events of default) of the Notes or any agreement or instrument executed pursuant thereto, or of any guaranty or other security for the Secured Obligations, (C) the Secured Obligations, or any agreement relating thereto, at any time being found to be illegal, invalid or unenforceable in any respect, (D) any failure to perfect or continue perfection of a security interest in any other collateral which secures any of the Secured Obligations, (E) any defenses, set-offs or counterclaims which Company may allege or assert against Collateral Agent in respect of the Secured Obligations, including but not limited to failure of consideration, breach of warranty, payment, statute of frauds, statute of limitations, accord and satisfaction and usury, and (F) any other act or thing or omission, or delay to do any other act or thing, which may or might in any manner or to any extent vary the risk of Valhi as an obligor in respect of the Secured Obligations.

(b) Valhi hereby waives, for the benefit of Collateral Agent: (i) any right to require Collateral Agent, as a condition of payment or performance by Valhi, to (A) proceed against Company, any guarantor of the Secured Obligations or any other Person, (B) proceed against or exhaust any other security held from Company, any guarantor of the Secured Obligations or any other Person, (C) proceed against or have resort to any balance of any deposit account or credit on the books of Collateral Agent in favor of Company or any other Person, or (D) pursue any other remedy in the power of Collateral Agent whatsoever; (ii) any defense arising by reason of the incapacity, lack of authority or any disability or other defense of Company including, without limitation, any defense based on or arising out of the lack of validity or the

unenforceability of the Secured Obligations or any agreement or instrument relating thereto or by reason of the cessation of the liability of Company from any cause other than payment in full of the Secured Obligations; (iii) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal; (iv) any defense based upon Collateral Agent's errors or omissions in the administration of the Secured Obligations, except behavior which amounts to bad faith; (v) (A) any principles or provisions of law, statutory or otherwise, which are or might be in conflict with the terms of this Agreement and any legal or equitable discharge of Valhi's obligations hereunder, (B) the benefit of any statute of limitations affecting Valhi's liability hereunder or the enforcement hereof, (C) any rights to set-offs, recoupments and counterclaims, and (D) promptness, diligence and any requirement that Collateral Agent protect, secure, perfect or insure any other security interest or lien or any property subject thereto; (vi) notices, demands, presentments, protests, notices of protest, notices of dishonor and notices of any action or inaction, notices of default under the Notes or any agreement or instrument related thereto, notices of any renewal, extension or modification of the Secured Obligations or any agreement related thereto, notices of any extension of credit to Company and notices of any of the matters referred to in the preceding paragraph and any right to consent to any thereof; and (vii) to the fullest extent permitted by law, any defenses or benefits that may be derived from or afforded by law which limit the liability of or exonerate guarantors or sureties, or which may conflict with the terms of this Agreement.

(c) Until the Secured Obligations shall have been paid in full, Valhi shall withhold exercise of (i) any claim, right or remedy, direct or indirect, that Valhi now has or may hereafter have against Company or any of its assets in connection with this Agreement or the performance by Valhi of its obligations hereunder, in each case whether such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise and including without limitation (A) any right of subrogation, reimbursement or indemnification that Valhi now has or may hereafter have against Company, (B) any right to enforce, or to participate in, any claim, right or remedy that Collateral Agent now has or may hereafter have against Company, and (C) any benefit of, and any right to participate in, any other collateral or security now or hereafter held by Collateral Agent, and (ii) any right of contribution Valhi may have against any guarantor of any of the Secured Obligations. Valhi further agrees that, to the extent the waiver of its rights of subrogation, reimbursement, indemnification and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation, reimbursement or indemnification Valhi may have against Company or against any other collateral or security, and any rights of contribution Valhi may have against any such guarantor, shall be junior and subordinate to any rights Collateral Agent may have against Company, to all right, title and interest Collateral Agent may have in any such other collateral or security, and to any right Collateral Agent may have against any such guarantor.

(e) Collateral Agent shall have no obligation to disclose or discuss with Valhi its assessment, or Valhi's assessment, of the financial condition of Company. Valhi has adequate means to obtain information from Company on a continuing basis concerning the financial condition of Company and its ability to perform its obligations under the Notes, and Valhi assumes the responsibility for being and keeping informed of the financial condition of Company and of all circumstances bearing upon the risk of nonpayment of the Secured Obligations. Valhi hereby waives and relinquishes any duty on the part of Collateral Agent to disclose any matter, fact or thing relating to the business, operations or condition of Company now known or hereafter known by Collateral Agent.

SUBROGATION. After all of the Notes have been paid in full in cash,

Valhi shall be subrogated to the right of the holders of the Notes to receive distributions and payments applicable to the Notes to the extent that any proceeds of the Valhi/Snake Account have been applied to the payment of the Notes. Proceeds of the Valhi/Snake Account that have been applied to the payment of the Notes are not, as between the Company and Valhi, a payment by the Company on the Notes.

AMENDMENTS; ETC. No amendment or waiver of any provision of this

Agreement, or consent to any departure by Company or Valhi herefrom, shall in any event be effective unless the same shall be in writing and signed by Collateral Agent, the Company and Valhi and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

NOTICES. Any notice or other communication herein required or

permitted to be given shall be in writing and may be personally served, telecopied or sent by United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telecopy, or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as set forth under such party's name on the signature pages hereof or, as to either party, such other address as shall be designated by such party in a written notice delivered to the other party hereto.

FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure

or delay on the part of Collateral Agent in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SEVERABILITY. In case any provision in or obligation under this

Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

HEADINGS. Section and subsection headings in this Agreement are

included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

GOVERNING LAW; TERMS. THIS AGREEMENT SHALL BE GOVERNED BY, AND

SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PAYMENT DEPOSIT ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Note Purchase Agreements, terms used in Article 9 of the Uniform Commercial Code in the State of New York are used herein as therein defined.

CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL

PROCEEDINGS BROUGHT AGAINST COMPANY OR VALHI ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT EACH OF COMPANY AND VALHI ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT.

WAIVER OF JURY TRIAL. EACH OF COMPANY, VALHI AND COLLATERAL AGENT

HEREBY AGREES TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction,

including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Company, Valhi and Collateral Agent each acknowledge that this waiver is a material inducement for Company, Valhi and Collateral Agent to enter into a business relationship, that Company, Valhi and Collateral Agent have already relied on this waiver in entering into this Agreement and that each will continue to rely on this waiver in their related future dealings. Each of Company, Valhi and Collateral Agent further warrants and represents that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

COUNTERPARTS. This Agreement may be executed in one or more

counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, Company, Valhi and Collateral Agent have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first written above.

SNAKE RIVER SUGAR COMPANY

By:

Name:

Title:

Notice Address:
Snake River Sugar Company
2427 Lincoln Avenue
P.O. Box 1520
Ogden, Utah 84402

VALHI, INC.

By:

Name:
Title:

Notice Address:

Valhi, Inc.
Three Lincoln Center
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240-2697

FIRST SECURITY BANK, NATIONAL ASSOCIATION, as
Collateral Agent

By:

Name:

Title:

Notice Address:

First Security Bank,
National Association
79 South Main Street
Corporate Trust Department
Salt Lake City, Utah 84111

VOTING RIGHTS AND FORBEARANCE AGREEMENT{PRIVATE }

This Voting Rights and Forbearance Agreement (this "AGREEMENT") supplements the Deposit Trust Agreement (as defined below) and is made this 14th day of May, 1997 by and among (i) AMALGAMATED COLLATERAL TRUST, a Delaware business trust (the "SPT") created pursuant to the Deposit Trust Agreement (the "DEPOSIT TRUST AGREEMENT") dated as of May 14, 1997 between ASC Holdings, Inc., a Utah corporation ("AMALGAMATED"), Wilmington Trust Company, as Resident Trustee (as defined on the Deposit Trust Agreement), and Amalgamated, as Company Trustee (as defined on the Deposit Trust Agreement), (ii) AMALGAMATED, as holder of the Certificate of Beneficial Interest issued by the SPT, (iii) Amalgamated, as the Company Trustee under the Deposit Trust Agreement, and (iv) FIRST SECURITY BANK, NATIONAL ASSOCIATION, as Collateral Agent (the "COLLATERAL AGENT") under the Collateral Agency Agreement dated as of May 14, 1997 among Snake River Sugar Company, an Oregon agricultural cooperative ("SNAKE RIVER"), the Collateral Agent and the purchasers (the "PURCHASERS") referred to in the Note Purchase Agreements (the "NOTE PURCHASE AGREEMENTS") dated May 14, 1997 between the Purchasers and Snake River (terms defined in the Note Purchase Agreements and not otherwise defined herein shall have the meanings provided in the Note Purchase Agreements).

WHEREAS, pursuant to the Company Agreement (the "COMPANY AGREEMENT") dated January 3, 1997 as amended May 14, 1997 among The Amalgamated Sugar Company LLC, a Delaware limited liability company (the "COMPANY"), Snake River and Amalgamated, Snake River received the SR Interest in the Company and Amalgamated received the AGM Interest in the Company, each as defined in the Company Agreement;

WHEREAS, pursuant to the Deposit Trust Agreement and to the First Amendment to the Company Agreement dated as of May 14, 1997 (the "FIRST AMENDMENT"), the AGM Interest was transferred and assigned to the SPT in exchange for a beneficial interest in the SPT;

WHEREAS, Valhi, Inc. has issued to Snake River a Limited Recourse Promissory Note dated January 3, 1997 in aggregate principal amount of $212,500,000 (the "LIMITED RECOURSE NOTE") and a Subordinated Promissory Note dated January 3, 1997 in aggregate principal amount of $37,500,000 (the "SUBORDINATED NOTE") (collectively, as they may be amended, supplemented, restated or otherwise modified from time to time, the "SNAKE RIVER LOAN NOTES").

WHEREAS, pursuant to the Pledge Agreement dated as of May 14, 1997 between the SPT and Snake River, as Secured Party (as it may be amended, supplemented or otherwise modified from time to time, the "SPT PLEDGE AGREEMENT"), the SPT assigned all of its right, title and interest in and to the AGM Interest to Snake River to secure (i) the obligations of the SPT under the Guaranty dated as of May 14, 1997 (the "SPT GUARANTY") pursuant to which the SPT has guaranteed the Limited Recourse Note, and (ii) the obligations of Valhi, Inc. ("VALHI") under the Subordinated Note; and pursuant to the Pledge Agreement dated as of May 14, 1997 between Amalgamated and Snake River, as Secured Party (as it may be amended, supplemented or otherwise modified from time to time, the "VALHI ENTITY PLEDGE AGREEMENT"), Amalgamated assigned all of its right, title and interest in and to the beneficial interest in SPT to Snake River to secure the obligations of Valhi under the Snake River Loan Notes ; and pursuant to the Pledge Agreement dated as of May 14, 1997 between Snake River and the Collateral Agent, as Secured Party (as it may be amended, supplemented or otherwise modified from time to time, the "SNAKE RIVER PLEDGE AGREEMENT" and together with the SPT Pledge Agreement and the Valhi Entity Pledge Agreement, the "PLEDGE AGREEMENTS"), Snake River assigned all of its right, title and interest in and to the SPT Guaranty, the SPT Pledge Agreement and the AGM Interest and the Valhi Entity Pledge Agreement and the beneficial interest in SPT to the Collateral Agent to secure Snake River's obligations under the Note Purchase Agreements and the 10.80% Senior Notes due April 30, 2009 (the "SENIOR NOTES") issued pursuant thereto;

WHEREAS, the AGM Interest is entitled to certain voting and other consensual rights with respect to the Company under certain conditions, all as set forth in the Company Agreement (the "AGM INTEREST RIGHTS"); and

WHEREAS, the parties hereto desire to enter into an agreement supplemental to the Deposit Trust Agreement with respect to the exercise of the AGM Interest Rights by the Company Trustee on behalf of the SPT;

NOW, THEREFORE, in consideration of the covenants contained herein, the parties hereto hereby agree as follows:

Authority of Company Trustee with Respect to the AGM Interest Rights. The parties acknowledge and agree that (i) the AGM Interest includes the AGM Interest Rights and that, accordingly, pursuant to the First Amendment and the Deposit Trust Agreement, the AGM Interest Rights have been transferred by Amalgamated to the SPT and (ii) pursuant to the Pledge Agreements, the AGM Interest Rights have been assigned by the SPT to Snake River and by Snake River to the Collateral Agent. Subject to the provisions of Sections 2 and 3 hereof and to the Pledge Agreements, the parties hereto agree that the Company Trustee shall be entitled to exercise, on behalf of the SPT, all AGM Interest Rights.

Termination of Company Trustee's Authority to Exercise the AGM Interest Rights. (a) The grant of authority to the Company Trustee pursuant to Section 1 and Section 3 shall terminate upon receipt by the Resident Trustee of notice from the Collateral Agent or Snake River of the occurrence of any one of the following events:

(i) the Snake River Loan shall have been accelerated by the Person or Persons entitled to take such action (including, without limitation, the Collateral Agent) or (ii) following a default on the Snake River Loan Notes permitting acceleration (a "SNAKE RIVER LOAN DEFAULT") such Person or Persons shall have commenced the exercise of remedies with respect to the Snake River Loan Notes or the AGM Interest or the Valhi Entity Pledge Agreement or the SPT Pledge Agreement.

(b) Upon termination as set forth in this Section 2 of the Company Trustee's right to exercise the AGM Interest Rights, the right to exercise such AGM Interest Rights shall revert in their entirety to the Resident Trustee and shall become exercisable, automatically and without the necessity of any action whatsoever by any Person, solely by the Resident Trustee (or the Collateral Agent pursuant to the terms of the Trust Agreement and the Pledge Agreements).

Limitation of Company Trustee's Authority to Exercise Certain AGM Interest Rights. (a) Notwithstanding the provisions of Section 1, until payment in full in cash of the Senior Notes issued pursuant to the Note Purchase Agreements, the Company Trustee agrees that, without consent of the Required Holders (as defined in the Note Purchase Agreements), the Company Trustee will not take any Control Action (as defined below) or take any enforcement action or exercise any rights or remedies with respect to any breach of the Company Agreement (pursuant to Section 16 of the Company Agreement or otherwise), provided, however, that:

(i) The Company Trustee may cause the SPT to take action to enforce specific performance of the provisions of the Company Agreement, other than (x) any provision which conflicts with any provision of the Note Purchase Agreements or the Collateral Agreements (as defined therein), or (y) the provisions of Section 6.3 except for Section 6.3(i) and Section 6.3(ii); and

(ii) The Company Trustee, on behalf of the SPT, may cause the election and continuation in office of a majority of the Management Committee of the Company as permitted by Section 16.2.1 of the Company Agreement ("CONTROL ACTION"; which Control Action shall be deemed to continue to be taken so long as the members of the Management Committee elected by the Company Trustee constitute a majority of the Management Committee) if (x) the unpaid Accrual (as defined in the Company Agreement) exceeds the Accrual Threshold (as

defined in the Company Agreement), or (y) the Triggering Event (as defined in the Company Agreement) giving rise to the Company Trustee's ability to exercise and continue Control Action is a default under the provisions of Article III, or Sections 6.3, 8.4.1, or 11.1 of the Company Agreement and (z) in each case if the Company Trustee delivers to the Resident Trustee and to the Collateral Agent a certificate executed by two officers of the Company Trustee certifying to such effect, and provided further that if more than 30 days shall have elapsed following written notice (a "DEFAULT NOTICE") by or on behalf of the Required Holders to the Company Trustee, the Resident Trustee and the Collateral Agent of their intention, following an Event of Default, to accelerate the Senior Notes or, following an Event of Default, to exercise any remedies other than those set forth in Section 2 above then the Company Trustee may only exercise Control Action if:

A. No Snake River Loan Default shall exist, and on or prior to the end of such 30-day period, the Company Trustee shall have caused Valhi to loan funds, which loan shall be subject to the terms of the Note Purchase Agreement and the Subordination Agreement, to Snake River and Snake River shall have irrevocably deposited with the Collateral Agent pursuant to the Voting Rights Collateral Deposit Agreement as security for the payment of the Senior Notes not less than $5,000,000 in cash; provided that in lieu of loaning such cash to Snake River, Valhi may cause, on a nonrecourse basis to Snake River, an irrevocable letter of credit, in form and substance reasonably satisfactory to the Required Holders, to be issued in favor of the Collateral Agent by a bank organized in the United States and having a long-term debt rating of "A" or better from Standard & Poor's Ratings Service, a division of McGraw Hill Companies, or "A2" or better from Moody's Investors Services, Inc. and a combined capital and surplus in excess of $500,000,000 (a "LETTER OF CREDIT"), in an amount of not less than $5,000,000; and

B. No Snake River Loan Default shall exist, and on or prior to the end of the 75th day following the date of the Default Notice, the Company Trustee shall have caused Valhi to loan funds, which loan shall be subject to the terms of the Note Purchase Agreement and the Subordination Agreement, to Snake River and Snake River shall have irrevocably deposited with the Collateral Agent pursuant to the Voting Rights Collateral Deposit Agreement as additional cash collateral or caused a Letter of Credit to be delivered to Collateral Agent in an amount sufficient to cause the sum of (x) the $5,000,000 previously deposited pursuant to the immediately preceding subparagraph A plus

(y) the amount of such additional collateral deposited pursuant to this subparagraph B to equal or exceed the next 12 months' scheduled debt service on the Senior Notes (including interest and principal payments).

(b) Notwithstanding the deposit of additional cash collateral and/or any Letters of Credit as contemplated by subsection (a)(ii) above, the Company Trustee shall not be entitled to exercise any Control Action on and after the date which is 30 days after the last day of the fourth fiscal quarter of Snake River ended after the date on which cash collateral or a Letter of Credit is first deposited pursuant to subsection (A) above if any Specified Default specified in the Subordination Agreement then exists, unless Amalgamated shall have caused Valhi to loan funds, subject to the terms of the Note Purchase Agreement and the Subordination Agreement, to Snake River and Snake River shall have irrevocably deposited with the Collateral Agent pursuant to the Voting Rights Collateral Deposit Agreement additional cash collateral or a Letter of Credit in an amount which, when added to the amount previously deposited pursuant to subsection (a)(ii)(A) and subsection (a)(ii)(B) above (plus any earnings thereon held by the Collateral Agent), equals or exceeds the next 36 months' debt service on the Senior Notes (including interest and principal payments).

(c) All collateral deposited with the Collateral Agent pursuant to subsections (a) and (b) above shall be held by the Collateral Agent as additional collateral for the Senior Notes and the Note Purchase Agreements pursuant to the Voting Rights Collateral Deposit Agreement. All such collateral deposited with the Collateral Agent pursuant to subsections (a) and (b) above, together with any earnings thereon, shall be returned to Snake River for repayment to Valhi in accordance with the terms of the Subordination Agreement: (i) if no Event of Default on the Senior Notes has occurred and is continuing,

then five Business Days after the Company Trustee has notified Snake River and the Collateral Agent that Amalgamated has ceased to exercise Control Action and has caused its representatives to resign from the Management Committee of the Company (and no Control Action may thereafter be exercised by the Company Trustee hereunder unless the terms and conditions of this Agreement, including Sections 3(a)(ii)(A) and 3(a)(ii)(B) above are again fully complied with in respect of such exercise of Control Action), (ii) if the Senior Notes and all other amounts payable under the Note Purchase Agreements are paid in full, or (iii) if consented to by the Required Holders (including Valhi if Valhi has acquired all of the Senior Notes).

(d) If any of the conditions set forth in this Section 3 to the exercise by the Company Trustee of Control Action are not at any time satisfied in full, the Collateral Agent, at the direction of the Required Holders, shall notify the Resident Trustee and the Company Trustee of such non-satisfaction, and immediately upon receipt of such notice by the Resident Trustee, all rights of the Company Trustee to exercise Control Action shall automatically terminate and the Company Trustee will cause its representatives to resign from the Management Committee of the Company (and, if the Company Trustee shall fail to so cause such resignations, then the Collateral Agent is hereby authorized to direct the Resident Trustee to cause such resignations); provided that at such time as the Collateral Agent, at the direction of the Required Holders, rescinds such notice, the Company Trustee's rights to exercise Control Action under this Section 3 shall be reinstated, subject to the right of the Collateral Agent, at the direction of the Required Holders, to deliver additional notices under this Section 3(d).

(e) Notwithstanding anything to the contrary herein, without prior written consent of all of the holders of the Senior Notes, the Company Trustee shall take no action, directly or indirectly, to dissolve or liquidate the Company pursuant to Section 13.1.1(d) of the Company Agreement or otherwise.

Compliance with Note Purchase Agreements. The Company Trustee

hereby agrees that at all times that it is entitled to exercise the AGM Interest Rights, the Company Trustee shall use reasonable commercial efforts to cause the Company to comply with (and shall take no action which would cause the Company to violate) the Trust Agreement and the covenants and other obligations applicable to the Company under the Note Purchase Agreements and the Collateral Documents, and shall not exercise any AGM Interest Rights inconsistent with the terms of the Note Purchase Agreements and the Collateral Documents. Nothing in this Section 4 shall require the Company Trustee to make additional contributions to the Company or cause the Company Trustee to be or be deemed to be a guarantor of the Senior Notes.

Continuation of Obligations Under Snake River Loan Notes. The

deposit of cash collateral and/or Letters of Credit pursuant to this Agreement shall not relieve Valhi or any other Person of any payment obligations under the Snake River Loan Notes or relieve Snake River or any other Person of any payment obligations under the Note Purchase Agreements and the Senior Notes.

Representations of the SPT. The SPT hereby represents and

warrants that (a) it owns beneficially and of record and, subject to the Company Agreement and the Pledge Agreements, has the right to vote the AGM Interest, (b) it has full power and authority to enter into and perform its obligations under this Agreement and has not, prior to the date of this Agreement, executed or delivered any proxy or entered into any other voting agreement or similar arrangement, and (c) it will not take any action inconsistent with the purposes and provisions of this Agreement.

Representations of Amalgamated and the Collateral Agent. Each of

the Company Trustee and the Collateral Agent represents and warrants that (a) it has full power to enter into and perform its obligations under this Agreement, (b) this Agreement has been duly authorized by all necessary action on behalf of such party and (c) it will not take an action inconsistent with the purposes and provisions of this Agreement, except in the case of the Collateral Agent,

pursuant to the exercise of rights and remedies under the Pledge Agreements.

Enforceability; Validity. Each party hereto expressly agrees that this Agreement shall be specifically enforceable in any court of competent jurisdiction in accordance with its terms and against each of the parties hereto.

General Provisions. (a) All of the covenants and agreements contained in this Agreement shall be binding upon, and inure to the benefit of, the respective parties and their successors, assigns, heirs, executors, administrators and other legal representatives, as the case may be.

This Agreement, and the rights of the parties hereto, shall be governed by and construed in accordance with the laws of the State of Delaware.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

No amendment, modification, termination or waiver of any provision of this Agreement, and no consent to any departure by the Company Trustee therefrom, shall in any event be effective unless the same shall be in writing and signed by the other parties hereto and, in the case of any such amendment or modification, by the Company Trustee. Any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

If any provision of this Agreement shall be declared void or unenforceable by any court or administrative board of competent jurisdiction, such provision shall be deemed to have been severed from the remainder of this Agreement, and this Agreement shall continue in all other respects to be valid and enforceable.

(f) Nothing herein shall limit in any way the rights and remedies of the Collateral Agent under any of the Pledge Agreements.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

AMALGAMATED COLLATERAL TRUST

By: Wilmington Trust Company, not in its individual capacity but solely as Trustee

By:

Name:

Title:

ASC HOLDINGS, INC., individually and as Company Trustee

By:

Name:

Title:

FIRST SECURITY BANK, NATIONAL ASSOCIATION, as

Collateral Agent

By:

Name:

Title:

As of the date first above written, The Amalgamated Sugar Company LLC, a Delaware limited liability company (the "COMPANY"), hereby acknowledges and agrees to be bound by the terms and provisions of the foregoing Voting Rights Agreement among Amalgamated Collateral Trust, ASC Holdings, Inc. and First Security Bank, National Association; provided, however, that the LLC shall

neither be a party to, nor a third-party beneficiary of, the foregoing agreement.

THE AMALGAMATED SUGAR COMPANY LLC

By:

Name:

Title:

VOTING RIGHTS COLLATERAL DEPOSIT AGREEMENT{PRIVATE }

This COLLATERAL DEPOSIT AGREEMENT (this "AGREEMENT") is dated as of May 14, 1997 and entered into by and between SNAKE RIVER SUGAR COMPANY, an Oregon cooperative (the "COMPANY"), Valhi, Inc., a Delaware corporation ("VALHI") and FIRST SECURITY BANK, NATIONAL ASSOCIATION, as Collateral Agent (the "COLLATERAL AGENT") for the holders of the Notes referred to below.

PRELIMINARY STATEMENTS

Pursuant to those certain Note Purchase Agreements (the "NOTE PURCHASE AGREEMENTS," the terms defined therein and not otherwise defined herein being used herein as therein defined), each dated May 14, 1997, between the Company and the purchasers referred to therein (the "PURCHASERS"), the Company has issued to the Purchasers $100,000,000 aggregate principal amount of its 10.80% Senior Notes due April 30, 2009 (said Senior Notes, as they may hereafter be amended, supplemented or otherwise modified from time to time, being the "NOTES").

Pursuant to a Loan and Security Agreement dated as of January 3, 1997, as amended and restated by the Subordinated Loan Agreement dated as of May 14, 1997, Company has issued to Valhi a subordinated note in the principal amount of $80,000,000 (as such subordinated note may be amended, renewed or otherwise modified from time to time the "SUBORDINATED NOTE"). The Subordinated Note is subordinated to the Notes pursuant to the Subordination Agreement, dated as of the date hereof, by Valhi and the Company in favor of the holders of the Notes (as it may be amended, supplemented or otherwise modified from time to time the "SUBORDINATION AGREEMENT").

Valhi is the indirect holder of 100% of the outstanding stock of the sole beneficial owner of ASC Holdings, Inc. ("ASC").

Pursuant to the Company Agreement (the "COMPANY AGREEMENT") dated January 3, 1997 as amended May 14, 1997 among The Amalgamated Sugar Company LLC, a Delaware limited liability company, the Company and ASC, the Company received the SR Interest and ASC received the AGM Interest (each as defined in the Company Agreement).

Pursuant to the Deposit Trust Agreement, dated as of the date hereof (the "DEPOSIT TRUST AGREEMENT"), between ASC, as depositor and company trustee, and Wilmington Trust Company, as resident trustee, and to the First Amendment to the Company Agreement dated as of May 14, 1997, the AGM Interest was transferred and assigned by ASC to The Amalgamated Collateral Trust, a Delaware business trust (the "TRUST") in exchange for a beneficial interest in the Trust.

The AGM Interest is entitled to certain voting and other consensual rights under certain conditions as set forth in the Company Agreement (the "AGM INTEREST RIGHTS").

Pursuant to the Voting Rights and Forbearance Agreement, dated as of the date hereof, among the Trust, ASC, as the holder of the beneficial interest in the Trust, ASC, as the company trustee under the Deposit Trust Agreement and the Collateral Agent (as it may be amended, supplemented or otherwise modified from time to time the "VOTING RIGHTS AGREEMENT"), ASC will be entitled as Company Trustee to exercise on behalf of the Trust the AGM Interest Rights under certain circumstances (as set forth more fully in the Deposit Trust Agreement and the Voting Rights Agreement), which circumstances may include the making of a cash deposit by the Company with the Collateral Agent (or in lieu thereof the delivery to the Collateral Agent of a Letter of Credit) to be held as collateral security for the Company's obligations under the Notes and the Note Purchase Agreements. As contemplated in the Voting Rights Agreement, (i) such cash deposit would be made by the Company from the proceeds of a loan from Valhi to the Company which loan will be subordinated to the Notes pursuant to the Subordination Agreement and (ii) such Letter of Credit would be obtained by

Valhi, any reimbursement obligation in respect thereof being non-recourse to the Company.

NOW, THEREFORE, in consideration of the premises and in order to induce the Purchasers to purchase Notes under the Note Purchase Agreements and direct the Collateral Agent to enter into the Voting Rights Agreement and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company hereby agrees with Collateral Agent as follows:

DEFINITIONS. The following terms used in this Agreement shall have the following meanings:

"CASH DEPOSIT" or "CASH DEPOSITS" means any cash deposited into the Payment Deposit Account pursuant to this Agreement and the Voting Rights Agreement, including cash obtained through a drawing on a Letter of Credit.

"CASH EQUIVALENTS" means, as at any date of determination, (i) marketable securities issued or directly and unconditionally guaranteed by the United States Government or issued by any agency thereof and backed by the full faith and credit of the United States, in each case maturing within thirty (30) days from such date; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within thirty (30) days from such date and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; (iii) commercial paper maturing no more than thirty (30) days from such date and, at the time of acquisition thereof, having the highest rating obtainable from either Standard & Poor's Corporation or Moody's Investors Service, Inc.; and (iv) certificates of deposit or bankers' acceptances maturing within thirty (30) days from such date issued by any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having unimpaired capital and surplus of not less than $500,000,000.

"INVESTMENTS" means those investments, if any, made by the Collateral Agent pursuant to Section 5.

"LETTER OF CREDIT" means an irrevocable letter of credit, in form and substance satisfactory to the Required Holders, (i) issued by a bank organized in the United States having (A) a long-term debt rating of "A" or better from Standard & Poor's Ratings Service, a division of McGraw Hill Companies, or "A2" or better from Moody's Investors Services, Inc. and (B) a combined capital and surplus in excess of $500,000,000, (ii) the beneficiary of which is the Collateral Agent, (iii) with a face amount of not less than that amount called for by the Voting Rights Agreement and (iv) upon which the Collateral Agent may make a drawing at sight upon presentation of a draft. The Collateral Agent shall not be required to present any documentation (other than a sight draft) in order to draw upon any Letter of Credit.

"PAYMENT DEPOSIT" means (i) the Payment Deposit Account and all amounts from time to time on deposit therein, (ii) any Cash Deposits, (iii) all Investments, including all certificates and instruments from time to time representing or evidencing such Investments and any account or accounts in which such Investments may be held by, or in the name of, the Collateral Agent for or on behalf of the Company, (iv) all notes, certificates of deposit, checks and other instruments and all deposits and securities from time to time hereafter transferred to or otherwise possessed by, or held in the name of, the Collateral Agent for or on behalf of the Company in substitution for or in addition to any or all of the Payment Deposit, (v) any Letter of Credit, (vi) all interest, dividends, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Payment Deposit, and (vii) to the extent not covered by clauses (i) through (vi) above, all proceeds of any or all of the foregoing Payment Deposit.

"PAYMENT DEPOSIT ACCOUNT" means the deposit account established and maintained by the Collateral Agent pursuant to Section 2 hereof.

"SECURED OBLIGATIONS" means all obligations and liabilities of every

nature of Company now or hereafter existing under or arising out of or in connection with the Note Purchase Agreements, the Notes and the Collateral Documents and all extensions or renewals thereof, whether for principal, interest (including without limitation interest that, but for the filing of a petition in bankruptcy with respect to Company, would accrue on such obligations), fees, expenses, indemnities or otherwise, whether voluntary or involuntary, direct or indirect, absolute or contingent, liquidated or unliquidated, whether or not jointly owed with others, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations or liabilities that are paid, to the extent all or any part of such payment is avoided or recovered directly or indirectly from Collateral Agent or any holder of a Note as a preference, fraudulent transfer or otherwise, and all obligations of every nature of Company now or hereafter existing under this Agreement.

PAYMENT DEPOSIT ACCOUNT; FUNDING OF ACCOUNT.

The Collateral Agent will establish and maintain at its office at 79 South Main Street, Corporate Trust Department, Salt Lake City, Utah, as a blocked account in the name of the Collateral Agent and under the sole dominion and control of the Collateral Agent, a deposit account designated as "Snake River Voting Rights Payment Deposit Account."

Deposits to the Payment Deposit Account shall be made pursuant to Section 3 of the Voting Rights Agreement. The Payment Deposit shall be returned to as set forth in Section 3(c) of the Voting Rights Agreement.

Any interest received in respect of Investments of any amounts held in the Payment Deposit Account shall be delivered by the Collateral Agent to the Company on the last Business Day of each March, June, September and December; provided that such interest shall be retained in the Payment Deposit

Account to the extent necessary to keep the amount held in the Payment Deposit Account above the minimum level called for in the Voting Rights Agreement; provided further that the Collateral Agent shall not deliver to the Company any

such interest received in respect of Investments if an Event of Default or Default with respect to the Secured Obligations has occurred and is then continuing.

If a Letter of Credit is part of the Payment Deposit, then prior to the date (the "Drawing Date") which is 30 days before the expiration of such Letter of Credit (or any replacement Letter of Credit issued pursuant to this Section 2(d)), Valhi shall cause to be issued in favor of the Collateral Agent a Letter of Credit to replace such expiring Letter of Credit or shall cause the expiration date of such Letter of Credit to be extended. If Valhi shall not have caused to be issued in favor of the Collateral Agent such replacement Letter of Credit or have caused such expiration date to be extended on or before the Drawing Date, the Collateral Agent shall draw upon the expiring Letter of Credit and deposit the proceeds thereof in the Payment Deposit Account to be held as part of the Payment Deposit.

PLEDGE OF SECURITY FOR SECURED OBLIGATIONS. The Company hereby

pledges and assigns to the Collateral Agent, and hereby grants to the Collateral Agent a security interest in, all of the Company's right, title and interest in and to the Payment Deposit as collateral security for the prompt payment or performance in full when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including the payment of amounts that would become due but for the operation of the automatic stay under Section 362(a) of the Bankruptcy Code, 11 U.S.C. Section362(a)), of all the Secured Obligations.

DELIVERY OF PAYMENT DEPOSIT. Deposits into the Payment Deposit

Account shall be in the form of a Cash Deposit, except that, pursuant to the Voting Rights Agreement, ASC may elect to cause Valhi to cause a Letter of

Credit to be issued in favor of the Collateral Agent.

INVESTMENT OF AMOUNTS IN THE PAYMENT DEPOSIT ACCOUNT. Cash held by the Collateral Agent in the Payment Deposit Account shall not be invested or reinvested except as provided in this Section 5.

Except as otherwise provided in Section 13, any cash on deposit in the Payment Deposit Account shall, so long as no Event of Default or Default has occurred and is continuing, be invested by the Collateral Agent, in its own name, in such Cash Equivalents from time to time designated by the Company in written notices to the Collateral Agent.

The Collateral Agent is hereby authorized to sell, and shall sell, all or any designated part of the securities constituting part of the Payment Deposit (i) so long as no Event of Default or Default with respect to the Secured Obligations shall have occurred and be continuing, upon receipt of appropriate written instructions from the Company or (ii) in any event if such sale is necessary to permit the Collateral Agent to perform its duties hereunder. The Collateral Agent shall have no responsibility for any loss resulting from a fluctuation in interest rates or otherwise. Subject to the provisions of Section 2(c), any interest received in respect of securities constituting part of the Payment Deposit, and the net proceeds of the sale or payment of any such securities, shall be held in the Payment Deposit Account by the Collateral Agent pending investment thereof pursuant to Section 5(a).

The Payment Deposit Account shall be subject to such applicable laws, and such applicable regulations of the Board of Governors of the Federal Reserve System and of any other appropriate banking or governmental authority, as may now or hereafter be in effect.

REPRESENTATIONS AND WARRANTIES. The Company represents and warrants as follows:

Ownership of Payment Deposit. The Company is (or at the time of transfer thereof to the Collateral Agent will be) the legal and beneficial owner of the Payment Deposit from time to time transferred by the Company to the Collateral Agent, free and clear of any Lien except for the security interest created by this Agreement.

Governmental Authorizations. No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for (i) the grant by the Company of the security interest granted hereby, (ii) the execution, delivery or performance of this Agreement by the Company or (iii) the perfection or exercise by the Collateral Agent of its rights and remedies hereunder (except as may have been taken by or at the direction of the Company) other than the filing of appropriate UCC-1 financing statements.

Perfection. Assuming continued possession by the Collateral Agent of the Payment Deposit, the pledge and assignment of the Payment Deposit pursuant to this Agreement creates a valid and perfected first priority security interest in the Payment Deposit, securing the payment of the Secured Obligations.

Other Information. All information heretofore, herein or hereafter supplied to the Collateral Agent by or on behalf of the Company with respect to the Payment Deposit is accurate and complete in all material respects.

FURTHER ASSURANCES. The Company agrees that from time to time, at the expense of the Company, the Company will promptly execute and deliver all further instruments and documents, and take all further action, that may be

necessary or desirable, or that the Collateral Agent may request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to the Payment Deposit. Without limiting the generality of the foregoing, the Company will: (i) execute and file such financing or continuation statements, or amendments thereto, and such other instruments or notices, as may be necessary or desirable, or as the Collateral Agent may request, in order to perfect and preserve the security interests granted or purported to be granted hereby and (ii) at the Collateral Agent's request, appear in and defend any action or proceeding that may affect the Company's title to or the Collateral Agent's security interest in all or any part of the Payment Deposit.

TRANSFERS AND OTHER LIENS. The Company agrees that it will not

(a) sell, assign (by operation of law or otherwise) or otherwise dispose of any part of the Payment Deposit or (b) create or suffer to exist any Lien upon or with respect to any of the Payment Deposit, except in favor of the Collateral Agent.

COLLATERAL AGENT APPOINTED ATTORNEY-IN-FACT. The Company hereby

irrevocably appoints the Collateral Agent as the Company's attorney-in-fact, with full authority in the place and stead of the Company and in the name of the Company, the Collateral Agent or otherwise, from time to time in the Collateral Agent's discretion to take any action and to execute any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes of this Agreement, including without limitation (a) to file one or more financing or continuation statements, or amendments thereto, relative to all or any part of the Payment Deposit without the signature of the Company and (b) to receive, endorse and collect any instruments made payable to the Company representing any dividend, principal or interest payment or other distribution in respect of the Payment Deposit or any part thereof and to give full discharge for the same.

COLLATERAL AGENT MAY PERFORM. If the Company fails to perform any

agreement contained herein, the Collateral Agent may itself perform, or cause performance of, such agreement, and the expenses of the Collateral Agent incurred in connection therewith shall be payable by the Company under Section 14.

STANDARD OF CARE. The powers conferred on the Collateral Agent

hereunder are solely to protect its interest in the Payment Deposit and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of the Payment Deposit in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to the Payment Deposit, it being understood that the Collateral Agent shall have no responsibility for (a) ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relating to the Payment Deposit, whether or not the Collateral Agent has or is deemed to have knowledge of such matters, (b) taking any necessary steps (other than steps taken in accordance with the standard of care set forth above to maintain possession of the Payment Deposit) to preserve rights against any parties with respect to the Payment Deposit, (c) taking any necessary steps to collect or realize upon the Secured Obligations or any guarantee therefor, or any part thereof, or any of the Payment Deposit, (d) initiating any action to protect the Payment Deposit against the possibility of a decline in market value, (e) any loss resulting from Investments made pursuant to Section 5, except for a loss resulting from the Collateral Agent's gross negligence or willful misconduct in complying with Section 5, or (f) determining (i) the correctness of any statement or calculation made by the Company in any written instructions or (ii) whether any deposit in the Payment Deposit Account is proper. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of the Payment Deposit in its possession if such Payment Deposit is accorded treatment substantially equal to that which the Collateral Agent accords its own property consisting of negotiable securities.

REMEDIES. If any Event of Default shall have occurred and be continuing with respect to the Secured Obligations, the Collateral Agent may (i) exercise in respect of the Payment Deposit all rights and remedies provided for in the Notes, the Note Purchase Agreements and the Collateral Documents in respect of any collateral therein defined and (ii) make a drawing on any Letter of Credit in the face amount thereof. In addition to all other rights and remedies provided for herein or otherwise available to it, the Collateral Agent may exercise all the rights and remedies of a secured party on default under the Uniform Commercial Code as in effect in any relevant jurisdiction (the "CODE") (whether or not the Code applies to the affected Payment Deposit), and the Collateral Agent may also in its sole discretion, without notice except as specified below, sell the Payment Deposit or any part thereof in one or more parcels at public or private sale, at any exchange or broker's board or at any of the Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as the Collateral Agent may deem commercially reasonable, irrespective of the impact of any such sales on the market price of the Payment Deposit. Collateral Agent or any Noteholder may be the purchaser of all or any part of the Payment Deposit at any such sale, and Collateral Agent, as agent for and representative of the Noteholders (but not any Noteholder or Noteholders in its or their respective individual capacities unless the Required Holders shall otherwise agree in writing), shall be entitled, for the purpose of bidding and making settlement or payment of the purchase price for all or any portion of the Payment Deposit sold at any such public sale, to use and apply any of the Secured Obligations as a credit on account of the purchase price for any Payment Deposit payable by the Collateral Agent at such sale. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of the Company, and the Company hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Company agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to the Company of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of the Payment Deposit regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. If the proceeds of any sale or other disposition of the Payment Deposit are insufficient to pay all the Secured Obligations, the Company shall be liable for the deficiency and the fees of any attorneys employed by the Collateral Agent to collect such deficiency.

APPLICATION OF PROCEEDS. If, with respect to the Secured Obligations, any Event of Default shall have occurred and be continuing, all cash held by the Collateral Agent as Payment Deposit and all proceeds received by the Collateral Agent in respect of a drawing on a Letter of Credit and any sale of, collection from, or other realization upon all or any part of the Payment Deposit may, in the discretion of the Collateral Agent, be held by the Collateral Agent as Payment Deposit for, and/or then, or at any other time thereafter, applied in full or in part by the Collateral Agent against, the Secured Obligations in the following order of priority:

FIRST: To the payment of all costs and expenses of such sale, collection or other realization, including reasonable compensation to the Collateral Agent and its agents and counsel, and all other expenses, liabilities and advances made or incurred by the Collateral Agent in connection therewith, all amounts for which the Collateral Agent is entitled to indemnification hereunder and all advances made by the Collateral Agent hereunder for the account of the Company, and to the payment of all costs and expenses paid or incurred by the Collateral Agent in connection with the exercise of any right or remedy hereunder, all in accordance with Section 14;

SECOND: To the payment of all other Secured Obligations in such order as the Collateral Agent shall elect; and

THIRD: To the payment to or upon the order of the Company, or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds.

INDEMNITY AND EXPENSES.

The Company agrees to indemnify the Collateral Agent from and against any and all claims, losses and liabilities in any way relating to, growing out of or resulting from this Agreement and the transactions contemplated hereby (including, without limitation, enforcement of this Agreement), except to the extent such claims, losses or liabilities result solely from the Collateral Agent's gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

The Company will pay to the Collateral Agent upon demand the amount of any and all costs and expenses, including the reasonable fees and expenses of its counsel and of any experts and agents, that the Collateral Agent may incur in connection with (i) the administration of this Agreement, (ii) the custody, preservation, use or operation of, or the sale of, collection from, or other realization upon, any of the Payment Deposit, (iii) the exercise or enforcement of any of the rights of the Collateral Agent hereunder, or (iv) the failure by the Company to perform or observe any of the provisions hereof.

CONTINUING SECURITY INTEREST; TRANSFER OF NOTES. This Agreement shall create a continuing security interest in the Payment Deposit and shall (a) remain in full force and effect until the indefeasible payment in full of the Secured Obligations, (b) be binding upon the Company, its successors and assigns, and (c) inure, together with the rights and remedies of the Collateral Agent hereunder, to the benefit of the Collateral Agent and its successors, transferees and assigns. Without limiting the generality of the foregoing clause (c), but subject to the provisions of subsection 13.2 of the Note Purchase Agreements, any Noteholder may assign or otherwise transfer any Notes held by it to any other Person, and such other Person shall thereupon become vested with all the benefits in respect thereof granted to the Collateral Agent herein or otherwise.

COLLATERAL AGENT AS AGENT.

The Collateral Agent has been appointed to act as the Collateral Agent hereunder by the Purchasers. The Collateral Agent shall be obligated, and shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including, without limitation, the release or substitution of the Payment Deposit), solely in accordance with this Agreement and the Collateral Agency Agreement.

The Collateral Agent shall at all times be the same Person that is the Collateral Agent under the Collateral Agency Agreement. Written notice of resignation by the Collateral Agent pursuant to the Collateral Agency Agreement shall also constitute notice of resignation as the Collateral Agent under this Agreement; removal of the Collateral Agent pursuant to the Collateral Agency Agreement shall also constitute removal as the Collateral Agent under this Agreement; and appointment of a successor Collateral Agent pursuant to the Collateral Agency Agreement shall also constitute appointment of a successor Collateral Agent under this Agreement. Upon the acceptance of any appointment as the Collateral Agent under the Collateral Agency Agreement by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent under this Agreement, and the retiring or removed Collateral Agent under this Agreement shall promptly (i) transfer to such successor Collateral Agent all sums, securities and other items of Payment Deposit held hereunder (which shall be deposited in a new Payment Deposit Account established and maintained by such successor Collateral Agent), together

with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Collateral Agent under this Agreement and (ii) execute and deliver to such successor Collateral Agent such amendments to financing statements, and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Collateral Agent of the security interests created hereunder, whereupon such retiring or removed Collateral Agent shall be discharged from its duties and obligations under this Agreement. After any retiring or removed Collateral Agent's resignation or removal hereunder as the Collateral Agent, the provisions of this Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Agreement while it was the Collateral Agent hereunder.

AMENDMENTS; ETC. No amendment or waiver of any provision of this

Agreement, or consent to any departure by the Company herefrom, shall in any event be effective unless the same shall be in writing and signed by the Collateral Agent, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

NOTICES. Any notice or other communication herein required or

permitted to be given shall be in writing and may be personally served, telecopied or sent by United States mail or courier service and shall be deemed to have been given when delivered in person or by courier service, upon receipt of telecopy or four Business Days after depositing it in the United States mail, registered or certified, with postage prepaid and properly addressed. For the purposes hereof, the address of each party hereto shall be as designated by such party in a written notice delivered to the other party hereto.

FAILURE OR INDULGENCE NOT WAIVER; REMEDIES CUMULATIVE. No failure

or delay on the part of the Collateral Agent in the exercise of any power, right or privilege hereunder shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude any other or further exercise thereof or of any other power, right or privilege. All rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available.

SEVERABILITY. In case any provision in or obligation under this

Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

HEADINGS. Section and subsection headings in this Agreement are

included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

GOVERNING LAW; TERMS. THIS AGREEMENT SHALL BE GOVERNED BY, AND

SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO CONFLICTS OF LAWS PRINCIPLES, EXCEPT TO THE EXTENT THAT THE CODE PROVIDES THAT THE VALIDITY OR PERFECTION OF THE SECURITY INTEREST HEREUNDER, OR REMEDIES HEREUNDER, IN RESPECT OF ANY PARTICULAR PAYMENT DEPOSIT ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK. Unless otherwise defined herein or in the Note Purchase Agreements, terms used in Article 9 of the Code in the State of New York are used herein as therein defined.

CONSENT TO JURISDICTION AND SERVICE OF PROCESS. ALL JUDICIAL

PROCEEDINGS BROUGHT AGAINST VALHI AND/OR THE COMPANY ARISING OUT OF OR RELATING TO THIS AGREEMENT MAY BE BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION IN THE STATE OF NEW YORK, AND BY EXECUTION AND DELIVERY OF THIS

AGREEMENT EACH OF VALHI AND THE COMPANY ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NONEXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT.

WAIVER OF JURY TRIAL. EACH OF VALHI, THE COMPANY AND THE COLLATERAL AGENT HEREBY AGREES TO WAIVE ITS RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Each of the parties hereto acknowledges that this waiver is a material inducement for each party to enter into a business relationship, that each party has already relied on this waiver in entering into this Agreement and that each party will continue to rely on this waiver in their related future dealings. Each party further warrants and represents that each has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

COUNTERPARTS. This Agreement may be executed in one or more counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument; signature pages may be detached from multiple separate counterparts and attached to a single counterpart so that all signature pages are physically attached to the same document.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

SNAKE RIVER SUGAR COMPANY

By: _____

Name: _____

Title: _____

VALHI, INC.

By: _____

Name: _____

Title: _____

FIRST SECURITY BANK, NATIONAL ASSOCIATION,
as Collateral Agent

By: ______________________________

Name: ____________________________

Title: ____________________________

SUBORDINATED LOAN AGREEMENT

DATED JANUARY 3, 1997

AS AMENDED AND RESTATED MAY 14, 1997

BETWEEN

SNAKE RIVER SUGAR COMPANY,

AS BORROWER,

AND

VALHI, INC.,

AS LENDER

SNAKE RIVER SUGAR COMPANY
2427 LINCOLN AVENUE
P.O. BOX 1520
OGDEN, UTAH 84402

Senior Subordinated Note due April 30, 2010

May 14, 1997

Valhi, Inc.
Three Lincoln Centre
5430 LBJ Freeway, Suite 1700
Dallas, Texas 75240-2697

Ladies and Gentlemen:

Snake River Sugar Company, an Oregon cooperative (the "COMPANY"), agrees with you as follows:

1. AUTHORIZATION OF SUBORDINATED NOTES.

The Company will authorize the issue and sale at Closing of $131,879,229 aggregate principal amount of its Senior Subordinated Notes due April 30, 2010 (the "SUBORDINATED NOTES", such term to include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement). A Subordinated Note in the principal amount of $80,000,000 shall be substantially in the form set out in Exhibit 1-A (the "$80,000,000 Note"), and a Subordinated Note in the principal amount of $51,879,229 (the "Collateral Deposit Note") (representing your obligations to make additional advances to the Company pursuant to the provisions of Section 8.4(b)) shall be substantially in the form set out in Exhibit 1-B, in each case with such changes therefrom, if any, as may

be approved by you and the Company. In addition, the Company will authorize the issue and sale in accordance with the provisions of Section 8.4(a) of one or more additional Subordinated Notes substantially in form set out in Exhibit 1-B (the "Contribution Note"). Certain capitalized terms used in this Agreement are defined in Schedule A; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

2. ISSUANCE OF SUBORDINATED NOTES.

Subject to the terms and conditions of this Agreement, the Company will issue to you and you will receive from the Company, at the Closing provided for in Section 3, (i) the $80,000,000 Note and the Collateral Deposit Note.

3. CLOSING.

The issuance of the Subordinated Notes shall occur at the offices of O'Melveny & Myers LLP, 400 South Hope Street, Los Angeles, California 90017, at 10:00 a.m., Los Angeles time, at a closing (the "CLOSING") on May 14, 1997. At the Closing the Company will deliver to you the Subordinated Notes in the form of notes dated the date of the Closing and registered in your name, against delivery by you to the Company for cancellation the Tranche B Note issued to you on January 3, 1997. Concurrently with the Closing, the Company will repay in its entirety the Tranche A Note issued to you on January 3, 1997.

4. CONDITIONS TO CLOSING.

Your obligation to accept the Subordinated Notes to be issued to you at the Closing is subject to the fulfillment to your satisfaction, prior to or at the Closing, of the following conditions:

4.1 REPRESENTATIONS AND WARRANTIES.

The representations and warranties of the Company in this Agreement shall be correct when made and at the time of the Closing.

4.2. PERFORMANCE; NO DEFAULT.

Each of the Company and the LLC shall have performed and complied with all agreements and conditions contained in this Agreement and the other Transaction Documents required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Subordinated Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14) no Default or Event of Default shall have occurred and be continuing. None of the Company, LLC or any Subsidiary of the Company or LLC shall have entered into any transaction since January 3, 1997 that would have been prohibited by Section 10 hereof (other than Sections 10.5 (with respect to the payments disclosed in Schedule 5.14), 10.8 and 10.15) had such Section applied since such date. Since December 31, 1996 there shall have been no event or condition which could reasonably be expected to have a Material Adverse Effect.

4.3. COMPLIANCE CERTIFICATE.

Each of the Company and LLC shall have delivered to you an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

4.4. OPINIONS OF COUNSEL.

You shall have received opinions in form and substance satisfactory to you, dated the date of the Closing from Jones, Waldo, Holbrook & McDonough, special counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as you or your counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to you).

4.5. PURCHASE PERMITTED BY APPLICABLE LAW, ETC.

On the date of the Closing your acquisition of the Subordinated Notes shall (i) be permitted by the laws and regulations of each jurisdiction to which

you are subject, without recourse to provisions, (ii) not violate any applicable law or regulation (including, without limitation, Regulation G, T or X of the Board of Governors of the Federal Reserve System) and (iii) not subject you to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by you, you shall have received an Officer's Certificate certifying as to such matters of fact as you may reasonably specify to enable you to determine whether such acquisition is so permitted.

4.6. SALE OF SENIOR NOTES.

Contemporaneously with the Closing the Company shall sell $100,000,000 of its Senior Notes, the proceeds of which shall be used to repay the Tranche A Note issued by the Company to you on January 3, 1997 and related fees and expenses set forth on Schedule 5.14.

4.7. [SECTION RESERVED].
4.8. [SECTION RESERVED].

4.9. CHANGES IN CORPORATE STRUCTURE.

Except as specified in Schedule 4.9, neither the Company nor LLC shall have changed its jurisdiction of organization or been a party to any merger or consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

4.10. PROCEEDINGS AND DOCUMENTS.

All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to you and your special counsel, and you and your special counsel shall have received all such counterpart originals or certified or other copies of such documents as you or they may reasonably request.

4.11. DELIVERY OF COMPANY DOCUMENTS.

On or before the date of the Closing, the Company shall have delivered to you and your special counsel each, unless otherwise noted, dated the date of the Closing:

(a) Certified copies of the Company's Articles of Incorporation, together with a good standing certificate from the Secretary of State of the State of Oregon and good standing certificates from each state in which the Company is required to be qualified to transact business as a foreign cooperative, each to be dated a recent date prior to the date of the Closing;

(b) Copies of the Company's Bylaws, certified by its corporate secretary or an assistant secretary;

(c) Resolutions of the Board of Directors of the Company approving and authorizing the execution, delivery and performance of this Agreement and the other Transaction Documents to which it is a party and any other documents, instruments and certificates required to be executed by the Company in connection herewith or therewith, and approving and authorizing the execution, issuance, sale, and delivery of the Subordinated Notes, each certified by a Responsible Officer and its corporate secretary or an assistant secretary as being in full force and effect without modification or amendment;

(d) Signature and incumbency certificates of the officers of the Company executing the documents referred to in item (c) above, the other Transaction Documents to which it is a party, and any other documents, instruments and certificates required to be executed by the Company in connection herewith or therewith; and

(e) Such other documents as you or your special counsel may reasonably request, including, without limitation, documents confirming the Company's status as a cooperative for purposes of the Code.

4.12. [SECTION RESERVED].

4.13. [SECTION RESERVED].

4.14. [SECTION RESERVED].

4.15. [SECTION RESERVED].

4.16. EXECUTION AND DELIVERY OF DOCUMENTS.

On or prior to the date of the Closing, each of the following documents shall have been duly executed and delivered by the parties thereto, each such document shall be in full force and effect and no term or condition thereof shall have been amended, modified or waived and the Company shall have delivered, or shall cause to be delivered, to you and your special counsel true, correct, complete and original copies of each such agreement:

(i) this Agreement and the Subordinated Notes;
(ii) the Note Purchase Agreements dated as of the date of this Agreement relating to the issuance of the Senior Notes and all related documents, including the Senior Notes;
(iii) the Subordination Agreement; and
(iv) the Valhi Option Agreement.

4.17. PAYMENT OF TRANCHE A NOTE.

On the date of the Closing, the Company shall have paid to you all principal, premium, if any, and accrued interest sufficient to prepay the Tranche A Note issued to you on January 3, 1997 and all accrued interest on the Tranche B Note issued to you on January 3, 1997. You shall have delivered to the Company the originally executed copies of the Tranche A Note and the Tranche B Note for cancellation.

4.18. [SECTION RESERVED].

4.19. [SECTION RESERVED].

4.20. [SECTION RESERVED].

4.21. [SECTION RESERVED].

4.22. [SECTION RESERVED].

4.23. CONSENTS.

All consents and approvals of any Governmental Authority or third party necessary to permit the consummation of the transactions contemplated by this Agreement and the other Transaction Documents or to prevent the cancellation or modification of any agreement necessary in the conduct of the Company's or LLC's business shall have been obtained and delivered to you.

4.24. [SECTION RESERVED].

4.25. AMENDMENT OF HENRY'S FORK LOAN AGREEMENT.

Prior to the date of Closing, (i) the Henry's Fork Loan Agreement shall have been amended to extend the maturity of the loans thereunder to January 2, 2000, (ii) the Midwest Loan Agreement shall have been amended to extend the maturity of the loans thereunder to December 31, 1999 and (iii) the Company shall have delivered to you and your special counsel true, correct and complete copies of each such agreement, as so amended, and the Loan Purchase Agreement, dated as of December 26, 1996 between the Company and Midwest Agri-Commodities Company, each of which shall be in full force and effect and no term or condition thereof shall have been amended, modified or waived.

4.26. SUBSIDIARIES OF COMPANY.

Prior to the date of the Closing, the Company shall have acquired all of the outstanding ownership interests of Snake River Farms, LLC and Snake River Farms II, LLC. Concurrently with the Closing, the Company shall have made a capital contribution to Snake River Farms II, LLC in the amount set forth on Schedule 5.14, the proceeds of which will be used to prepay the Henry's Fork Loan Agreement.

5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to you that:

5.1. ORGANIZATION; POWER AND AUTHORITY.

The Company is a cooperative corporation duly organized, validly existing and in good standing under the laws of the State of Oregon, and is duly qualified to do business and is in good standing in each jurisdiction in which such qualification is required by law. The Company has the cooperative corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement, the other Transaction Documents to which it is a party and the Subordinated Notes and to perform the provisions hereof and thereof. The Company is a cooperative for purposes of the Code and all income tax statutes of all states that may be applicable to the Company, and the Company has delivered to you copies of all correspondence to and from the United States Internal Revenue Service in connection with the status of the Company under the Code.

LLC is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business and is in good standing in each jurisdiction in which such qualification is required by law. LLC has the limited liability company power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver the Transaction Documents to which it is a party and to perform the provisions thereof.

5.2. AUTHORIZATION, ETC.

This Agreement, the other Transaction Documents and the Subordinated Notes have been duly authorized by all necessary action on the part of the Company and LLC, as applicable, and this Agreement, the other Agreements and the other Transaction Documents constitute, and upon execution and delivery thereof the Subordinated Notes will constitute, a legal, valid and binding obligation of the Company or LLC, as the case may be, enforceable against the Company or LLC, as the case may be, in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization,

moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such

enforceability is considered in a proceeding in equity or at law).

5.3. DISCLOSURE.

No representation or warranty of the Company contained in this Agreement, the financial statements, the other Loan Documents, or any other document, certificate or written statement furnished to you by or on behalf of the Company for use in connection with the Loan Documents contains any untrue statement of a material fact or omitted or omits to state a material fact necessary in order to make the statements contained herein or therein not misleading in light of the circumstances in which the same were made. There is no material fact known to the Company that has had or could reasonably be expected to have a Material Adverse Effect and that has not been disclosed in this Agreement or in such other documents, certificates and statements furnished to you for use in connection with the transactions contemplated by this Agreement. The financial projections (the "PROJECTIONS") attached hereto as

part of Schedule 5.3 have been prepared in good faith, have a reasonable basis and represent the good faith opinion of the Company as to the projected results of operations of the Company, LLC and their respective Subsidiaries after giving effect to the transactions contemplated hereby. No facts have occurred since the preparation of the Projections that would cause the Projections not to be reasonably attainable.

5.4. ORGANIZATION AND OWNERSHIP OF SHARES OF SUBSIDIARIES; AFFILIATES.

(a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Owned Subsidiaries and LLC's Owned Subsidiaries, showing, as to each such Owned Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company, LLC and each other Owned Subsidiary, (ii) of the Company's Affiliates, other than its Owned Subsidiaries, and LLC's Affiliates, other than its Owned Subsidiaries, and (iii) of the Company's directors and senior officers and LLC's managers and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Owned Subsidiary shown in Schedule 5.4 as being owned by the Company (including, without limitation, 100% of the voting membership interest in LLC) and its Owned Subsidiaries, or LLC and its Owned Subsidiaries, have been validly issued, are fully paid and nonassessable and are owned by the Company, LLC or another Owned Subsidiary of the Company or LLC free and clear of any Lien (except as otherwise disclosed in Schedule 5.4 and Liens required by the Note Purchase Agreements).

(c) Each Owned Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Owned Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Owned Subsidiary identified in Schedule 5.4 is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the Company Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by statutes) restricting the ability of such Owned Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Owned Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Owned Subsidiary) or to LLC or any of its Owned Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Owned Subsidiary.

5.5. FINANCIAL STATEMENTS.

The Company has delivered, or caused to be delivered, to each holder Subordinated Notes copies of the financial statements of the Company and its Subsidiaries, and LLC and its Subsidiaries, listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries, or LLC and its Subsidiaries, as the case may be, as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

5.6. COMPLIANCE WITH LAWS, OTHER INSTRUMENTS, ETC.

The execution, delivery and performance by the Company of this Agreement, the other Transaction Documents to which it is a party and the Subordinated Notes will not (i) contravene, result in any breach of, or

constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any of its Subsidiaries (other than Liens required by the Note Purchase Agreements) under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, charter or by-laws, or any other agreement or instrument to which the Company or any of its Subsidiaries is bound or by which the Company or any of its Subsidiaries or any of their respective properties may be bound or affected, (ii) conflict with or result in

a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary or (iii) violate any provision of any statute

or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

5.7. GOVERNMENTAL AUTHORIZATIONS, ETC.

No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement, the other Transaction Documents or the Subordinated Notes.

5.8. LITIGATION; OBSERVANCE OF AGREEMENTS, STATUTES AND ORDERS.

(a) Except as set forth on Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company, LLC or any of their respective Subsidiaries or any property of the Company, LLC or any of their respective Subsidiaries in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, if adversely determined could have a Material Adverse Effect. There are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company, LLC or any of their respective Subsidiaries or any property of the Company, LLC or any of their respective Subsidiaries in any court or before any arbitrator of any kind or before or by any Governmental Authority which could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(b) Neither the Company nor LLC or any of their respective Subsidiaries is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, could result in a Material Adverse Effect.

5.9. TAXES.

The Company and its Subsidiaries, and LLC and its Subsidiaries, have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate

Material or (ii) the amount, applicability or validity of which is currently

being contested in good faith by appropriate proceedings and with respect to which the Company, LLC or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries, and LLC and its Subsidiaries, in respect of Federal, state or other taxes for all fiscal periods are adequate.

5.10. TITLE TO PROPERTY; LEASES.

The Company, LLC and their respective Subsidiaries have good and sufficient title to their respective properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company, LLC or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases to which the Company, LLC and/or their respective Subsidiaries are a party are valid and subsisting and are in full force and effect in all material respects.

5.11. LICENSES, PERMITS, ETC.

Except as disclosed in Schedule 5.11,

(a) the Company, LLC and their respective Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) to the best knowledge of the Company, no product of the Company, LLC or any of their respective Subsidiaries infringes in any material respect any license, permit, franchise, authorization, patent, copyright, service mark, trademark, trade name or other right owned by any other Person; and

(c) to the best knowledge of the Company, there is no Material violation by any Person of any right of the Company, LLC or any of their respective Subsidiaries with respect to any patent, copyright, service mark, trademark, trade name or other right owned or used by the Company, LLC or any of their respective Subsidiaries.

5.12. COMPLIANCE WITH ERISA.

(a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans) of the Company, LLC and each of their respective Subsidiaries, determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such LLC Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "BENEFIT LIABILITIES" has the meaning specified in section 4001 of ERISA and the terms "CURRENT VALUE" and "PRESENT VALUE" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The aggregate accrued postretirement benefit obligation (determined in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries does not exceed $20,000,000 as of December 31, 1996.

(e) The execution and delivery of this Agreement and the issuance and sale of the Subordinated Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code.

5.13. PRIVATE OFFERING BY THE COMPANY.

Neither the Company nor anyone acting on its behalf has offered the Subordinated Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than you. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Subordinated Notes to the registration requirements of Section 5 of the Securities Act.

5.14. USE OF PROCEEDS; MARGIN REGULATIONS.

The Company will apply the proceeds of the sale of the Senior Notes to repay the Tranche A Note and pay related fees and expenses and as set forth in Schedule 5.14. No part of the proceeds from the issuance of the Subordinated Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). The Company and its Subsidiaries do not own any margin stock, and the Company does not have any present intention of acquiring margin stock. As used in this Section, the terms "MARGIN STOCK" and "PURPOSE OF BUYING OR CARRYING" shall have the meanings assigned to them in said Regulation G.

5.15. EXISTING DEBT; FUTURE LIENS.

(a) Except as described therein, Schedule 5.15 sets forth a complete and correct list of all outstanding Debt of the Company, LLC and their respective Subsidiaries as of the date of the Closing. None of the Company, LLC or any of their respective Subsidiaries is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company, LLC or such Subsidiary and no event or condition exists with respect to any Debt of the Company, LLC or any of their respective Subsidiaries that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Except as disclosed in Schedule 5.15, none of the Company, LLC or any of their respective Subsidiaries has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.3.

5.16. FOREIGN ASSETS CONTROL REGULATIONS, ETC.

Neither the sale of the Subordinated Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

5.17. STATUS UNDER CERTAIN STATUTES.

None of the Company, LLC or any of their respective Subsidiaries is subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended.

5.18. ENVIRONMENTAL MATTERS.

None of the Company, LLC or any of their respective Subsidiaries has knowledge of any claim or has received any notice of any claim, and no proceeding has been instituted raising any claim against the Company, LLC, any

of their respective Subsidiaries or Amalgamated or any of their respective real properties now or formerly owned, leased or operated by any of them or other assets, alleging any damage to the environment or violation of any Environmental Laws. None of the Company, LLC or any of their respective Subsidiaries has knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by any of them or by Amalgamated or to other assets or their use which claims could reasonably be expected to result in a Material Adverse Effect. None of the Company, LLC, any of their respective Subsidiaries has used, generated or stored any Hazardous Materials on real properties now or formerly owned, leased or operated by any of them in a manner contrary to any Environmental Laws and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws which use, generation, storage or disposal could reasonably be expected to result in a Material Adverse Effect. All buildings on all real properties now owned, leased or operated by the Company, LLC or any of their respective Subsidiaries are in material compliance with applicable Environmental Laws.

5.19. CAPITALIZATION.

As of the date of the Closing, the authorized capital stock of the Company is as set forth on Schedule 5.19. All issued and outstanding shares of capital stock of the Company are duly authorized and validly issued, fully paid and nonassessable, and such shares were issued in compliance with all applicable state and federal laws concerning the issuance of securities. No such shares of capital stock are subject to redemption or purchase by the Company at the option of the holders thereof. As of the date of the Closing, the capital stock of the Company is owned by the Persons and in the amounts set forth on Schedule 5.19. As of the date of the Closing, no shares of the capital stock of the Company, other than those described above, are issued and outstanding. Except as set forth on Schedule 5.19, as of the date of the Closing, there are no preemptive or other outstanding rights, options, warrants, conversion rights or similar agreements or understandings for the purchase or acquisition from the Company of any shares of capital stock or other securities of the Company.

5.20. BROKER'S FEES.

No broker's or finder's fee or commission will be payable by the Company with respect to the issuance and sale of the Subordinated Notes or any of the transactions contemplated by this Agreement (other than the issuance of the Senior Notes).

5.21. SOLVENCY.

As of and after the date of this Agreement, the Company: (a) owns and will own assets the fair salable value of which are (i) greater than the total amount of its liabilities (including contingent liabilities) and (ii) greater than the amount that will be required to pay probable liabilities as they mature; (b) has capital that is not unreasonably small in relation to its business as presently conducted or any contemplated or undertaken transaction; and (c) does not intend to incur and does not believe that it will incur debts beyond its ability to pay such debts as they become due.

5.22. EMPLOYEE MATTERS.

Except as set forth on Schedule 5.22 hereto (a) no employee of the Company or LLC is subject to any collective bargaining agreement, (b) no petition for certification or union election is pending with respect to the employees of the Company or LLC and no union or collective bargaining unit has sought such certification or recognition with respect to the employees of the Company or LLC, (c) there are no strikes, slowdowns, work stoppages or controversies pending or, to the best knowledge of the Company or LLC after due inquiry, threatened between the Company or LLC and its employees, other than employee grievances arising in the ordinary course of business, which could reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect and (d) neither the Company nor LLC is a party to any employment contract.

5.23. AFFILIATE TRANSACTIONS.

Except for the Year-End Transactions and as disclosed on Schedule 5.23 hereto, none of the Company, LLC or any of their respective Subsidiaries has, directly or indirectly, entered into or permitted to exist any transaction or group of related transactions (including the purchase, sale, lease or exchange of any property or the rendering of any service) with any Affiliate (other than the Company, LLC or any of their respective Subsidiaries), except for (i) the purchase by the Company of sugarbeets from the Company's shareholders pursuant to the Grower Contracts and (ii) transactions in the ordinary course and pursuant to the reasonable requirements of the Company's, LLC's, or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company, LLC or such Subsidiary, as the case may be, than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

5.24. INDEBTEDNESS OF COMPANY MEMBERS.

To the best knowledge of the Company, after due inquiry, no Significant Shareholder of the Company is a debtor in any bankruptcy proceeding or in payment default on any Debt of such shareholder in aggregate principal amount greater than $10,000. For purposes of this Section 5.24, a "SIGNIFICANT SHAREHOLDER" is any one of the 25 largest growers measured by number of acres devoted primarily to the production or cultivation of sugarbeets which are to be delivered to the Company.

5.25. LEGISLATION.

To the best knowledge of LLC and its officers, no federal or state law or regulation is pending or proposed which would materially alter or affect any relevant provision of the Federal Agriculture Improvement and Reform Act of 1996, or which would materially alter or affect any applicable loan support programs for sugar processors, except as set forth on Schedule 5.25 hereto.

6. YOUR REPRESENTATIONS.

You represent that you are acquiring the Subordinated Notes for your own account and not with a view to the distribution thereof, provided that the disposition of your property shall at all times be within your or their control. You understand that the Subordinated Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Subordinated Notes.

7. INFORMATION AS TO COMPANY.

7.1. FINANCIAL AND BUSINESS INFORMATION.

The Company shall, or shall cause LLC to, deliver to each holder of Subordinated Notes:

(a) Monthly Statements -- within 30 days after the end of each monthly period in each fiscal year of the Company and LLC, as applicable (other than the last month of each of the first three quarterly fiscal periods in each fiscal year), duplicate copies of,

(i) a consolidated and consolidating balance sheet of the Company and its Subsidiaries, and LLC and its Subsidiaries, as applicable, as at the end of such month, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries and LLC and its Subsidiaries, as applicable, for such month,

all in reasonable detail, prepared in accordance with GAAP applicable to monthly

financial statements generally, and certified by a Senior Financial Officer of the Company or LLC, as applicable, as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from normal year-end adjustments;

(b) Quarterly Statements -- within 45 days after the end of each

quarterly fiscal period in each fiscal year of the Company and LLC, as applicable (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of,

(i) a consolidated and consolidating balance sheet of the Company and its Subsidiaries, and LLC and its Subsidiaries, as applicable, as at the end of such quarter, and

(ii) consolidated and consolidating statements of income, changes in shareholders' equity and cash flows of the Company and its Subsidiaries, and LLC and its Subsidiaries, as applicable, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for (1) the corresponding periods in the previous fiscal year and (2) if available, the Budget for the corresponding fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from normal year-end adjustments;

(c) Annual Statements -- within 90 days after the end of each fiscal

year of the Company and LLC, duplicate copies of:

(i) a consolidated and consolidating balance sheet of the Company and its Subsidiaries, and LLC and its Subsidiaries, as applicable, as at the end of such year, and

(ii) consolidated and consolidating statements of income, changes in shareholders' or members' equity, as applicable, and cash flows of the Company and its Subsidiaries and LLC and its Subsidiaries, as applicable, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied in each case by:

(A) in the case of the consolidated statements, an opinion thereon of independent certified public accountants of recognized national standing (i.e., a "big six" accounting firm) or other independent certified public accountants acceptable to the Required Holders, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(B) a certificate of such accountants addressed to the holders of the Subordinated Notes stating that they have reviewed this Agreement and stating further whether, in making their audit, they have become aware of any condition or event that then constitutes a Default or an Event of Default, and, if they are aware that any such condition or event then exists, specifying the nature and period of the existence thereof, and

(d) Notice of Default or Event of Default -- promptly, and in any

event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) Accountants' Reports -- promptly after delivery by any

independent accountants of the Company or LLC or any of their respective Subsidiaries, copies of all significant reports submitted to the Company, LLC or any such Subsidiary in connection with each annual, interim or special audit of the books or financial statements of the Company, LLC or such Subsidiary, including a copy of each comment letter submitted to management in connection therewith;

(f) Annual Budget -- promptly, but in no event later than (i) 30 days

after the date such projections or budgets have been finalized and (ii) December 15 of each year, the budget used by management of the Company and LLC, as applicable, for planning purposes for the next fiscal year of the Company and LLC;

(g) ERISA Matters -- promptly, and in any event within five days

after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(h) Notices from Governmental Authority -- promptly, and in any event

within 30 days of receipt thereof, copies of any notice to the Company, LLC or any of their respective Subsidiaries from any Federal or state or local Governmental Authority (including, without limitation, the United States Department of the Treasury and the United States Internal Revenue Service) relating to any proceeding, claim, order, ruling, statute or other law or regulation that could have a Material Adverse Effect or asserts any other related non-compliance with tax statutes, laws, decrees, court or administrative orders or regulations;

(i) Reports to Other Creditors -- concurrently with the delivery

thereof to other creditors of the Company or LLC, each other report, statement or information regularly provided to other creditors of the Company and LLC, as well as any notice of default provided to any such creditor;

(j) Minutes of Company and LLC -- promptly, copies of the minutes of

all meetings of (i) members of LLC, (ii) the management committee of LLC, (iii) the Board of Directors of the Company and (iv) the shareholders of the Company (including all written consents of such shareholders);

(k) Material Adverse Effect; Changes -- promptly, notice of (i) any

change of the name, principal place of business or the location of the books and records of the Company or LLC, (ii) any other event or condition (including, without limitation, disputes and litigation but excluding economic conditions and other events or conditions generally applicable to businesses) that has more than a remote likelihood of occurrence and could have a Material Adverse Effect, and (iii) any changes in GAAP or the accounting policies, practices or procedures of the Company or LLC, and the effect, if any, of such changes on the Company's or LLC's results of operations, financial condition or compliance with this Agreement);

(l) Amendments to Bank Agreement; Transaction Documents -- promptly,

and in no event later than three Business Days after its effectiveness, any waiver, modification or other amendment to the Bank Agreement or any Transaction Document;

(m) LLC Distributions -- concurrently with the delivery of each set

of financial statements delivered to a holder of Subordinated Notes pursuant to Section 7.1(a), 7.1(b) or 7.1(c), a report prepared by a Senior Financial Officer of the Company showing the amount of distributions made by LLC to (or for the account of) each member of LLC for the related period;

(n) Reports to Members -- concurrently with the delivery thereof to

its members, each report, statement, notice or other information provided by LLC to its members (provided that this covenant shall not require delivery of any such report, statement, notice or other information provided by the LLC to ASC Holdings, Inc.); and

(o) Requested Information -- with reasonable promptness, such other

data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company, LLC or any of their respective Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Subordinated Notes as from time to time may be reasonably requested by any such holder of Subordinated Notes.

7.2. OFFICER'S CERTIFICATE.

Each set of financial statements delivered to a holder of Subordinated Notes pursuant to Section (b) or Section (c) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed

calculations) required in order to establish whether the Company and LLC were in compliance with the requirements of Section 10.5, 10.6, 10.7, 10.8 and 10.10 hereof, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed

the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company, LLC and their respective Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of

Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company, LLC or any of their respective Subsidiaries to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company or LLC, as applicable, shall have taken or proposes to take with respect thereto.

7.3. INSPECTION.

The Company shall permit the representatives of each holder of Subordinated Notes:

(a) No Default -- if no Default or Event of Default then exists, at

the expense of such holder and upon reasonable prior notice to the Company, LLC, or any Subsidiary of the Company or LLC, as applicable, to visit and inspect any of their respective offices or properties, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, managers and independent public accountants (and by this provision the Company authorizes, and will cause LLC to authorize, said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the

expense of the Company to visit and inspect any of the offices or properties of the Company, LLC or any Subsidiary of the Company or LLC, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers, managers and independent public accountants (and by this provision the Company authorizes, and will cause LLC to authorize, said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

8. PREPAYMENT OF THE SUBORDINATED NOTES AND FUTURE ADVANCES.

8.1. REQUIRED PAYMENTS.

(a) Maturity -- Subject to mandatory prepayments as provided below,

the Company shall make one scheduled installment of principal of and interest on the Subordinated Notes on April 30, 2010, on which date all Obligations shall become due and payable without notice or demand.

(b) Excess Cash Flow -- On or prior to the end of any month

immediately following a month in which the Company has Excess Cash Flow, the Company shall prepay the Obligations in an amount equal to the lesser of (i) Excess Cash Flow for such preceding month or (ii) $400,000. Promptly following the receipt of the annual audited financial statements of the Company and the LLC for the preceding fiscal year, the Company shall prepay the Obligations in an amount equal to Excess Cash Flow for such preceding fiscal year less the amount of payments during such preceding year made pursuant to the first sentence of this Section 8.1(b). Following payment of an aggregate of $30,000,000 pursuant to this Section 8.1(b), the Company's obligation to make payments pursuant to this Section 8.1(b) shall be suspended until such time as the Payment Escrow is fully funded. The Company agrees to use best efforts to fund the portion of the Payment Escrow described in clause (i) of the definition of the Payment Escrow as soon as practicable following payment of an aggregate of $30,000,000 pursuant to this Section 8.1(b). Concurrently with the making of any such payment, the Company shall deliver to you a certificate of a Senior Financial Officer demonstrating its calculation of the amount required to be paid.

(c) Equity Contributions -- Promptly following the receipt of the annual audited financial statements of the Company and the LLC for the preceding fiscal year, the Company shall prepay the Obligations in an amount equal to any cash equity distributions which the Company has received from Snake River Farms LLC and Snake River Farms II, LLC, provided, however, that the maximum amount which the Company shall be obligated to prepay pursuant to this Section 8.1(c) shall be an aggregate of $5,000,000. The Company agrees to cause each of Snake River Farms LLC and Snake River Farms II, LLC to make equity distributions to the Company as soon as possible for the purposes of enabling the Company to make such prepayments.

(d) Payment Escrow and Voting Rights Escrow -- Promptly following termination of the Payment Escrow or the Voting Rights Escrow, the Company shall prepay the Obligations in an amount equal to all amounts received by the Company from such Payment Escrow or the Voting Rights Escrow.

(e) Optional Prepayments -- The Company may, at any time upon not less than five Business Days' prior notice, prepay all or part of the Obligations, provided any partial payments shall be in an amount of at least $50,000. The Obligations may be prepaid or repaid in full or part without any penalty or premium.

(f) Manner and Time of Payment -- All payments made by the Company with respect to the Obligations shall be made without any deduction, defense, setoff, offset or counterclaim. All payments with respect to the Obligations shall, unless otherwise directed by you, be made in accordance with the terms and conditions of this Agreement by delivery of such payment to your Account ("LENDER'S ACCOUNT"), ABA No. 071 000 039, Account No. 78-27296, at Bank of America, Illinois, Chicago, Illinois, Reference: Valhi, Inc. for the benefit of Snake River Sugar Company. Proceeds remitted to Lender's Account shall be credited to the Obligations on the Business Day on which received in Lender's Account in immediately available funds; provided, however, for the purpose of calculating interest on the Obligations, such funds shall be deemed received on the first Business Day thereafter.

(g) Application of Payments -- Any prepayments shall be applied, FIRST, to all fees, costs and expenses incurred by you with respect to this Agreement and the other Loan Documents; SECOND, to accrued and unpaid interest on the Obligations; THIRD, to the principal amounts of the Subordinated Notes; and FOURTH, to any other indebtedness or obligations of the Company owing to you.

8.2. INTEREST.

(a) Rate -- Prior to January 1, 1999, the outstanding principal balance of the $80,000,000 Note shall bear interest at a rate per annum (meaning 360 days) equal to 10.99 percent, and commencing January 1, 1999, the outstanding principal balance of the Subordinated Notes shall bear interest at a rate per annum (meaning 360 days) equal to 12.99 percent. The outstanding principal balance, if any, of the Collateral Deposit Note and the Contribution Note shall bear interest at a rate per annum (meaning 360 days) equal to 10.145 percent. After the occurrence and during the continuance of an Event of Default, each Subordinated Note and all other Obligations shall, at your option, bear interest at a rate per annum (meaning 360 days) equal to the Default Rate.

(b) Computation and Payment of Interest -- Interest on the Subordinated Notes and all other Obligations shall be computed on the daily principal balance on the basis of a 360-day year consisting of twelve 30-day months and shall be payable monthly in arrears on the last day of each month, provided, however, that interest shall only be payable to the extent of available Excess Cash Flow as provided in Section 8.1(b). Interest not paid on

a monthly basis will be compounded annually from the applicable monthly date. Whenever any payment to be made hereunder shall be stated to be due on a day that is not a Business Day, the payment may be made on the next succeeding Business Day and such extension of time shall be included in the computation of the amount of interest or fees due hereunder.

(c) Interest Laws -- Notwithstanding any provision to the contrary

contained in this Agreement or the other Loan Documents, the Company shall not be required to pay, and you shall not be permitted to collect, any amount of interest in excess of the maximum amount of interest permitted by law ("EXCESS INTEREST"). If any Excess Interest is provided for or determined by a court of competent jurisdiction to have been provided for in this Agreement or in any of the other Loan Documents, then in such event: (i) the provisions of this subsection shall govern and control; (ii) the Company shall not be obligated to pay any Excess Interest; (iii) any Excess Interest that you may have received hereunder shall be, at your option, (a) applied as a credit against the outstanding principal balance of the Obligations or accrued and unpaid interest (not to exceed the maximum amount permitted by law), (b) refunded to the payor thereof, or (c) any combination of the foregoing; (iv) the interest rate(s) provided for in this Agreement shall be automatically reduced to the maximum lawful rate allowed from time to time under applicable law (the "MAXIMUM RATE"), and this Agreement and the other Loan Documents shall be deemed to have been and shall be, reformed and modified to reflect such reduction; and (v) the Company shall not have any action against you for any damages arising out of the payment or collection of any Excess Interest. Notwithstanding the foregoing, if for any period of time interest on any Obligations is calculated at the Maximum Rate rather than the applicable rate under this Agreement, and thereafter such applicable rate becomes less than the Maximum Rate, the rate of interest payable on such Obligations shall remain at the Maximum Rate until you shall have received the amount of interest which you would have received during such period on such Obligations had the rate of interest not been limited to the Maximum Rate during such period.

8.3 FEES.

You shall repay to the Company, from amounts paid to you in connection with the initial closing under this Agreement, an amount equal to $2,000,000 (provided at least $100,000,000 of the original principal amount of the Subordinated Notes is repaid in full on the Closing). The Company shall pay to you, for your own account, all charges for returned items and all other bank charges incurred by you.

8.4. YOUR OBLIGATIONS TO MAKE FUTURE ADVANCES.

(a) Sections 8.2.3 and 9.3.1(b) of the Company Agreement -- Upon

notice from the Company, the LLC, holders of the Senior Notes, any Member of the LLC or the lenders pursuant to the Bank Loans, that the Company is obligated to make a capital contribution to the LLC pursuant to the terms of Section 8.2.3 of the Company Agreement or to return amounts to the Company pursuant to the terms of Section 9.3.1(b) of the Company Agreement, you agree to advance the Company an amount equal to any required capital contribution or amount to be returned, subject to the Company issuing to you a duly executed Contribution Note in the principal amount of such advance. Such advances will be paid directly to the LLC on behalf of the Company. The Company agrees that this obligation shall replace your obligation, as set forth in the letter dated January 3, 1997, to make such advances, and such letter agreement is hereby terminated. This obligation shall terminate upon the repayment in full of the Senior Notes.

(b) Voting Rights Escrow -- Upon notice from the Company or

Amalgamated (in its capacity as Company Trustee under the SPT) that the Amalgamated as the Company Trustee desires that the Company fund the Voting Rights Escrow pursuant to the terms of the Voting Rights Agreement, you agree to advance the Company, in one or more advances, cash, cash equivalents or one or more letters of credit representing all amounts required to be placed in the Voting Rights Escrow pursuant to the Voting Rights Agreement and the Voting Rights Collateral Deposit Agreement. Such advances will be paid on behalf of

the Company directly to the Collateral Agent pursuant to the Voting Rights Collateral Deposit Agreement. This obligation shall terminate upon the repayment in full of the Senior Notes.

9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Subordinated Notes are outstanding:

9.1 COMPLIANCE WITH LAW.

The Company will and will cause LLC and each Subsidiary of the Company and LLC to comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, have a Material Adverse Effect.

9.2. INSURANCE.

The Company will and will cause LLC and each Subsidiary of the Company and LLC to maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated. Schedule 9.2 lists such insurance policies of Company, LLC and each Subsidiary of Company and LLC in effect as of the date of Closing.

9.3. MAINTENANCE OF PROPERTIES.

The Company will and will cause LLC and each Subsidiary of the Company and LLC to maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not

prevent the Company, LLC or any of their respective Subsidiaries from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company or LLC, as the case may be, has concluded that such discontinuance could not, individually or in the aggregate, have a Material Adverse Effect.

9.4. PAYMENT OF TAXES AND CLAIMS.

The Company will and will cause LLC and each Subsidiary of the Company and LLC to file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company, LLC or any of their respective Subsidiaries, provided that neither the Company nor LLC or any of

their respective Subsidiaries need pay any such tax or assessment or claims if the amount, applicability or validity thereof is contested by the Company, LLC or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company, LLC or such Subsidiary.

9.5 EXISTENCE; TAX STATUS; ETC.

The Company will at all times preserve and keep in full force and effect its cooperative existence as an Oregon cooperative and shall maintain its tax status as a tax-exempt agricultural cooperative at all times. The Company will at all times preserve and keep in full force and effect the limited liability company existence of LLC and all rights and franchises (including, without limitation, licenses and permits) of LLC. Subject to Section 10.2, the Company will at all times preserve and keep in full force and effect the existence of each of its Subsidiaries and all rights and franchises (including, without limitation, licenses and permits) of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect. Subject to Section 10.2, the Company will cause LLC to at all times preserve and keep in full force and effect the corporate existence of each Subsidiary of LLC and all rights and franchises (including, without limitation, licenses and permits) of LLC and its Subsidiaries unless, in the good faith judgment of LLC, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

9.6. MAINTENANCE OF REVOLVING CREDIT FACILITY.

The Company will cause LLC to at all times keep in full force and effect a revolving credit facility with a minimum aggregate availability (including outstanding amounts) of $50,000,000 with terms substantially similar or more favorable to LLC than those in existence at the date of the Closing under the Bank Agreement, with a remaining term to scheduled facility termination of at least six months as of any date of determination.

9.7. [SECTION RESERVED].

9.8. [SECTION RESERVED].

9.9. [SECTION RESERVED].

9.10. TAX STATUS OF LLC.

The Company will cause LLC at all times to be treated for federal income tax purposes as a partnership.

9.11. PAYMENTS BY DUAL PAYMENT CHECK.

The Company will, and will cause LLC to make all payments to a grower by means of a dual payment check if any lender has given legally effective notice from any lender to such grower that such lender has a Lien on the sugar beets sold by such grower to the Company.

10. NEGATIVE COVENANTS.

The Company covenants that so long as any of the Subordinated Notes are outstanding or any amount remains owing hereunder:

10.1. TRANSACTIONS WITH AFFILIATES.

The Company will not and will not permit LLC or any Subsidiary of the Company or LLC to enter into directly or indirectly any transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate, except (i) the purchase by the Company of sugarbeets from the Company's shareholders pursuant to the Grower Contracts, (ii) as set forth on Schedule 10.1, (iii) the Year-End Transactions, (iv) in the ordinary course and pursuant to the reasonable requirements of the Company's, LLC's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company, LLC or such Subsidiary, as the case may be, than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate, (v) transactions between the Company and any Subsidiary of the Company (other than LLC and its Subsidiaries) and (vi) transactions between LLC and any Subsidiary of LLC.

10.2. MERGER, CONSOLIDATION, ETC.

The Company shall not, and shall not permit LLC or any Subsidiary of the Company or LLC to, consolidate with or merge with any other corporation or otherwise effect a recapitalization or restructuring or convey, transfer or lease (a "TRANSFER") any of its assets in a single transaction or series of transactions to any Person or Persons except that:

(a) the Company, LLC or any of their respective Subsidiaries may Transfer assets in the ordinary course of their business;

(b) any Subsidiary of the Company may merge with the Company or with a Wholly-Owned Subsidiary of the Company (other than LLC or a Subsidiary of LLC), provided that the Company or such Wholly-Owned Subsidiary shall be the survivor of such merger;

(c) any Subsidiary of LLC may merge with LLC or the Company or with a Wholly-Owned Subsidiary of LLC or the Company, provided that LLC, the Company or such Wholly-Owned Subsidiary shall be the survivor of such merger;

(d) any Subsidiary of the Company may Transfer its assets to the Company or any Wholly-Owned Subsidiary of the Company (other than to LLC or a Subsidiary of LLC);

(e) any Subsidiary of LLC may Transfer its assets to LLC, the Company or any Wholly-Owned Subsidiary of LLC or the Company;

(f) the Company may consolidate or merge with another corporation if (i) the Company is the continuing or surviving company and (ii) immediately before and after giving effect to such transaction, no Default or Event of Default exists or would exist; and

(g) the Company, LLC and any of their respective Subsidiaries may Transfer assets of the Company, LLC or such Subsidiary, as the case may be, if all of the following conditions shall have been satisfied with respect thereto: (i) such Transfer does not involve a Substantial Part of the assets of the Company, LLC and their respective Subsidiaries, (ii) in the good faith opinion of the Company, the Transfer is in exchange for consideration with a Fair Market Value at least equal to that of the property Transferred, and is in the best interests of the Company and (iii) immediately before and after giving effect to such Transfer no Default or Event of Default exists or would exist.

No such Transfer of assets of the Company, LLC or any of their respective Subsidiaries shall have the effect of releasing the Company, LLC or any of their respective Subsidiaries or any successor corporation that shall theretofore have become such a successor corporation in the manner prescribed in this Section 10.2 from its liability under this Agreement, any other Transaction Document or the Subordinated Notes.

10.3. LIENS.

The Company will not, and will not permit LLC or any Subsidiary of the Company or LLC to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company, LLC or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom (whether or not provision is made for the equal and ratable securing of the Subordinated Notes in accordance with the last paragraph of this Section 10.3), or assign or otherwise convey any right to receive income or profits, except:

(a) Liens securing the Senior Notes;

(b) Liens for taxes, assessments or other governmental levies or charges not yet due or which are subject to a Good Faith Contest;

(c) statutory Liens of landlords and Liens of carriers, warehousemen,

mechanics and materialmen incurred in the ordinary course of business that do not secure Debt and are for sums not yet due or subject to a Good Faith Contest;

(d) Liens on property or assets of a Subsidiary of the Company to secure obligations of such Subsidiary to the Company;

(e) Liens on property or assets of a Subsidiary of LLC to secure obligations of such Subsidiary to the Company or LLC, as the case may be;

(f) Liens (other than any Lien imposed by ERISA) incurred, or deposits made, in the ordinary course of business such as workers' compensation Liens or statutory or legal obligation Liens; provided, however, that such Liens were not incurred or made in connection with the borrowing of money, or the obtaining of advances or credit;

(g) Liens on accounts, inventory, the sugar processing factory of Nampa, Idaho and related assets of LLC that on the Closing Date secure the Bank Loans in an amount not to exceed at any time $120,000,000;

(h) Liens on inventory of LLC to secure the obligations of LLC under CCC Loans permitted by Section 10.7;

(i) minor survey exceptions or minor encumbrances, easements or reservations and related Liens, that are necessary for the conduct of the operations of the Company, LLC and their respective Subsidiaries and that do not secure Debt; and

(j) purchase money Liens provided such Liens (i) secure only the asset so purchased and (ii) the obligations secured by such Lien do not exceed, at any time, $2,000,000.

10.4. SUBSIDIARY DEBT.

The Company will not at any time permit any Subsidiary of the Company or LLC to, directly, or indirectly, create, incur, assume, guarantee, have outstanding, or otherwise become or remain directly or indirectly liable with respect to, any Debt except (a) Debt existing on the date of the Closing and set forth in Schedule 10.4, (b) Debt owed by Subsidiaries of the Company to the Company, (c) Debt owed by Subsidiaries of LLC to LLC or the Company, (d) to the extent not referenced above, Debt of the LLC permitted by Section 10.7 hereof, and (e) additional Debt not to exceed $1,000,000 in the aggregate.

10.5. RESTRICTED PAYMENTS.

The Company will not, and will not permit LLC or any Subsidiary of the Company or LLC to, at any time, make, pay, or declare any Restricted Payments, except:

(a) LLC may make payments to the Company and in accordance with Section 9.3.1 of the Company Agreement as amended at Closing and to the holder of the AGM Interest in accordance with Section 9.3.1(a) and Section 9.3.1(b)(i) of the Company Agreement as amended at Closing;

(b) so long as no Event of Default referred to in Section 11(a) shall have occurred and be continuing and the Subordinated Notes have not been accelerated, the Company may make distributions to its shareholders each year in the minimum amount necessary to preserve the Company's cooperative status for federal tax purposes;

(c) the Company may make distributions to its shareholders each year which, together with amounts described in clause (b) above, do not exceed 30% of the Company's taxable income that is imputed to such shareholders, if prior to and after giving effect to such distributions no Default or Event of Default exists or would result therefrom;

(d) LLC and the Company may make payments required pursuant to the Indemnification and Post-Closing Agreement; and

(e) the Company and LLC may perform their respective obligations

under Section 18.1 and Section 17.2 of the Company Agreement.

10.6. DEBT.

The Company will not, and will not permit LLC to, directly or indirectly, create, incur, assume, guarantee, have outstanding or otherwise become or remain directly or indirectly liable with respect to, Debt during the period commencing on the date of Closing and ending on the third anniversary of such date, except for:

(a) the Senior Notes, Debt in existence on the date of the Closing and set forth on Schedule 10.6 and any extensions or renewals thereof;

(b) Debt of LLC permitted by Section 10.7; and

(c) additional Debt not to exceed $2,000,000 in the aggregate.

10.7. DEBT OF LLC.

The Company will not permit LLC or any Subsidiary of LLC to, directly or indirectly, create, incur, assume, guarantee, have outstanding, or otherwise become or remain directly or indirectly liable with respect to, (i) any Consolidated Funded Debt or (ii) any Consolidated Current Debt, except for (A) the CCC Loans (provided that at any time that the CCC Loans are recourse to LLC, LLC will not have any CCC Loans outstanding unless there shall have been during the immediately preceding twelve months a period of at least 60 consecutive days on each day of which there shall have been no CCC Loans outstanding in excess of $25,000,000) and (B) the Bank Loans, provided that there shall have been during the immediately preceding twelve months a period of at least 60 consecutive days on each day of which there shall have been no Bank Loans outstanding in excess of $65,000,000.

10.8. FINANCIAL COVENANTS.

(a) The Company will not permit, as at the end of each fiscal quarter of the Company, the ratio of Consolidated Senior Debt to Distributable Cash for the period of four LLC fiscal quarters ending on or closest (but prior) to such date (provided, however, that for the quarter of LLC ended March 31, 1997, such ratio shall be determined on an annualized basis based solely on such quarter) to exceed (i) 5.50:1.00 from the date of the Closing to and including November 30, 2000; (ii) 5.00:1.00 from December 1, 2001 to and including November 30, 2003; (iii) 4.50:1.00 from December 1, 2004 to and including November 30, 2006; and (iv) 3.50:1.00 thereafter.

(b) The Company will not permit, as at the end of each fiscal quarter of the Company, the ratio of Consolidated Total Debt to Distributable Cash for the period of four LLC fiscal quarters ending on or closest (but prior) to such date (provided, however, that for the quarter of LLC ended March 31, 1997, such ratio shall be determined on an annualized basis based solely on such quarter) to exceed (i) 7.50:1.00 from the date of the Closing to and including August 31, 1997; (ii) 7.25:1.00 from September 1, 1997 to and including November 30, 2000; (iii) 6.75:1.00 from December 1, 2001 to and including November 30, 2003; (iv) 6.00:1.00 from December 1, 2004 to and including November 30, 2006; and (v) 5.00:1.00 thereafter.

(c) The Company will not permit, as at the end of any fiscal quarter of the Company, the ratio of (x) the sum of Distributable Cash for the period of four LLC fiscal quarters ending on or closest (but prior) to such date and Consolidated operating lease and rent payments of the Company and its Subsidiaries for the period of four fiscal quarters ending on such date (provided, however, that for the quarter of LLC ended March 31, 1997, such ratio shall be determined on an annualized basis based solely on such quarter) to (y) Consolidated Fixed Charges to be less than (i) 1.50:1.00 from the date of the Closing to and including November 30, 2001; (ii) 1.60:1.00 from December 1, 2002 to and including November 30, 2005; (iii) 1.75:1.00 at all times thereafter.

(d) The Company will not permit LLC to have at any time a ratio of (i) accounts receivable plus inventory on a FIFO basis (excluding sugar that is

collateral for CCC Loans), to (ii) the aggregate outstanding amount of the Bank

Loans, of less than 1.60:1.00.

(e) The Company will not permit LLC to have at any time a ratio of Consolidated current assets to Consolidated current liabilities of less than 0.70:1.00.

(f) The Company will not permit Consolidated Tangible Net Worth at any time to be less than the sum of (i) $70,000,000 plus (ii) 50% of positive Consolidated Net Income for each fiscal year from and after the date of the Closing.

(g) The Company will not permit Consolidated operating expenses of the Company and its Subsidiaries (other than LLC and its Subsidiaries) in any calendar month to exceed $35,000 plus the amount of fees and expenses for such

month of the Collateral Agent, the SPT and the Resident Trustee of the SPT in connection with the transactions contemplated in the Transaction Documents and the fees and expenses of counsel incurred in such month in connection with the opinion referred to in Section 9.9.

10.9. INVESTMENTS.

The Company will not, and will not permit LLC or any Subsidiary of the Company or LLC to, declare, make or authorize any Investment except the following:

(a) Investments existing on the date of the Closing and set forth in Schedule 10.9.

(b) Investments in direct obligations of the United States of America or obligations fully guaranteed by the United States of America, provided that such obligations mature within one year from the date acquired;

(c) Investments in certificates of deposit maturing within one year from the date acquired and issued by a bank or trust company organized under the laws of the United States or any or its states, rated AA or better by Standard and Poor's Ratings Group, a division of McGraw Hill, Inc. or Aa2 or better by Moody's Investors Service, Inc., and having capital, surplus and undivided profits aggregating at least $750,000,000;

(d) Investments in commercial paper rated A1 by Standard and Poor's Ratings Group, a division of McGraw Hill, Inc. or P1 by Moody's Investors Service, Inc. and maturing not more than 270 days from the date acquired;

(e) loans and advances (i) by the Company to its Subsidiaries (other than LLC and Subsidiaries of LLC) and (ii) by the LLC to its Subsidiaries;

(f) loans and advances (i) by Subsidiaries of the Company (other than LLC and subsidiaries of LLC) to the Company (provided that the obligations with respect to such loans and advances are subordinated to the Subordinated Notes in form and substance satisfactory to the Required Holders), (ii) by Subsidiaries of LLC to LLC, (iii) between Subsidiaries of the Company (other than LLC and Subsidiaries of LLC) and (iv) between Subsidiaries of LLC;

(g) travel and other business advances to officers and employees of the Company, LLC or any Subsidiary of the Company or LLC in the ordinary course of business;

(h) capital contributions to LLC required by Section 8.2.3 of the Company Agreement;

(i) capital contributions by the Company to LLC for the purpose of permitting LLC to pay the Bank Loans, provided such capital contributions are funded by the imposition of a Unit Retain (excluding any Unit Retain referred to in Section 9.8 of the Note Purchase Agreements) and provided further that the Company prepays the Subordinated Notes in an amount equal to any such capital contribution;

(j) other Investments not to exceed an aggregate amount of

$1,500,000.

10.10. CAPITAL EXPENDITURES.

The Company, LLC and their respective Subsidiaries shall not make or commit to make capital expenditures in an aggregate amount exceeding $35,000,000 on a consolidated basis during any fiscal year and the two previous fiscal years; provided, however, that (A) to the extent such limit has been reached during any fiscal year, the Company, LLC and their respective Subsidiaries may make capital expenditures reasonably required to be made in such fiscal year by legal or regulatory requirements, (B) commencing with LLC's fiscal year beginning on January 1, 1998 and on each January 1 thereafter, the $35 million aggregate threshold shall be adjusted by an amount equal to the change since January 1, 1997 in the U.S. producer price index for refined beet sugar (as shown on the most currently available publication) (or, if such index is no longer available, the closest comparable U.S. producer price index available, as reasonably determined by LLC), (C) the limitation set forth in this Section 10.10 shall not apply to capital expenditures which are financed with Debt incurred by LLC specifically for the purpose of making such capital expenditures, so long as such Debt is permitted to be incurred under Section 10.7, (D) for purposes of this Section 10.10, capital expenditures for each fiscal year prior to January 1, 1997 shall be deemed to be an amount equal to $10,000,000; provided further that if, pursuant to the Company Agreement, Amalgamated or SPT shall have consented to the making of capital expenditures by LLC in excess of the foregoing amounts, the Company, LLC and their respective Subsidiaries may make capital expenditures in an aggregate amount not exceeding (i) $18,000,000 in any rolling twelve month period and (ii) $44,000,000 in any rolling 36 month period.

10.11 RESTRICTIONS ON SUBSIDIARIES.

The Company will not at any time permit any Subsidiary of the Company or LLC to incur or permit to exist any restriction on such Subsidiary's ability to make payments or other distributions to the Company, LLC or their respective Subsidiaries, to repay intra-company Debt or to otherwise transfer earnings or assets to the Company, LLC or their respective Subsidiaries, except, in the case of LLC, limitations set forth in the Company Agreement and the Bank Agreement, in each case as in effect on the date of Closing and, in the case of Snake River Farms, LLC and Snake River Farms II, LLC, limitations set forth in the Henry's Fork Loan Agreement and the Midwest Loan Agreement, in each case as in effect of the date of the Closing.

10.12. SALE-AND-LEASEBACKS.

The Company will not, and will not permit LLC or any Subsidiary of the Company or LLC to, enter into or otherwise engage in any Sale-and-Leaseback Transaction.

10.13. SALE OF STOCK OF SUBSIDIARY, ETC.

The Company, LLC and their Subsidiaries will not Transfer, or part with control of, any shares of stock (or other equity interests) or Debt of any Subsidiary thereof, except (i) the Company, LLC or any of their respective Subsidiaries may Transfer shares of stock (or other equity interests) or Debt of any Subsidiary of the Company or LLC to the Company or a Wholly-Owned Subsidiary of the Company (and, if the Subsidiary in question is a Subsidiary of LLC, to LLC or a Wholly-Owned Subsidiary thereof) and (ii) the Company, LLC or any of their respective Subsidiaries may Transfer all shares of stock (or other equity interests) and all Debt of such a Subsidiary if (a) the Transfer is in exchange for cash consideration with a Fair Market Value at least equal to that of the property transferred (determined in good faith by the Board of Directors of the Company), (b) such Transfer is otherwise permitted under Section 10.2 and (c) at the time of such Transfer, such Subsidiary shall not own, directly or indirectly, any shares of stock (or other equity interests) or Debt of any other Subsidiary (unless all of the shares of stock (or other equity interests) and Debt of such other Subsidiary owned, directly or indirectly, by the Company, LLC and all Subsidiaries are simultaneously being sold). The Company will not permit LLC, after the date of the Closing, to issue any membership interests other than the SR Interest and the AGM Interest (each as defined on the Company Agreement) outstanding on the date of Closing.

10.14. [SECTION RESERVED].

10.15. [SECTION RESERVED].

10.16. LINE OF BUSINESS.

The Company will not, and will not permit any Subsidiary of LLC or the Company (other than LLC) to, engage in any business which is not substantially the same as or directly related to the business in which the Company and such Subsidiaries, taken as a whole, are engaged on the date of this Agreement. LLC's business shall be the production and sale of sugar and by-products and the Company will not permit the LLC to otherwise violate Article III of the Company Agreement.

10.17. RECEIVABLES.

The Company will not, and will not permit LLC or any Subsidiary of the Company or LLC to, enter into any agreement, understanding, commitment or other transaction, the effect of which is or otherwise would be to sell, pledge, encumber or in any way transfer, or subject to any security interest, such Person's accounts receivable except for Liens on accounts receivable of LLC securing Debt outstanding under the Bank Agreement.

10.18. [SECTION RESERVED].

11. EVENTS OF DEFAULT.

An "EVENT OF DEFAULT" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or interest on any Subordinated Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise and such default continues for a period of five days or the Company defaults in the payment when due of any other amount payable hereunder or under any of the Transaction Documents to the holder of any Subordinated Note and such default continues for a period of five days; provided that (i) after the occurrence of any Delayed Payment in any calendar year, an Event of Default shall exist if during such calendar year the Company defaults in the payment of any principal or interest on any Subordinated Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise or the Company defaults in the payment when due of any other amount payable hereunder or under any of the Transaction Documents to the holder of any Subordinated Note and (ii) after the occurrence of six Delayed Payments an Event of Default shall exist if the Company defaults in the payment of any principal or interest on any Subordinated Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise or the Company defaults in the payment when due of any other amount payable hereunder or under any of the Transaction Documents to the holder of any Subordinated Note; or

(b) the Company defaults in the performance of or compliance with any term contained in Section 7.1(d), Section 9.10 or Section 10; or

(c) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a) and (b) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default

and (ii) the Company receiving written notice of such default from any holder of

a Subordinated Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (c) of Section 11); or

(d) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company or LLC in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves

to have been false or incorrect in any material respect on the date as of which made; or

(e) (i) the payment of any principal of or premium or make-whole amount or interest on the Senior Debt, the Bank Loans, any CCC Loan or any other Debt that is outstanding is accelerated according to its terms and declared due and payable before its stated maturity or before its regularly scheduled dates of payment, or (ii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Debt to convert such Debt into equity interests), the Company, LLC or any Subsidiary of the Company or LLC has become obligated to purchase or repay the Senior Notes, the Bank Loans, such CCC Loan or such other Debt before its regular maturity or before its regularly scheduled dates of payment; provided that in the case of Debt other than the Senior Notes, the Bank Loans or any CCC Loan, the aggregate outstanding principal amount thereof subject to clauses (i) and/or (ii) above is $1,000,000 or more; or

(f) the Company, LLC, or any Subsidiary of the Company or LLC (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, (vi) consents to any other marshalling of its assets, (vii) takes corporate action for the purpose of any of the foregoing; or

(g) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company, LLC, or any Subsidiary of the Company or LLC (as applicable), a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company, LLC, or any Subsidiary of the Company or LLC or the marshalling of its assets, or any such petition shall be filed against the Company, LLC, or any Subsidiary of the Company or LLC and such petition shall not be dismissed within 60 days; or

(h) a final judgment or judgments for the payment of money aggregating in excess of $1,000,000 are rendered against one or more of the Company, LLC and their Subsidiaries and which judgments are not, within 60 days after entry thereof, bonded, discharged or stayed pending appeal, or are not discharged within 60 days after the expiration of such stay; or

(i) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company, LLC or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities"

(within the meaning of section 4001(a)(18) of ERISA) under all Plans of the Company, LLC and any of their respective Subsidiaries, determined in accordance with Title IV of ERISA, shall exceed $2,500,000, (iv) the Company, LLC or any

ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company, LLC

or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the

Company, LLC or any Subsidiary of either establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company, LLC or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(j) a Change in Control Event occurs; or

(k) any Governmental Authority takes any action that results in a Material Adverse Effect on the Company or LLC.

As used in Section 11(i), the terms "EMPLOYEE BENEFIT PLAN" and "EMPLOYEE WELFARE BENEFIT PLAN" shall have the respective meanings assigned to such terms in Section 3 of ERISA; provided that for purposes of Section 11(i)(iv), the term Plan shall exclude any excess benefit plan as defined in Section 3(36) of ERISA and any plan maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees.

12. REMEDIES ON DEFAULT, ETC.

12.1. ACCELERATION.

(a) If an Event of Default with respect to the Company or LLC described in paragraph (f) or (g) of Section 11 (other than an Event of Default described in clause (i) of paragraph (f) or described in clause (vi) of paragraph (f) by virtue of the fact that such clause encompasses clause (i) of paragraph (f)) has occurred, all the Subordinated Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, any holder or holders of more than 66 2/3% in principal amount of the Subordinated Notes at the time outstanding may at any time at its or their option, by notice or notices to the Company, declare all the Subordinated Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) of Section 11 has occurred and is continuing, any holder or holders of Subordinated Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Subordinated Notes held by it or them to be immediately due and payable.

Upon any Subordinated Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Subordinated Notes will forthwith mature and the entire unpaid principal amount of such Subordinated Notes, plus all accrued and unpaid interest thereon shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived.

12.2. OTHER REMEDIES.

If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Subordinated Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Subordinated Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any

Subordinated Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

12.3. RESCISSION.

At any time after any Subordinated Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 66 2/3% in principal amount of the Subordinated Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the

Subordinated Notes and all principal on any Subordinated Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and (to the extent permitted by applicable law) any overdue interest in respect of the Subordinated Notes, at the Default Rate, (b) all Events of Default and Defaults, other than non-payment of amounts

that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been

entered for the payment of any monies due pursuant hereto or to the Subordinated Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

12.4. NO WAIVERS OR ELECTION OF REMEDIES, EXPENSES, ETC.

No course of dealing and no delay on the part of any holder of any Subordinated Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Subordinated Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Subordinated Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

12.5. SET OFF.

Subject to the terms and conditions of the Subordination Agreement and in addition to any rights now or hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence of any Event of Default, you, each assignee of your interest, and each participant is hereby authorized by the Company at any time or from time to time, without notice to the Company or to any other Person, any such notice being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of the Company or any of its Subsidiaries (regardless of whether such balances are then due to the Company or its Subsidiaries) and any other property at any time held or owing by you or such assignee or participant to or for the credit or for the account of the Company against and on account of any of the Obligations then outstanding; provided, that no participant shall exercise such right without your the prior written consent.

The Company hereby agrees, to the fullest extent permitted by law, that you, any assignee or participant may exercise your or its right of setoff with respect to amounts in excess of your or its pro rata share of the Obligations (or, in the case of a participant, in excess of its pro rata participation interest in the Obligations) and that you or such assignee or participant, as the case may be, shall be deemed to have purchased for cash in the amount of such excess, participations in each other holder's share of the Obligations.

12.6. SUBORDINATION AGREEMENT.

The Subordinated Notes are subordinate to the Senior Notes to the extent set forth in the Subordination Agreement, which contains certain limits

on the ability of the holders of the Subordinated Notes to exercise remedies and receive payments and contains certain other terms and conditions.

13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

13.1. REGISTRATION OF SUBORDINATED NOTES.

The Company shall keep at its principal executive office a register for the registration and registration of transfers of Subordinated Notes. The name and address of each holder of one or more Subordinated Notes, each transfer thereof and the name and address of each transferee of one or more Subordinated Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Subordinated Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Subordinated Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Subordinated Notes.

13.2. TRANSFER AND EXCHANGE OF SUBORDINATED NOTES.

Upon surrender of any Subordinated Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Subordinated Note or his attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Subordinated Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Subordinated Notes (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Subordinated Note. Each such new Subordinated Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1. Each such new Subordinated Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Subordinated Note or dated the date of the surrendered Subordinated Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Subordinated Notes. Subordinated Notes shall not be transferred in denominations of less than $100,000, provided that if necessary to enable the registration of transfer

by a holder of its entire holding of Subordinated Notes, one Subordinated Note may be in a denomination of less than $100,000. Any transferee, by its acceptance of a Subordinated Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

13.3. REPLACEMENT OF SUBORDINATED NOTES.

Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Subordinated Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Subordinated

Note is, or is a nominee for, you or another holder of a Subordinated Note with a minimum net worth of at least $100,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense shall execute and deliver, in lieu thereof, a new Subordinated Note, dated and bearing interest from the date to which interest

shall have been paid on such lost, stolen, destroyed or mutilated Subordinated Note or dated the date of such lost, stolen, destroyed or mutilated Subordinated Note if no interest shall have been paid thereon.

14. [SECTION RESERVED].

15. EXPENSES, ETC.

15.1. TRANSACTION EXPENSES.

The Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by you and each other holder of a Subordinated Note incurred after the Closing in connection with any amendments, waivers or consents under or in respect of this Agreement, the Transaction Documents or the Subordinated Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing

or defending (or determining whether or how to enforce or defend) any rights under this Agreement, the Transaction Documents or the Subordinated Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement or the Subordinated Notes, or by reason of being a holder of any Subordinated Note, and (b) the costs and

expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company, LLC, any Subsidiary of the Company or LLC or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Subordinated Notes. The Company will pay, and will save you and each other holder of a Subordinated Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by you).

15.2. SURVIVAL.

The obligations of the Company under this Section 15 will survive the payment or transfer of any Subordinated Note, the enforcement, amendment or waiver of any provision of this Agreement or the Subordinated Notes, and the termination of this Agreement.

16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein shall survive the execution and delivery of this Agreement and the Subordinated Notes, the purchase or transfer by you of any Subordinated Note or portion thereof or interest therein and the payment of any Subordinated Note, and may be relied upon by any subsequent holder of a Subordinated Note, regardless of any investigation made at any time by or on behalf of you or any other holder of a Subordinated Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company or LLC pursuant to this Agreement shall be deemed representations and warranties of the Company under this Agreement. Subject to the preceding sentence, this Agreement and the Subordinated Notes embody the entire agreement and understanding between you and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

17. AMENDMENT AND WAIVER.

17.1. REQUIREMENTS.

This Agreement and the Subordinated Notes may be amended, and the observance of any term hereof or thereof may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders and, if required pursuant to the Subordination Agreement, the holders of Senior Notes, except that (a) no amendment or waiver of any of the

provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to you unless consented to by you in writing, and (b) no such amendment or waiver may, without the written consent of

the holder of each Subordinated Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or

rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest on, the Subordinated Notes, (ii) change the percentage of the principal

amount of the Subordinated Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b),

12, 17 or 20.

17.2. SOLICITATION OF HOLDERS OF SUBORDINATED NOTES.

(a) Solicitation. The Company will provide each holder of the

Subordinated Notes (irrespective of the amount of Subordinated Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Subordinated Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Subordinated Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Subordinated Notes.

(b) Payment. Except for payment of those amounts set forth in

Sections 4.7 and 15.1 hereof, the Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Subordinated Notes as consideration for or as an inducement to the entering into by any holder of Subordinated Notes or any waiver or amendment of any of the terms and provisions hereof unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Subordinated Notes then outstanding even if such holder did not consent to such waiver or amendment.

17.3. BINDING EFFECT, ETC.

Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Subordinated Notes and is binding upon them and upon each future holder of any Subordinated Note and upon the Company without regard to whether such Subordinated Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Subordinated Note nor any delay in exercising any rights hereunder or under any Subordinated Note shall operate as a waiver of any rights of any holder of such Subordinated Note. As used herein, the term "THIS AGREEMENT" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

17.4. SUBORDINATED NOTES HELD BY COMPANY, ETC.

Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Subordinated Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Subordinated Notes, or have directed the taking of any action provided herein or in the Subordinated Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Subordinated Notes then outstanding, Subordinated Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a

confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(a) if to you or your nominee, at your address set forth at the beginning hereof to the attention of your General Counsel, or at such other address as you or it shall have specified to the Company in writing,

(b) if to any other holder of any Subordinated Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(c) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Chairman, or at such other address as the Company shall have specified to the holder of each Subordinated Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

19. REPRODUCTION OF DOCUMENTS.

This Agreement, the other Transaction Documents and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by you at the Closing (except the Subordinated Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by you in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Subordinated Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

20. [SECTION RESERVED].

21. [SECTION RESERVED].

22. MISCELLANEOUS.

22.1. SUCCESSORS AND ASSIGNS.

All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Subordinated Note) whether so expressed or not.

22.2. [SECTION RESERVED].

22.3. SEVERABILITY.

Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or

render unenforceable such provision in any other jurisdiction.

22.4. CONSTRUCTION.

Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

22.5. COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

22.6. GOVERNING LAW.

This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of Utah excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

22.7. INDEMNITY.

In addition to the payment of expenses pursuant to this Agreement, whether or not the transactions contemplated hereby shall be consummated, the Company agrees to indemnify, pay and hold you, your officers, directors, employees, agents, consultants, auditors, affiliates and your attorneys (collectively called the "INDEMNITEES") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel for such Indemnities in connection with any investigative, administrative or judicial proceeding commenced or threatened, whether or not such Indemnitee shall be designated a party thereto) that may be imposed on, incurred by, or asserted against that Indemnitee, in any manner relating to or arising out of this Agreement or the other Loan Documents, the consummation of the transactions contemplated by this Agreement, your agreement to issue the Subordinated Notes hereunder, the use or intended use of the proceeds of any of the Subordinated Notes or the exercise of any right or remedy hereunder or under the other Loan Documents (the "INDEMNIFIED LIABILITIES"); provided that the Company shall have no obligation

to an Indemnitee hereunder with respect to Indemnified Liabilities arising from the gross negligence or willful misconduct of that Indemnitee as determined by a court of competent jurisdiction, and provided further that the Company shall

have no obligation to an Indemnitee hereunder with respect to any federal or state income tax liabilities.

22.8. CONSENT TO JURISDICTION.

THE COMPANY HEREBY CONSENTS TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE COUNTY OF DALLAS, STATE OF TEXAS AND IRREVOCABLY AGREES THAT, SUBJECT TO YOUR ELECTION, ALL ACTIONS OR PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE SUBORDINATED NOTES OR THE OTHER LOAN DOCUMENTS SHALL BE LITIGATED IN SUCH COURTS. THE COMPANY ACCEPTS FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE NON-EXCLUSIVE JURISDICTION OF THE AFORESAID COURTS AND WAIVES ANY DEFENSE OF FORUM NON CONVENIENS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY IN CONNECTION WITH THIS AGREEMENT, THE SUBORDINATED NOTES, THE OTHER LOAN DOCUMENTS OR THE OBLIGATIONS.

22.9. WAIVER OF JURY TRIAL.

THE COMPANY AND YOU HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE SUBORDINATED NOTES OR THE OTHER LOAN DOCUMENTS. THE COMPANY AND YOU ACKNOWLEDGE THAT THIS WAIVER IS A MATERIAL INDUCEMENT TO ENTER INTO A BUSINESS RELATIONSHIP, THAT EACH HAS ALREADY RELIED ON THE WAIVER IN ENTERING INTO THIS AGREEMENT, THE SUBORDINATED NOTES AND THE OTHER LOAN DOCUMENTS AND THAT EACH WILL CONTINUE TO RELY ON THE WAIVER IN THEIR RELATED FUTURE DEALINGS. THE COMPANY AND YOU FURTHER WARRANT AND REPRESENT THAT EACH HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

22.10. NO FIDUCIARY RELATIONSHIP; LIMITATION OF LIABILITIES.

No provision in this Agreement or in any of the other Loan Documents and no course of dealing between the parties shall be deemed to create any fiduciary duty by you to the Company. Neither you, nor any affiliate, officer, director, shareholder, employee, attorney, or agent of you shall have any liability with respect to, and the Company hereby waives, releases, and agrees not to sue any of them upon, any claim for any special, indirect, incidental, or consequential damages suffered or incurred by the Company in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the other Loan Documents. The Company hereby waives, releases, and agrees not to sue you or any of your affiliates, officers, directors, employees, attorneys, or agents for punitive damages in respect of any claim in connection with, arising out of, or in any way related to, this Agreement or any of the other Loan Documents, or any of the transactions contemplated by this Agreement or any of the transactions contemplated hereby.

22.11. NO DUTY.

All attorneys, accountants, appraisers, and other professional Persons and consultants retained by you shall have the right to act exclusively in your interest and shall have no duty of disclosure, duty of loyalty, duty of care, or other duty or obligation of any type or nature whatsoever to the Company or any other Person.

* * * * *

If you are in agreement with the foregoing, please sign the form of agreement on the accompanying counterpart of this Agreement and return it to the Company, whereupon the foregoing shall become a binding agreement between you and the Company.

Very truly yours,

SNAKE RIVER SUGAR COMPANY

By
Allan M. Lipman, Jr.

The foregoing is hereby
agreed to as of May 14, 1997

VALHI, INC.

By_____
Steven L. Watson, Vice President

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all determinations with respect to accounting matters hereunder shall be made, and all unaudited financial statements and certificates and reports as to financial matters required to be furnished hereunder shall be prepared, in accordance with GAAP (without provision of footnotes in the case of unaudited financial statements), applied on a basis consistent with the most recent audited consolidated financial statements of the Company and its Subsidiaries delivered pursuant to Section 7.1(c) or, if no such statements have been so delivered, the most recent audited financial statements referred to in Section 5.5.

"AFFILIATE" means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, "CONTROL" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an "Affiliate" is a reference to an Affiliate of the Company.

"AGGREGATE CONSOLIDATED NET INCOME" means, as at any date of determination, the aggregate Consolidated Net Income of the Company and its Subsidiaries during the thirty-six (36) month period then most recently ended.

"AGM INTEREST" has the meaning assigned to it in the Company Agreement.

"AGREEMENT" means this Subordinated Loan Agreement, as it may be amended, supplemented or otherwise modified from time to time in accordance with the terms hereof.

"AMALGAMATED" means ASC Holdings, Inc., a Utah corporation.

"BANK AGREEMENT" means the Working Capital Agreement dated as of January 3, 1997 among LLC, United States National Bank of Oregon, First Security Bank, National Association and the lenders party thereto, as amended from time to time in accordance with the terms thereof and hereof.

"BANK LOANS" means loans and contingent obligations in respect to Letters of Credit to LLC outstanding from time to time under the Bank Agreement or a replacement agreement meeting the requirements of Section 9.6.

"BUDGET" means the projections and/or annual budget delivered by the Company or LLC pursuant to Section 7.1(f).

"BUSINESS DAY" means any day other than a Saturday, a Sunday or a day on which commercial banks in Ogden, Utah, Chicago, Illinois or New York, New York are required or authorized to be closed.

"CAPITAL LEASE" means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

"CAPITAL LEASE OBLIGATION" means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

"CCC" means the Commodity Credit Corporation or any successor entity.

"CCC LOANS" means loans made by CCC to LLC.

"CHANGE IN CONTROL EVENT" means the termination of full-time employment with LLC or the Company as a result of resignation or removal (for any reason) of any five of the following nine individuals prior to January 1, 2002: Allan M. Lipman, Jr., Lawrence L. Corry, Ralph C. Burton, K. Pete Chertudi, John R. Lemke, David L. Budge, Wayne P. Neeley, Dennis D. Costesso and George R. Hobbs.

"CLOSING" is defined in Section 3.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

"COLLATERAL AGENT" means First Security Bank, National Association, or any successor Collateral Agent under the Collateral Agency Agreement dated as of the date of this Agreement among such Collateral Agent and the Company.

"COMPANY" means Snake River Sugar Company, an Oregon cooperative.

"COMPANY AGREEMENT" means the Company Agreement of LLC dated as of January 3, 1997, as amended to the date of the Closing.

"CONSOLIDATED" means, with respect to the accounting item with respect to any Person, such item on a consolidated basis for such Person and its Subsidiaries.

"CONSOLIDATED FIXED CHARGES" means the sum of (i) Consolidated Interest Expense, (ii) scheduled payments of principal in respect of Senior Debt (excluding (x) Debt of LLC and (y) an amount equal to 80% of the principal amount of the loans guaranteed by the Company under the Henry's Fork Loan Agreement and the Midwest Loan Agreement outstanding on the date of determination, and (iii) Consolidated operating lease and rent payments, of the Company and its Subsidiaries in each case as projected for the four consecutive fiscal quarter period immediately succeeding the date of determination.

"CONSOLIDATED INTEREST EXPENSE" means all interest expense on Debt described in clause (i) of the definition of Senior Debt, including, without limitation, all commissions, discounts or related amortization and other fees and charges with respect to letters of credit and bankers' acceptance financing and the net costs associated with interest swap obligations, amortization of debt expense and original issue discount and the interest portion of any deferred payment obligation (including leases of all types), calculated in accordance with the effective interest method.

"CONSOLIDATED NET INCOME" means with respect to any Person, Consolidated gross revenues less all operating and non-operating expenses and other proper charges determined in accordance with GAAP; provided that there shall be excluded from the calculation of Consolidated Net Income:

(a) extraordinary gains;

(b) gains or losses resulting from the sale or other disposition of capital assets;

(c) undistributed earnings of non-Subsidiary Investments;

(d) gains arising from changes in accounting principles;

(e) gains arising from the write-up of assets;

(f) any earnings of a Person acquired by the Company or any Subsidiary of the Company prior to the date such acquisition occurs; and

(g) any gains or losses resulting from the retirement or extinguishment of Debt.

"CONSOLIDATED TANGIBLE ASSETS" means the total net book value of all assets of the Company and its Subsidiaries (excluding goodwill, trade names, copyrights, trademarks, other intangible assets, and write-ups of assets after the date of the Closing) determined on a Consolidated basis as of the last day of the Company's most recently ended fiscal year.

"CONSOLIDATED TANGIBLE NET WORTH" means Consolidated shareholders' equity of the Company and its Subsidiaries excluding goodwill, trade names, copyrights, trademarks, other intangible assets and write-ups of assets after the date of the Closing.

"CONSOLIDATED TOTAL DEBT" means the sum of Senior Debt and Subordinated Debt.

"CURRENT DEBT" means any Debt that is payable on demand or that matures within one year, without any option on the part of the borrower or issuer thereunder to extend or renew such Debt for a period of more than one year from the date of original issuance or borrowing. Notwithstanding the foregoing, Current Debt shall include the Bank Loans and the CCC Loans.

"DEBT" means, with respect to any Person:

(a) any indebtedness for borrowed money, (including commercial paper and revolving credit line borrowings), or which is evidenced by bonds, debentures or notes, or otherwise representing the deferred purchase price of property or extensions of credit, whether or not representing obligations for borrowed money (other than trade, payroll and taxes payable),

(b) indebtedness of a third party secured by Liens on the assets of such Person or a Subsidiary of such Person,

(c) Capital Lease Obligations,

(d) Guarantees,

(e) with the exception of the AGM Interest, capital stock (or similar equity interests) that provides for mandatory redemption or repurchase or repurchase at the option of the holder thereof (and, if such Person is a Subsidiary of the Company, all capital stock (or similar equity interests) which is preferred as to liquidation and is held by Persons other than the Company or a Wholly-Owned Subsidiary of the Company);

(f) obligations with respect to Swaps, letters or credit and similar obligations; and

(g) modifications, renewals and extensions of the above.

"DEFAULT" means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"DEFAULT RATE" means that rate of interest that is the greater of (i) 2% per annum above the rate of interest stated in clause (a) of the first

sentence of Section 8.2(a) or (ii) 2% over the rate of interest publicly

announced by The Bank of New York in New York, New York as its "base" or "prime" rate.

"DELAYED PAYMENT" means payment by the Company of any principal or interest on any Subordinated Note after the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise or payment by the Company of any other amount payable hereunder or under any of the Transaction Documents to the holder of any Subordinated Note.

"DISTRIBUTABLE CASH" means, with respect to any period, Consolidated Net Income of LLC for such period (or for periods prior to January 1, 1997, of Amalgamated) plus (i) actual book depreciation, depletion, amortization and LLC Consolidated Interest Expense included in computing such net income and (ii) the LIFO Adjustment, if any, used in computing such net income, less (iii) actual

capital expenditures and actual LLC Consolidated Interest Expense paid (net of interest capitalized) for such period (or for periods prior to January 1, 1997, of Amalgamated) and (iv) $1,800,000 if the relevant period is a year and a pro rata portion thereof if the relevant period is less than a year.

"ENVIRONMENTAL LAWS" means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

"ERISA AFFILIATE" means LLC and any trade or business (whether or not incorporated) that is treated as a single employer together with the Company or LLC under section 414 of the Code, and which is controlled by the Company or LLC.

"EVENT OF DEFAULT" is defined in Section 11.

"EXCESS CASH FLOW" means, with respect to any period, Distributable Cash for the comparable period of LLC ending on or closest (but prior) to the last day of such period, less (i) actual debt service in respect of Senior Debt described in clause (i) of the definition of "Senior Debt" (including, without limitation any Debt of Persons other than the Company guaranteed by the Company) of the Company, including without limitation, the Senior Notes, (ii) patronage dividends actually paid to the Company's shareholders, and (iii) Permitted Operating Expenses.

"EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended.

"FAIR MARKET VALUE" means, at any time and with respect to any property, the sale value of such property that would be realized in an arm's-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

"FUNDED DEBT" means all Debt other than Current Debt.

"GAAP" means generally accepted accounting principles as in effect in the United States from time to time.

"GOOD FAITH CONTEST" means an active challenge or contest initiated in good faith by appropriate proceedings for which adequate reserves have been established in accordance with GAAP.

"GOVERNMENTAL AUTHORITY" means

(a) the government of

(i) the United States of America or any State or other political subdivision thereof, or

(ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or

(b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

"GROWER CONTRACTS" means the Grower Agreements between each of the members of the Company and the Company.

"GUARANTEE" means, with respect to any Person, any direct or indirect liability, contingent or otherwise, of such Person with respect to any Debt,

lease, dividend or other obligation of another, including, without limitation, any such obligation directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business) or discounted or sold with recourse by such Person, or in respect of which such Person is otherwise directly or indirectly liable, including, without limitation, any such obligation in effect guaranteed by such Person through any agreement (contingent or otherwise) to (i) maintain the solvency or any balance sheet or other financial condition of another Person or (ii) make payment for any products, materials or supplies or for any transportation or services regardless of the non-delivery or non-furnishing thereof, in any such case if the purpose or effect of such agreement is to provide assurance that such obligation will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such obligation will be protected against loss in respect thereof. Guarantees shall include obligations of partnerships and joint ventures of which such Person or any Subsidiary is a general partner or co-venturer that is not expressly non-recourse to such Person or such Subsidiary.

"HAZARDOUS MATERIAL" means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls).

"HENRY'S FORK LOAN AGREEMENT" means the Loan and Security Agreement, dated as of January 3, 1997, between Snake River Farms II, LLC and Henry's Fork Financial, Inc., and any refinancing of such loan thereunder provided that such refinancing is on terms no more onerous to Snake River Farms II, LLC than those existing on the Closing as it may be amended, supplemented or otherwise modified from time to time.

"HOLDER" means, with respect to any Subordinated Note, the Person in whose name such Subordinated Note is registered in the register maintained by the Company pursuant to Section 13.1.

"INDEMNIFICATION AND POST-CLOSING AGREEMENT" means the Indemnification and Post-Closing Agreement, dated as of January 3, 1997, among Amalgamated, the Company and LLC, as it may be amended, supplemented or otherwise modified from time to time.

"INSTITUTIONAL INVESTOR" means (a) any original holder of a

Subordinated Note or Senior Note and (b) any bank, trust company, savings and

loan association or other financial institution, any pension plan, any investment company, any fund managed by an investment adviser, any mutual fund, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form.

"INTERCREDITOR AGREEMENT" is defined in Section 4.21.

"INVESTMENT" means any investment, made in cash or by delivery of property, by the Company, LLC or any of their respective Subsidiaries in any Person, whether by acquisition of stock, Debt or other obligation or Security, or by loan, Guarantee, advance, capital contribution or otherwise.

"LIEN" shall mean any mortgage, pledge, security interest, encumbrance, set-off, bankers' lien or similar arrangement, charge or other lien of any kind, any agreement to give the same, any conditional sale or other title retention agreement, and the filing of or agreement to give any financing statement under the Uniform Commercial Code of any jurisdiction.

"LIFO ADJUSTMENT" means the adjustment made to net income of LLC (with inventory accounting done on a first-in, first-out basis) to derive net income of LLC on a last-in, first-out basis.

"LLC" means The Amalgamated Sugar Company LLC, a limited liability company organized under the laws of the State of Delaware.

"LLC CONSOLIDATED INTEREST EXPENSE" means all interest expense of LLC and its Subsidiaries, including, without limitation, all commissions, discounts or related amortization and other fees and charges with respect to letters of credit and bankers' acceptance financing and the net costs associated with interest swap obligations, amortization of debt expenses and original issue discount and the interest portion of any deferred payment obligation (including leases of all types), calculated in accordance with the effective interest method, all as determined on a consolidated basis for LLC and its Subsidiaries.

"LOAN DOCUMENTS" means this Agreement, the Subordinated Notes and all other instruments, documents and agreements executed by or on behalf of the Company and delivered concurrently herewith or at any time hereafter to or for the benefit of you in connection with the Subordinated Notes and other transactions contemplated by this Agreement, all as amended, restated, supplemented or otherwise modified from time to time.

"MATERIAL" means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the

business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or LLC and its Subsidiaries, taken as a whole, or (b) the ability of the Company to perform its obligations

under this Agreement and the Subordinated Notes, or (c) the validity or

enforceability of this Agreement, any Transaction Document or the Subordinated Notes.

"MIDWEST LOAN AGREEMENT" means the Loan Agreement, dated December 26, 1996 between Snake River Farms, LLC and Midwest Agri-Commodities Company, and any refinancing of such loan thereunder provided that such refinancing is on terms no more onerous to Snake River Farms, LLC than those existing on the Closing as it may be amended, supplemented or otherwise modified from time to time.

"MULTIEMPLOYER PLAN" means any Plan that is a "multiemployer plan" (as such term is defined in section 4001(a)(3) of ERISA).

"NOTE PURCHASE AGREEMENTS" means the Note Purchase Agreements dated as of the date of Closing between the Company and each of the purchasers of Senior Notes pursuant to such agreements.

"OBLIGATIONS" means all obligations, liabilities and indebtedness of every nature of the Company from time to time owed to you under the Loan Documents including the principal amount of all debts, claims and indebtedness, accrued and unpaid interest and all fees, costs and expenses, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable.

"OFFICER'S CERTIFICATE" means a certificate of a Senior Financial Officer or of any other officer of the Company or LLC, as applicable whose responsibilities extend to the subject matter of such certificate.

"OWNED SUBSIDIARY" means as to any Person (a), any corporation(s), partnership(s) or other entities organized under the laws of any state of the United States in which such Person or another Owned Subsidiary of such Person, as the case may be, beneficially owns or controls, either directly or indirectly, 50% or more of the outstanding capital stock or equity interest.

"PAYMENT ESCROW" means the sum of (i) $5,000,000 in cash and (ii) marketable securities with a value of $5,000,000 (marked to market on a quarterly basis), both deposited with and pledged to the Collateral Agent for

the benefit of the holders of the Senior Notes. No Payment Escrow shall be required after more than 50% of the original principal amount of the Senior Notes has been repaid.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

"PERCENTAGE OF EARNINGS CAPACITY" means, with respect to assets of the Company, LLC and/or their respective Subsidiaries Transferred or proposed to be Transferred, the ratio (expressed as a percentage) of (i) Consolidated Net Income produced by or attributable to such assets during the thirty-six (36) month period most recently ended prior to the date of their Transfer or proposed Transfer to (ii) Aggregate Consolidated Net Income.

"PERMITTED OPERATING EXPENSES" means miscellaneous operating expenses of the Company.

"PERSON" means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, or a government or agency or political subdivision thereof.

"PLAN" means an "employee benefit plan" (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company, LLC or any ERISA Affiliate or with respect to which the Company, LLC or any ERISA Affiliate may have any liability.

"PROPERTY" or "PROPERTIES" means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

"REQUIRED HOLDER(S)" means the holder(s) of at least 66 2/3% of the aggregate principal amount of Subordinated Notes from time to time outstanding.

"RESPONSIBLE OFFICER" means any Senior Financial Officer and any other officer of the Company or LLC, as applicable, with responsibility for the administration of the relevant portion of this agreement.

"RESTRICTED PAYMENTS" means any: (a) dividend payments or other distributions of cash, assets, properties, obligations or securities on account of any class of equity interest (other than stock dividends or their equivalent) in the Company or LLC, including the AGM Interest (including, without limitation, repayment of Unit Retains), and (b) repurchases or redemptions of equity interests in the Company or LLC.

"SALE-AND-LEASEBACK TRANSACTION" means a transaction or series of transactions pursuant to which the Company, LLC or any Subsidiary of the Company or LLC shall sell or transfer to any Person any property, whether now owned or hereafter acquired, and, as part of the same transaction or series of transactions, the Company, LLC or any Subsidiary of the Company or LLC shall rent or lease as lessee, or similarly acquire the right to possession or use of, such property or one or more properties which it intends to use for the same purpose or purposes as such property.

"SECURITIES ACT" means the Securities Act of 1933, as amended from time to time.

"SECURITY" has the meaning set forth in Section 2(1) of the Securities Act.

"SENIOR DEBT" means (i) all Debt of the Company other than the Subordinated Debt and (ii) up to $50,000,000 of Debt of LLC.

"SENIOR NOTES" means the Company's 10.8% Senior Notes due April 30, 2009.

"SENIOR FINANCIAL OFFICER" means the chief financial officer,

principal accounting officer, treasurer or comptroller of the Company or LLC, as applicable.

"SPT" means the Amalgamated Collateral Trust, a Delaware business trust, formed pursuant to the SPT Trust Agreement.

"SUBORDINATED DEBT" shall mean the Debt evidenced by the Subordinated Notes.

"SUBORDINATED NOTES" is defined in Section 1.

"SUBORDINATION AGREEMENT" means the Subordination Agreement, substantially in the form of Exhibit B-1, as it may be amended, supplemented or otherwise modified from time to time.

"SUBSIDIARY" or "SUBSIDIARIES" means as to any Person (a) any corporation(s) organized under the laws of any state of the United States of which such Person or another Subsidiary of such Person, as the case may be, beneficially owns or controls, either directly or indirectly, 100% of the outstanding capital stock, and (b) any partnership(s) or other entities organized under the laws of any state of the United States in which such Person or another Subsidiary of such Person, as the case may be, holds a 100% equity interest and controls the management of such entity, and (c) in the context of a Subsidiary of the Company, LLC.

"SUBSTANTIAL PART" means, as of any date of determination and with respect to assets of the Company, LLC and/or their respective Subsidiaries, any of the following:

(a) assets having, when taken together with all other assets Transferred by the Company, LLC and/or their respective Subsidiaries during the twelve month period immediately preceding the date of determination, an aggregate net book value or an aggregate Fair Market Value (whichever is greater) equal to or greater than 10% of Consolidated Tangible Assets;

(b) assets having, when taken together with all other assets Transferred by the Company, LLC and/or their respective Subsidiaries from and after the date of Closing, an aggregate net book value or an aggregate Fair Market Value (whichever is greater) equal to or greater than 25% of Consolidated Tangible Assets;

(c) assets having, when taken together with all other assets Transferred by the Company, LLC and/or their respective Subsidiaries during the twelve month period immediately preceding the date of determination, an aggregate Percentage of Earnings Capacity equal to or greater than 10%; or

(d) assets having, when taken together with all other assets Transferred by the Company, LLC and/or their respective Subsidiaries from and after the date of Closing, an aggregate Percentage of Earnings Capacity equal to or greater than 25%.

"SWAPS" means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

"TRANSACTION DOCUMENTS" means this Agreement, the Subordinated Notes, the Valhi Option Agreement, and the Subordination Agreement.

"TRANSFER" or "TRANSFERRED" is defined in Section 10.2.

"UNIT RETAINS" means withholdings of beet crop payments due to the grower shareholders of the Company as imposed by the Company's board of directors.

"VALHI OPTION AGREEMENT" means the Option Agreement in substantially the form of Exhibit B-2 attached hereto, as it may be amended, supplemented or otherwise modified from time to time.

"VOTING RIGHTS COLLATERAL DEPOSIT AGREEMENT" means the Collateral Deposit Agreement, substantially in the form of Exhibit B-3 hereto, as it may be amended, supplemented or otherwise modified from time to time.

"VOTING RIGHTS ESCROW" means the cash, securities and/or letter of credit deposited with the Collateral Agent under the Voting Rights Collateral Deposit Agreement.

"WHOLLY-OWNED SUBSIDIARY" means with respect to any Person, at any time, any Subsidiary of such Person one hundred percent (100%) of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of such Person and such Person's other Wholly-Owned Subsidiaries at such time.

"YEAR-END TRANSACTIONS" means the transactions among the Company, you, Amalgamated and LLC that, among other things, resulted in (i) the formation of LLC, (ii) the contribution by Amalgamated of the assets and liabilities of Amalgamated to LLC, (iii) this Agreement and the Company's loan to Valhi, Inc., and (iv) the closing of and financing by Henry's Fork Financial, Inc. of the equity offering for the Company.

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EXHIBIT 1-A -- Form of Senior Subordinated Note due April 30, 2010

EXHIBIT 1-B -- Form of Senior Subordinated Note due April 30, 2010

EXHIBIT 4.4(a) -- Form of Opinion of Special Counsel for the Company

EXHIBIT B-1 -- Form of Subordination Agreement

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NOTE: TABLE OF CONTENTS WAS MANUALLY ENTERED (NOT CONFORMED).{PRIVATE }

SUBORDINATION AGREEMENT

Dated as of May 14, 1997

By

VALHI, INC.
("Subordinated Creditor")

and

SNAKE RIVER SUGAR COMPANY
("Borrower")

In favor of

THE HOLDERS OF THE SENIOR NOTES (AS DEFINED HEREIN)
("Senior Debt Holders")

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SUBORDINATION AGREEMENT

This SUBORDINATION AGREEMENT, dated as of May 14, 1997 ("Agreement"), is made by Valhi, Inc., a Delaware corporation ("Subordinated Creditor"), and Snake River Sugar Company, an Oregon cooperative ("Borrower"), in favor of the holders from time to time of the Senior Debt (as defined below) ("Senior Debt Holders") and First Security Bank, N.A., as Collateral Agent for the Senior Debt Holders.

R E C I T A L S

WHEREAS, Borrower has entered into separate but identical Note Purchase Agreements, each dated as of May 14, 1997 with the financial institutions named therein ("Purchasers") (said agreements, as they may hereafter be amended or otherwise modified from time to time, collectively being the "Note Agreement", the terms defined in the Note Agreement and not otherwise defined herein being used herein as defined in the Note Agreement) pursuant to which Borrower has issued to the Purchasers its senior notes in the principal amount of $100,000,000 (as such senior notes may be amended, renewed or otherwise modified from time to time the "Senior Notes"); and

WHEREAS, Subordinated Creditor and Borrower have entered into a Loan and Security Agreement dated as of January 3, 1997, as amended and restated by the Subordinated Loan Agreement dated as of the date of this Agreement (said agreement, as it may hereafter be amended or otherwise modified from time to time, being the "Subordinated Agreement") pursuant to which Borrower has issued or may issue in the future to Subordinated Creditor certain subordinated notes (as such subordinated notes may be amended, renewed or otherwise modified from time to time, collectively, the "Subordinated Note"); and

WHEREAS, it is a condition precedent to the purchase of the Senior Notes by the Purchasers pursuant to the Note Agreement that Borrower and

Subordinated Creditor shall have executed and delivered this Agreement.

NOW, THEREFORE, in consideration of the premises and in order to induce the Purchasers to purchase the Notes under the Note Agreement, the parties hereto hereby agree as follows:

{PRIVATE } CERTAIN DEFINED TERMS{TC \L 1 " CERTAIN DEFINED TERMS"}. For purposes of this Agreement, the following terms shall have the following meanings:

"Debt" means, with respect to any person, (i) all indebtedness, obligations and other liabilities (contingent or otherwise) of such person for borrowed money or evidenced by bonds, debentures, notes or similar instruments (whether or not the recourse of the lender is to the whole of the assets of such person or to only a portion thereof); (ii) all reimbursement obligations and other liabilities (contingent or otherwise) of such person with respect to letters of credit or bankers' acceptances issued for the account of such person or with respect to interest rate protection agreements or currency exchange agreements; (iii) all obligations and other liabilities (contingent or otherwise) of such person with respect to any conditional sale, installment sale or other title retention agreement, purchase money mortgage or security interest, or otherwise to pay the deferred purchase price of property or services (except trade accounts payable and accrued expenses arising in the ordinary course of business) or in respect of any sale and leaseback arrangement; (iv) all obligations and liabilities (contingent or otherwise) in respect of leases by such person as lessee which, in conformity with generally accepted accounting principles, are required to be accounted for as capitalized lease obligations on the balance sheet of such person; (v) all direct or indirect guaranties or similar agreements in respect of, and obligations and liabilities (contingent or otherwise) to purchase or otherwise acquire or otherwise to assure a creditor against loss in respect of, indebtedness, obligations or liabilities of others; and (vi) all liabilities for borrowed money secured by any Lien with respect to any property owned by such person (whether or not it has assumed or otherwise become liable for such liabilities).

"Distribution of Assets" means any distribution of assets of Borrower of any kind or character, whether (a) a payment, purchase or other acquisition or retirement for cash, property or securities or (b) by way of cancellation, forgiveness or offset of the Subordinated Debt against any Debt owed by Subordinated Creditor to Borrower or (c) payable or deliverable by reason of the payment of any other Debt of Borrower being subordinated to the payment of the Subordinated Debt and, in any case, shall include any assets of any kind or character received by Subordinated Creditor in connection with the realization of security for the Subordinated Debt.

"Specified Default" means any Event of Default described in the following Sections of the Note Agreement and any Default that would, after notice or lapse of time or both, give rise to such an Event of Default (all references to sections in this definition of Specified Default are references to sections of the Note Agreement):

(i) Section 11(a);

(ii) Section 11(b); provided that any Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 7.1(d) or (l) shall not be a Specified Default; provided further that for purposes of determining a Specified Default due to a Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 9.7, the relevant amount of acres shall be 200,000 acres, not 210,000 acres; provided further that, for purposes of determining a Specified Default due

to a Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 10.3, Section 10.3 shall be deemed to contain an additional clause (k) which reads "Liens securing Debt the amount of which does not exceed $500,000"; provided

further that, for purposes of determining a Specified Default due to a

Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 10.4, Section 10.4 shall be deemed to contain an additional clause (e) which reads "Debt of LLC and Subsidiaries of the Company not exceeding $500,000"; provided further that, for purposes of determining a Specified Default due to a

Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 10.6, Section 10.6 shall be deemed to contain an additional clause (d) which reads "Additional Debt of the Company not to exceed $500,000 in the aggregate"; provided

further that, for purposes of determining a Specified Default due to a

Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 10.9, the amount in clause (k) of Section 10.9 shall be deemed to be $1,000,000; and provided

further that, for purposes of determining a Specified Default due to a

Default or Event of Default under Section 11(b) that occurs by reason of a default in the performance or compliance with Section 10.10, the amounts set forth in Section 10.10 shall be deemed to be $18,500,000 and $44,500,000, not $18,000,000 and $44,000,000.

(iii) Section 11(e)(i), but only if, as a consequence of the occurrence or continuation of any event or condition in such section, the lenders under the Bank Loan or any other lenders under or holders of Debt exercise their right to accelerate such Debt or to prohibit LLC from making distributions with respect to the AGM Interest or any other distributions to its members;

(iv) Section 11(e)(ii) and Section 11(e)(iii);

(v) Section 11(m)(i); and

(vi) Section 11(m)(ii), but only if the amount of the Debt or other obligation referred to in such section exceeds $500,000.

"Section 6 Event" means: (i) the acceleration of all or any

portion of the Senior Debt pursuant to Section 12.1 of the Note Agreement or (ii) the occurrence of an Event of Default specified in Section 11(f) or 11(g) of the Note Agreement with respect to Borrower.

"Senior Debt" means: (i) the principal of all Debt of Borrower

under the Note Agreement and the Senior Notes; the Make-Whole Amount, if any, thereon; interest accrued or accruing thereon both before and after the date of filing a petition in any bankruptcy, insolvency, arrangement, reorganization or receivership proceedings, whether or not allowed as a claim in such case or proceeding; commitment, facility and other fees payable under the Note Agreement and any other amounts due under the Note Agreement, whether direct or indirect, absolute or contingent, secured or unsecured, due or to become due, now existing or hereafter arising; and (ii) any refundings, renewals or extensions of any Debt or other obligation described in clause (i) above; and (iii) all expenses and attorney's fees for which Borrower is now or hereafter becomes liable to pay to any Senior Debt Holder or to the Collateral Agent.

"Subordinated Debt" means all Debt of Borrower to Subordinated

Creditor now or hereafter existing (whether created directly or acquired by assignment or otherwise), including, but not limited to, all Debt of Borrower

pursuant to the Subordinated Agreement and the Subordinated Note, and interest and premium, if any, thereon and other amounts payable in respect thereof.

{PRIVATE } Default on Senior Debt; Acceleration of Subordinated Debt{TC \L 1 " Default on Senior Debt; Acceleration of Subordinated Debt"}.

Subordinated Creditor will not receive or accept from Borrower, and the Borrower will not make to or for the benefit of Subordinated Creditor, any payment or Distribution of Assets in respect of the Subordinated Debt at any time (i) after a Specified Default shall have occurred or if payment in respect of the Subordinated Debt would result in a Specified Default or (ii) after all or any portion of the Senior Debt shall have been accelerated pursuant to Section 12.1 of the Note Agreement, unless and until, in the case of clause (i), such Specified Default has been cured to the satisfaction of the Required Holders (and in the case of a Specified Default described in clause (i) of the definition of "Specified Default" to the satisfaction of all of the Senior Debt Holders), in their sole discretion, or, in the case of clause (ii), such acceleration has been rescinded pursuant to Section 12.2 of the Note Agreement, as applicable, or all Senior Debt has been paid in full in cash.

Until all Senior Debt has been paid in full in cash, Subordinated Creditor shall deliver to the largest holder of Senior Debt (the "Senior Debt Representative") prior written notice of any intent by Subordinated Creditor to (i) declare all or any part of the Subordinated Debt due and payable prior to its scheduled maturity, (ii) take any enforcement action with respect to the Subordinated Debt, or (iii) commence or join with any other creditor of Borrower to commence any bankruptcy, insolvency, reorganization, readjustment of debt, arrangement of debt, receivership or liquidation or other similar proceeding against Borrower (collectively a "Bankruptcy Action"). Subordinated Creditor shall not take any action to declare the Subordinated Debt due and payable, or to otherwise demand, ask for or take any enforcement action in respect of the Subordinated Debt, including without limitation the exercise of any remedy or Bankruptcy Action, in each case subject to Section 2a above, until the earlier of (x) the date on which the Required Holders consent in writing to such acceleration or enforcement action or (y) the date on which all of the Senior Debt is accelerated or (z) if there has been a default in the payment of the principal of or interest on the Subordinated Debt (other than as a result of such intended acceleration) which has existed continuously since the date of such notice, 180 days after receipt by the Senior Debt Representative of such written notice. Notwithstanding anything to the contrary in this Section 2b, Borrower and Subordinated Creditor shall at all times be subject to the prohibitions set forth in Section 2a on the payment to, and receipt of, funds and other assets by Subordinated Creditor.

{PRIVATE } INSOLVENCY, DISSOLUTION, ETC. OF BORROWER{TC \L 1 " INSOLVENCY, DISSOLUTION, ETC. OF BORROWER"}.

In the event of any dissolution, winding up, liquidation, reorganization or other similar proceedings with respect to Borrower, its property or its operations (whether in bankruptcy, insolvency or receivership proceedings, or upon an assignment for the benefit of creditors, or any other marshalling of the assets of Borrower or otherwise),

all Senior Debt (including, without limitation, interest on Senior Debt at the rate stated in the Note Agreement or the Senior Notes from the date of filing any petition in bankruptcy to the date of payment whether or not allowed as a claim) shall first be paid in full in cash before Subordinated Creditor shall be entitled to receive or retain any payment or Distribution of Assets of Borrower with respect to the Subordinated Debt. In any such proceedings, any payment or distribution of any kind (whether in cash, property or securities) to which Subordinated Creditor would be entitled if the

Subordinated Debt were not subordinated to the Senior Debt shall be paid by the trustee or agent or other person making such payment or distribution, or by Subordinated Creditor if received by it, directly to the Collateral Agent for the benefit of the Senior Debt Holders to the extent necessary to make payment in full of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution to or for the benefit of the Senior Debt Holders; and

Subordinated Creditor shall duly and promptly take such action as the Required Holders may reasonably request (i) to collect the Subordinated Debt for the account of the Senior Debt Holders and to file appropriate claims or proofs of claim in respect of the Subordinated Debt, (ii) to execute and deliver to any Senior Debt Holder such powers of attorney, assignments, or other instruments as it may reasonably request in order to enable it to enforce any and all claims with respect to the Subordinated Debt, and (iii) to collect and receive any and all payments or distributions which may be payable or deliverable upon or with respect to the Subordinated Debt.

{PRIVATE } DISTRIBUTIONS HELD IN TRUST; SUBROGATION{TC \L 1 "

DISTRIBUTIONS HELD IN TRUST; SUBROGATION"}.

If Subordinated Creditor receives any payment or Distribution of Assets of Borrower which Subordinated Creditor is not entitled to retain under the provisions of this Agreement, such payment or assets shall be delivered forthwith by Subordinated Creditor to the Collateral Agent for the benefit of the Senior Debt Holders for application to the Senior Debt, in the form received except for the addition of any endorsement or assignment necessary to effect a transfer of all rights therein to the Collateral Agent for the benefit of the Senior Debt Holders. The Collateral Agent for the benefit of the Senior Debt Holders is irrevocably authorized by Subordinated Creditor to supply any required endorsement or assignment which may have been omitted. Until so delivered any such payment or collateral shall be held by Subordinated Creditor in trust for the Senior Debt Holders.

If all Senior Debt of Borrower has been paid in full in cash and thereafter (i) Subordinated Creditor receives any payment or Distribution of Assets of Borrower and (ii) any portion or all of the amounts received by any Senior Debt Holder is required to be returned to Borrower or any receiver, trustee or other Person succeeding to the assets of Borrower, such payment or assets received by Subordinated Creditor shall be delivered forthwith by Subordinated Creditor to the Collateral Agent for the benefit of the Senior Debt Holders for application to the Senior Debt. Until so delivered any such payment or collateral shall be held by Subordinated Creditor in trust for the Senior Debt Holders.

After all Senior Debt of Borrower has been paid in full in cash and until the Subordinated Debt is paid in full, Subordinated Creditor shall be subrogated to the rights of the Senior Debt Holders to receive distributions applicable to the Senior Debt to the extent that distributions otherwise payable to Subordinated Creditor have been applied to the payment of such Senior Debt. A distribution made under this Agreement to holders of the Senior Debt that otherwise would have been made to Subordinated Creditor is not, as between the Borrower and Subordinated Creditor, a payment by the Borrower on the Subordinated Debt.

{PRIVATE } LEGENDS{TC \L 1 " LEGENDS"}. If Borrower issues or

has issued any instrument or document evidencing the Subordinated Debt, including without limitation the Subordinated Agreement and the Subordinated Notes, each such instrument and document shall bear a conspicuous legend that it is subordinated to the Senior Debt. Borrower's books shall be marked to evidence the subordination of all of the Subordinated Debt to the Senior Debt. Any Senior Debt Holder is authorized to examine such books from time to time and to make any notations required by this Agreement.

{PRIVATE } POWER OF ATTORNEY{TC \L 1 " POWER OF ATTORNEY"}.

Subordinated Creditor hereby irrevocably authorizes and empowers the Collateral Agent for the benefit of the Senior Debt Holders (and its representative or representatives), after the occurrence of any Section 6 Event, to demand, sue for, collect and receive all payments and distributions under the Subordinated Agreement and the Subordinated Notes and give acquittance therefor and to file and enforce claims and proofs of claims or suits and take all such other actions (including, without limitation, voting the Subordinated Debt (including in connection with any liquidation, reorganization or arrangement) or enforcing any security interest or other lien securing payment of the Subordinated Debt) in the name of Subordinated Creditor or otherwise, as the Collateral Agent or the Required Holders determine to be necessary or appropriate. In no event shall Subordinated Creditor waive, forgive or cancel any claim Subordinated Creditor may now or hereafter have against Borrower.

In no event shall the Collateral Agent or any Senior Debt Holder be liable to Subordinated Creditor for any failure to prove the Subordinated Debt, to exercise any right with respect thereto or to collect any sums payable thereon.

{PRIVATE } AGREEMENTS BY SUBORDINATED CREDITOR AND SENIOR DEBT HOLDERS{TC \L 1 " AGREEMENTS BY SUBORDINATED CREDITOR AND SENIOR DEBT HOLDERS"}.

Subordinated Creditor has received and has been given an opportunity to review the Note Agreement and the Transaction Documents, and Subordinated Creditor hereby consents to and approves of the provisions contained therein. Subordinated Creditor agrees that the Senior Debt Holders may, at any time and from time to time, without the consent of or notice to Subordinated Creditor, without incurring responsibility to Subordinated Creditor, and without impairing or releasing the rights of the Collateral Agent or any of the Senior Debt Holders, or any of the obligations of Subordinated Creditor hereunder:

Change the amount, manner, place or terms of payment or change or extend the time of payment of or renew or alter Senior Debt or amend the Note Agreement, the Senior Notes, the Transaction Documents or any other document referred to therein in any manner or enter into or amend in any manner any other agreement relating to the Senior Debt; provided that notwithstanding the foregoing, (x) if a payment default on the Senior Notes has occurred and is continuing, Borrower and the Senior Debt Holders shall not increase the principal amount of the Senior Debt by an amount in excess of 25% of the outstanding principal amount of the Senior Notes without the consent of Subordinated Creditor, and (y) if no Event of Default exists in respect of the Senior Debt, Borrower and the Senior Debt Holders will not increase the interest rate on the Senior Notes or change the principal payment schedule with respect to the Senior Notes in a manner which would cause the average life of the Senior Notes to be shortened, in each case without the consent of Subordinated Creditor;

Sell, exchange, release or otherwise deal with any property by whomsoever at any time pledged or mortgaged to secure, or howsoever securing, the Senior Debt;

Release anyone (including any guarantor) liable in any manner for the payment or collection of the Senior Debt;

Exercise or refrain from exercising any rights against Borrower and others (including any guarantor or Subordinated Creditor);

Apply any sums by whomsoever paid or however realized to the Senior Debt; or

Take any other action with respect to the Senior Debt which otherwise might be deemed to impair the rights of Subordinated Creditor.

{PRIVATE } WAIVERS{TC \L 1 " WAIVERS"}. Borrower and Subordinated Creditor each hereby waives any defense based on the adequacy of a remedy at law which might be asserted as a bar to the remedy of specific performance of this Agreement in any action brought therefor by the Collateral Agent or any Senior Debt Holder. To the fullest extent permitted by law, Borrower and Subordinated Creditor each hereby further waives: promptness, diligence, presentment, demand, protest, notice of protest, notice of default or dishonor, notice of payment or nonpayment and any and all other notices and demands of any kind in connection with all negotiable instruments evidencing all or any portion of the Senior Debt or the Subordinated Debt to which Borrower or Subordinated Creditor may be a party; notice of the acceptance of this Agreement; notice of any loans made, extensions granted or other actions taken in reliance hereon; and any requirement that the Collateral Agent or the Senior Debt Holders exhaust any right or take any action against Borrower or any other person or entity or any collateral.

{PRIVATE } REPRESENTATIONS AND WARRANTIES{TC \L 1 " REPRESENTATIONS AND WARRANTIES"}. Subordinated Creditor hereby represents and warrants to the Senior Debt Holders, which representations, warranties and covenants shall be true and correct as of the date hereof, that:

Subordinated Creditor has not heretofore assigned or transferred any of the Subordinated Debt or any interest therein; Subordinated Creditor is the true and lawful holder and owner of the Subordinated Debt and the Subordinated Note; the Subordinated Note and the Subordinated Agreement have not been amended or modified in any way; and the Subordinated Note is free and clear of any defense, offset, counterclaim or other adverse claims and any liens, encumbrances or security interests.

There are no agreements or understandings, written or oral, by Subordinated Creditor with Borrower other than as set forth in this Agreement, the Snake River Loan, the Subordinated Agreement, the Subordinated Note and the other Transaction Documents to which Subordinated Creditor is a party with respect to the obligations evidenced by the Subordinated Note and Subordinated Creditor has not heretofore given any subordination in respect of the Subordinated Debt.

Subordinated Creditor has the requisite power, authority, capacity and legal right to execute, deliver and perform this Agreement, and this Agreement, when executed and delivered, will constitute the legal, valid and binding obligation of Subordinated Creditor enforceable against Subordinated Creditor in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will, with or without notice and/or lapse of time, constitute a breach of any of the terms and provisions of, or constitute a default under, any note, contract, instrument, agreement or undertaking, whether written or oral, to which Subordinated Creditor is a party.

{PRIVATE }NEGATIVE COVENANTS{TC \L 1 " NEGATIVE COVENANTS"}. Until all of the Senior Debt has been paid in full in cash:

Except as expressly permitted in this Agreement, Borrower shall not, directly or indirectly, make any payment or Distribution of Assets on account of or grant a security interest in, mortgage, pledge, assign or transfer any properties to secure or satisfy all or any part of the Subordinated Debt or in any way amend or modify the Subordinated Note or Subordinated Agreement.

Except as expressly permitted in this Agreement, Subordinated Creditor shall not demand or accept from Borrower or any other person any such payment, Distribution of Assets or collateral nor shall Subordinated Creditor release, exchange, extend the time of payment of, compromise, set off or otherwise discharge or enforce any part of the Subordinated Debt or in any way amend or modify the Subordinated Debt or this Agreement.

Neither Subordinated Creditor nor any receiver, trustee or other Person succeeding to the assets of Subordinated Creditor shall set off all or any portion of the Subordinated Debt against Debt of Subordinated Creditor owing to Borrower (including, without limitation, the Snake River Loan), give any subordination in respect of the Subordinated Debt, convert any or all of the Subordinated Debt to capital stock or other securities of Borrower. The parties acknowledge that all or a substantial part of the Snake River Loan may be non-recourse to Subordinated Creditor, and agree that (i) nothing in this Agreement shall be deemed to affect any such non-recourse nature of the Snake River Loan and (ii) any change in the characterization of all or any part of the Snake River Loan as non-recourse, limited recourse or recourse or similar characterization shall not be deemed a set off.

Borrower will not hereafter issue any instrument, security or other writing evidencing any part of the Subordinated Debt, and Subordinated Creditor will not receive any such writing or transfer or assign any of the Subordinated Debt, except upon the prior written approval of the Required Holders or in connection with a transfer of the Subordinated Debt as permitted under paragraph (e) below.

Neither Subordinated Creditor nor any receiver, trustee or other Person succeeding to the assets of Subordinated Creditor shall transfer or assign any of the Subordinated Debt, or any interest therein, to any person (other than the Collateral Agent for the benefit of the Senior Debt Holders), unless such transferee shall have executed and delivered to the Collateral Agent and each Senior Debt Holder its assumption of the due and punctual performance and observance of each covenant, condition and provision of this Agreement.

{PRIVATE }FINANCIAL MATTERS{TC \L 1 " FINANCIAL MATTERS"}.

Subordinated Creditor has established adequate and independent means of obtaining from Borrower on a continuing basis financial and other information pertaining to the financial condition of Borrower. Subordinated Creditor agrees that no Senior Debt Holder shall have any obligation to disclose to Subordinated Creditor information or material acquired by such Senior Debt Holder in the course of its relationship with Borrower. Subordinated Creditor understands that there may be various agreements among the Collateral Agent, the Senior Debt Holders and Borrower evidencing and governing the Senior Debt and Subordinated Creditor acknowledges and agrees that such agreements are not intended to confer any benefits on Subordinated Creditor and that no Senior Debt Holder shall have any obligation to Subordinated Creditor or any other Person to exercise any rights, enforce any remedies, or take any actions which may be available to it under such agreements.

{PRIVATE }RELIANCE{TC \L 1 " RELIANCE"}. Subordinated Creditor

understands that in reliance upon the terms and provisions of this Agreement, specific monetary and other obligations are being entered into and will be entered into by the Senior Debt Holders that would not be made or entered into but for reliance on this Agreement. Subordinated Creditor further understands that this Agreement constitutes a continuing offer to all persons who become holders of, or continue to hold Senior Debt (whether such Senior Debt was created or acquired before or after the date of this Agreement).

{PRIVATE }AMENDMENTS, ETC.{TC \L 1 " AMENDMENTS, ETC."} No

amendment or waiver of any provision of this Agreement nor consent to any departure by Subordinated Creditor or Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by each Senior Debt Holder and Subordinated Creditor, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

{PRIVATE }ENTIRE AGREEMENT{TC \L 1 " ENTIRE AGREEMENT"}. This

Agreement constitutes and expresses the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements and understandings, whether express or implied or oral or written. If there is any conflict between the terms hereof and the terms of any other documents executed in connection with the Note Agreement, the terms of such documents shall be read together so as to provide the Senior Debt Holders with the broadest possible range of rights and remedies.

{PRIVATE }NOTICES{TC \L 1 " NOTICES"}. All notices, requests,

demands and other communications required or permitted under this Agreement or by law shall be in writing and shall be deemed to have been duly given, made and received only when delivered against receipt or actually received by the noticed party at the address set forth on the signature pages hereof. Any addressee may change the address to which communications are to be sent by giving notice of such change in accordance with the provisions of this Section 15.

{PRIVATE }EXPENSES{TC \L 1 " EXPENSES"}. Borrower agrees to pay,

upon demand, to the Collateral Agent and the Senior Debt Holders the amount of any and all reasonable expenses, including the reasonable fees and expenses of their respective counsel, which the Collateral Agent or the Senior Debt Holders may incur in connection with the exercise or enforcement of any of their rights or interests hereunder.

{PRIVATE } NO WAIVER{TC \L 1 " NO WAIVER"}. No course of dealing

by the Collateral Agent or any holder of Senior Debt, nor any failure on the part of the Collateral Agent or any Senior Debt Holder to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law. No Senior Debt Holder shall be prejudiced in its right to enforce subordination of the Subordinated Debt by any act or failure to act by Borrower, Subordinated Creditor or anyone in custody of Borrower's assets or property.

{PRIVATE } VALIDITY OF SUBORDINATED DEBT AND SENIOR DEBT{TC \L 1 "

VALIDITY OF SUBORDINATED DEBT AND SENIOR DEBT"}.

The provisions of this Agreement subordinating the Subordinated Debt are solely for the purpose of defining the relative rights of the Senior Debt Holders and Subordinated Creditor and shall not impair, as between Subordinated Creditor and Borrower, the obligation of Borrower, which is unconditional and absolute, to pay the Subordinated Debt in accordance with its terms, nor shall any such provisions, except as otherwise set forth in Section 2b or elsewhere in this Agreement, prevent Subordinated Creditor from exercising all remedies otherwise permitted by applicable law or under any instrument or agreement evidencing the Subordinated Debt upon default thereunder, subject to the rights of the Senior Debt Holders hereunder to receive cash, property or securities or any other Distribution of Assets otherwise payable or deliverable to Subordinated Creditor until the Senior Debt is paid in full.

This Agreement is effective notwithstanding any defect in the validity or enforceability of any instrument or document evidencing the Senior Debt.

{PRIVATE }TERMINATION{TC \L 1 " TERMINATION"}. This Agreement is a

continuing agreement and shall remain in full force and effect until ninety-one (91) days after payment in full of all Senior Debt. Neither the bankruptcy or dissolution of Subordinated Creditor shall effect a termination hereof. Subject to the limitation set forth in Section 7(i), any Senior Debt Holder may, without

notice to Subordinated Creditor, extend or continue credit and make other financial accommodations to or for the account of Borrower in reliance upon this Agreement.

{PRIVATE }SUCCESSORS{TC \L 1 " SUCCESSORS"}. Each of the provisions hereof shall be binding upon Subordinated Creditor and Subordinated Creditor's legal representatives, successors and assigns and shall inure to the benefit of the Senior Debt Holders, the Collateral Agent and their respective successors and assigns. Without limiting the generality of the foregoing, any Senior Debt Holder may assign or otherwise transfer the Senior Notes to any other person or entity in accordance with the Note Agreement, and such other person or entity shall thereupon become vested with all the rights in respect thereof granted to the Senior Debt Holders herein or otherwise.

{PRIVATE } COUNTERPARTS{TC \L 1 " COUNTERPARTS"}. This Agreement may be executed in one or more counterparts, and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

{PRIVATE }DUTIES OF SENIOR DEBT HOLDERS LIMITED{TC \L 1 " DUTIES OF SENIOR DEBT HOLDERS LIMITED"}. The rights granted to the Collateral Agent and Senior Debt Holders in this Agreement are solely for their protection and nothing herein contained imposes on any Senior Debt Holder any duties with respect to any property either of Borrower or of Subordinated Creditor heretofore or hereafter received by any Senior Debt Holder. No Senior Debt Holder has any duty to preserve rights against prior parties on any instrument or chattel paper received from Borrower or Subordinated Creditor as collateral security for the Senior Debt or any portion thereof.

{PRIVATE }ADDITIONAL DOCUMENTATION{TC \L 1 "ADDITIONAL DOCUMENTATION"}. Borrower and Subordinated Creditor shall execute and deliver to the Collateral Agent and any Senior Debt Holder such further instruments and shall take such further action as the Collateral Agent or any Senior Debt Holder may at any time reasonably request in order to carry out the provisions and intent of this Agreement.

{PRIVATE } SEVERABILITY{TC \L 1 " SEVERABILITY"}. The provisions of this Agreement are independent of and severable from each other. If any provision hereof shall for any reason be held invalid or unenforceable, it is the intent of the parties that such invalidity or unenforceability shall not affect the validity or enforceability of any other provision hereof, and that this Agreement shall be construed as if such invalid or unenforceable provision had never been contained herein.

{PRIVATE }WAIVER OF JURY TRIAL{TC \L 1 " WAIVER OF JURY TRIAL"}. SUBORDINATED CREDITOR, BORROWER AND EACH SENIOR DEBT HOLDER EACH HEREBY AGREE TO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT. The scope of this waiver is intended to be all-encompassing of any and all disputes that may be filed in any court and that relate to the subject matter of this transaction, including without limitation, contract claims, tort claims, breach of duty claims, and all other common law and statutory claims. Subordinated Creditor, Borrower and each Senior Debt Holder each acknowledges that this waiver is a material inducement to enter into a business relationship, that each has already relied on this waiver in entering into this Agreement and that each will continue to rely on the waiver in related future dealings. Subordinated Creditor, Borrower and each Senior Debt Holder each further warrant and represent that each has reviewed this waiver with legal counsel, and that each knowingly and voluntarily waives jury trial rights following consultation with legal counsel. THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING,

AND THE WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

{PRIVATE }GOVERNING LAW{TC \L 1 " GOVERNING LAW"}. It is expressly agreed that this Agreement and the rights and obligations and all other aspects hereof shall be deemed to be made under, shall be governed by, and shall be construed and enforced in accordance with the laws of the State of New York.

IN WITNESS WHEREOF, Subordinated Creditor and Borrower each has caused this Agreement to be duly executed and delivered for the benefit of the Senior Debt Holders by its officer thereunto duly authorized as of the date first above written.

SNAKE RIVER SUGAR COMPANY

By: _____

Name: _____

Title: _____

Notice Address:

Snake River Sugar Company
2427 Lincoln Avenue
P.O. Box 1520
Ogden, Utah 84402

VALHI, INC.

By: _____

Name: _____

Title: _____

Notice Address:

Valhi, Inc.
Three Lincoln Centre
5430 LBJ Freeway
Suite 1700
Dallas, Texas 75240-2697

Accepted this _____ day of
May, 1997:

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By:

Name:

Title:

Address:

c/o Prudential Capital Group - Corporate,
Four Embarcadero Center, Suite 2700
San Francisco, CA 94111

Accepted this _____ day of
May, 1997:

CONNECTICUT GENERAL LIFE INSURANCE COMPANY
By CIGNA Investments, Inc.

By:

Name:

Title:

Address:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Private Securities Division - S-307
MS. MARY S. LAW
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Fax: 860-726-7203

LIFE INSURANCE COMPANY OF NORTH AMERICA
By CIGNA Investments, Inc.

By:

Name:

Title:

Address:

CIG & Co.
c/o CIGNA Investments, Inc.
Attention: Private Securities Division - S-307
MS. MARY S. LAW
900 Cottage Grove Road
Hartford, Connecticut 06152-2307
Fax: 860-726-7203

Accepted this _____ day of
May, 1997:

THE MINNESOTA MUTUAL LIFE INSURANCE COMPANY

By: MIMLIC Asset Management Company

By:

Name:

Title:

Address:

The Minnesota Mutual Life Insurance Company
900 Robert Street North
St. Paul, Minnesota 55101
Attention: MIMLIC Asset Management Company

Accepted this _____ day of
May, 1997:

FIRST SECURITY BANK,
NATIONAL ASSOCIATION, as Collateral Agent

By:

Name:

Title:

Address:

First Security Bank, National Association
79 South Main Street
Corporate Trust Department
Salt Lake City, Utah 84111

Accepted this _____ day of
May, 1997:

THE PRUDENTIAL INSURANCE
COMPANY OF AMERICA

By:

Name:

Title:

Address:

c/o Prudential Capital Group - Corporate,
Four Embarcadero Center, Suite 2700
San Francisco, CA 94111

OPTION AGREEMENT

This OPTION AGREEMENT is dated May 14, 1997 ("this Agreement"), by and among Snake River Sugar Company, an Oregon cooperative corporation (the "Company"), Valhi, Inc., a Delaware corporation ("Valhi") and the holder of the Company's 10.8% Senior Notes due 2009 (the "Senior Notes") whose name is set forth on the signature page of this Agreement (the "Noteholder").

RECITALS

In connection with Valhi's $80,000,000 subordinated loan to the Company pursuant to the terms of a Loan Agreement, as amended and restated as of the date of this Agreement, between Valhi and the Company (the "Loan Agreement"), and the Noteholder's acquisition of certain Senior Notes from the Company pursuant to the terms of a Note Purchase Agreement dated as of the date of this Agreement between Noteholder and the Company (the "Note Purchase Agreement"), the Noteholder has agreed to grant Valhi the right to acquire the Senior Notes owned or held by Noteholder (the "Option Notes"), pursuant to and on the terms and conditions set forth in this Agreement. This Agreement is a condition to the effectiveness of each of the Note Purchase Agreement and the Loan Agreement.

Now, therefor, in consideration of the foregoing and for other good and sufficient consideration, receipt of which is hereby acknowledged, the parties agree as follows:

1. Grant of Option. The Noteholder hereby grants to Valhi an irrevocable option (the "Option") to purchase all but not less than all of the Option Notes (including any principal, interest or other amounts owing to Noteholder from the Company in respect of the Option Notes). The exercise price of the Option (the "Exercise Price") shall be an amount in cash equal to the sum of (i) the principal outstanding on Option Notes, (ii) all accrued interest on Option Notes, and (iii) the applicable Make Whole Amount (as defined in the Note Purchase Agreement), in each case as of the closing referred to in Section 3.

2. Exercise of Option. The Option may be exercised by Valhi in whole and not in part at any time after the date of this Agreement, subject to the condition that, prior to or concurrently with such exercise, Valhi acquire all other Senior Notes issued by the Company pursuant to the note purchase agreements dated as of the date of this Agreement. If Valhi wishes to exercise the Option, Valhi shall send a written notice to Noteholder specifying the Exercise Price and the place, date and time (but not earlier than 10 Business Days (as defined in the Note Purchase Agreement) from the date such notice is given) for the closing of such purchase. The parties' obligations in connection with the exercise of the Option are subject to compliance with applicable legal requirements. Upon request of Valhi, the Company shall promptly take all action required to effect the exercise of the Option (including certifying to Valhi, upon request, information concerning the outstanding principal, accrued interest and applicable Make Whole Amount of the Option Notes, any defaults or events of default under the Senior Notes and any other information requested).

3. Closing of the Option and Transfer of the Option Notes. At the closing of the exercise of the Option pursuant to this Agreement, Noteholder shall deliver to the Company the Option Notes, in proper form for transfer, and the Company will issue a new Senior Note to Valhi in the principal amount of the Senior Note being purchased. At such closing, Valhi will purchase and pay for the Option Notes being purchased from Noteholder by wire transfer to the Noteholder of cash in an amount equal to the Exercise Price.

4. Representations and Warranties of Valhi. Valhi represents and warrants to Noteholder that (a) Valhi is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has

the requisite corporate power to enter into and perform this Agreement; (b) this Agreement has been duly authorized by all necessary corporate action on the part of Valhi; (c) Valhi is not subject to or obligated under any provision of (i) its Certificate of Incorporation or By-Laws, (ii) any contract, (iii) any license, franchise or permit or (iv) any law, regulation, order, judgment or decree, which would be breached or violated by its execution, delivery and performance of this Agreement and the consummation by it of the transactions contemplated hereby, other than any such breaches or violations which will not, individually or in the aggregate, have a material adverse effect on the consummation of the transactions contemplated hereby, and (d) any acquisition of the Option Notes pursuant to the terms and conditions of this Agreement shall be for Valhi's own account and not with a view to distribution of the Option Notes. No authorization, consent or approval of, or filing with, any public body, court or authority is necessary for the execution, delivery and performance by Valhi of the transactions contemplated by this Agreement, except for such authorizations, consents, approvals and filings as to which the failure to obtain or make would not, individually or in the aggregate, have a material adverse effect on the consummation of the transactions contemplated by this Agreement.

5. Representations and Warranties of Noteholder. Noteholder

represents and warrants to Valhi that (a) Noteholder is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation and has the requisite corporate power to enter into and perform this Agreement; (b) this Agreement has been duly authorized by all necessary corporate action on the part of Noteholder; (c) Noteholder is not subject to or obligated under any provision of (i) its charter or bylaws, (ii) any contract, (iii) any license, franchise or permit or (iv) any law, regulation, order, judgment or decree, which would be breached or violated by its execution, delivery and performance of this Agreement and the consummation by it of the transactions contemplated hereby, other than any such breaches or violations which will not, individually or in the aggregate, have a material adverse effect on the consummation of the transactions contemplated hereby; and (d) when the Option Notes are delivered by Noteholder to Valhi upon exercise of the Option and payment of the Exercise Price, Noteholder will deliver good, legal and valid title in and to the Option Notes, free and clear of any claims, liens, encumbrances, security interests and charges of any nature whatsoever (other than any such claims, liens, encumbrances, security interests and charges created by Valhi). As of the date of this Agreement, no authorization, consent or approval of, or filing with, any public body, court or authority is necessary for the execution, delivery and performance by Noteholder this Agreement, except for such authorizations, consents, approvals and filings as to which the failure to obtain or make would not, individually or in the aggregate, have a material adverse effect on the consummation of the transactions contemplated by this Agreement.

6. Legend. Upon execution of this Agreement, the Company and

Noteholder shall place the following legend in a conspicuous place on the Option Notes:

"This Note is subject to the terms and conditions of that certain Option Agreement dated May 14, 1997, by and between the issuer, Valhi, Inc. and the holder of this Note."

7. Amendment; Assignment. This Agreement may not be modified,

amended, altered or supplemented except by a writing signed by Valhi and Noteholder. Each of the provisions of this Agreement shall be binding upon Noteholder and its successors and assigns. Valhi may not assign any of its rights or obligations under this Agreement (other than to any affiliate of Valhi) without the prior written consent of Noteholder.

8. Notices. All notices, requests, claims, demands and other

communications hereunder shall be in writing and shall be given (and, except as otherwise provided in this Agreement, shall be deemed to have been duly given if

so given) if delivered in person, by cable, telegram, facsimile, or sent by registered or certified mail (postage prepaid, return receipt requested) to the respective parties as follows:

If to Noteholder (at the address specified on Schedule I to this Agreement)

If to Valhi:
Valhi, Inc.
Three Lincoln Centre, Suite 1700,
5430 LBJ Freeway,
Dallas, Texas 75240
Attn: General Counsel

If to the Company:
Snake River Sugar Company
2427 Lincoln Avenue
PO Box 1520
Ogden, Utah 84402
Attn: General Counsel

or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall only be effective upon receipt.

9. Counterparts. This Agreement may be executed in two or more

counterparts, each of which shall be deemed to be an original, but each of which together shall constitute one and the same document.

10. Governing Law. This Agreement shall be governed by and construed

in accordance with the internal laws of the State of New York, without giving effect to the principles of conflicts of laws thereof.

11. Binding Effect. This Agreement shall be binding upon, inure to

the benefit of, and be enforceable by the heirs, personal representatives, successors and assigns of the parties hereto. Nothing expressed or referred to in this Agreement is intended or shall be construed to give any person other than the parties to this Agreement, or their respective heirs, personal representatives, successors or assigns, any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision contained herein.

12. Entire Agreement. This Agreement constitutes the entire

agreement between the parties hereto with respect to the subject matter hereof.

13. Termination. This Agreement shall terminate upon the repayment

in full of the Option Notes.

14. Severability. If any term, provision, covenant or restriction of

this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

15. Further Assurances. The parties will execute and deliver such

documents and take such action reasonably deemed necessary or desirable to more effectively complete and evidence the sale and transfer of the Option Notes pursuant to this Agreement.

16. Miscellaneous. The headings contained in this Agreement are for

reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement. References to Sections, subsections and

clauses refer to Sections, subsections and clauses of this Agreement unless otherwise stated.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the day and year first above written.

Valhi, Inc.

By: _____
Steven L. Watson, Vice President

The Prudential Insurance Company of America

By: _____
Jeffrey L. Dickson, Senior Vice President

Snake River Sugar Company

By: _____
Its:_____

Schedule I - Address of Noteholder

The Prudential Insurance Company of America
c/o Prudential Capital Group
Four Embarcadero Center
Suite 2700
San Francisco, California 94111
Attn: James F. Evert, Assistant General Counsel

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the day and year first above written.

Valhi, Inc.

By: _____
Steven L. Watson, Vice President

Connecticut General Life Insurance Company
By CIGNA Investments, Inc.

By:_____
Name:_____
Title: _____

Snake River Sugar Company

By: _____
Allan M. Lipman, Jr., President

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the day and year first above written.

Valhi, Inc.

By: _____
Steven L. Watson, Vice President

Life Insurance Company of North America
By CIGNA Investments, Inc.

By:_____
Name:_____
Title: _____

Snake River Sugar Company

By: _____
Allan M. Lipman, Jr., President

Schedule I - Address of Noteholder

CIGNA Investments, Inc.
900 Cottage Grove Road
Hartford, CT 06152-2307
Attn: Private Securities Division - S-307
Ms. Mary S. Law

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed on the day and year first above written.

Valhi, Inc.

By: _____
Steven L. Watson, Vice President

The Minnesota Mutual Life Insurance Company
By: MIMLIC Asset Management Company

By:_____
Name:_____
Title: _____

Snake River Sugar Company

By: _____
Allan M. Lipman, Jr., President

Schedule I - Address of Noteholder

MIMLIC Asset Management Company
400 Robert Street North, #1000
St. Paul, Minnesota 55101
Attn: Ron Sandquist

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM VALHI, INC.'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH CONSOLIDATED FINANCIAL STATEMENTS.
</LEGEND>

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<RECEIVABLES>		187,234
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<INVENTORY>		200,108
<CURRENT-ASSETS>		957,967
<PP&E>		682,153
<DEPRECIATION>		116,481
<TOTAL-ASSETS>		2,341,741
<CURRENT-LIABILITIES>		439,875
<BONDS>		1,057,585
<PREFERRED-MANDATORY>		0
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<COMMON>		1,252
<OTHER-SE>		381,496
<TOTAL-LIABILITY-AND-EQUITY>		2,341,741
<SALES>		545,526
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<CGS>		417,031
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<INTEREST-EXPENSE>		61,273
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<DISCONTINUED>		35,413
<EXTRAORDINARY>		(394)
<CHANGES>		0
<NET-INCOME>		14,515
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